

FEBRUARY 7, 2020



**2019/2020 ADJUSTMENT BUDGET
REPORT**
2019/20 – 2021/22 MEDIUM TERM REVENUE EXPENDITURE
FRAMEWORK

WEST RAND DISTRICT MUNICIPALITY
Cnr 6th & Park Street, Randfontein, 1760

2019/2020 Adjustment Budget Report

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1. Purpose

To seek approval from the Council on the adjustments proposed to the 2019/2020 Special Operational and Capital Adjustments Budget.

2. Legislative Background

Section 28 of the Municipal Finance Management Act, 2003 (MFMA) allows a municipality to revise its approved annual budget through an adjustment budget.

1. An adjustment budget –
 - a) Must adjust the revenue and expenditure estimates downwards if there is a material under – collection of revenue during current year.
 - b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for.
 - c) May, within a prescribed framework, authorized unforeseeable and unavoidable expenditure recommended by the mayor of the municipality.
 - d) May authorize the utilization of projected savings in one vote towards spending under another vote.
 - e) May authorize the spending of funds that were unspent at the end of the past financial year where the under – spending could not reasonable have been foreseen at the time to include projected roll-overs where the annual budget for the current year was approved by the council
 - f) May correct any errors in the annual budget, and
 - g) May provide for any other expenditure within a prescribed framework.
2. Only the Mayor may table an adjustments budget in the municipal council. When an adjustments budget is so tabled it must be accompanied by-
 - a) An explanation of how the adjustments budget affects the annual budget;
 - b) A motivation of any material changes to the annual budget;
 - c) An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years;
 - d) Any other supporting documentation that may be prescribed.

3. 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 was then subsequently approved and required immediate budget restructuring. On the 30th of September 2019, Council approved the adjustment budget pursuant to the financial recovery plan.

However, the adjustment budget was deemed unrealistic and unfunded by various organs of state due to non-implementation. The budget was presented with the assumption of the fire and rescue services being transferred by the eporting unauthorized 1st of October 2019. Unfortunately this event has not occurred and from the 1st of October 2019 the WRDM has been incurring unauthorized expenditure for all the costs incurred in line with that department.

The municipality then took a decision to incorporate the fire and rescue services function into the WRDM's adjustment budget until such time the MEC approves the Section 87 application allowing the reported unauthorized expenditure to be authorized.

4. Overview of 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.

4.1 Budget Allocations Per MSCOA

The West Rand District Municipality and its entity have compiled the adjusted budget in terms of mSCOA and has complied with the requirements of mSCOA version 6.3 as published by National Treasury on the 08th March 2019 for implementation on the 2019/20 MTREF.

4.2 Summary of the Budget

Table 1: Adjustments Budget Summary

DC48 West Rand - Table B1 Adjustments Budget Summary -											
Description	Budget Year 2019/20									Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
Financial Performance											
Property rates	-	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-	-
Investment revenue	-	-	-	-	-	-	120	120	120	-	-
Transfers recognised - operational	207,828	206,928	-	-	-	-	2,696	2,696	209,624	228,178	235,663
Other own revenue	19,972	19,074	-	-	-	-	(8,571)	(8,571)	10,502	11,041	11,836
Total Revenue (excluding capital transfers and contributions)	227,800	226,002	-	-	-	-	(5,755)	(5,755)	220,246	239,219	247,499
Employee costs	180,354	113,102	-	-	-	-	72,649	72,649	185,751	95,628	102,322
Remuneration of councillors	14,643	11,551	-	-	-	-	1,546	1,546	13,097	12,359	13,224
Depreciation & asset impairment	7,000	3,578	-	-	-	-	3,423	3,423	7,000	3,399	3,229
Finance charges	1,564	0	-	-	-	-	1,594	1,594	1,594	-	-
Materials and bulk purchases	200	200	-	-	-	-	-	-	200	211	222
Transfers and grants	12,640	12,640	-	-	-	-	(4,392)	(4,392)	8,248	8,743	8,743
Other expenditure	65,216	63,532	-	-	-	-	(4,856)	(4,856)	58,676	57,250	60,107
Total Expenditure	281,617	204,603	-	-	-	-	69,964	69,964	274,566	177,589	187,847
Surplus/(Deficit)	(53,816)	21,399	-	-	-	-	(75,719)	(75,719)	(54,320)	61,629	59,651
Transfers recognised - capital	14,748	2,748	-	-	-	-	-	-	2,748	2,906	3,066
Contributions recognised - capital & contrib	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(39,068)	24,147	-	-	-	-	(75,719)	(75,719)	(51,572)	64,535	62,717
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	(39,068)	24,147	-	-	-	-	(75,719)	(75,719)	(51,572)	64,535	62,717
	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure & funds sources											
Capital expenditure	24,739	6,200	-	-	-	-	339	339	6,539	-	-
Transfers recognised - capital	12,000	0	-	-	-	-	-	-	0	-	-
	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	12,739	6,200	-	-	-	-	339	339	6,539	-	-
Total sources of capital funds	24,739	6,200	-	-	-	-	339	339	6,539	-	-
	-	-	-	-	-	-	-	-	-	-	-

