

**IMPLEMENTATION OF THE MUNICIPAL COST CONTAINMENT REGULATIONS (MCCR) 2023/24 MTREF:
30 SEPTEMBER 2023 (7/1/1-2023/2024): BUDGET AND TREASURY OFFICE:**

Ref. No	: 7/1/1 (2023/24)
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1 st Level	: Finance Portfolio Committee
2 nd Level	: Municipal Public Accounts Committee
3 rd Level	: Executive Committee
4 th Level	: Council
5 th Level	: KZN Provincial Treasury

1. PURPOSE

The purpose for this report is to provide feedback on the implementation of the Municipal Cost Containment Regulations (MCCR) and policy.

2. LEGISLATIVE FRAMEWORK

The legislative framework which this report is prepared:

- Municipal Finance Management Act 56 of 2003 (MFMA)
- Cost Containment Policy
- National Treasury Circular 82 & 97

3. BACKGROUND

The council approved the 2023/2024 budget together with the Budget funding Plan which include strategies that the municipality will implement to ensure that the budget is funded by 2026/2027. The funding plan that was developed considered cost containment measures as a result the Section 71 and Section 52(d) became the basic document to measure if strategies for funding plan and objective for cost containment are implemented.

4. DISCUSSION

The following sections provides the approach of the municipality and status towards the implementation of the cost containment regulations and the policy.

4.1 Cost containment measures:

In response to the cost containment regulations, management has put the following measures in place to ensure containment and curtailment of unnecessary expenditure:

- (a) Establishment of the Finance Committee to scrutinise all requisitions and ensure effective and efficient cash-flow management.
- (b) Use of EPWP workers to minimise overtime in various departments.
- (c) Delay recruitment in new positions
- (d) Use of website and other online platforms for advertising purposes.

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- (e) Discourage the use of consultants for services on which the municipality has internal capacity.
- (f) Use of Microsoft Teams and other online platforms to attend workshops and meeting, with a view to reduce subsistence and travelling expenditure.
- (g) Implementation of the revenue-based budgeting model to ensure that expenditure appropriated into the budget is backed by available revenue.
- (h) No work or purchase order without budget confirmation. This will ensure that expenditure is only incurred where budget is available.
- (i) Configuration of the financial system to control monthly budget and prevent over-spending.
- (j) Engage financial institutions to restructure loans in line with the affordability level of the municipality.
- (k) Honouring of the Eskom debt in line with the affordability level of the municipality.
- (l) Adopted and in the process of implementing the budget funding plan.
- (m) Ensure expenditure on internally funded capital projects is kept at bear minimum.

4.2 Key expenditure drivers:

Based on the cost containment policy, the municipality has put measures to cut expenditure on the items below. Cognisance must be taken that these measures exclude the grant funded and non-cash expenditure items appropriated in the budget. Annexure D attached hereto provide the financial results of these items with a view to ascertain the effectiveness of the measures in place.

- (a) Use of consultants
- (b) Machinery and plant hire
- (c) Travelling and subsistence
- (d) Overtime
- (e) Domestic accommodation
- (f) Sponsorships, events, and catering
- (g) Communication
- (h) Other related expenditure

4.3 Year to date performance of key focus areas:

As reflected in Annexure D attached hereto, the municipality have been able to manage its expenditure very well, as some items were under-spent during the First Quarter of the financial year, Use of Consultants, Machinery & Plant Hire, Travel and subsistence, Domestic accommodation, Communication and Other related expenditure by R2 Million, R372 Thousands, R19 Thousands, R8 Thousands, R1.7 Million, R3 Million respectively, except for Overtime, Sponsorships, events and catering which was over-spent by R17 Thousands and R367 Thousands against the year-to-date budget. The overall performance of the municipality on the First Quarter shows an improvement status on the Cost Containment. The municipality have achieved the curbing of non-core expenditure. The under spending on these items has resulted on the limitation of unauthorised expenditure.

4.4 Year-on-year performance of key cost drivers:

As reflected in Annexure D attached hereto, the cost containment measures that are being implemented by the municipality seem to be effective when comparing the year-on-year performance on similar items, however there are those items that still require stringent measures to reduce the over performance. When comparing the year-to-date performance of the first quarter in 2023/24 and similar quarter in 2022/23, the municipality spent a total of R15.8 million lesser than the previous year's comparison. The Municipality still

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need to continue to enforce compliance with the policy with regards to all key focus areas during the financial year even though it reflected an under performance in the first quarter of the 2023/24 financial year.

