




## COST CONTAINMENT POLICY

<b>Policy Number</b>	<b>F007</b>
<b>Policy Type &amp; Category</b>	<b>Finance</b>
<b>Commencement Date</b>	<b>19 February 2026</b>
<b>Initial Approval Date</b>	<b>19 February 2026</b>
<b>Last Approval Date</b>	<b>New</b>
<b>Review Date</b>	<b>19 February 2027</b>
<b>Responsible Manager</b>	<b>Chief Executive Officer</b>

 H.T.

## DISCLAIMER

This Cost Containment Policy has been prepared by the Port St Johns Development Agency SOC LTD for its own purposes. While the Agency believes that this policy may be of assistance to you, it is provided on the understanding that you will not rely on it without first conducting your own enquiries and obtaining professional advice appropriate to your specific circumstances. The Agency accepts no responsibility for any loss or damage that may arise from reliance on this document or any part of it.

Agency expressly disclaims all liability (including but not limited to liability for negligence) for errors or omissions of any kind or for any loss (including direct and indirect losses), damage or other consequence which may arise from your reliance on the information contained in this Cost Containment Policy.

This policy has been prepared on the understanding that Agency is not, through the issuance of this policy, engaging in rendering to you any legal advice or other professional service. Recipients are encouraged to seek their own professional advice prior to relying on any of the information contained in this policy.

CS

H.T.

**Table of Contents**

Disclaimer.....2

1. INTRODUCTION.....4

2. SCOPE OF POLICY.....4

3. OBJECTIVES.....4

4. LEGISLATIVE FRAMEWORK.....4

5. COPENSATION OF EMPLOYEES.....5

    5.1 Filling of all non-core posts.....5

    5.2 Termination of ex-employees on the system.....5

    5.3 Overtime.....5

6. AIR TRANSPORT COST.....5

7. USE OF VEHICLES.....6

8. DOMESTIC ACCOMMODATION.....6

9. SPONSORSHIP EVENT AND CATERING.....6

10. USE OF CONSULTANTS.....6-7

11. CREDIT CARDS.....8

12. CONFERENCES, MEETINGS AND STUDY TOURS.....8

13. COMMUNICATION.....10

14. ENFORCEMENT.....10

15. COMMENCEMENT.....10

88 H.T.

## 1. INTRODUCTION

The Agency relies entirely on grant funding from its parent municipality. However, this funding is primarily allocated to cover operational expenses, which constrains the Agency's ability to fully deliver on its mandate. To address this limitation and enhance overall efficiency, the Agency must adopt proactive measures aimed at minimizing unnecessary expenditure and identifying sustainable cost-saving opportunities.

## 2. SCOPE OF THE POLICY

This policy will apply to all:

- a) Port St Johns Development Agency Directors; and
- b) Port St Johns Development Agency employees.

## 3. OBJECTIVES

The objectives of this policy are to:

- I. Provide a framework for the budget prioritization approach and implementation of cost reduction measures to free monies from non-core items to address key service delivery mandate.
- II. To ensure that the expenditure of the Entity is managed efficiently and effectively.

## 4. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with:

- a) Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) (as amended),
- b) MFMA Circular No. 82 (as amended);
- c) Municipal Cost Containment Regulations: Gazette no 42514, June 2019 (as amended),
- d) Municipal Systems Act 32 of 2000 (as amended),
- e) Companies Act 71 Of 2008 (as amended),
- f) Applicable Agency Policies

Accommodation



## 5. COMPENSATION OF EMPLOYEES

### 5.1 Filling of all non-core posts

- I. The Board of Directors and the Accounting Officer will determine which posts to classify as core and critical and will proceed with the appointment of such within the given budget allocations.
- II. Only funded posts should be advertised after approval by the Board of directors.
- III. Advertising of unfunded posts will constitute an irregular expenditure.

### 5.2 Termination of former employees on the system

- I. The termination of employees shall be implemented timeously on the Payroll System.
- II. The termination of former employees shall be done within thirty days.

### 5.3 Overtime

- I. The Entity shall consider providing additional time-off in lieu of payment for overtime worked.
- II. Planned overtime shall be submitted to the supervisor for consideration.
- III. Approval of working overtime should be obtained from the Accounting Officer.

## 6. AIR TRANSPORT COST

- I. Only economy class shall be used by officials and Board of Directors. Approval must be given by the Accounting Officer or a delegated official.
- II. The approval of the travel must be accompanied by the invitation in the case of an invitation-based meeting.
- III. The Accounting Officer may approve the purchase of business class tickets for officials and Board of Directors where the flying time exceeds five hours, and where an official has a disability or a medically certified condition.
- IV. In the case of the Accounting Officer, the Chairperson of the Board or a delegated official may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.
- V. International travel shall be limited to only official meetings and events considered critical and approved by the Board of Directors unless funded by the external parties.

SS

H.T.

**7. USE OF VEHICLES**

- I. Fleet vehicles will only travel on Mondays to Fridays unless approved by the Accounting Officer or a delegated official.
- II. The Agency's fleet vehicles shall be operated only by the Agency driver or by duly authorized personnel.
- III. An official or Board Member of the Entity must -
  - a) utilize the Entity's fleet/own vehicle, where viable, before incurring costs to hire vehicles
  - b) not hire vehicles from a category higher than Group B or an equivalent class; and
  - c) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the Accounting Officer before hiring the vehicle.

