

**ITEM 8****BUDGET AND TREASURY OFFICE: 2022/2023 ANNUAL FINAL BUDGET****5/1****PURPOSE**

To table the 2022/2023 Annual Final Budget to Council for adoption or approval.

**INTRODUCTION**

Section 24 (1) of the Municipal Finance Management Act states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

- (2) An annual budget—
  - (a) must be approved before the start of the budget year;
  - (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
  - (c) must be approved together with the adoption of resolutions as may be necessary—
    - (i) imposing any municipal tax for the budget year;
    - (ii) setting any municipal tariffs for the budget year;
    - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
    - (iv) approving any changes to the municipality’s integrated development plan; and
    - (v) approving any changes to the municipality’s budget-related policies.
- (3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

***Format of the Annual Budget***

Regulation 9 of the Municipal Budget and Reporting Regulations 2009 require that the annual budget be in a prescribed format:

“9 *The format of the annual budget and its supporting documentation of a municipality must be in the format specified in Schedule A and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the minister in terms of Section 168(1) of the Act.*”

The following budget tables have been completed and are attached as Annexure A:

- Table A1 – Budget Summary;
- Table A2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification);
- Table A3 – Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote);
- Table A4 – Budgeted Financial Performance (Revenue by Source and Expenditure by type);
- Table A5 – Budgeted Capital Expenditure by Vote, standard classification and funding;
- Table A6 – Budgeted Financial Position;
- Table A7 – Budgeted Cash Flows;
- Table A8 – Cash Backed reserves / accumulated surplus reconciliation;
- Table A9 – Asset Management; and
- Table A10 - Basic service delivery measurement.

The supporting schedules SA1 to SA 38 are also included as part of Annexure A.

### ***DISCUSSION***

Per Municipal Finance Management Act, MFMA budget circular 115 and the municipal compliance calendar, an annual budget is expected to be approved by council by the 31 May 2022.

### ***RECOMMENDATIONS THAT:***

- 1) That the adoption of the annual budget of the municipality be considered for the financial year 2022/23 and the two outer years 2023/24 and 2024/25 as per Annexure A (Budget schedules A1 to A10 and SA1 to SA 38);
- 2) That Council approves the proposed changes to the budget related policies attached in Annexure B,
- 3) That Council approves the tabled tariffs as contained in Annexure C for the 2022/23 budget year;
- 4) That Council takes note of MFMA Budget Circular 115 attached as Annexure D;
- 5) That Council takes note that version 6.6 of the mSCOA classification framework was used to prepare the budget;
- 6) That the approved annual budget be published on the municipal website.
- 7) Council approves the following annexures:
  - The quality certificate signed by the Accounting officer as per Annexure E
  - The report from Gauteng Provincial Treasury on Budget Benchmark exercise.

- The 2022/23 MTREF Procurement Plan per Annexure F;
- The sector department projects of the Gauteng Provincial Government in West Rand District municipality for the 3 year 2022/23 MTEF, attached as Annexure G;
- The draft Top Layer SDBIP, attached as Annexure H;



# WEST RAND DISTRICT MUNICIPALITY



## ANNUAL FINAL BUDGET REPORT 2022/2023 MTREF

26 MAY 2022

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## PART ONE: ANNUAL BUDGET

### 1. Section one: MMC Finance Budget Speech

Honourable Speaker;  
 Executive Mayor;  
 Council Whip;  
 Members of the Mayoral committee;  
 Chairperson of MPAC;  
 Esteemed Aldermans; AND  
 Honourable Councillors;

I am presenting an annual final budget for my very first time before this newly elected council, the 2022/23 Medium Term Budget and Expenditure Framework (MTREF). The budget which is aimed to improve the lives of our people in the West Rand region.

Honourable Speaker, public participation and budget benchmarking exercise was done with all stakeholders and twenty one (21) notice period was granted to all stakeholders to submit comments on both the tabled budget and IDP. The 2022/23 Medium Term Budget and Expenditure Framework (MTREF) with the incorporation of all comments is now being presented to council, to consider it for approval.

Honourable Speaker, I am relieved to be presenting a surplus budget for the current year, with deficits in the outer years. This means that the municipality still have work hard ensure that a funded budget is achieved in medium to long-term. The budgeted operating surplus or deficit for the 3-year 2022/23 MTREF period is R16 036 (surplus), R1.12 million (deficit) and R8.77 million (deficit) respectively. In other words the municipality is budgeting for a surplus, in 2022/23, and then budgeting for a deficit in both 2023/24 and 2024/25 outer years.