DC48 West Rand - Table B1 Adjustments Budget Summary -

Description	Budget Year 2019/20									Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
Financial position	-	-	-	-	-	-	-	-	-	-	-
Total current assets	26,721	26,721	-	-	-	-	-	-	26,721	49,560	73,921
Total non current assets	79,200	48,331	-	-	-	-	31,299	31,299	79,630	42,120	36,164
Total current liabilities	137,191	45,304	-	-	-	-	38,818	38,818	84,122	40,020	30,258
Total non current liabilities	74,589	56,637	-	-	-	-	-	-	56,637	59,752	63,039
Community wealth/Equity	(105,860)	(26,889)	-	-	-	-	31,299	31,299	4,410	31,908	96,789
Cash flows	-	-	-	-	-	-	-	-	-	-	-
Net cash from (used) operating	20,506	3,694	-	-	-	-	(339)	(339)	3,355	31,565	29,338
Net cash from (used) investing	(24,739)	(6,200)	-	-	-	-	339	339	(5,861)	-	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	0	0	-	-	-	-	-	-	0	31,565	60,903
Cash backing/surplus reconciliation	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available	-	-	-	-	-	-	-	-	-	31,565	60,903
Application of cash and investments	78,564	(12,144)	-	-	-	-	(3,479)	(3,479)	(15,623)	12,281	9,457
Balance - surplus (shortfall)	(78,564)	12,144	-	-	-	-	3,479	3,479	15,623	19,285	51,446
Asset Management	-	-	-	-	-	-	-	-	-	-	-
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	7,000	-	-	-	-	-	(3,423)	(3,423)	3,578	3,578	3,578
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1,214	-	-	-	-	-	(225)	(225)	989	1,043	1,100
Free services	-	-	-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-
Households below minimum service lev	-	-	-	-	-	-	-	-	-	-	-
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

The municipality has presented a deficit operational budget because the 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 could not happen within the 2019/20 financial year. 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 indicates that the municipality should adopt better financial management decisions in order to provide for functions that are either funded or under-funded to reduce the budget deficit and to improve overall liquidity of the municipality until the situation is resolved.

4.3 Financial Performance

Table 2: Adjustments 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 +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Rental of facilities and equipment		1,038	1,038	-	-	-	-	353	353	1,391	1,094	1,154
Interest earned - external investments		-	-	-	-	-	-	120	120	120	-	-
Interest earned - outstanding debtors		-	-	-	-	-	-	569	569	569	-	-
Licences and permits		700	700	-	-	-	-	-	-	700	-	-
Transfers and subsidies		207,828	206,928	-	-	-	-	2,696	2,696	209,624	228,178	235,663
Other revenue	2	18,234	17,335	-	-	-	-	(9,493)	(9,493)	7,842	9,946	10,682
Total Revenue (excluding capital transfers and contributions)		227,800	226,002	-	-	-	-	(5,755)	(5,755)	220,246	239,219	247,499
Expenditure By Type												
Employee related costs		180,354	113,102	-	-	-	-	72,649	72,649	185,751	95,628	102,322
Remuneration of councillors		14,643	11,551	-	-	-	-	1,546	1,546	13,097	12,359	13,224
Depreciation & asset impairment		7,000	3,578	-	-	-	-	3,423	3,423	7,000	3,399	3,229
Finance charges		1,564	0	-	-	-	-	1,594	1,594	1,594	-	-
Other materials		200	200	-	-	-	-	-	-	200	211	222
Contracted services		28,758	27,375	-	-	-	-	(5,091)	(5,091)	22,284	21,696	22,871
Transfers and subsidies		12,640	12,640	-	-	-	-	(4,392)	(4,392)	8,248	13,135	13,135
Other expenditure		36,458	36,158	-	-	-	-	235	235	36,392	31,162	32,844
Total Expenditure		281,617	204,603	-	-	-	-	69,964	69,964	274,566	177,589	187,847
Surplus/(Deficit)		(53,816)	21,399	-	-	-	-	(75,719)	(75,719)	(54,320)	61,629	59,651
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		14,748	2,748	-	-	-	-	-	-	2,748	2,906	3,066
Surplus/ (Deficit) for the year		(39,068)	24,147	-	-	-	-	(75,719)	(75,719)	(51,572)	64,535	62,717

