

**BUDGET AND TREASURY OFFICE: MUNICIPAL COST CONTAINMENT MEASURES: 30 SEPTEMBER 2024**

**5/1**

**PURPOSE**

The purpose of this report is to provide feedback to the Council on the Municipal Cost Containment Measures (MCCR).

**INTRODUCTION**

In July 2019 the National Treasury communicated MFMA Circular No. 97 where it was indicated that the Local Government: Municipal Cost Containment Regulations (MCCR), were promulgated on 7 September 2019, and came into effect on 1 July 2019. The circular confirms and clarifies the process followed to promulgate the MCCR, provides more information to municipalities and municipal entities to assist with implementation. The cost containment measures was also reviewed by National Treasury in terms of Circular 02 of 2023.

Sections 62(1)(a) and 95(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality or municipal entity is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently, and economically.

In terms of the legal framework, the key principles being promoted are that elected councils and accounting officers are required to institute appropriate measures to ensure that the limited resources and public funds are prudently utilized to ensure value for money is achieved. This will necessitate council policies to be aligned with the spirit and intent of the regulations, promoting the concept of cost vs benefits at all levels in the municipality and municipal entities, and to ensure that such savings can be better utilized towards improvements in service delivery.

The circular will assist municipalities and municipal entities to implement cost containment measures in an effort to address the impact of the country's economic challenges and to promote growth, address unemployment and equality, amongst others, consistent with the MCCR.

## **BACKGROUND**

In 2019, the WRDM Council approved the Cost Containment Policy as part of the budget related policies. The objective of the Cost Containment Policy is to ensure that the resources of the municipality are used effectively, efficiently and economically.

The WRDM is currently experiencing financial difficulties hence the implementation of Financial Recovery Plan, Funding Plan and Cost Containment policy.

Below is a table indicating the financial performance:

### **West Rand District Municipality - Financial performance Summary**

<b>Description</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Budget information</b>	
	<b>Audited Outcome</b>	<b>Unaudited Outcome</b>	<b>Adjusted Budget 2024/25</b>	<b>YTD Actual 2024/25</b>
<b>R' 000</b>				
<b><u>Financial Performance</u></b>				
Total Revenue (Collected)	304 308	358 955	407 425	112,132
Total expenditure	(315 279)	(356 941)	(418 604)	(75,121)
<b>Surplus/ (Deficit)</b>	<b>(10 971)</b>	<b>2 013</b>	<b>(11 180)</b>	<b>37,125</b>
<b><u>Financial analysis</u></b>				
Grant funding (Including capital grants)	296 122	347 458	355 710	140,320
Percentage of grants	98%	97%	87%	42%
Employee related cost	209 338	214 867	232 156	57,593
Contracted services	46 286	74 084	87 452	1,534
Percentage of Employee related cost	66%	60%	55%	23%
Percentage of Contracted services	15%	21%	21%	1%

***CLARIFICATION OF SPECIFIC PROVISIONS WITHIN THE MCCR  
(Annexure A)***

***Use of Consultants***

The MCCR does not prohibit the use of consultants but requires municipalities to assess the need thereof against the available internal capacity of the specific services.

The following consultants have been appointed:

<b>Company Name</b>	<b>Description</b>	<b>Amount invoiced R' thousand</b>	<b>Total Invoiced To date R' thousands</b>
RCA & Company	Asset verification	R 0.00	R 203 478
Max Prof	VAT services	R0.00	R0.00
<b>Total</b>			<b>R 203 478</b>

During the 2022 Financial Year the municipality had appointed RCA & Company to perform useful life assessment and impairment testing on assets with R1 values in compliance with GRAP 17 Accounting framework. The contract for VAT recovery services lapsed in September 2023 and it was not renewed. The VAT returns are currently performed in-house.

***Vehicles used for political office –bearers***

No new vehicles were purchased during the quarter under review. The municipality will not purchase vehicles until the current vehicles reaches their useful life in terms of the applicable policy framework.

***Travel and Subsistence***

The cost containment policy is aimed to limit international travels to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

The trend of using the virtual platforms for conducting meetings and conferences has significantly declined and have reverted back to physical gatherings which have increased the travel and subsistence expenditure. Total expenditure incurred for the quarter under review amounts to R122 137.

***Air Travel and Domestic Accommodation***

Expenditure incurred in the first quarter amounts to R80 380. The MM travelled to Durban in August 2024 and was booked the accommodation. ED: Corporate services travelled to Sun City for a conference and was booked the accommodation. The Exec Mayor and Speaker travelled to Polokwane for SALGA conference and were booked accommodation.

### ***Credit Cards***

The Circular stipulates that the use of petrol cards or garage cards for municipal vehicles is permitted, however it must be utilized in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

As a cost containment strategy WRDM is using fuel cards obtained from the primary banker (Standard bank), and to date fuel expenditure amounted to R300 000. The municipality is presently implementing the fleet management policy to avoid misuse thereof.

### ***Sponsorships, events and catering***

Expenditure spent to date incurred by Health and social services department in catering for HIV/AIDS programmes, events and attend HIV/ AIDS awareness programmes that are funded by the HIV/Aids subsidy.

### ***Communication***

Regulation 11 of the MCCR does not prohibit the publication in newspapers as there are legislative provisions that require municipalities and municipal entities to advertise certain processes in newspapers, the municipality incurred a total year to date expenditure of R70 658. The year to date expenditure relates to communication, advertising of tenders and staff recruitment.

### ***RECOMMENDATIONS THAT:***

1. The Council takes note of the report regarding the Cost Containment Measures.