

BUDGET AND TREASURY OFFICE: MUNICIPAL COST CONTAINMENT MEASURES -30 SEPTEMBER 2022

5/1

PURPOSE

The purpose of this report is to provide feedback to the Section 80 Committee 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	2020/21	2021/22	Budget information	
	Audited Outcome	Pre-Audit Outcome	Original Budget 2022/23	YTD Actual 2022/23
R thousands				
<u>Financial Performance</u>				
Total Revenue	248 576	254 416	319 124	104 168
Total expenditure	(255 725)	(264 504)	(319 108)	(73 079)
Surplus/ (Deficit)	(7 149)	(10 088)	16	31 089
<u>Financial analysis</u>				
Grant funding(Including capital grants)	239 292	244 974	294 380	98 852
Percentage of grants	96%	96%	92%	94%
Employee related cost	195 838	196 012	211 367	53 967
Contracted services	5 531	11 064	11 358	1 567
Percentage of Employee related cost	77%	74%	66%	74%
Percentage of Contracted services	2%	4%	4%	2%

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
Max Prof	VAT consultants	R 257 797
RCA & Company	Asset verification	R 97 170

The municipality appointed Max Prof VAT consultants for the computation of vat returns for the District Municipality.

The RCA & Company has been appointed for the verification of municipal assets to provide with professional services on GRAP 17 compliant.

Vehicles used for political office –bearers

Ever since the municipality acquired fleet comprising of vehicles for the Executive Mayor and the Speaker the municipality has realized cost savings as compared to previous years where vehicles were being leased. The vehicles are in good condition and a budget has been allocated for repairs and maintenance as and when necessary. No new vehicles will be purchased for the current financial year.

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 travel and subsistence expenditure has declined significantly, therefore there has not been any expenditure in relation to thereof to date.

Air Travel and Domestic Accommodation

Conduction of meetings and seminars through virtual platforms had the same effect on air travel and domestic accommodation, however the municipality has spent R16 582 thousand to date in relation to air travel and domestic accommodation. The travel was for the attendance of the national conference by key political office bearers outside the province.

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.

As a cost containment strategy WRDM is using fuel cards obtained from the bankers (Messrs. FNB), and to date fuel expenditure amounted to R470 000 with an average amount of R150 000 per month. The municipality is presently implementing the fleet

management policy to avoid misuse thereof.

Sponsorships, events and catering

No expenditure occurred.

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.

WRDM advertised in local newspapers for auctioning of municipal assets and vacancies for critical managerial posts. Total advertising costs amounted to R99 432 thousand as at 30 September 2022.

RECOMMENDATIONS THAT:

1. Cognizance be taken of the report regarding the Cost Containment Measures.