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 2019/20 mid-year 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.

Revenue

Total operational revenue has slightly decreased from R226,008 million to R220,246 million, and its affected by the following factors:

- The material decrease in other revenue due to the decrease in the Agency's adjustment budget financials and the anticipated VAT receipts to be received from SARS.

Amounts included in other revenue are shown below:

Description	Special Adjusted R	Adjustments R	Adjusted R
Contributions from local municipalities	-	3,000,000	3,000,000
Sale of plants	140,388	(140,388)	-
WRDA revenue	8,844,000	(8,535,543)	308,457
Vat recovery	8,350,997	(4,850,997)	3,500,000
Service charges - other	-	1,033,845	1,033,845
Total	17,335,385	(9,493,084)	7,842,302

The overall impact of these adjustments has resulted in an overall decrease of revenue anticipated by the municipality and thus the 2019/2020 Adjusted Budget has been adjusted in proportion to the funds not collected to date.

Expenditure

The municipality's operational expenditure has increased from R204,603 million to R266,979 million due to the following:

- The costs related to the fire and rescue services function had to be included because of the unlikely event of the function being transferred to the local municipalities during this financial year.

The transfer is earmarked for the outer MTREF year (2020/21) to allow for processes to be duly followed. The effect is that employee related costs will decrease from R178 million in the 2019/20 financial year to R96 million in the 2020/21 financial year. The total employee related cost will thus be 54% of the approved budget in the 2020/21 financial year as opposed to 67% of the 2019/20 adjustment budget.

The contracted services for the 2019/20 financial year have been adjusted as follows: -

Description	Special Adjusted R	Adjustments R	Adjusted R
Security Services	2,916,308	(505,708)	2,410,600
Fire services	6,897,227	-	6,897,227
External Computer Service: Network Extensions	10,426,404	(3,426,404)	7,000,000
Actuarial valuations	8,000	12,000	20,000
Performance management system	500,000	-	500,000
Rural Asset Management Expenditure	2,748,000	(1,832,000)	916,000
VAT consultants	882,044	-	882,044
Asset verification	856,296	-	856,296
Qualification verification	152,540	-	152,540
Legal fees	798,952	501,048	1,300,000
Maintenance of municipal assets	989,000	50,000	1,039,000
Pauper burials	200,000	(100,000)	100,000
Audit committee	-	210,000	210,000
Total	27,374,771	(5,151,064)	22,283,707

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 has been developed for the adjustment budget.

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

Description	Special Adjusted R	Adjustments R	Adjusted R
Audit fees	3,997,600	(497,600)	3,500,000
Membership fees	1,800,000	-	1,800,000
Training	1,000,000	1,561,191	2,561,191
Insurance Underwriting: Excess Payments	500,000	(490,000)	10,000
Professional institutes	100,000	-	100,000
WRDA Expenditure	8,541,137	(3,988,428)	4,552,709
Fuel and oil	2,500,000	(1,000,000)	1,500,000
Telephone Fax Telegraph and Telex	1,400,000	(330,000)	1,070,000
Municipal charges	6,000,000	-	6,000,000
Lease of equipment	1,474,215	(124,215)	1,350,000
External Computer Service: Software Licenses	4,144,635	-	4,144,635
Insurance Underwriting: Premiums	4,000,000	764,300	4,764,300
Advertising costs	400,000	-	400,000
Travelling costs	100,000	(50,000)	50,000
SALGA Affiliation fees	-	348,000	348,000
OR Tambo games - Incidental costs	-	-	-
Uniform	200,000	(200,000)	-
Lease of municipal vehicles	-	4,151,563	4,151,563
Fines and penalties	-	-	-
Bank charges	-	40,000	40,000
SPLUMA Compliance	-	50,000	50,000
Total	36,157,587	234,810	36,392,397

