West Rand District Municipality

Financial Turnaround Strategy

2026/2027

DATE OF APPROVAL: 28 May 2026
COUNCIL RESOLUTION NUMBER: 38

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INTRODUCTION

The purpose of this strategy is to present a turnaround plan in placing the municipality into the viable position. This plan demonstrates to all internal and external stakeholders of the district municipality a budget plan that is put in place to achieve a funded budget in the medium term. Thus executive mayor bids to turn around the municipality from struggling with failure and be confident in its abilities to execute its service delivery mandates. All stakeholders should riseto the challenge of ensuring that the district municipality is the site of excellence, its being ledand staffed politically and administratively with office bearers and public servants who are responsive, accountable, efficient, effective, and carry out their duties with civic pride.

The Division of Revenue Act (DoRA) takes into account the powers and functions assigned to each sphere of government. Provinces and municipalities are assigned service delivery functions such as education, health, social development, housing, and roads, provision of electricity and water and municipal infrastructure. The West Rand District Municipality is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. The equitable share allocation to the WRDM has however remained inadequate and insufficient over a number of years to provide minimum basic service as required by the Constitution.

The municipality has presented an unfunded budget with a difficult task of sourcing alternative and innovative ways of raising additional revenue with the aim of servicing the needs of the community and provide regional support to our local municipalities through strengthening of district governance. The municipality is urgently attending to fire brigade services, municipal health service and disaster management functions as unfunded mandates by engaging relevant authorities to seek solution to funding models of these functions.

The sustainability of the budget evaluates whether the budget supports long-term financial and operational sustainability over the medium term. The district municipality relies on government grants to fund its operations and currently experience significant liquidity challenges to meet short term obligations.

MILESTONES ACHIEVED IN 2023/2024 FINANCIAL YEAR

The district municipality has been committed to turnaround it's financial situation from the previous financial period when the financial turnaround strategy was tabled as part of Annual Budget approved by Council on 29 June 2020. The strategy was outlined in terms of short-term, medium term and long term goals. The following short-term goals were achieved:

No.	Action taken	Supplier	Originalamount	Revisedamount	Savings
1	Termination of contracts extended withfurther 12 months without addendum to SLA	PK Financials (VAT engagement review)	R500 000	R0	R500 000
2	Termination of contracts extended withfurther 12 months without addendum to SLA	Columbus communication (Radios maintenance and high sites)	R150 000	R0	R150 000
3	Termination of contracts extended withfurther 12 months without addendum to SLA	Sunday Kit Uniform CC (Provision of uniform)	R600 000	R0	R600 000
4	Non-renewal of major contracts which had serious financial burdenon the municipality. The municipality entered into settlement agreement to assume ownership of vehicles and maintain such vehicles.	Simunye Fleet management (Lease of Fire engines and mini rescue vehicles)	R39 600 000	R1 500 000	R38 100 000
5	Non-renewal of major contracts which had serious financial burdenon the municipality. The municipality opted for outright purchase of vehicles through NT transversal.	Afrirent (old supplier) Toyota, Mahindra and Nissan (new suppliers) (Lease of Municipal vehicles)	R24 200 000	R12 012 000	R12 180 000
6	Non-renewal of major contracts which had serious financial burdenon the municipality. The municipality opted for assistance from Gauteng eGov on GBN.	Brilliantele communications (Network and voice of IP)	R27 000 000	R1 500 000	R25 500 000
7	The municipality downscaled the scope offered by this contract. Number of machines reduced.	Zevoli Nashua (Photocopy machines)	R4 200 000	R2 670 000	R1 530 000
8	The municipality downscaled the scope offered by this contract. Data and minutes reduced.	Vodacom (old supplier) MTN (new supplier) (Mobile	R2 880 000	R1 920 000	R960 000

No.	Action taken	Supplier	Originalamount	Revisedamount	Savings
		communication services)			
9	The municipality downscaled the scope offered by this contract. Number of security personnel reduced.	Mabotwane Security (Security services)	R11 700 000	R8 330 000	R3 370 000
10	The municipality downscaled the scope offered by this contract.The risk declined due vehicles being purchased instead of being leased and some employees being allowed to participate inthe locomotion allowance scheme.	Kunene Makopo insurance (old supplier) Fezi Auditors (new supplier) (Insurance services)	R4 700 000	R2 200 000	R2 500 000
11	The municipality downscaled the scope offered by this contract. Fuel cost reduced due to number of vehicles reduced and administration cost on fuel cards.	Standard bank cards under Afrirent (old supplier) FNB (new supplier) (Fuel costs)	R2 400 000	R1 320 000	R1 080 000
12	The municipality downscaled the scope offered by this contract. Collection on long outstanding unresolved claims than current claims.	PK Financials (old supplier) Maxprof (new supplier) (VAT engagement review services)	12.5%	9.5%	3%
13	Winding up of the Development Agency of the District. The annual subsidy given tothe Agency will be suspended.	West Rand Development Agency (Attracting economic opportunities in WestRand region)	R4 400 000	R1 000 000	R3 400 000