Looking into our operating revenue, the District remains 91% grant dependent and the rest of 9% is the municipality's own generated revenue. The increase in total operating grants amounts to 3% from R238.5 million to R246.4 million. The main drivers relates to equitable share and RSC levy replacement grant which constitutes 93% of total operating grants.

Speaker, the unfortunate part is that the district's operating expenditure by 7% from R255.9 million to R273.5 million. The main cost driver is employee related costs which has increased from R196.2 million to R211.4 million. The municipality is

liable to make a provision of 3.5% salary increment which was supposed to be implemented in the previous financial year. The outcome of the exemption application to implement 0% salary increment was dismissed by the bargaining council on the basis that it would be unfair to deprive the employees of the increase. The other reason to mention the few was that every other municipality has honoured the agreement even though many have been placed under administration and may very well be in a worse financial situation.

Speaker, with regards to the capital budget, I am pleased to report that there is a provision made for R45.7 million in the current year, of which there is a significant increase from R7.6 million which was budgeted for in the previous financial year. This includes the construction of multi-purpose center at Finsbury appropriated by National Neighborhood Development Partnership Grant and purchase of veld fire vehicles appropriated by Gauteng Department of Cooperative Governance and Traditional Affairs.

Honourable Speaker, in terms of the overall outlook, the municipality has a negative net asset value of R69.9 million due to liabilities amounting to R143.9 million. It is for this reason that the district's budget has been assessed unfunded by Gauteng Provincial Treasury. A funding plan must be put in place to ensure that the district achieves a funded budget in future. With the current financial resources allocated, it will be difficult to reduce the total liabilities of R143.9 million and reduce our negative net asset value. The district needs cash injection so that the working capital management plan can be realized. A permanent solution should be sought for both unfunded and underfunded mandates. The implementation of the financial recovery plan must also bear the fruits of which is intended for and turnaround the financial situation of the municipality.

Honourable Speaker, in closing I am tabling the following documents for approval:

- The Annual Final Budget report item, the 2022/23 Medium Term Budget and Expenditure Framework (MTREF) with all recommendations and supporting schedules
- The reviewed budget related policies;
- The quality certificate signed by the Accounting officer
- The report from Gauteng Provincial Treasury on Budget Benchmark exercise
- The 2022/23 MTREF Procurement Plan;
- The sector department projects of the Gauteng Provincial Government in West Rand District municipality for the 3 year 2022/23 MTEF;
- The draft Top Layer SDBIP.

## 2. Section two: Resolutions

It is recommended –

- ❑ That the adoption of the annual budget of the municipality be considered for the financial year 2022/23 and the two outer years 2023/24 and 2024/25 as per Annexure A (Budget schedules A1 to A10 and SA1 to SA 38);
- ❑ That Council approves the proposed changes to the budget related policies attached in Annexure B,
- ❑ That Council approves the tabled tariffs as contained in Annexure C for the 2022/23 budget year;
- ❑ That Council takes note of MFMA Budget Circular 115 attached as Annexure D;
- ❑ That Council takes note that version 6.6 of the mSCOA classification framework was used to prepare the budget;
- ❑ That the approved annual budget be published on the municipal website.
- ❑ Council approves the following annexures:
  - The quality certificate signed by the Accounting officer as per Annexure E
  - The report from Gauteng Provincial Treasury on Budget Benchmark exercise.
  - The 2022/23 MTREF Procurement Plan per Annexure F;
  - The sector department projects of the Gauteng Provincial Government in West Rand District municipality for the 3 year 2022/23 MTEF, attached as Annexure G;
  - The draft Top Layer SDBIP, attached as Annexure H;

### 3. Section three: Executive summary

#### 3.1. Introduction

In preparing this budget, all communities and stakeholders in the West Rand District were consulted as required by Chapter 5 of the Local Government: Municipal Systems Act. Strategic alignment of the West Rand Integrated Development Plan (IDP) with the National Development Plan, Provincial Strategic Objectives as well as the District Vision to integrated district governance to achieve a better life for all and further guided by our available resources to achieve our goals in reducing poverty, unemployment and inequality within our region.

