

SEPTEMBER 10, 2019



2019/2020 Budget Restructuring Report

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1. Glossary

MFMA	Municipal Finance Management Act
MWIG	Municipal Water Infrastructure Grant
GDARD	Gauteng Department of Agriculture and Rural Development
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GIFA	Gauteng Infrastructure Financing Agency
MSIG	Municipal Systems Improvement Grant
RSC	Regional Services Council
WRDM	West Rand District Municipality
WRDA	West Rand Development Agency
DoRA	Division of Revenue Act
mSCOA	Municipal Standard Chart of Accounts
MTREF	Medium Term Revenue and Expenditure Framework
MMC	Member of Mayoral Committee
CPIX	Consumer Price Inflation Index
GDP	Gross Domestic Product
FFC	Financial and Fiscal Commission
IDP	Integrated Development Plan
SDBIP	Service Delivery Budget Implementation Plan
MFRS	Municipal Financial Recovery Services
FRP	Financial Recovery Plan
MEC	Member of Executive Council

2. Purpose

To seek approval of the 2019/20 budget restructuring pursuant to the approval of the financial recovery plan

3. Legislative Background

Section 139(1) of Municipal finance management Act, 2003 states that if a municipality, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services or to meet its financial commitments, or admits that it is unable to meet its obligations or financial commitments, the provincial executive must promptly-

- a) request the Municipal Financial Recovery Service-
 - i) to determine the reasons for the crisis in its financial affairs;
 - ii) to assess the municipality's financial state;
 - iii) to prepare an appropriate recovery plan for the municipality;
 - iv) to recommend appropriate changes to the municipality's budget and
 - v) revenue-raising measures that will give effect to the recovery plan; and
 - vi) to submit to the MEC for finance in the province-
 - aa) the determination and assessment referred to in subparagraphs (i) and (ii) as a matter of urgency; and
 - bb) the recovery plan and recommendations referred to in subparagraphs (iii) and (iv) within a period, not to exceed 90 days, determined by the MEC for finance; and
- b) consult the mayor of the municipality to obtain the municipality's cooperation in implementing the recovery plan, including the approval of a budget and legislative measures giving effect to the recovery plan.

Section 143 of Municipal finance management Act, 2003 states that:

- 1) On receipt of a financial recovery plan pursuant to a discretionary intervention referred to in section 137, the MEC for local government in the province may approve the recovery plan with or without amendments, as the MEC considers appropriate.
- 2) On receipt of a financial recovery plan pursuant to a mandatory intervention referred to in section 139, the MEC for finance must verify that the process set out in section 141 has been followed and that the criteria contained in section 142 are met, and-
 - a) if so, approve the recovery plan; or
 - b) if not, direct what defects must be rectified.
- 3) The responsible MEC must submit an approved recovery plan to-
 - a) the municipality;
 - b) the Minister and the Cabinet member responsible for local government;
 - c) the Auditor-General; and
 - d) organized local government in the province.

Section 241(1) of the Constitution of the Republic of South Africa (Constitution) provides that, an act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. Section 214(2) of the Constitution provides that the Act referred to in subsection (1) may be enacted only after the provincial governments, organized local government and the Financial and Fiscal Commission (FFC) have been consulted, and any recommendations of the Commission have been taken into consideration, and must take into account-

- a) the national interest;
- b) any provision that must be made in respect of the national debt and other obligations;
- c) the needs and interests of the national government, determined by objective criteria;
- d) the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them;
- e) the fiscal capacity and efficiency of the provinces and municipalities;
- f) developmental and other needs of provinces, local government and municipalities;
- g) economic disparities within and among the provinces;
- h) obligations of the provinces and municipalities in terms of national legislation;
- i) the desirability of stable and predictable allocations of revenue shares; and
- j) the need for flexibility in responding to emergencies or other temporary needs, and other factors based on similar objective criteria.