Table 3: Adjustments Budgeted Financial Performance by Municipal Vote

DC48 West Rand - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -

Vote Description <i>[Insert departmental structure etc]</i>	Ref	Budget Year 2019/20									Budget Year +1 2020/21	Budget Year +2 2021/22
		Original Budget	Prior Adjusted	Accum. Funds	Multi- year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
Revenue by Vote	1											
Vote 1 - Vote 1 - Corporate Governance		12,371	19,587	-	-	-	-	(4,216)	(4,216)	15,371	21,189	22,253
Vote 2 - Vote 2 - Municipal Manager & Support		17,119	26,813	-	-	-	-	(9,694)	(9,694)	17,119	33,499	34,298
Vote 3 - Vote 3 - Corporate Services		33,985	50,145	-	-	-	-	(13,442)	(13,442)	36,703	52,568	55,113
Vote 4 - Vote 4 - Budget & Treasury Office		31,491	44,620	-	-	-	-	(17,725)	(17,725)	26,895	48,297	51,958
Vote 5 - Vote 5 - Health & Social Development		36,678	52,853	-	-	-	-	(16,175)	(16,175)	36,678	56,743	56,743
Vote 6 - Vote 6 - Public Safety		72,249	0	-	-	-	-	72,249	72,249	72,249	-	-
Vote 7 - Vote 7 - Regional Planning & Economic Development		29,812	25,887	-	-	-	-	(8,216)	(8,216)	17,672	29,599	30,958
Vote 8 - Vote 8 - Development Agency		8,844	8,844	-	-	-	-	(8,536)	(8,536)	308	230	243
Total Revenue by Vote	2	242,549	228,750	-	-	-	-	(5,755)	(5,755)	222,994	242,125	251,565
Expenditure by Vote	1											
Vote 1 - Vote 1 - Corporate Governance		24,269	21,077	-	-	-	-	2,430	2,430	23,508	22,481	23,983
Vote 2 - Vote 2 - Municipal Manager & Support		18,010	18,010	-	-	-	-	(2,976)	(2,976)	15,034	19,281	21,534
Vote 3 - Vote 3 - Corporate Services		44,357	43,299	-	-	-	-	87	87	43,386	45,844	48,549
Vote 4 - Vote 4 - Budget & Treasury Office		22,549	21,210	-	-	-	-	12,076	12,076	33,286	19,916	21,098
Vote 5 - Vote 5 - Health & Social Development		36,954	36,654	-	-	-	-	(206)	(206)	36,448	42,300	44,479
Vote 6 - Vote 6 - Public Safety		104,868	33,743	-	-	-	-	67,473	67,473	101,216	-	-
Vote 7 - Vote 7 - Regional Planning & Economic Development		22,068	22,068	-	-	-	-	(4,933)	(4,933)	17,135	18,792	19,981
Vote 8 - Vote 8 - Development Agency		8,541	8,541	-	-	-	-	(3,988)	(3,988)	4,553	4,868	5,057
Total Expenditure by Vote	2	281,617	204,603	-	-	-	-	69,963	69,963	274,566	173,482	184,681
Surplus/ (Deficit) for the year	2	(39,068)	24,147	-	-	-	-	(75,719)	(75,719)	(51,572)	68,643	66,884