5. CONCLUSIONS

The municipality needs to better implement the Cost Containment strategies in the current financial year as the Year-on-year analysis shows that the municipality did not achieve the curbing of the non-core expenditure as most items are overspent of the post financial year.

6. IMPLICATIONS

6.1. LEGAL IMPLICATIONS

Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality 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.

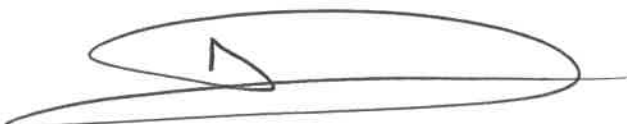
The Minister of Finance gazetted the Municipal Cost Containment Regulations (MCCR) which became effective to all municipalities on 01 July 2019. Municipalities were required to develop, align, and implement the Cost Containment policies in line with the regulations. Newcastle Municipalities has since complied with the above requirement and is in the process of implementing the policy.

7. RECOMMENDATIONS

7.1 That the council notes the submission of the Cost Containment for quarter ended 30 September 2023.

7.2 That Strategic Executive Directors enforce the implementation of the cost containment Policy.

Report seen by:



DX DUBE
PORTFOLIO COUNCILLOR
BUDGET AND TREASURY OFFICE



PHZ KUBHEKA
STRATEGIC EXECUTIVE DIRECTOR:
BUDGET AND TREASURY OFFICE

ANNEXURE D: FIRST QUARTER: COST CONTAINMENT REGULATIONS PERFORMANCE: 2023/24

Cost containment Measures	Budget 2023/2024	YTD Budget 2023/2024	YTD Actual 2023/2024	YTD Actual 2022/2023	Savings Q1 2023/24 vs Q1 2022/23	Variance 2023/2024
Items	R	R	R	R	R	R
Use of consultants	10 616 336	2 654 088	602 129	4 954 460	4 352 332	2 051 959
Machinery & Plant Hire	7 254 762	1 813 689	1 440 763	4 568 342	3 127 579	372 926
Travel and subsistence	941 017	235 254	215 716	179 257	(36 459)	19 538
Overtime	20 000 000	5 000 004	5 017 146	7 180 327	2 163 180	(17 142)
Domestic accommodation	196 867	49 224	40 608	31 617	(8 991)	8 616
Sponsorships, events and catering	4 596 656	1 149 168	1 505 384	2 127 008	621 624	(356 216)
Communication	12 206 019	3 051 504	1 343 102	2 192 040	848 938	1 708 402
Other related expenditure items	1 056 850 381	256 975 132	253 916 246	258 624 587	4 708 340	3 058 886
Total	1 112 662 038	270 928 063	264 081 094	279 857 637	15 776 543	6 846 969

Cost Containment Measures	Cost Containment In-Year Report					
	Budget 2023/24	Budget 2022/23	Total Expenditure 2023/24	Total Expenditure 2022/23	Savings 2023/24	Savings 2022/23
Items	R	R	R	R	R	R
Use of consultants	10 616 336	11 287 054	602 129	4 954 460	10 014 207	6 332 594
Machinery & Plant Hire	7 254 762	18 781 714	1 440 763	4 568 342	5 813 999	14 213 372
Travel and subsistence	941 017	1 313 170	215 716	179 257	725 301	1 133 913
Overtime	20 000 000	23 411 028	5 017 146	7 180 327	14 982 854	16 230 701
Domestic accommodation	196 867	131 736	40 608	31 617	156 259	100 119
Sponsorships, events and catering	4 596 656	6 333 304	1 505 384	2 127 008	3 091 272	4 206 296
Communication	12 206 019	12 492 444	1 343 102	2 192 040	10 862 917	10 300 404
Other related expenditure items	1 056 850 381	993 691 828	253 916 246	258 624 587	802 934 135	735 067 241
Total	1 112 662 038	1 067 442 278	264 081 094	279 857 637	848 580 944	787 584 641