Section 215(3) provides that budget in each sphere of government must contain-

- a) estimates of revenue and expenditure, differentiating between capital and current expenditure;
- b) proposals of financing any anticipated deficit for the period which they apply; and
- c) an indication of intentions regarding borrowings and other forms of public liability that will increase public debt during the ensuing year.

Section 146 "Implementation of financial recovery plans in mandatory provincial interventions" of the Local Government: Municipal Finance Management Act (Act No. 56 of 2003) (MFMA) provides as follows: -

- (1) If the recovery plan was prepared in a mandatory provincial intervention referred to in section 139-
 - (a) the municipality must implement the approved financial recovery plan;
 - (b) all revenue, expenditure and budget decisions must be taken within the framework of, and subject to the limitations of, the recovery plan; and
 - (c) the municipality must report monthly to the MEC for finance in the province, the Gauteng Executive Council and National Treasury on the implementation of the plan in such manner as the plan may determine.
- (2) The financial recovery plan binds the municipality in the exercise of both legislative and executive authority, including the approval of a budget and legislative measures giving effect to the budget, but only to the extent necessary to achieve the objectives of the recovery plan.
- (3) The provincial executive must in terms of section 139(5) of the Constitution either-
 - (a) Dissolve the council of the municipality, if the municipality cannot or does not approve legislative measures, including a budget or any revenue-raising

measures, necessary to give effect to the recovery plan within the time frames specified in the plan and-

- (i) appoint an administrator until a newly elected council has been declared elected; and
 - (ii) approve a temporary budget and revenue-raising measures, and other measures to give effect to the financial recovery plan and to provide for the continued functioning of the municipality; or
- (b) assume responsibility for the implementation of the recovery plan to the extent that the municipality cannot or does not take executive measures to give effect to the recovery plan.

(4) Section 34(3) and (4) and 35 of the Municipal Structures Act apply when a provincial executive dissolves a municipal council in terms of section 139(5)(b)(i) of the Constitution.

The West Rand District Municipality received the approved Financial recovery Plan (FRP) in August 2019 and it is a requirement of the plan that the budget of the municipality be immediately restructured. The provisions of budget restructuring taken in the context of Section 146(3) and (4) is that the municipality does not have any other option but to restructure the budget immediately, within the provisions of Section 28 of the Act.

4. Executive Summary

On 31 January 2018, the West Rand District Municipality (WRDM) invoked Section 135 of the Local Government: Municipal Finance Management Act (Act No. 56 of 2003) (MFMA). The Section 135 notice was duly made out to the Member of Executive Committee (MEC) responsible for Finance in the province (MEC Finance), the MEC responsible for local government (MEC COGTA) and the organised labour in the province (South African Local Government Association (SALGA)).

On 22 November 2018 The Gauteng Provincial Executive Resolved to intervene in the WRDM in terms of Section 139(5)(a) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) (Constitution) read in conjunction with Section 139 of the MFMA.

On 28 November 2018, the MEC for finance communicated the Gauteng Provincial Executive decision to the Executive Mayor of WRDM. Subsequently, Council took cognisance of the correspondence on the 7th December 2018.

On 10 April 2019, the MFRS briefed the then Executive Mayor and Mayoral Committee that the Minister of Finance had approved and sanctioned the MFRS team of National Treasury (NT) to prepare and finalise the Financial Recovery Plan (FRP) for WRDM within a period of 90 days. Working sessions were held on 10 and 11 April 2019. The working session was attended by MFRS, WRDM Management, Gauteng COGTA, Gauteng Provincial Treasury (GPT), SALGA and the National Department of Cooperative Governance (DCOG).

On 24 April 2019, the municipality received an advert print from the MFRS to place the draft FRP on print media. The draft FRP was placed on the municipal website on the same day. On 27 April 2019, the draft FRP advert was circulated through print media soliciting public comments.