This budget is approved exactly two years after South Africa went into a hard lockdown on 24 March 2020. The South African economy in past two years, pre-COVID-19, was supposed to grow with 0.9%, but due to the impact of the virus regressed to a -7.2% negative growth. This year the economic growth is expected to be 3.3%.

At the end of December 2020, 32.5% of South Africans were unemployed. This excludes those that are no longer seeking employment.

With the introduction of the District Development Model (DDM), we undertook an intensive strategic session workshop in determining the strategic position of West Rand District Municipality in this regard. The District Development Model has been approved by government structures, including Cabinet to integrate service delivery that will be more practical, achievable, implementable, measurable and clearly aligned to the key priorities of the government. The model seeks to change the face of rural and urban landscapes by ensuring complementarity between urban and rural development, with a deliberate emphasis on local economic development. West Rand region aims to master it's integrated planning together with its local municipalities to ensure that the purpose of the DDM approach is achieved.

It is within this context that the municipal budget was prepared for the 2022/23 MTREF period. The objective for the municipality during the budget planning process was to keep the tariffs as low as possible to provide some relief in this uncertain economic environment

#### 3.2. 2022/23 National budget

Honorable Minister Enoch Godongwana delivered his budget speech on 23 February 2022.

“Our debt burden remains a matter of serious concern.”

This was perhaps the most significant message that came from his budget

This year, government debt has reached R4.3 trillion and is projected to rise to R5.4 trillion over the medium-term. This huge sum is owed to lenders domestically and around the world.

It incurs large debt-service costs; averaging R330 billion annually over the MTEF. These costs are larger than spending on each of health, policing or basic

education. For this reason and to support the economic recovery, in this budget we are reducing the fiscal deficit and stabilising debt. The consolidated budget deficit is projected to narrow from 5.7 per cent of GDP in 2021/22, to 4.2 per cent of GDP by 2024/25.

Real Gross Domestic Product (GDP) growth of 2.1 per cent is projected for 2022. Over the next three years, GDP growth is expected to average 1.8 per cent. Headline inflation is expected to remain between 3 to 6 per cent target range over the 2022/23 MTEF.

In summary, the tax revenue in 2021/22 was higher than projections and this was mainly due to commodity price rally. However, these are projected to be short term, and as such long-term spending commitments should not be made based on short term revenue benefits. There are measures in place to reduce expenditure to narrow the budget deficit.

The following macro-economic forecasts must be considered when preparing the 2022/23 MTREF municipal budgets:

**Table 1: Macroeconomic performance and projections, 2020 - 2025**

| Fiscal year   | 2020/21 | 2021/22  | 2022/23 | 2023/24  | 2024/25 |
|---------------|---------|----------|---------|----------|---------|
|               | Actual  | Estimate |         | Forecast |         |
| CPI Inflation | 2.9%    | 4.5%     | 4.8%    | 4.4%     | 4.5%    |

### 3.3. 2022/23 Gauteng Provincial budget

Honourable MEC of Finance Nomantu Nkomo-Ralehoko delivered the Gauteng Provincial budget speech on 9 March 2022 and it was labelled “Entering the consolidation phase toward working the last mile of journey walked since 2019”.

Some of the highlights of her budget speech is provided below:

2022 Medium-Term Expenditure Framework (MTEF) budget was the culmination of a protracted planning process, both at national and provincial level.

The higher-than-anticipated recovery in the first half of the 2021 financial year was because of supportive global growth, higher commodity prices and the easing of the Covid-19 lockdown restrictions.

Gauteng’s economy is projected to grow by 4.9% in 2021, from a revised -6% in 2020, before moderating to 2.2% in 2022 and 2.1% in 2023.

Education is due to receive R59.7bn while the Department of Health will get R59.4bn.

Gauteng health and education departments are set to receive the lion's share of the province's R153bn budget for the 2022/2023 financial year.

### 3.4. 2022/23 West Rand District Municipal budget

The new preparation of the fifth generation Integrated Development Plan (IDP) under the new administration is also being considered by Council on 26 May 2022 and is included in a separate agenda item. This IDP will be supported by the District Development model (DDM) and sector departmental plans from both National and provincial sphere of government. A perfect alignment is expected between the budget and IDP to ensure that all projects are sufficiently funded. The IDP must also be reconciled to DDM and sector plan to ensure effective implementation of service delivery.

