

ITEM 70 (105)*SEC 80: FIN, MC, WRDM***BUDGET AND TREASURY OFFICE: MUNICIPAL COST CONTAINMENT MEASURES****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 June 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.

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 utilised 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 utilised 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 as the expenditures (creditors) is extremely high.

Below is a table indicating the financial performance:

West Rand District Municipality - Financial performance Summary

Description	2019/2020	2020/2021	Budget information	
R thousands	Audited Outcome	Audited Outcome 2020/2021	Adjusted Budget 2021/2022	YTD Actual 2021/2022
<u>Financial Performance</u>				
Total Revenue	298,326	250,323	262,171	263,022
Total expenditure	(274,576)	(266,094)	(259,240)	(246,956)
Surplus/ (Deficit)	23,750	(15,771)	2,931	16,066
<u>Financial analysis</u>				
Grant funding	271,487	240,107	249,304	250,873
Percentage of grants	97%	96%	92%	100%
Employee related cost	(181,591)	(195,838)	(196,249)	(191,830)
Contracted services	(17,946)	(5,532)	(12,255)	(11,363)
Percentage of Employee related cost	67%	76%	78%	86%
Percentage of Contracted services	7%	2%	5%	4%
Unfunded mandates	67%	67%	61%	61%

CLARIFICATION OF SPECIFIC PROVISIONS WITHIN THE MCCR (Annexure A)

Use of Consultants

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

Other consultants include:

Asset verification, which is usually performed on an annual basis for the conditional assessment of the municipality's physical assets (Property, Plant & Equipment). The municipality paid R444 thousand from the conditional grant that was received from Provincial CoGTA to perform conditional assessment on fixed assets.

Initially for cost containment measures the municipality had thought it would be ideal to perform physical asset verification internally so as to limit the scope to those conditional assessments relating to the municipality's physical assets but due to the municipality not having internal capacity or experts in this field it was not viable to execute that idea.

The municipality would like to perform asset verification using internal capacity in the foreseeable future because this would result into an additional intrinsic value added to the municipality which is capacity building.

Vehicles used for political office –bearers

Instead of lease contracts which were previously used by the municipality for fleet purposes the municipality has since then opted to purchase municipal vehicles through a National Treasury Transversal contract. The contract includes vehicles for the Executive Mayor purchased for R487 450 and for the Speaker purchased for R290 956.

Since then the municipality managed to contain its fleet expenditure substantially as compared to previous financial years.

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.

Since the impact of COVID-19 restrictions resulting into mostly virtual meetings/interactions the trend has since continued and thus the overall effect resulted into cost reduction in travelling and subsistence expenses for the municipality.

Air Travel and Domestic Accommodation

Due to the fact that South Africa has been experiencing the Covid-19 epidemic, such travels and conferences have been limited. Therefore no travel and accommodation was paid.

Credit Cards

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

Fuel expenditure for the month ended 30 June 2022 amounted to R140,000, this amount includes prepaid fuel expenditure for the month of July 2022. The year to date expenditure amounted to R760,000 representing 95% of the allocated adjusted budget for the 2021/2022 financial year. The is using prepaid petrol cards not credit cards for petrol usage to cut additional bank charges.

The WRDM obtained fuel cards from the bankers (Messrs. FNB), and incurs average amount of R70 000 compared to R140 000 incurred previously through Afirent fleet management petrol cards. The municipality is presently implementing the fleet management policy to avoid misuse thereof.

Sponsorships, events and catering

The municipality has not incurred any expenditure in relation to sponsorships, events and catering during the quarter ended 30 June 2022.

However, it should be noted that the municipality facilitated a process where sponsored Wgifts were sourced from the public for matriculants that performed excellently in the 2021 academic year and also for the State of the District Address (SODA) that took place in the period under review without the municipality incurring any costs.

Communication

Regulation 11 of the MCCR do not prohibit the publication in newspapers as there are legislative provisions which require municipalities and municipal entities to advertise certain processes in newspapers.

Advertising costs for staff recruitment and tenders for the quarter ended 30 June 2022 amounted to R31,145 and year-to-date advertising expenditure amounts to R204,465 representing 100% of the adjusted budget allocation.

RECOMMENDATIONS THAT:

1. Council takes cognisance of the report regarding the Cost Containment Measures.