



NEWCASTLE MUNICIPALITY KZN252

REPORT TO THE NEWCASTLE MUNICIPAL COUNCIL

IMPLEMENTATION OF THE MUNICIPAL COST CONTAINMENT REGULATIONS (MCCR) 2020/21 MTREF (T 6/1/1-2020/2021): BUDGET AND TREASURY OFFICE

File Reference:

T 6/1/1-2020/2021

Authors:

S.M Nkosi; M.S Ndlovu

Designation:

Budget and Financial Reporting

FOR CONSIDERATION

1 st Level:	PORTFOLIO COMMITTEE
2 nd Level:	EXECUTIVE COMMITTEE
3 rd Level:	COUNCIL
4 th Level:	MPAC

PRESENT

Councillor	S	A	Yende	:	Speaker
Councillor	L	L	Bosman		
Councillor	M	V	Buhali		
Councillor	S	B	Buthelezi		
Councillor	E	J	C	Cronje	
Councillor	T	J	C	Danisa	
Councillor	B	S		Dlamini	
Councillor	T	N		Dlamini	
Councillor	F	P		Gama	
Councillor	S	B		Hlatshwayo	
Councillor	A			Khoza	
Councillor	P	J		Khumalo	
Councillor	V	D		Kubeka	
Councillor	C	Y		Liu	
Councillor Dr	N	N	G	Mahlaba	: Mayor
Councillor	N	K		Majozi	
Councillor	R	N		Mdluli	
Councillor	A	P		Meiring	
Councillor	B	P	N	Mhlongo	
Councillor	S	G		Miya	
Councillor	H	N		Mkhwanazi	
Councillor	T	P		Mkhwanazi	
Councillor	S	W		Mngomezulu	
Councillor	N	G		Mnguni	
Councillor	A	S		Mokoena	
Councillor	M	V		Molefe	
Councillor	R	M		Molelekoa	: Deputy Mayor
Councillor	M	V		Mthembu	
Councillor	P	B		Mwali	
Councillor	V	P		Mzima	
Councillor	R	B		Ndim	
Councillor	S	S		Ndlangamandla	
Councillor	M	S		Ndlovu	
Councillor	P	F		Ndlovu	
Councillor	M	E		Ngcobo	
Councillor	B	C		Ngema	
Councillor	D	R		Ngema	
Councillor	D			Ngwenya	
Councillor	S	N		Nkosi	
Councillor	J	B		Nkwanazi	
Councillor	M	J		Ntshangase	
Councillor	S	E		Shabangu	
Councillor	M			Shunmugam	
Councillor	D	M		Sibilwane	(ii)
Councillor	L	T		Sikhosane	
Councillor	J	S		Sithole	
Councillor	N	H		Sitole	
Councillor	G	M	B	Thwala	
Councillor	L	G		Thwala	
Councillor Dr	J	A		Vorster	
Councillor	M	F		Zikhali	
Councillor	V	G		Zondo	
Councillor	N	S		Zulu	
Councillor	T	M		Zulu	
Councillor	S	Z		Zulu	
Councillor	N	A		Zwane	

ABSENT WITH APOLOGY

Councillor	V	V	Bam	:	other commitment
Councillor	D	X	Dube	:	other commitment
Councillor	V	F	Hadebe	:	other commitment
Councillor	F	A	Malinga	:	other commitment

ABSENT WITHOUT APOLOGY

Councillor	X	N	M	Dladla
Councillor	N	P		Dukashe
Councillor	B	V		Khumalo
Councillor	M	S		Mlangeni
Councillor	T	M		Ndaba
Councillor	S	J		Nhlapho
Councillor	T	M		Nzuza

TRADITIONAL LEADERS

Nkosi	B	S	Radebe	:	Present
Nkosi	B	D	Khumalo	:	Present

CM61 B(v) : MUNICIPAL COST CONTAINMENT REGULATIONS (MCCR) 2020/2021
MTREF: (BTO 6/1/1 - 2020/2021)

RESOLVED

- (a) That the report on the implementation of the Cost Containment Regulations (MCCR) for the period ending 30 June 2021, be noted;
- (b) that it be noted, that Strategic Executive Directors are responsible for the establishment and enforcement of the cost containment measures within their departments;
- (c) that all policies and business processes that are affected by the regulations be aligned to the regulations accordingly;
- (d) that all contracts entered into from 1 July 2019 be revised and aligned to the regulations accordingly;
- (e) that the report be submitted to both National and Provincial Treasury.

I, the undersigned, **VISHANDERAN GOVENDER**, in my capacity as **ACTING MUNICIPAL MANAGER** to the Newcastle Municipal Council, hereby certify the above as a true extract from the minutes of the virtual meeting held on 25 August 2021.

V. GOVENDER
ACTING MUNICIPAL MANAGER

Newcastle

1. EXECUTIVE SUMMARY

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 the process of implementing the policy.

