

C 2748/01/2022
MC A/5684/01/2022

**9.A.13 [FS]: MID-YEAR REPORTING: COST SAVING MEASURES FOR THE 2021/2022
FINANCIAL YEAR**

8/1/1

COMPETENCY: COUNCIL

RESOLVED

1. That the report on the disclosure of the cost containment measures applied by the municipality and the cost savings on the implementation of the cost containment measures for the period 01 July to 31 December 2021, be noted.
2. That since the cost containment measures were implemented in all respects prior to the Regulations being promulgated in 2019, there are no additional cost savings to report for the current reporting period of 2021/2022 Financial Year.

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COMPETENCY: COUNCIL

PURPOSE

To disclose the cost containment measures applied by the municipality and the cost savings on the implementation of the cost containment measures in terms of the Municipal Cost Containment Regulations, 2019.

RECOMMENDATIONS

1. That the report on the disclosure of the cost containment measures applied by the municipality and the cost savings on the implementation of the cost containment measures for the period 01 July to 31 December 2021, be noted.
2. That since the cost containment measures were implemented in all respects prior to the Regulations being promulgated in 2019, there are no additional cost savings to report for the current reporting period of 2021/2022 Financial Year.

REPORT

The Municipal Cost Containment Regulations were gazetted and came into effect from 1 July 2019.

The MFMA Circular number 82: Cost Containment Measures was issued by National Treasury on 30 March 2016 with the objective of ensuring that the resources of the municipality are used effectively, efficiently and economically. The Council adopted all the recommendations of the Circular and implemented the cost containment measures from 2016.

The Regulations make specific reference to the following:

Cost containment policy

Each municipality must develop or revise and implement a cost containment policy

All the cost containment measures contained in the Regulations are incorporated into the approved Cost Containment Policy.

Use of consultants

Each municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full-time employ to perform the function. In addition there are other guiding principles around the appointment of consultants.

Consultants are appointed after a needs analysis is completed, and submitted together with the specifications which is then approved by the Municipal Manager. It is established whether the services being procured could have been provided by the municipality itself or that the municipality ordinarily has the expertise to provide the service but temporarily could not do so or to save costs.

Vehicles used for political office bearers

The regulations introduce a ceiling in terms of the value of the vehicles to be procured and principles in terms of management of such vehicles.

The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R700 000 or 70% of the total annual remuneration package, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.

All vehicles are procured using the RT57 tender to save cost, unless it may be procured at a lower cost through procurement mechanisms. The threshold limits and other requirements are strictly observed.

Travel and subsistence

The regulations provide the thresholds for purchasing air tickets, limitations on international travel, and hiring of vehicles. Economy class tickets are the norm, except for flights over 5 hours, and for exceptional cases. Accommodation costs are also pegged to the rates determined by Treasury, with exceptions. Use of municipal fleet vehicles must be the first consideration, where viable, before incurring costs on hired vehicles.

The travel and subsistence policy has been amended to be in compliance with the NT prescriptions on travel and subsistence. The appointed travel agent has been instructed to ensure compliance with the Regulations.

Officials travel economy class for all local travel.

Credit and Debit cards

Prohibition on the issuance of debit or credit cards linked to municipal bank accounts to officials or public office bearers.

The municipality has not issued any credit or debit cards.

Sponsorships, Events and Catering

Restrictions on using municipal funds for specific functions which include, amongst others, catering for internal meetings only attended by officials, and social, farewell and team building activities. Entertainment allowances for qualifying officials may not exceed R2 000 per person per financial year.

Catering is minimised for meetings, and only meetings lasting longer than 5 hours are considered for catering. No year-end functions are held at Council's cost.

All entertainment budgets are capped at R2 000 per person per financial year – staff related functions are not funded from the entertainment budgets.

Communication

Municipal events and public information must be listed on the website. Government Gazettes and local media must be used to ensure compliance with the Municipal Finance Management Act as well as the Municipal Systems Act. To further enhance communication, the local radio stations must be used.

Municipal events and public information is posted on the website. Government Gazettes and local media are used to ensure compliance with the Municipal Finance Management Act as well as the Municipal Systems Act. To further enhance communication, the local radio stations are used, the e-tender portal is used for bidding processes and P-Net for recruitment of human capacity.

Private telephone calls are tracked and deducted from staff salaries.

Newspaper subscriptions have been reviewed and reduced to the bare minimum.

Domestic accommodation / Conferences, meetings and study tours

Delegations must be limited to no more than 3 officials per conference. Meetings and planning sessions, as far as may be practically possible be held in-house.

In addition there are other guidelines. (which have been incorporated into the Cost Containment Policy)

Conferences are only attended if hosted by the professional bodies or government. Delegations are limited to no more than 3 officials per conference, hotel accommodation was kept within the prescribed limits, and car rentals were reduced and shuttle services were used. In the 3rd quarter, there has been a great reduction in attendance of physical meeting and replaced with virtual attendance.

Other related expenditure items

There are other general limitations, relating to the reduction of excessive spending on office furniture and equipment, use of municipal funds for electioneering, brochures, tools of the trade beyond what is already allowed, security measures, and unplanned overtime. Proper processes are to be followed when dismissing and suspending officials to minimise unnecessary legal costs. Municipalities should conduct periodic threat assessments before approving any costs on security for political office bearers or officials

- Office furnishings – The budget for furniture is approved by the Budget Steering Committee and only where new positions are created, or furniture is damaged will new furniture be procured. Old furniture is also repaired and re-upholstered where possible to further reduce the cost of new furniture.

- Staff study, perks and suspension costs – Staff are required to repay study cost where they do not pass their exams. Staff above the threshold set by the Department of Labour are not paid overtime but get time off in lieu of overtime worked. The municipality had a number of suspensions during the year, but the disciplinary processes are fast-tracked as far as possible.
- NT transversal contracts are used insofar as practically possible. The RT46 transversal contract for vehicle maintenance and RT57 for purchasing vehicles, plant and equipment.
- Printing is minimised and meeting agendas are circulated electronically. A central printer is used, thereby saving costs of cartridges. Double-sided and non-colour printing is encouraged.

Compliance versus saving

It could be argued that there is an inverse proportional relationship between compliance versus saving. Midvaal adopted and implemented the Circular in 2016 and is already moving towards 100% compliance, hence any additional savings disclosed from 1 July 2021 onwards is minimal, if any.

COMMENTS: MEETING OF THE MUNICIPAL MANAGER AND HEADS OF DEPARTMENT: 18 JANUARY 2022

Resolved to Recommend

That the Item be referred to the Section 80 Finance Services Portfolio Committee.

COMMENTS: SECTION 80 FINANCE SERVICES PORTFOLIO COMMITTEE: 17 JANUARY 2022

The recommendations are supported.