A high-level summary of the 2022/23 MTREF budget is provided in the table below:

Table 1: High level summary of the 2022/23 MTREF

#### Summary

| Description<br>R thousands | Adjusted<br>Budget<br>2021/22 | Budget<br>2022/23 | Budget<br>2023/24 | Budget<br>2024/25 |
|----------------------------|-------------------------------|-------------------|-------------------|-------------------|
| Operating Revenue          | 14 030                        | 24 744            | 27 410            | 26 612            |
| Operating Grants           | 238 490                       | 246 405           | 253 153           | 256 929           |
| Capital Grants             | 9 651                         | 47 975            | 41 999            | 42 887            |
| <b>Total Revenue</b>       | <b>262 171</b>                | <b>319 124</b>    | <b>322 562</b>    | <b>326 428</b>    |
| Operating Expenditure      | 259 240                       | 273 458           | 284 226           | 294 948           |
| Capital Expenditure        | 6 000                         | 45 650            | 39 513            | 40 250            |
| <b>Total Expenditure</b>   | <b>265 240</b>                | <b>319 108</b>    | <b>323 739</b>    | <b>335 198</b>    |
| <b>Surplus/(Deficit)</b>   | <b>(3 069)</b>                | <b>16</b>         | <b>(1 176)</b>    | <b>(8 770)</b>    |

### 3.5. Impact of District Development Model approach

With the implementation of the District Development Model, the District has to play its coordinating function to ensure that service delivery is not compromised. A detailed funding assessment still need to be undertaken prior to the full implementation of the District Development Model. The District Development Model is a new integrated planning model for Cooperative Governance which seeks to be a new integrated, district-based, service delivery approach aimed at fast-tracking service delivery and ensure that municipalities are adequately supported and resourced to carry out their mandate.

### 3.6. Municipal Regulations on a Standard Chart of Accounts (mSCOA)

The municipality has prepared its budget and A schedules on version 6.6 of the mSCOA classification framework.

### 3.7. Operating budget

A summary of the operating budget is provided in the table below:

Table 2: Operating budget

DC48 West Rand - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

| Description  | Current Year 2021/22 |                 | 2022/23 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|----------------------|-----------------|---|------------------------|------------------------|
|  | Original Budget      | Adjusted Budget | Budget Year 2022/23                                 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |
| <b>R thousands</b>   |                      |                 |   |                        |                        |
| <b>Revenue By Source</b>   |                      |                 |   |                        |                        |
| Rental of facilities and equipment                                   | 2 067                | 2 190           | 2 365   | 2 554                  | 2 759                  |
| Interest earned - external investments                               | 750                  | 1 303           | 2 244   | 2 345                  | 2 448                  |
| Interest earned - outstanding receivables                            | 450                  | 195             | 211   | 227                    | 246                    |
| Licences and permits   | 400                  | 200             | 250   | 300                    | 315                    |
| Reversal of impairment on investment                                 | –                    | 5 328           | 3 600   | 7 328                  | 6 790                  |
| Transfers and subsidies  | 238 143              | 238 490         | 246 405   | 253 153                | 256 929                |
| Other revenue  | 7 434                | 4 814           | 15 515  | 14 655                 | 14 055                 |
| Gains on disposal of PPE   | –                    | –               | 560   | –                      | –                      |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>249 243</b>       | <b>252 520</b>  | <b>271 149</b>                                      | <b>280 563</b>         | <b>283 541</b>         |
| <b>Expenditure By Type</b>   |                      |                 |   |                        |                        |
| Employee related costs   | 196 249              | 196 249         | 211 367   | 220 668                | 230 598                |
| Remuneration of councillors  | 13 931               | 13 931          | 13 132  | 13 370                 | 13 470                 |
| Debt impairment  | –                    | –               | 650   | 500                    | 350                    |
| Depreciation & asset impairment                                      | 4 000                | 4 000           | 3 800   | 3 400                  | 3 000                  |
| Interest cost and penalties  | –                    | 747             | 530   | 450                    | 320                    |
| Other materials  | 220                  | 220             | 250   | 300                    | 350                    |
| Contracted services  | 8 961                | 12 255          | 11 358  | 11 812                 | 12 285                 |
| Transfers and subsidies  | 11 364               | 10 201          | 11 932  | 12 469                 | 12 469                 |
| Operating costs  | 21 129               | 21 636          | 20 439  | 21 257                 | 22 107                 |
| Loss on disposal of PPE  | –                    | –               | –   | –                      | –                      |
| <b>Total Expenditure</b>   | <b>255 854</b>       | <b>259 240</b>  | <b>273 458</b>                                      | <b>284 226</b>         | <b>294 948</b>         |
| <b>Operating Surplus/(Deficit)</b>                                   | <b>(6 611)</b>       | <b>(6 720)</b>  | <b>(2 309)</b>                                      | <b>(3 662)</b>         | <b>(11 407)</b>        |