During the preparation process of the FRP, it became evident that there was a need for an urgent intervention to be made on the budget of the municipality to the extent that the budget remained largely unfunded as a result of unfunded mandates. A budget facilitation meeting was arranged by GPT on the 14th May 2019, and in attendance was GPT, COGTA, WRDM, SALGA, DCOG, National Disaster Management Centre (NDMC), Municipal Demarcation Board (MDB), Mogale City Local Municipality, Rand West City Local Municipality and Merafong City Local Municipality. The meeting could not conclusively address the issue of unfunded mandates and the portion of equitable share for basic services that is received by local municipality for the functions being performed at the District Municipality. As a result, a task team comprising of CFO's was formed to be chaired by COGTA with a sole purpose of finding solace to addressing the District funding shortfalls. The follow up meeting was arranged for 21 May 2019. Unfortunately, the follow up meeting did not take place as COGTA cancelled on the eve of the meeting. As a result, the municipality could not secure commitments from local municipality before the consideration of the budget by 31 May 2019.

The WRDM held another working session with the MFRS on 31 May 2019 to present managements comment on the draft FRP. The WRDM council had also referred the budget back for further consideration on 31 May 2019.

On 19 June, COGTA facilitated a budget and IDP engagement for WRDM and its constituent local municipalities, present were GPT, SALGA, MFRS, COGTA, Mogale, Rand West, WRDM and in absentia was Merafong. The meeting collapsed on the basis that no party was willing to make a commitment to assist the WRDM in the 2019/20 Medium Term Revenue Expenditure Framework (MTREF). There was however an urgent meeting between SALGA, COGTA, GPT and NT on 20 June 2019 to consider possible ways of realising a balanced budget for the WRDM.

The WRDM Council thus approved the 2019/20 MTREF budget prior to the approval of the FRP. The FRP is now approved and requires immediate budget restructuring.

5. Budget Assumptions

The recent CPIX was taken into consideration when determining the inflationary increase in the 2019/2020 fiscal year and the outer years:

Table 1: Macroeconomic performance and projections 2018 -2021

Fiscal Year	2018/19 Estimates	2020/21		
		2019/20	Forecast	2021/22
Consumer Price Inflation (CPI)	4.7%	5.2%	5.4%	5.4%
Real GDP Growth	0.7%	1.5%	1.7%	2.1%

Source: 2019 Budget Review.

Value Added Tax (VAT)	-	Unchanged at 15%
Prime Lending Rate	-	Unchanged at 10.25%
Repo Rate	-	Unchanged at 6.75%

Other budget assumptions are stated within the summary of the budget section.

5.1 Budget Allocations per MSCOA

The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code. All municipalities and municipal entities were expected to comply from the 1st July 2017. The WRDM remains compliant with the mSCOA reform.

1	Municipal Standard Classification	<ul style="list-style-type: none"> Ensure all allocations are standardised and in line with the municipality's revised Organisational Structure.
2	Function Segment	<ul style="list-style-type: none"> Review accurate allocation of the Municipal Standard Classification to the Function Segment of NT with the Organisational Structure of the municipality. Allocate all Function segment mSCOA short codes to ensure future alignment with mSCOA system and NT Database.
3	Item Segment	<ul style="list-style-type: none"> Align all budgeted items as per Draft municipal budget to the Item Segment. Propose adjustments subsequent to consultation with relevant municipal departments. Typical misalignments to be addressed includes the budgeting for Repairs and Maintenance, as mSCOA does not include such an item and focusses on the nature of the transaction.
4	Project Segment	<ul style="list-style-type: none"> All municipal key priorities & objectives will be uploaded & set up in our mSCOA Budget Tool. Consultation with various departments will ensure accurate alignment of all Revenue and Expenditure to specific priority and objective and hence alignment to the IDP.
5	Region Segment	<ul style="list-style-type: none"> We will ensure allocation of the Region segment to all Revenue and Expenditure as per the requirements of the municipality, which in most cases would be on a Ward level. This will be done on a best fit basis by consulting with various departments.
6	Funding Segment	<ul style="list-style-type: none"> Although this should have been allocated on the Draft budget, we will ensure accurate alignment to funding classes as included within mSCOA & allocation of mSCOA short codes.
7	Costing Segment	<ul style="list-style-type: none"> For 2017/18 MTREF budget compilation, National Treasury has proposed that municipalities perform the Costing of Departmental Charges to the 4 main service departments. Determine Cost Drivers relevant to municipality & set up within our mSCOA Budget Tool. Obtain operational feedback from departments & assist in Costing of Departmental Charges.

