

BUDGET AND TREASURY OFFICE: MUNICIPAL COST CONTAINMENT MEASURES -30 JUNE 2024

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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

| Description | 2021/22 | 2022/23 | Budget information | |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| | Audited Outcome | Audited Outcome | Adjusted Budget 2023/24 | YTD Actual 2023/24 |
| R' 000 | | | | |
| <u>Financial Performance</u> | | | | |
| Total Revenue (Collected) | 255 490 | 304 308 | 407 425 | 352 742 |
| Total expenditure | (263 783) | (315 279) | (418 604) | (342 013) |
| Surplus/ (Deficit) | (8 293) | (10 971) | (11 180) | 10 729 |
| <u>Financial analysis</u> | | | | |
| Grant funding (Including capital grants) | 249 737 | 296 122 | 355 710 | 345,015 |
| Percentage of grants | 98% | 98% | 87% | 98% |
| Employee related cost | 196 012 | 209 338 | 232 156 | 212 994 |
| Contracted services | 11 215 | 7 912 | 87 452 | 72 313 |
| Percentage of Employee related cost | 74% | 66% | 55% | 62% |
| Percentage of Contracted services | 4% | 3% | 21% | 21% |

***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 300 331 |
| Max Prof | VAT services | R0.00 | R 205 728 |
| Total | | | R 506 059 |

During the 2022 Financial Year the municipality had appointed RCA & Company for the verification of municipal assets to provide professional services on GRAP 17 compliance. The contract duration is two years ended in May 2024. The contracted service for VAT Services ended in September 2023 was not renewed, vat returns are currently done in-house.

Vehicles used for political office –bearers

No new vehicles will be purchased until the current vehicles reaches their useful life in terms of the applicable policy framework.

Travel and Subsistence

The cost containment policy must limit international travel 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 recent trend of the use of virtual platforms for conducting meetings and conferences, the travel and subsistence expenditure has declined significantly. There was no expenditure incurred for the quarter, the year to date expenditure amounts to R91 658.

Air Travel and Domestic Accommodation

No expenditure was incurred for the fourth quarter.

Credit Cards

The Circular stipulates that the use of petrol cards or garage cards for municipal vehicles is permitted, 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 bank (Standard bank), and to date fuel expenditure amounted to R1 536 632 with quarterly expenditure of R436 632. The municipality is presently implementing the fleet management policy to avoid misuse thereof.

Sponsorships, events and catering

The municipality incurred a total expenditure that amounts to R247 417 to date incurred by Health and social services department to cater for HIV/AIDS programmes, events and attend HIV/ AIDS awareness programmes that were funded by HIV/AIDS grant.

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 R 205 758. The year to date expenditure relates to communication, advertising of tenders and staff recruitment.

RECOMMENDATIONS THAT:

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