The main contributors to the operating revenue and operating expenditure of the 2022/23 financial year are as indicated in the two graphs below:

Figure 1: Operating Revenue budget

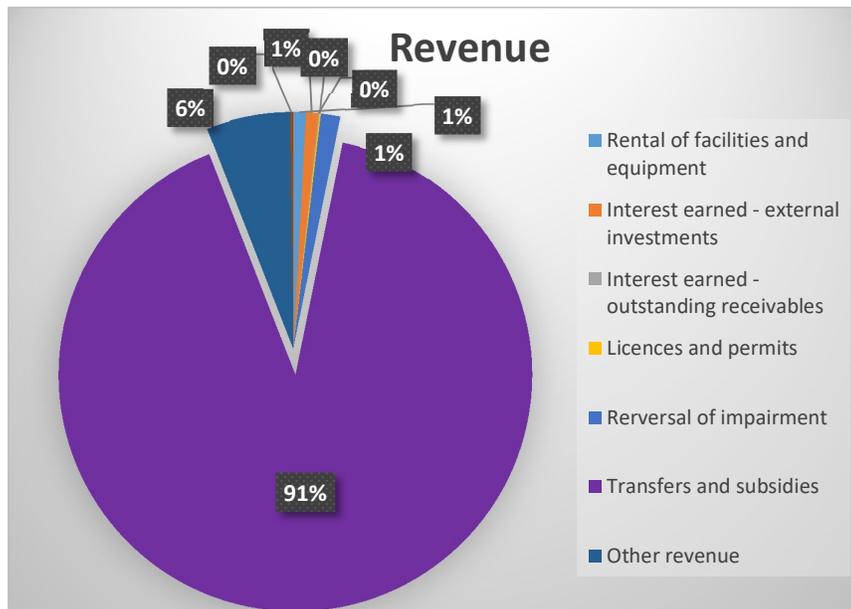
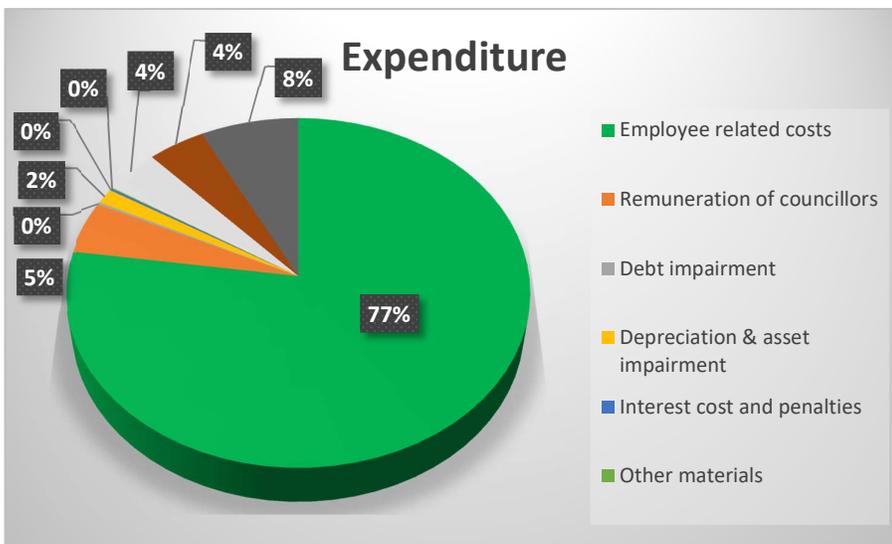


Figure 2: Operating Expenditure budget



### 3.8. Budgeted operating surplus/ (deficit)

The budgeted operating surplus or deficit for the 3-year 2022/23 MTREF period is R16 036 (surplus), R1.12 million (deficit) and R8.77 million (deficit) respectively. The reason that the municipality is budgeting for a surplus, interalia, in 2022/23, and then budgeting for a deficit in both 2023/24 and 2024/25 is that the depreciation charge is not fully cashed-back. The other reason relates to salaries and wages increment based on inflation increase which is 4.8% in 2022/23, 4.4% in 2023/24 and 4.5% in 2024/25.