4.5 Grants and Subsidies

Table 4: Adjustments 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 +1	Budget Year +2	
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	
		A	7 A1	8 B	9 C	10 D	11 E	12 F		
R thousands										
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		196,280	195,380	-	-	-	-	195,380	216,005	224,120
Local Government Equitable Share		39,436	39,436	-	-	-	-	39,436	42,397	45,670
RSC Levy Replacement	3	153,864	153,864	-	-	-	-	153,864	172,608	177,450
Municipal Systems Improvement		900	0	-	-	-	-	0	-	-
Finance Management		1,000	1,000	-	-	-	-	1,000	1,000	1,000
EPWP Incentive		1,080	1,080	-	-	-	-	1,080	-	-
Provincial Government:		11,548	11,548	-	-	-	-	11,548	12,173	11,543
Health Subsidy		8,248	8,248	-	-	-	-	8,248	8,743	8,743
Performance Management Services		500	500	-	-	-	-	500	630	-
Library Grant	4	2,800	2,800	-	-	-	-	2,800	2,800	2,800
Other grant providers:		-	-	-	-	2,696	2,696	2,696	-	-
LG SETA		-	-	-	-	2,696	2,696	2,696	-	-
Total Operating Transfers and Grants	6	207,828	206,928	-	-	2,696	2,696	209,624	228,178	235,663
<u>Capital Transfers and Grants</u>		-	-	-	-	-	-	-	-	-
National Government:		14,748	2,748	-	-	-	-	2,748	2,906	3,066
Neighbourhood Development Partnership		12,000	0	-	-	-	-	0	-	-
Rural Households Infrastructure		2,748	2,748	-	-	-	-	2,748	2,906	3,066
Total Capital Transfers and Grants	6	14,748	2,748	-	-	-	-	2,748	2,906	3,066
TOTAL RECEIPTS OF TRANSFERS & GRANTS		222,576	209,676	-	-	2,696	2,696	212,372	231,084	238,729

The total grants will be adjusted because the LG SETA grant funds are anticipated to be received in tranches agreed upon by the WRDM and the transferring department.

4.5 Summary of Capital Budget

Table 5: Adjustments Capital Budget

DC48 West Rand - Table B5 Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2019/20									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Capital Expenditure - Functional												
<i>Governance and administration</i>		6,200	6,200	-	-	-	-	(6,200)	(6,200)	-	-	-
Finance and administration		6,200	6,200	-	-	-	-	(6,200)	(6,200)	-	-	-
<i>Community and public safety</i>		6,539	0	-	-	-	-	6,539	6,539	6,539	-	-
Public safety		6,539	0	-	-	-	-	6,539	6,539	6,539	-	-
<i>Economic and environmental services</i>		12,000	0	-	-	-	-	-	-	0	-	-
Planning and development		12,000	0	-	-	-	-	-	-	0	-	-
Total Capital Expenditure - Functional	3	24,739	6,200	-	-	-	-	339	339	6,539	-	-
Funded by:												
National Government		-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-
Borrowing		12,000	0	-	-	-	-	(12,000)	-	0	-	-
Internally generated funds	4	12,000	0	-	-	-	-	-	-	0	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-	-	-
Total Capital Funding		12,739	6,200	-	-	-	-	(6,539)	339	6,539	-	-

Based on cost vs benefit analysis the Municipality anticipated an outright purchase of approximately R6.2 million for fleet vehicles which may be needed for service delivery. Due to the financial constraints faced by the Municipality, this could not happen and the lease of vehicles was extended until the end of the 2019/20 financial year.

The fire engines and mini rescue vehicles lease ends 28 February 2020. To date the Municipality has settled the final lease payment of the mini rescue vehicles. The fire engines final lease payment will be settled on receipt of the equitable share during March 2020.