The reason for introduction of mSCOA by National Treasury at local government level are:

- Inconsistencies in financial classifications by municipalities;
- Poor data integrity (Validity, Accuracy, and Completeness of municipal data was in most cases questionable); and
- Irregular submission of reports to regulatory bodies.

The West Rand District Municipality and its entity have compiled the tabled annual budget in terms of mSCOA and has complied with the requirements of mSCOA version 6.3 as published by National Treasury on the 8th of March 2019 for implementation on the 2019/20 MTREF.

6. Summary of the Budget

The total operating and capital expenditure restructured for the budget appropriation over the 2019/2020 to 2021/2022 MTREF illustrates as follows:

Table 1: Budget Summary

DC48 West Rand - Table B1 Adjustments Budget Summary -					
Description	Budget Year 2019/2020			Budget Year 2020/21	Budget Year +1 2021/22
	Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands					
Financial Performance					
Transfers recognised - operational	207,828	(900)	206,928	228,178	235,663
Other own revenue	19,972	(899)	19,074	15,622	16,427
and contributions)	227,800	(1,799)	226,002	243,800	252,090
Employee costs	180,354	(67,252)	113,102	95,628	102,322
Remuneration of councillors	14,643	(3,092)	11,551	12,359	13,224
Depreciation & asset impairment	7,000	(3,423)	3,578	3,399	3,229
Finance charges	1,564	(1,564)	-	-	-
Materials and bulk purchases	200	-	200	211	222
Transfers and grants	12,640	-	12,640	13,135	13,135
Other expenditure	65,216	(1,683)	63,532	55,387	58,381
Total Expenditure	281,617	(77,014)	204,603	180,119	190,514
Surplus/(Deficit)	(53,816)	75,216	21,399	63,681	61,577
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14,748	(12,000)	2,748	2,906	3,066
contributions	(39,068)	63,216	24,147	66,587	64,643
Share of surplus/ (deficit) of associate	-	-	-	-	-
Surplus/(Deficit) for the year	(39,068)	63,216	24,147	66,587	64,643
Capital expenditure & funds sources					
Capital expenditure	24,739	(18,539)	6,200	-	-
Transfers recognised - capital	12,000	(12,000)	-	-	-
Internally generated funds	12,739	(6,539)	6,200	-	-
Total sources of capital funds	24,739	(18,539)	6,200	-	-
		-			
Financial position		-			
Total current assets	26,721	(0)	26,721	89,560	153,921
Total non current assets	79,200	(30,870)	48,330	42,120	36,164
Total current liabilities	137,191	(91,888)	45,304	40,020	30,258
Total non current liabilities	74,589	(17,952)	56,637	59,752	63,039
Community wealth/Equity	(105,860)	78,970	(26,890)	31,908	96,789
Cash flows		-			
Net cash from (used) operating	20,506	(16,813)	3,694	71,565	69,338
Net cash from (used) investing	(24,739)	(18,539)	6,200	-	-
Cash/cash equivalents at the year end	-	0	0	71,565	140,903
Asset management		-			
Asset register summary (WDV)	52,621	(19,208)	33,413	27,184	21,209
Depreciation	7,000	(3,422)	3,578	3,399	3,229
Repairs and Maintenance	1,214	(225)	989	1,042	1,099

The municipality has presented a surplus operational budget with a task to transfer back the Fire Services & Disaster Management functions in order to reduce the overall expenditure with the aim of servicing the needs of the community and provide regional support to our local municipalities through strong district governance. The FRP assert that indeed the function of fire brigade services is provided by the WRDM without any funds. The FRP further acknowledges that the local municipalities are still recipient of the basic service allocation included in the equitable share for this service.