In managing working capital effectively and efficiently, the municipality further engaged withits major service providers to negotiate extend payment terms from 30 days to 90 days and settlement plans on long outstanding creditors. The municipality also explored the viable option of opening a call account available on demand to ring-fence the cost of salaries on call account and conditional grants

SHORT-TERM STRATEGY

The district municipality's tabled budget has been assessed as unfunded based on significant liquidity risks identified and projected operating deficits over the medium-term period. Working capital requirements as the difference between current debtors and current creditors in which it equates to R115,6 million for 2023/2024 were calculated, which created a huge negative impact in terms of budget funding. In summary, it further confirms that the annual budget of the municipality is unfunded with negative cash balance of R160 million after cash commitments have been applied. The municipality will through its short-term strategy mainly focus on the following:

- Continuous review of contracts which are not binding to the municipality
- Continuing to apply cost benefit analysis on obligations which are of maximum financial burden to the municipality's fiscus.
- Review of employee related cost to realize savings
- Plan on how the R160 million cash short fall will be reduced

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)
1	Transfer of Merafong Flora to Gauteng department of agriculture and rural development	The district municipality is present running this function at the loss of R2.1 million	Gauteng department of agriculture and rural development to take over this function.	The legal form of land vests with Sibanye Still water. Donation of the land needs to be transferred to the District. Transfer is presently in process of being finalised by the conveyancer.	Sibanye Stillwater to donate the land to the District as a pre-requisite for GDARD to consider supporting the Merafong Flora project financially, so that the process of transfer can commence.	(R2 100 000)
2	Application for exemption on any negotiated increase above the level of municipality's affordability.	The municipality presently has unfunded budget and employee related cost is the major contributor. Presently at 3.9% CPIX	The municipality is opting to apply for no more than a zero per cent increase in the 2024/2025 MTREF to achieve funded.	Apply for exemption once the national negotiations has been concluded.	Council to approve intention to apply for salary increment exemption.	(R11 800 000)

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)
3	Negotiations with Organised labour to waive the annual notch increments	Management initiatednotch increment in 2016/17 financial yearand was implementedon 2018/19 financial year	Suspension of notch increments will assist the with reduction of employee related cost and curb overall operational expenditure	Management to consult with Organised labour on the impact of puttingnotch increment on abeyance and reach amicable solution	Employees to be notified on suspension of notch increment	(R7 500 000)
4	Review of long service award policy	The municipality presently has a long service award long-term obligation of R15million which is not cash backed contributes to a R160 million cash shortfall.	The municipality to table the review of the long service award policy to Council so that the exemption of the policy be approved.	Municipal Council to approve exemption of the policy to prevent liability fromincrease further.	Management to negotiate with Organised labour on the intention to table the review of the long-service award policy to Council	(R15 220 000)
5	The municipality to consider the option of leasing majority of its premises to commercial customers	The municipality is presently leasing minority (10%) of its premises to commercial customers and generates rental income of R2 million per annum.	The municipality wants to strengthen it's revenue muscle and reduce operational costs of maintaining the office building. The municipality proposes to optimise the utilisation of 10% of itsbuilding for administration purposes.	The municipality to restructure the building offices to open plan in order toutilise the building economically and generate maximum revenue. This will reduce utility, cleaning, consumables and security costs which are presently incurred.	Item to be tabled to Council once the resource mobilization tasks team has performed cost benefitanalysis	R18 604 000 (R20 284 000)

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)
6	Cost curtailment on computer equipment	The municipality presently budgeted R1 million for computer equipment in 2020/21 financial year.	Computer equipment current budget be reduced to R400,000 and another R600,000 be deferred to the following FY	Budget reduction to accommodate new council on computer equipment after elections	Computer equipmentbe reduced to R400,000 in 2020/21 FY and R600,000 carried to R400,000	(R400 000)

MEDIUM-TERM STRATEGY

The municipality will in medium term develop and implement strategies of raising revenues from sources where opportunities may arise in order to be financially sustainable.