**8. DOMESTIC ACCOMODATION**

- I. Costs shall only be incurred for domestic accommodation and meals in accordance with the allowable rates for domestic accommodation and meals as approved by South African Revenue Services (SARS) from year to year.
- II. Overnight accommodation may only be booked where the return trip exceeds 200 kilometers and must be approved by the Accounting Officer.
- III. Accommodation may not exceed R1 800 for standard room and R2 500 for executive room. Where it is more than the threshold approval from the Accounting Officer is required.

**Approved Allowable Rates for Domestic Accommodation-and-Meals by Treasury:**

Vouchers Includes	Band 1	Band 2	Band 3
	Room Only Tourism Levy  VAT	Room & Breakfast Tourism Levy  VAT	Room, Breakfast & Dinner Tourism Levy  VAT 2x non-alcoholic beverages at dinner
<b>Graded Hotel or Boutique Hotel</b>			
1 Star	R630	R780	R1 000
2 Star	R980	R1 120	R1 350
3 Star	R1 190	R1 310	R1 530

*88 H.T.*

4 Star	R1 360	R1 470	R1 700
5 Star	R2 280	R2 401	R2 740
<b>Graded Bed &amp; Breakfast, Country House or Guest House</b>			
1 Star	R350	R530	R740
2 Star	R540	R710	R920
3 Star	R980	R1 150	R1 350
4 Star	R1 090	R1 260	R1 460
5 Star	R1 300	R1 480	R1 680
<b>Graded Self-Catering</b>			
	<b>Band 1</b>	<b>Band 2</b>	<b>Band 3</b>
1 Star	R630		
2 Star	R980		
3 Star	R1 190		
4 Star	R1 360		
5 Star	R1 570		
<b>Maximum for Meals</b>			
Breakfast		R 120	
Lunch		R 170	
Dinner		R 190	
Maximum		R 480	

## 9. SPONSORSHIP EVENT AND CATERING

- I. No catering expenses shall be incurred for meetings which are only attended by people in the employ of the Entity, unless the prior written approval of the Accounting Officer is obtained.
- II. The Entity may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of the Entity that exceed five hours. Or where attendees traveled in excess of 100km+s to attend.

88

H.T.

- III. Social events, team building exercises, year-end functions and sporting events and budget vote dinners are not to be financed from the Entity's budgets or by any suppliers or sponsors.
- IV. The Entity may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- V. Expenditure not exceeding the limits for petty cash usage may be incurred to host farewell functions in recognition of officials who retire after serving the Entity from ten (10) years or more or retire on grounds of ill health.
- VI. A Municipal entity may not incur expenses on alcoholic beverages unless the Municipality or Municipal Entity recovers the cost from the sale of such beverages

#### **10. USE OF CONSULTANTS**

- (1) A municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time or contract employment to perform the function.
- (2) An accounting officer must adopt a fair and reasonable remuneration framework for consultants considering the rates -
  - (a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa ", issued by the South African Institute of Chartered Accountants.
  - (b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
  - (c) as prescribed by the body regulating the profession of the consultant.
- (3) The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub - regulation (2).
- (4) When negotiating cost -effective consultancy rates for international consultants, the accounting officer may consider the relevant international and market-determined rates.

#### **Appointment process**

Consultants must be appointed in accordance with relevant procurement processes and any applicable legislation



**When consultants are appointed, an accounting officer must -**

- (a) appoint consultants on a time and cost basis with specific start and end dates;
- (b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;
- (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements.

**Ensure the transfer of skills and capacity building by consultants to the relevant officials of a municipal entity;**

undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and

1. Develop consultancy reduction plans to reduce the reliance on consultants.
2. All contracts with consultants must include a fee retention or penalty clause for poor performance.
3. municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

**General retention clause**

All contracts with consultants must include a retention fee or penalty clause for poor performance which must outline —

- (a) a minimum of 25 percent of the payment, which will be retained; or
- (b) a penalty to be charged at 10 percent of the contract price based on the SARS rates.

**11. CREDIT CARDS**

The accounting officer must ensure that there is no credit card or debit card -

- (a) Linked to a bank account of the municipal entity or
- (b) In the name of the municipal entity ; is

Issued to any official including members of the board of directors of the municipal entity.

**12. CONFERENCE, MEETINGS AND STUDY TOURS**

- I. Meetings and planning sessions that entail the use of Entity funds shall, as far as may be practically possible, be held in-house.
- II. Entity or Municipal facilities must be utilised for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- III. An Accounting Officer or a delegated official must grant the approval for officials and in the case of the Accounting Officer, the Board Chairperson, for applications to attend conferences or events within and outside the borders of South Africa.

**13. COMMUNICATION**

- I. A municipality or municipal entity may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- II. An accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality or municipal entity.
- III. Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes a where unavailable in electronic format.
- IV. A municipality or municipal entity may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services

**14. ENFORCEMENT**

Failure to implement or comply with this policy may result in a person that authorised or incurred any expenditure contrary to this policy being held liable for financial misconduct.

**15 . REVIEW AND COMMENCEMENT**

The policy takes effect on .....

**16. APPROVAL AND SIGNATURES**

Chief Executive Officer

  
\_\_\_\_\_  
Signature

19 January 2026  
Date

Board Chairperson

  
\_\_\_\_\_  
Signature

19/01/2026  
Date