Therefore the current budget restructuring provision dictates that the municipality should adopt better financial management decisions and only provide for functions that are either funded or under-funded to reduce the budget deficit and to improve overall liquidity of the municipality.

The West Rand District Municipality continues to commit to optimizing its savings in the following manner:

- Reducing catering at official functions and meetings
- Improved prioritization of expenditure
- Heeding the guidelines of National Treasury Circulars number 94
- Reducing overtime
- Non filling of vacant positions pending implementation of migration policy. Only applicable from Level 3 downwards.
- Implementation of the shared service model
- Better working capital management

A Cost containment policy has been developed and submitted herewith along with other reviewed budget policies for approval.

Table 2: Budgeted financial performance by revenue and expenditure type

DC48 West Rand - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -						
Description	Ref	Budget Year 2019/20			Budget Year 2020/21	Budget Year +1 2021/22
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousand	1					
Revenue By Source						
Rental of facilities and equipment		1,038	–	1,038	1,094	1,154
Interest earned - external investments		–	–	–	950	1,200
Licences and permits		700	–	700	–	–
Transfers and subsidies		207,828	(900)	206,928	228,178	235,663
Other revenue	2	18,234	(899)	17,335	13,578	14,074
Total Revenue (excluding capital transfers and contributions)		227,800	(1,799)	226,002	243,800	252,090
Expenditure By Type						
Employee related costs	2	180,354	(67,252)	113,102	95,628	102,322
Remuneration of councillors		14,643	(3,092)	11,551	12,359	13,224
Depreciation & asset impairment	2	7,000	(3,423)	3,578	3,399	3,229
Finance charges		1,564	(1,564)	–	–	–
Other materials	8	200	–	200	211	222
Contracted services		28,758	(1,383)	27,375	21,696	22,871
Transfers and subsidies		12,640	–	12,640	13,135	13,135
Other expenditure	4, 5	36,458	(300)	36,158	33,691	35,511
Total Expenditure		281,617	(77,014)	204,603	180,119	190,514
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		14,748	(12,000)	2,748	2,906	3,066
Surplus/(Deficit) for the year		(39,068)	63,216	24,147	66,587	64,643

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that services are provided sustainably, economically and equitably to all communities. It is our view that the financial recovery plan should be approached with realism and a tightening fiscal discipline and we further believe that we should guard against unrealistic demands and concentrate on our key role of uplifting our communities in the West Rand Region as a whole.

The municipality strives to deliver sustainable services to its community without overburdening the consumers with excessive service fees with the key priority of government this year being a "Phase II of the back to basics" approach.

Revenue

Total operational revenue has slightly increased from R227 to R226 million, and its affected by the following factor:

Due to the transfer of functions to the local municipalities, total operational revenue has slightly increased from R227 to R226 million. This is mainly driven by the municipality forfeiting revenue sources:

- the fire services charged to the local community;

Amounts included in other revenue are shown below:

Description	Amount R
Sale of plants	140,388
WRDA Revenue	8,844,340
Vat recovery	8,350,657
Total	17,335,385

Expenditure

The municipality's operational expenditure has decreased from R281 million to R204 million due to the following:

- The municipality is committed towards the implementing the circular 82.
- The lease of fire engines is coming to an end during the 2019/20 budget year.
- The lease of municipal vehicles will have expired during the 2019/20 budget year and no renewal of 80% of the vehicles would be necessary.
- A material decrease in employee related costs. It should be noted that this is a result of the transfer of Fire & Disaster functions to the local municipalities.
- A significant decrease in other expenditure types as a result of the transfer of functions.

Employee related costs would decrease from R180 million to R113 million in the 2019/20 financial year. The total employee related cost would thus be below 33% of revenue should this option be exercised.