4.6 Cash Flow

Table 6: Adjustments Budget Cash Flow

DC48 West Rand - Table B7 Adjustments Budget Cash Flows -

Description	Ref	Budget Year 2019/20									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Other revenue		40,022	38,223	-	-	-	-	-	-	38,223	14,672	15,227
Government - operating	1	207,828	206,928	-	-	-	-	-	-	206,928	228,178	235,663
Government - capital	1	14,748	2,748	-	-	-	-	-	-	2,748	2,906	3,066
Interest		-	-	-	-	-	-	120	120	120	-	-
Payments												
Suppliers and employees		(229,451)	(231,565)	-	-	-	-	1,135	1,135	(230,430)	(201,055)	(211,483)
Finance charges		-	-	-	-	-	-	(1,594)	(1,594)	(1,594)	-	-
Transfers and Grants	1	(12,640)	(12,640)	-	-	-	-	-	-	(12,640)	(13,135)	(13,135)
NET CASH FROM/(USED) OPERATING ACTIVITIES		20,506	3,694	-	-	-	-	(339)	(339)	3,355	31,565	29,338
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Payments												
Capital assets		(24,739)	(6,200)	-	-	-	-	339	339	(5,861)	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(24,739)	(6,200)	-	-	-	-	339	339	(5,861)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES												
NET CASH FROM/(USED) FINANCING ACTIVITIES												
NET INCREASE/ (DECREASE) IN CASH HELD		(4,233)	(2,506)	-	-	-	-	-	-	(2,506)	31,565	29,338
Cash/cash equivalents at the year begin:	2	4,233	2,506	-	-	-	-	-	-	2,506	-	31,565
Cash/cash equivalents at the year end:	2	0	0	-	-	-	-	-	-	0	31,565	60,903

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

4.7 Financial Position

Table 7: Adjustments Budget Financial Position

DC48 West Rand - Table B6 Adjustments Budget Financial Position -

Description	Ref	Budget Year 2019/20									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
ASSETS												
Current assets												
Cash		–							–	–	31,565	60,903
Other debtors		26,585	26,585					–	–	26,585	17,564	12,564
Inventory		136	136					–	–	136	430	454
Total current assets		26,721	26,721	–	–	–	–	–	–	26,721	49,560	73,921
Non current assets												
Investment property		5,370	5,800					–	–	5,800	6,221	6,563
Investment in Associate			–						–	–		
Property, plant and equipment	1	58,912	27,613	–	–	–	–	31,299	31,299	58,912	20,963	14,645
Biological		338	338						–	338	357	376
Other non-current assets		14,579	14,579						–	14,579	14,579	14,579
Total non current assets		79,200	48,331	–	–	–	–	31,299	31,299	79,630	42,120	36,164
TOTAL ASSETS		105,921	75,052	–	–	–	–	31,299	31,299	106,351	91,680	110,085
LIABILITIES												
Current liabilities												
Trade and other payables		131,836	41,131	–	–	–	–	40,000	40,000	81,131	35,622	25,622
Provisions		5,355	4,173					(1,182)	(1,182)	2,991	4,398	4,636
Total current liabilities		137,191	45,304	–	–	–	–	38,818	38,818	84,122	40,020	30,258
Non current liabilities												
Provisions	1	74,589	56,637	–	–	–	–	–	–	56,637	59,752	63,039
Total non current liabilities		74,589	56,637	–	–	–	–	–	–	56,637	59,752	63,039
TOTAL LIABILITIES		211,780	101,941	–	–	–	–	38,818	38,818	140,759	99,772	93,296
NET ASSETS	2	(105,860)	(26,889)	–	–	–	–	(7,519)	(7,519)	(34,408)	(8,092)	16,789
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		(105,860)	(26,889)	–	–	–	–	31,299	31,299	4,410	31,908	96,789
Reserves		–	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY		(105,860)	(26,889)	–	–	–	–	31,299	31,299	4,410	31,908	96,789

Audited consolidated annual financial statements and year to date actual figures were taken into account when determining adjustments on financial position.

Accumulated surplus/ (deficit) has been adjusted due to movements in other components and by applying the basic accounting principle of Assets = Equity + Liabilities, of which:

- Current liabilities balance has increased due to increase in expenditure and creditors.
- Non-current liabilities and provisions on employee benefits and long service award liability remains unchanged.

5. Recommendation

In terms of the Municipal Finance Management Act, 2003 (Act no 56 of 2003); Municipal Council should approve 2019/ 2020 Adjustments Budget of West Rand District Municipality and West Rand Development Agency:

- That the operational expenditure budget be adjusted from R204,603 million to R266,979 million.
- That the operational revenue budget be adjusted from R226,008 million to R220,246 million.
- That the capital revenue budget remain unchanged at R 2,7 million.
- That the capital expenditure budget be adjusted from R6,2 million to R6,5 million.
- That the item be tabled to Council for approval.