### 3.9. Capital budget

National Treasury has urged municipality to prioritize spending on infrastructure. The summary of capital projects over the MTREF is listed in the table below.

Capital expenditure comprise 14% of the total municipal budget in 2022/23, 12% in 2023/24 and 12% in 2024/25.

The construction of multi-purpose center is funded through neighborhood development partnership grant gazette in a DoRA bill.

Table 3: Capital projects as % of total municipal budget

| Description<br>R thousands                       | Adjusted<br>Budget<br>2021/22 | Budget<br>2022/23 | Budget<br>2023/24 | Budget<br>2024/25 |
|--|-------------------------------|-------------------|-------------------|-------------------|
| <b>Capital projects</b>                          |                               |                   |                   |                   |
| Construction of multi-purpose centre at Finsbury | –                             | 43 000            | 39 213            | 40 000            |
| Purchase of Medium pumper fire engine            | 5 500                         | –                 | –                 | –                 |
| Purchase of veld fire vehicles                   | –                             | 2 200             | –                 | –                 |
| ICT equipment                                    | 500                           | 450               | 300               | 250               |
| <b>Total Capital expenditure</b>                 | <b>6 000</b>                  | <b>45 650</b>     | <b>39 513</b>     | <b>40 250</b>     |
| <b>Total Municipal Expenditure</b>               | <b>265 240</b>                | <b>319 108</b>    | <b>323 739</b>    | <b>335 198</b>    |
| <b>% of total municipal expenditure</b>          | <b>2%</b>                     | <b>14%</b>        | <b>12%</b>        | <b>12%</b>        |

### 3.10. Repairs and maintenance expenditure

The budget for repairs and maintenance for 2022/23, 2023/24 and 2024/25 is R1.2 million, R1.25 million and R1.3 million respectively (see table below). The amounts reflected as repairs and maintenance only represents contracted services on emergency vehicles maintenance in responding to service delivery. In terms of National Treasury norms repairs and maintenance must be 8% of total operating budget, however due financial challenges faced by the municipality repairs and maintenance comprise 1% of the total operating budget in 2022/23 and the two outer years, which is 2023/24 and 2024/25. The municipality is intending to repair it's municipal buildings due to its current state to improve the working conditions of its employees and have agreed with the organised labour that assistance should be sought externally (both private and public sector) since the municipality does not have funds and expertise to assess the extent/ depth of the damage.

Table 4: Repairs and maintenance expenditure

| Description<br>R thousands                       | Adjusted<br>Budget<br>2021/22 | Budget<br>2022/23 | Budget<br>2023/24 | Budget<br>2024/25 |
|--|-------------------------------|-------------------|-------------------|-------------------|
| Repairs of emergency vehicles                    | 1 000                         | 1 200             | 1 248             | 1 298             |
| Repairs of the municipal buildings               | –                             | 2 410             | 2 600             | 3 100             |
| <b>Total repairs and maintenance expenditure</b> | <b>1 000</b>                  | <b>3 610</b>      | <b>3 848</b>      | <b>4 398</b>      |
| <b>% of movement</b>                             |                               | <b>20%</b>        | <b>4%</b>         | <b>4%</b>         |
| <b>% of total operating expenditure</b>          | <b>0.4%</b>                   | <b>1%</b>         | <b>1%</b>         | <b>1%</b>         |

### 3.11. Tariffs and charges

The proposed 2022/23 tariff and charges increase percentages has been provided in the table below. For comparability the previous 4 years' increases are also provided.