Other significant cost optimization considerations taken into account in the compilation of the budget:

- Saving of R7.5 million a year on the purchase of fleet cars when lease contract lapses.
- Saving of R15 million a year on the purchase of fire and rescue vehicles when lease term contract ends. The fire and rescue vehicles will be disposed to the local municipalities as part of the transfer of functions in terms of council approved policies.

The contracted services for the 2019/20 financial year projections are made up as follows: -

Description	Original R	Adjustments R	Adjusted R
Security Services	2,916,308	-	2,916,308
Fire services	6,897,227	-	6,897,227
External Computer Service: Network Extensions	11,584,893	(1,158,489)	10,426,404
Actuarial valuations	8,000	-	8,000
Vision active	500,000	-	500,000
Rural Asset Management Expenditure	2,748,000	-	2,748,000
VAT consultants	882,044	-	882,044
Asset verification	856,296	-	856,296
Qualification verification	152,540	-	152,540
Legal fees	798,952	-	798,952
Maintenance of vehicles	1,214,000	(225,000)	989,000
Pauper burials	200,000	-	200,000
Total	28,758,260	(1,383,489)	27,374,771

A thorough analysis of contract and contract management was undertaken towards the conclusion of the 2018/19 financial year. All contracts were reviewed for cost versus benefit analysis, and only contracts deemed service delivery intensive and appropriate were approved for extension for a period of a year, whilst the municipality implements the financial recovery plan. A new procurement plan will be developed on approval of the restructured budget.

The other expenditures for the 2019/20 financial year projections are made up as follows: -

Description	Original R	Adjustments R	Adjusted R
Membership fees	1,800,000	-	1,800,000
Training	1,000,000	-	1,000,000
Insurance Underwriting: Excess Payments	500,000	-	500,000
Professional institutes	100,000	-	100,000
WRDA Expenditure	8,541,137	-	8,541,137
Fuel and oil	2,500,000	-	2,500,000
Telephone Fax Telegraph and Telex	1,400,000	-	1,400,000
Municipal charges	6,000,000	-	6,000,000
Lease of equipment	1,474,215	-	1,474,215
External Computer Service: Software Licenses	4,144,635	-	4,144,635
Insurance Underwriting: Premiums	4,000,000	-	4,000,000
Thandeka PR & LM Relations JV	400,000	-	400,000
Tirisiano Travel - Travelling Agency	100,000	-	100,000
SALGA Affiliation fees	100,000	(100,000)	
OR Tambo games - Incidental costs	200,000	(200,000)	
Audit fees	3,997,600	-	3,997,600
Uniform	200,000	-	200,000
Total	36,457,587	(300,000)	36,157,587

Table 3: Budgeted financial performance by municipal vote

DC48 West Rand - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -						
Vote Description	Ref	Budget Year 2019/20			Budget Year 2020/21	Budget Year +1 2021/22
R thousand		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Revenue by Vote	1					
Vote 1 - Corporate Governance		12,371	7,216	19,587	21,189	22,253
Vote 2 - Municipal Manager & Support		17,119	9,694	26,813	33,499	34,298
Vote 3 - Corporate Services		33,985	16,160	50,146	52,568	55,113
Vote 4 - Budget & Treasury Office		31,491	13,129	44,620	48,297	50,958
Vote 5 - Health & Social Development		36,678	16,175	52,853	56,743	56,743
Vote 6 - Public Safety		72,249	(72,249)	-	-	-
Vote 7 - Regional Planning & Economic Development		29,812	(3,925)	25,887	29,599	30,958
Vote 8 - Development Agency		8,844	-	8,844	4,811	4,834
Total Revenue by Vote	2	242,549	(13,799)	228,750	246,706	255,156
Expenditure by Vote to be appropriated	1					
Vote 1 - Corporate Governance		24,269	(3,192)	21,077	22,481	23,983
Vote 2 - Municipal Manager & Support		18,010	(0)	18,010	19,281	20,534
Vote 3 - Corporate Services		44,357	(1,058)	43,298	45,844	48,549
Vote 4 - Budget & Treasury Office		22,549	(1,339)	21,210	22,445	23,764
Vote 5 - Health & Social Development		36,954	(300)	36,654	42,300	44,479
Vote 6 - Public Safety		104,868	(71,125)	33,744	-	-
Vote 7 - Regional Planning & Economic Development		22,068	0	22,068	23,184	24,374
Vote 8 - Development Agency		8,541	-	8,541	4,584	4,831
Total Expenditure by Vote	2	281,617	(77,014)	204,603	180,119	190,514
Surplus/(Deficit) for the year	2	(39,068)	(31,942)	24,147	66,587	64,643