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)
1	*Fire services*	Fire service function is presently an unfunded function and constitute 65% of the municipality's budget	The municipality aims to sustain the fire service function to deliver optimum service delivery to the community	Make application of re-introduction of fire service levy to National Treasury and enter into SLA's with constituent local municipalities	National Treasury established a task team made up Provincial Treasury, CoGTA, District and Local municipality to look at the viability of fire services levy and realigning the equitable share to accommodate the fire service function.	R51 803 430
2	*Emergency Rescue services*	Emergency rescue services is part of the fire service function which is presently an unfunded function	The municipality aims to sustain the fire service function to deliver optimum service delivery to the community	Engage with road accident fund, SANRAL and insurance companies on the sustainability of the services provided on both provincial and National roads	Road accident fund, SANRAL and insurance companies to assist the District in sustaining the function. Realignment of equitable share to accommodate the emergency rescue service function	R20 000 000
3	*Parking By-laws*	The District does not generate sufficient own revenue	The municipality aims to identify revenue opportunities which will sustain maintenance of its facilities and assets.	Engage with constituent local municipalities to promulgate by-laws and enter into SLA's with them.	The constituent local municipalities to assist the district with revenue generation	R3 000 000
4.	*Insourcing vs outsourcing services*	The District is presently outsourcing VAT review and Fixed assets conditional assessments	The municipality should develop internal skills to perform outsourced functions.	Enroll employees with various taxation, accounting and valuation professional bodies to be members.	The municipality to bear the cost of enrollment and annual membership to the professional membership bodies on behalf of its employees.	(R3 200 000)

PLANS IN PLACE TO REDUCE THE CASH SHORTFALL

Breakdown of R160 million cash shortfall as reported by Provincial Treasury during thebudget benchmarking exercise entails the following:

No	Challenge	Amount	Plans for reduction	Timeline
1.	Trade creditors outstanding (currently valued at R24 million)	R 35.6 million	The municipality entered into payment settlement agreements with its major creditors in effort to reduce the trade creditors' book. The major balance lies with the following:**Rand West City LM**: R14 million **SALGA**: R 7.8 million **Mafoko Securities**: R3.5 million The municipality aims to negotiate with Rand West City Local Municipality to suspend interest charged on outstanding balance.	Short-term
2.	Deferred income (Distressed mining town)-frozen with VBS investments	R 30.4 million	The deferred income relates to the funds owed for distressed mining town grants due to VBS frozen investments. The municipality lodged claim successfully with the Curator and the claim has been approved. There is a risk that the municipality may not recover the full capital invested however the municipality aims to recover against the public liability insurance of KPMG Auditors	Medium-term
3.	Long service award provision (long-term and not cash backed)	R15 million	The municipality aims to submit the review of the policy to Council to determine the future of this policy.	Medium-term
4.	Post-retirement medical aid provision (long-term and not cash backed)	R55 million	This is presently under the main collective agreement. The municipality to commence building reserves.	Long-term
5.	Provision for workmen's compensation (short-term and outstanding)	R13 million	The municipality aims to engage the Department of labour and enter into payment settlement agreement.	Short-term
6.	Budgeted deficit for 2021/2022 financial year	R11 million	The municipality to consult with Organised labour on the impact of putting notch increment on abeyance until such time the municipality is financially viable and revenue enhancement strategies.	Short-term
		R160 million		

LONG TERM STRATEGY

The long-term strategy will be centered on the powers and functions in terms of section84(1) of the Municipal structures Act.

In terms of the legislation as stated above:

(1) A district municipality has the following functions and powers:

- *(a) Integrated development planning for the district municipality as a whole, including a framework for integrated development plans of all municipalities in the area of the districtmunicipality.*
- *(b) Potable water supply systems.*
- *(c) Bulk supply of electricity, which includes for the purposes of such supply, the transmission, distribution and, where applicable, the generation of electricity.*
- *(d) Domestic waste-water and sewage disposal systems.*
- *(e) Solid waste disposal sites, in so far as it relates to-*
  - *(i) the determination of a waste disposal strategy;*
  - *(ii) the regulation of waste disposal;*
  - *(iii) the establishment, operation and control of waste disposal sites, bulk waste transferfacilities and waste disposal facilities for more than one local municipality in the district.*
- *(f) Municipal roads which form an integral part of a road transport system for the area of thedistrict municipality as a whole.*
- *(g) Regulation of passenger transport services.*
- *(h) Municipal airports serving the area of the district municipality as a whole.*
- *(i) Municipal health services.*
- *(j) Firefighting services serving the area of the district municipality as a whole, which includes-*
  - *(i) planning, co-ordination and regulation of fire services;*
  - *(ii) specialised firefighting services such as mountain, veld and chemical fire services;*
  - *(iii) co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures;*
  - *(iv) training of fire officers.*
- *(k) The establishment, conduct and control of fresh produce markets and abattoirs servingthe area of a major proportion of the municipalities in the district.*
- *(l) The establishment, conduct and control of cemeteries and crematoria serving the area of amajor proportion of municipalities in the district.*
- *(m) Promotion of local tourism for the area of the district municipality.*
- *(n) Municipal public works relating to any of the above functions or any other functions assigned to the district municipality.*
- *(o) The receipt, allocation and, if applicable, the distribution of grants made to the district municipality.*

(p) *The imposition and collection of taxes, levies and duties as related to the above functionsor as may be assigned to the district municipality in terms of national legislation.*

The new District Development Model aims to improve the coherence and impact of government service delivery with focus on 44 Districts and 8 Metros around the country as development spaces that can be used as centres of service delivery and economic development, including job creation. The District Development Model has been approved bygovernment structures, including Cabinet.

The model will be piloted in two Districts (OR Tambo; Waterberg) and a Metro (Ethekwini) that have elements of Rural, Mining and Urban.

The new District Development Model offers a number of opportunities for the development of a #DisabilityInclusiveSA through strategic implementation of the White Paper on the Rights of Persons with Disabilities at community level. This is therefore a call to Executive Authorities, all Accounting Officers, all programme managers across all spheres of government, working with organs of civil society and the private sector, to ensure that access and participation barriers which marginalise persons with disabilities are removed, and that all planning, budgeting and service delivery are designed using universal design principles, are disability equitable and offer opportunities for persons with disabilities as drivers of community and economic development

A new integrated planning model for Cooperative Governance:

- The District/Metro spaces offer the appropriate scale and arena for intergovernmental planning coordination.
- The District Model provides both an Institutional Approach and Territorial Approach (geographical space) focus.
- The 44 Districts and 8 Metros are developmental spaces (IGR Impact Zones) can be the strategic alignment platforms for all three spheres of government where One Plan for each space guides and directs all strategic investments and projects for transparent accountability.
- The District Model aims to address service delivery challenges and speed up servicedelivery and economic development, including job creation.
- All the 52 Plans will harmonise IDPs and create interrelated, interdependent as well as independent development hubs supported by comprehensive detailed plans.

The new District Development Model is anchored in the current government legislations andpolicies

- The new District Development Model brings to action the West Rand approach whichis a call for accelerated service delivery.
- Under this model, district municipalities will be properly supported and adequately resourced to speed up service delivery.
- The Model takes forward key government plans and reinforces the existing policiesgeared to ensuring service delivery.
- The new model contributes to the achievements of the seven Apex Prioritiesannounced by the President in the SoNA.
- The model signals a shift from using more 139 (1) to section 154 of the constitution emphasizing closer support to Local Government by both National and Provincial spheres.
- The new model brings to life the realization of the ideal for Cooperative Governance

Development will be pursued through single and integrated plans per district.

- The district-driven development model is directed at turning plans into action, and ensuring proper project management and tracking.
- District Development Model will be pursued through single and integrated plans per district which will be further synchronised with Integrated Development Plans in municipalities.
- The plans will elaborate the key transformation processes required to achieve long- term strategic goals and a desired future in each of the 44 districts and eight metros.

Each district plan will outline the role of each sphere of government, prioritising the following:

- Managing urbanisation, growth and development;
- Supporting local economic drivers;
- Accelerating land release and land development;
- Investing in infrastructure for integrated human settlement, economic activity and the provision of basic services; and
- Addressing service delivery in municipalities

The much needed resources will be channeled to realise the plan

- As the model seeks to secure maximum coordination and cooperation among thenational, provincial and local spheres of government.
- The coordination will require that with effect from the 2020/21 Budget cycle – that national budgets and programmes be spatially referenced across the 44 districts and8 Metros.
- Provincial government budgets and programmes will be spatially referenced todistricts and metros in the respective provinces.
- Municipalities will express the needs and aspirations of communities in integrated development plans for the 44 districts and 8 Metros

BUDGET IMPLICATION FOR THE NEXT FIVE YEARS

In the first year, the municipality's projected savings has decreased by R3,3 million of which curtailment of costs pertaining to contracted services and other expenditure are the main drivers. The municipality will be embarking on strategies to enhance revenue through the assistance of the resource mobilization task team which will be engaging with all stakeholders who plays a vital role in provision of fire and rescue services.