Table 5: Tariffs for 2022/23

| Description<br>Percentage                   | Budget<br>2019/20 | Budget<br>2020/21 | Budget<br>2021/22 | Budget<br>2022/23 |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Municipal own revenue tariffs</b>        |                   |                   |                   |                   |
| Emergency Services Training academy         | 5.5%              | 5.6%              | 3.5%              | 4.8%              |
| Emergency services Fire risk management     | 5.5%              | 5.6%              | 3.5%              | 10%               |
| Disaster management and community safety    | 0.0%              | 0.0%              | 0.0%              | 4.8%              |
| Municipal health services                   | 5.5%              | 5.6%              | 3.5%              | 10%               |
| Environmental services air quality licenses | Per regulation    | Per regulation    | Per regulation    | Per regulation    |
| Donaldson Dam entrance fees                 | 5.5%              | 5.6%              | 3.5%              | 4.8%              |
| Rental of land and commercial premises      | 8%                | 8%                | 8%                | 8%                |
| Rental of halls                             | 10%               | 10%               | 10%               | 10%               |
| Sale of plants                              | 5.5%              | 5.6%              | 3.5%              | 4.8%              |
| Sale of tender documents                    | 5.5%              | 5.6%              | 3.5%              | 4.8%              |

The tariffs for 2022/23 and 2023/24 will increase with the inflation targets, except for rental of halls and commercial premises due to lease agreements held with commercial customers.

### 3.12. Exemption outcome for salary increment

It should be noted that the municipality applied for exemption in salary increment of 3.5% and once off costs of R3 500 for 2021/22 which was under review at the bargaining council. The outcome of the exemption has been dismissed by the bargaining council on the basis that it would be unfair to deprive the employees of the increase. Every other municipality has honoured the agreement even though many have been placed under administration and may very well be in a worse financial situation. The municipality is now compelled to honour the back pay of R6.13 million to its staff members. The impact of this outcome may cast a

significant doubt for the municipality to continue as a going concern and reverse the gains achieved by the municipality for the past two years through the financial recovery process.

### 3.13. Unfunded and underfunded mandates

The municipality continues to carry the firefighting and disaster management functions as unfunded mandates. These unfunded mandates constitutes more than 45% of the operating budget. The firefighting function is responsible for servicing all households, businesses and farms of the West Rand region and it is centralized at the district municipality. Municipal Health services focus on health inspections and environmental health is underfunded and constitutes more than 20% of the operating budget. It is imperative that a permanent solution be sought to fund both unfunded and underfunded mandates.

### 3.14. Powers and Functions

The restoration of Powers and functions in terms of section 84(1) of the Municipal structures Act remains a priority to the municipality to enable a sustainable financial position of the District. The financial situation of the municipality is mainly caused by the fact that the municipality is completely grant dependent due to it having been deprived of its powers and functions that would have allowed it to generate its own revenue. Several interactions with external stakeholders in National and Provincial Government to remedy the situation has not yet been achieved.

### 3.15. Working Capital analysis

Table 6: Working capital

| Description<br>R thousands         | Adjusted<br>Budget<br>2021/22 | Budget<br>2022/23 | Budget<br>2023/24 | Budget<br>2024/25 |
|------------------------------------|-------------------------------|-------------------|-------------------|-------------------|
| <b>Costs</b>                       |                               |                   |                   |                   |
| Employee costs                     | 196 249                       | 211 367           | 220 668           | 230 598           |
| Remuneration of councillors        | 13 931                        | 13 132            | 13 370            | 13 470            |
| Materials                          | 220                           | 250               | 300               | 350               |
| Transfers and grants               | 10 201                        | 11 932            | 12 469            | 12 469            |
| Other expenditure                  | 29 892                        | 31 797            | 33 069            | 34 392            |
| <b>Total operating costs</b>       | <b>250 493</b>                | <b>268 478</b>    | <b>279 876</b>    | <b>291 278</b>    |
| Suppliers and employees            | (241 601)                     | (255 946)         | (256 532)         | (262 555)         |
| Finance charges                    | -                             | (530)             | (450)             | (320)             |
| Transfers and Grants               | (10 201)                      | (11 932)          | (12 469)          | (12 469)          |
| <b>Balance to settle creditors</b> | <b>(1 309)</b>                | <b>70</b>         | <b>10 425</b>     | <b>15 934</b>     |

The municipality will only have a surplus cash to settle its creditors in 2022/23 provided that R4 million is collected from long outstanding debtors. The municipality is expected to incur cash shortfall of R10.4 million and R15.9 million in 2023/24 and 2024/25 respectively based on the negative impact of salary increment. This impact is expected to increase the creditors' book from by R26.4 million.

