

BUDGET AND TREASURY OFFICE: MUNICIPAL COST CONTAINMENT MEASURES FOR THE QUARTER ENDED 31 DECEMBER 2024

5/1

PURPOSE

The purpose of this report is to provide feedback to 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

Description R' 000	2022/23	2023/24	Budget information	
	Audited Outcome	Audited Outcome	Approved Budget 2024/25	YTD Actual 2024/25
Financial Performance				
Total Revenue (Collected)	304 308	358 955	397,322	233,376
Total expenditure	(315 279)	(356 941)	(397,321)	(174,106)
Surplus/ (Deficit)	(10 971)	2 013	1	49,271
Financial analysis				
Grant funding (Including capital grants)	296 122	347 458	333,519	222,259
Percentage of grants (against YTD total actual revenue collected)	98%	97%	84%	95%
Employee related cost	209 338	214 867	238,454	112,530
Contracted services	46 286	74 084	73,056	23,567
Percentage of Employee related cost (against YTD total actual expenditure)	66%	60%	60%	65%
Percentage of Contracted services (against YTD total actual expenditure)	15%	21%	18%	14%

***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:

Company Name	Description	Amount invoiced R' thousand	Total Invoiced To date R' thousands
RCA & Company	Asset verification	R 0.00	R 180 000
Total			R 180 000

The municipality did not incur any expenditure relates to external consultant as at end of December 2024. The VAT returns that was previously provided by consultant is currently performed in-house by a recently qualified staff member from finance department.

The asset verification was also performed in-house. The service provider was only appointed to perform a useful life assessment and impairment testing on assets with R1 values in compliance with GRAP 17 Accounting framework as it requires experts and professional opinion. The expenditure has only incurred in the previous quarter.

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 to date quarter under review amounts to R90,240.

Air Travel and Domestic Accommodation

There was no expenditure incurred for the quarter under review o air travel and domestic 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 R900 000 from the budgeted amount of R1 827 000.00. 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 R131 562. The year to date expenditure relates to communication, advertising of tenders and staff recruitment.

RECOMMENDATIONS THAT:

1. Council takes note of the report regarding the Cost Containment Measures for the quarter ended 31 December 2024.