

## ***ITEM***

### ***BUDGET AND TREASURY OFFICE: MUNICIPAL COST CONTAINMENT MEASURES -31 DECEMBER 2022***

***5/1***

#### ***PURPOSE***

The purpose of this report is to provide feedback to the Municipal 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 irresponsible 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 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>2020/21</b>	<b>2021/22</b>	<b>Budget information</b>	
	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Original Budget 2022/23</b>	<b>YTD Actual 2022/23</b>
<b>R' 000</b>				
<b><u>Financial Performance</u></b>				
Total Revenue	249 391	255 580	319 124	201 088
Total expenditure	(256 540)	(265 581)	(319 108)	(153 407)
<b>Surplus/ (Deficit)</b>	<b>(7 150)</b>	<b>(10 000)</b>	<b>16</b>	<b>47 682</b>
<b><u>Financial analysis</u></b>				
Grant funding(Including capital grants)	244 857	249 737	294 380	192 123
Percentage of grants	98%	97%	92%	95%
Employee related cost	195 838	196 012	211 367	106 061
Contracted services	5 532	11 064	11 358	3 299
Percentage of Employee related cost	76%	74%	66%	69%
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:

<b>Company Name</b>	<b>Description</b>	<b>Amount invoiced R' thousand</b>	<b>Total Invoiced To date R' thousands</b>
Max Prof	VAT consultants	R 195 142	R 452 939
RCA & Company	Asset verification	R 32 775	R 129 945

The municipality appointed Max Prof VAT consultants for the computation of vat returns for the District Municipality. The municipality recovered VAT amounting to R1 872 305 for quarter two (2).

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 R26 183.46 thousand to date in relation to air travel and domestic accommodation. The travel was for the attendance of the SALGA and CIGFARO national conferences by key political office bearers and key municipal personnel 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 R290 000 with an average amount of R97 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 tender documents and vacancies for critical managerial posts. Total advertising costs amounted to R82 687.29 thousand for quarter ending 31 December 2022.

***RECOMMENDATIONS THAT:***

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