Table 4: Budgeted transfers and grants receipts

DC48 West Rand - Supporting Table SB7 Adjustments Budget - transfers and grant receipts -						
Description	Ref	Budget Year 2019/20			Budget Year 2020/21	Budget Year +1 2021/22
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
RECEIPTS:						
<u>Operating Transfers and Grants</u>						
National Government:		196,280	(900)	195,380	216,005	224,120
Local Government Equitable Share		39,436	-	39,436	42,397	45,670
RSC Levy Replacement		153,864	-	153,864	172,608	177,450
Municipal Systems Improvement Grant		900	(900)	-	-	-
Finance Management		1,000	-	1,000	1,000	1,000
EPWP Incentive		1,080	-	1,080	-	-
Provincial Government:		11,548	-	11,548	12,173	11,543
Health subsidy		8,248	-	8,248	8,743	8,743
Functional Fire and Rescue Services		-	-	-	-	-
Disaster Management and Fire Services		-	-	-	-	-
Performance Management Services		500	-	500	630	-
GDARD		-	-	-	-	-
Library Grant		2,800	-	2,800	2,800	2,800
Total Operating Transfers and Grants	5	207,828	(900)	206,928	228,178	235,663
<u>Capital Transfers and Grants</u>						
National Government:		14,748	(12,000)	14,748	2,906	3,066
Neighbourhood Development Partnership		12,000	(12,000)	-	-	-
Rural Asset Management(Capital Grant)		2,748	-	2,748	2,906	3,066
Provincial Government:		-	-	-	-	-
Total Capital Transfers and Grants	5	14,748	(12,000)	14,748	2,906	3,066
TOTAL RECEIPTS OF TRANSFERS & GRANTS		222,576	(12,900)	222,576	231,084	238,729

- The amount of R42.6 million was requested to be repaid to National revenue fund. The District Municipality has agreed on the payment plan to settle the amount in 3 equal payments of R14.2 million. The 3rd payment has been recovered from the 2019/20 first RSC Levy trench.
- The amount budgeted for the Neighborhood Development Partnership Grant is an indirect grant, therefore the municipality will not receive the R12 million.
- The amount budgeted for the Municipal Systems Implementation Grant is an indirect grant, therefore the municipality will not receive the R900 thousand.

Table 5: Capital budget

DC48 West Rand - Table B5 Adjustments Capital Expenditure Budget by vote and funding -						
Vote Description	Ref	Budget Year 2019/20			Budget Year	Budget Year
		Original Budget	Total Adjusts.	Adjusted Budget	2020/21	+1 2021/22
R thousand	1				Adjusted Budget	Adjusted Budget
Capital Expenditure - Functional						
<i>Governance and administration</i>		6,200	-	6,200	-	-
Finance and administration		6,200	-	6,200	-	-
<i>Community and public safety</i>		6,539	(6,539)	-	-	-
Public safety		6,539	(6,539)	-	-	-
<i>Economic and environmental services</i>		12,000	(12,000)	-	-	-
Planning and development		12,000	(12,000)	-	-	-
Total Capital Expenditure - Functional	3	24,739	(18,539)	6,200	-	-
Funded by:						
National Government		12,000	(12,000)	-	-	-
Transfers recognised - capital	4	12,000	(12,000)	-	-	-
Internally generated funds		12,739	(6,539)	6,200	-	-
Total Capital Funding	7	24,739	(18,539)	6,200	-	-