Once the municipality has secured its own revenue generation in the second year, it will commence building up the reserves from the second to fifth year which may ultimately add to R29.5 million to cash back the post-retirement medical aid liability of R65.4 million

West Rand District Municipality (DC48): Five Year Financial plan (Financial Performance)

Description	Ref	Five year turnaround plan				
R thousand	1	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	Budget Year +3 2024/25	Budget Year +4 2025/26
Revenue By Source						
Rental of facilities and equipment		2 067	2 178	2 296	2 386	2 479
Interest earned - external investments		750	750	750	779	810
Interest earned - outstanding debtors		450	474	500	520	540
Fines, penalties and forfeits		–	–	3 000	3 117	3 239
Licences and permits		400	422	444	461	479
Fire service levy		–	51 803	53 824	55 923	58 104
Emergency rescue services		–	–	10 000	10 390	10 795
Transfers and subsidies		238 143	242 778	244 581	254 120	264 030
Other revenue	2	6 634	15 813	16 093	16 721	17 373
Gains		800	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		**249 244**	**314 218**	**331 488**	**344 416**	**357 848**
Expenditure By Type						
Employee related costs	2	196 249	202 137	208 201	219 652	233 929
Remuneration of councillors		13 931	13 931	13 931	14 697	15 506
Depreciation & asset impairment	2	4 000	3 600	3 240	3 100	2 992
Other materials	8	220	250	270	281	291
Contracted services		8 961	9 348	9 408	9 775	10 156
Transfers and subsidies		11 364	11 932	11 932	12 397	12 881
Other expenditure	4, 5	21 129	20 902	21 922	22 777	23 665
Losses		–	–	–	–	–
Total Expenditure		**255 854**	**262 100**	**268 904**	**282 679**	**299 420**
Surplus/(Deficit)		**(6 610)**	**52 118**	**62 584**	**61 737**	**58 428**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		9 651	2 782	2 785	2 894	3 006
Surplus/(Deficit) for the year		**3 041**	**54 900**	**65 369**	**64 630**	**61 434**

West Rand District Municipality (DC48): Five Year Financial plan (Financial Position)

Description	Ref	Five year turnaround plan				
R thousand	1	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	Budget Year +3 2024/25	Budget Year +4 2025/26
ASSETS						
Current assets						
Cash		1 900	30 703	30 693	30 467	20 859
Call investment deposits	1	–	10 000	11 000	15 000	11 000
Other debtors		10 995	6 995	4 995	2 595	980
Inventory	2	220	250	270	350	410
Total current assets		**13 115**	**47 948**	**46 958**	**48 412**	**33 249**
Non current assets						
Investments		–	8 500	9 956	19 163	29 575
Investment property		7 200	7 500	7 800	8 000	8 250
Property, plant and equipment	3	67 778	64 178	60 938	57 838	54 847
Biological		264	–	–	–	–
Total non current assets		**75 242**	**80 178**	**78 694**	**85 001**	**92 672**
TOTAL ASSETS		**88 357**	**128 126**	**125 652**	**133 413**	**125 921**
LIABILITIES						
Current liabilities						
Trade and other payables	4	71 041	56 123	48 080	41 560	19 050
Provisions		14 826	6 377	4 239	3 250	2 560
Total current liabilities		**85 867**	**62 500**	**52 319**	**44 810**	**21 610**
Non current liabilities						
Provisions		56 637	59 237	60 137	63 100	65 404
Total non current liabilities		**56 637**	**59 237**	**60 137**	**63 100**	**65 404**
TOTAL LIABILITIES		**142 504**	**121 737**	**112 456**	**107 910**	**87 014**
NET ASSETS	5	**(54 147)**	**6 389**	**13 196**	**25 503**	**38 907**
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		(54 147)	(2 111)	3 240	6 340	9 332
Reserves	4	–	8 500	9 956	19 163	29 575
TOTAL COMMUNITY WEALTH/EQUITY	5	**(54 147)**	**6 389**	**13 196**	**25 503**	**38 907**