2. RECOMMENDATIONS

- 2.1 That the report on the implementation of the cost containment regulations for the period ending 30th of June 2021 be noted.
- 2.2 That it be noted Strategic Executive Directors are responsible for the establishment and enforcement of the cost containment measures within their departments.
- 2.3 That all policies and business processes that are affected by the regulations be aligned to the regulations accordingly;
- 2.4 That all contracts entered into from 1 July 2019 be revised and aligned to the regulations accordingly.
- 2.5 That the report be submitted to both National and Provincial Treasury.

3. PURPOSE

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

4. BACKGROUND

The financial performance of the municipality is provided through the S71 and S52d reports. This report aims to focus on the performance of the key expenditure items in line with the regulations and those considered relevant by the municipality. Several initiatives are already in place through the Office of the Municipal Manager and the Budget and Treasury Office to roll-out and enforce implementation of the regulations. Through various forums, Strategic Executive Directors have already been robed in to ensure implementation across the municipality.

5. REPORT:

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

5.1 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 filling of vacancies for positions considered not critical;
- (d) Use of website and other online platforms for advertising purposes;
- (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;
- (n) Review business processes to ensure costs are minimised.

5.2 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

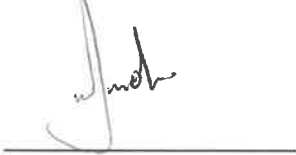
5.3 Year to date performance of key focus areas:

As reflected in Annexure D attached hereto, the municipality seems to be managing its expenditure very well, as all items under-spent during the fourth quarter of the financial year, except for overtime which appear to have been overspent by R969 880 against the year-to-date budget. The total under-expenditure to date on all the items amounts to R10 371 million, with other related expenditure representing R97 823 million.

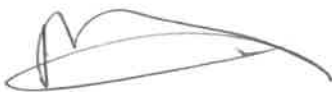
5.4 Year-on-year performance of key cost drivers

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. When comparing the performance of the fourth quarter in 2019/20 and similar quarter in 2020/21, the municipality generated a total of R492 thousand less than the previous year's comparison. It is noted that there is a need to enforce compliance with the policy with regards to overtime over performing in the next financial year as it reflects an over performance resulting in the municipality not having a saving in the fourth quarter of the 2020/21 financial year.

Report prepared by:



Report seen by:



COUNCILLOR DR NNG MAHLABA
PORTFOLIO COUNCILLOR
BUDGET AND TREASURY OFFICE



SM NKOSI
STRATEGIC EXECUTIVE DIRECTOR:
BUDGET AND TREASURY OFFICE

ANNEXURE D: FOURTH QUARTER: COST CONTAINMENT REGULATIONS PERFORMANCE: 2020/21

Cost containment Measures		Budget 2020/2021	Budget 2019/2020	2019/20 Q4 Actuals		2020/21 Q4 Actuals		YTD Actual 2019/2020		YTD Budget 2020/2021		YTD Actual 2020/2021		YTD Variance 2020/2021		Savings Q4 2020 vs Q4 2021	
Items	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Use of consultants		22,920,648	24,434,000	2,906,912	4,917,653		18,568,644		20,472,661	22,920,648		20,472,661		2,447,987		1,904,017	
Machinery & Plant Hire		33,960,096	16,223,792	4,016,078	11,934,279		21,308,308		30,656,138	33,960,096		30,656,138		3,303,958		9,347,830	
Travel and subsistence		906,822	1,100,550	15,950	85,811		800,523		270,311	906,822		270,311		636,511		(530,212)	
Overtime		32,502,609	21,800,000	12,350,518	8,012,824		37,393,409		33,472,489	32,502,609		33,472,489		(969,880)		(3,920,920)	
Domestic accommodation		362,308	416,013	1,993	118,006		287,898		152,926	362,308		152,926		209,382		(134,972)	
Sponsorships, events and catering		2,273,465	4,267,381	(215,162)	(53,694)		2,069,000		1,570,606	2,273,465		1,570,606		702,859		(488,394)	
Communication		16,781,321	14,589,300	6,782,775	3,341,777		20,315,264		13,710,633	16,781,321		13,710,633		3,070,689		(6,604,632)	
Other related expenditure items		953,278,669	931,737,328	246,303,401	232,671,066		854,526,197		855,455,885	953,278,669		855,455,885		97,822,784		929,688	
Total		1,062,985,938	1,014,568,364	272,162,464	261,027,723		955,269,244		955,761,649	1,062,985,938		955,761,649		107,224,289		492,405	

Cost Containment Annual Report				Total Expenditure		Savings	
Cost Containment Measures		Budget R'000		R'000		R'000	
Use of consultants							
Vehicles used for political office-bearers		22,920,648		20,472,661		2,447,987	
Travel and subsistence		906,822		270,311		636,511	
Domestic accommodation		362,308		152,926		209,382	
Sponsorships, events and catering		2,273,465		1,570,606		702,859	
Communication		16,781,321		13,710,633		3,070,689	
Other related expenditure items		1,019,741,374		919,584,513		100,156,862	
Total		1,062,985,938		955,761,649		107,224,289	