6.1. The paving of sidewalks project will not be at the expense of the West Rand District Municipality.

6.2. The vehicle operating lease contract will be coming to an end in 2019/20 financial year. Based on cost vs benefit analysis the Municipality anticipates an outright purchase of approximately R6.2 million for fleet vehicles which may be needed for service delivery. The vehicles will be transferred to the local municipalities along with the service.

Table 6: Budgeted cash flow

DC48 West Rand - Table B7 Adjustments Budget Cash Flows -						
Description	Ref	Budget Year 2019/20			Budget Year 2020/21	Budget Year +1 2021/22
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousand						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Service charges		-	-	-	-	-
Other revenue		40,022	(1,799)	38,223	14,672	15,227
Government - operating	1	207,828	(900)	206,928	228,178	235,663
Government - capital	1	14,748	(12,000)	2,748	2,906	3,066
Interest		-	-	-	-	-
Payments						
Suppliers and employees		(229,451)	(2,114)	(231,565)	(161,055)	(171,483)
Transfers and Grants	1	(12,640)	-	(12,640)	(13,135)	(13,135)
NET CASH FROM/(USED) OPERATING ACTIVITIES		20,506	(16,812)	3,694	71,565	69,338
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Capital assets		(24,739)	18,539	(6,200)	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(24,739)	18,539	(6,200)	-	-
Payments						
Repayment of borrowing		-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(4,233)	1,726	(2,506)	71,565	69,338
Cash/cash equivalents at the year begin:	2	4,233	1,726	2,506	0	71,565
Cash/cash equivalents at the year end:	2	0	3,453	0	71,565	140,903

The municipality is anticipating that post transferring of the functions, a balanced cash flow balance will be reported at the end of the 2019/20 financial year.

Table 7: Budgeted financial position

DC48 West Rand - Table B6 Adjustments Budget Financial Position -						
Description	Ref	Budget Year 2019/20			Budget Year 2020/21	Budget Year +1 2021/22
		Original Budget	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousand						
ASSETS						
Current assets						
Cash and cash equivalents		-	0	0	71,565	140,903
Other debtors		26,585	-	26,585	17,564	12,564
Inventory	2	136	-	136	430	454
Total current assets		26,721	0	26,721	89,560	153,921
Non current assets						
Long-term receivables		-	-	-	-	-
Investment property		5,370	430	5,800	6,221	6,563
Investment in Associate		-	-	-	-	-
Property, plant and equipment	3	58,912	(31,299)	27,613	20,963	14,645
Biological		338	-	338	357	376
Other non-current assets		14,579	-	14,579	14,579	14,579
Total non current assets		79,200	(30,869)	48,330	42,120	36,164
TOTAL ASSETS		105,921	(30,869)	75,051	131,680	190,085
LIABILITIES						
Current liabilities						
Bank overdraft	1	-	-	-	-	-
Borrowing	4	-	-	-	-	-
Trade and other payables	4	131,836	(90,706)	41,131	35,622	25,622
Provisions		5,355	(1,182)	4,173	4,398	4,636
Total current liabilities		137,191	(91,888)	45,304	40,020	30,258
Non current liabilities						
Provisions		74,589	(17,951)	56,637	59,752	63,039
Total non current liabilities		74,589	(17,951)	56,637	59,752	63,039
TOTAL LIABILITIES		211,780	(109,839)	101,941	99,772	93,296
NET ASSETS	5	(105,860)	78,970	(26,890)	31,908	96,789
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		(105,860)	(78,970)	(26,890)	31,908	96,789
TOTAL COMMUNITY WEALTH/EQUITY	5	(105,860)	(78,970)	(26,890)	31,908	96,789