### 3.16. Financial recovery plan

The municipality has been under the financial recovery plan since 2018/19 financial year. On the 1<sup>st</sup> of February 2018, the municipality invoked section 135 of the Municipal Finance Management Act (MFMA). In May 2018, the predictions of the municipality being unable to meet its obligations realized. The financial situation of the Municipality having not improved, the Provincial Executive resolved to place the Municipality under administration as per section 139(5)(a) of the Constitution of the Republic of South Africa. This particular intervention imposes a financial recovery plan on a municipality. We therefore request that you consider affording the Municipality an opportunity to make an arrangement to settle its outstanding liability within the perimeters of the financial recovery plan to be implemented. The municipality prepared the financial turnaround strategy from 2019/20 financial year as plan in achieving a funded budget in future. The implementation both the financial recovery plan and financial turnaround strategy managed to reduce the financial pressures of the municipality, however a permanent solution must be sought in resolving the challenges relating to unfunded and underfunded mandates.

### 3.17. Conclusion

Currently there are much economic uncertainties. Many households and businesses are in distress. The municipality is also operating the financial recovery mode without generating sufficient own revenue to meet its current obligations.

## 4. Section four: Annual budget tables

The following budget tables have been completed and are attached as **Annexure A**:

- Table A1 – Budget Summary;
- Table A2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification);
- Table A3 – Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote);
- Table A4 – Budgeted Financial Performance (Revenue by Source and Expenditure by type);
- Table A5 – Budgeted Capital Expenditure by Vote, standard classification and funding;
- Table A6 – Budgeted Financial Position;
- Table A7 – Budgeted Cash Flows;
- Table A8 – Cash Backed reserves / accumulated surplus reconciliation;
- Table A9 – Asset Management; and
- Table A10 - Basic service delivery measurement.

The supporting schedules SA1 to SA 38 are also included as part of **Annexure A**.

## PART TWO: SUPPORTING DOCUMENTATION

### 5. Section five: Overview of annual budget process

The overview of the 2022/23 Budget and IDP process is provided in the table below:

Table 7: Overview of annual budget process

| Activity  | Date   |
|---|--|
| Budget and IDP timetable approved by Council                              | 30 August 2021                                   |
| IDP public participation process  | 07 September 2021 to<br>30 September 2021        |
| Budget steering committee meetings  | 07 February 2022<br>10 March 2022<br>12 May 2022 |
| Departments requested to budget in accordance with IDP needs              | 01 December 2021 to<br>February 2022             |
| Tabling of DoRA Bill and Gauteng Provincial government appropriation bill | 23 February 2022 to<br>09 March 2022             |
| Table Budget and IDP to Council   | 24 Mar 2022                                      |
| Advertise budget in the website and local newspaper                       | 31 March 2022                                    |
| Public participation and stakeholders engagement meetings                 | 4 to 14 April 2022                               |
| Closing of comments and representations on the IDP and tabled budget      | 21 Apr 2022                                      |
| Workshop with Council on budget related policies and public inputs        | 28 April 2022                                    |
| Budget benchmarking exercise with Gauteng Provincial Treasury             | 6 May 2022                                       |
| Consideration of final budget approval by Council                         | 26 May 2022                                      |

### 6. Section six: Overview of the alignment of the annual budget with the IDP

The IDP serves as a guideline to the municipality for the correct budget and resource allocations in ensuring that it meets the needs of its residents. It is also an integrated inter-governmental system of planning which requires the involvement of all three spheres of government. Contributions are made by provincial and national government to assist municipal planning and therefore government has created a range of policies and strategies to support and guide development and to ensure alignment between all spheres of government as stated by the section 24 of the Municipal Systems Act, No 32 of 2000.

The IDP drives the strategic development of WRDM. The Municipality's budget is influenced by the municipal strategic focus areas and strategic objectives identified in the IDP. The Service Delivery Budget Implementation Plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets. The budget has been compiled in accordance with the municipality's IDP document. Also refer to tables SA3, SA4 and SA5 which is aligned with the strategic objectives and goals of the municipality.

## **7. Section seven: Measurable performance objectives and indicators**

This budget is indicative of our commitment to achieving the objectives of local government set out in the Constitution of the Republic of South Africa and to do so in an efficient, effective and sustainable manner. These commitments are entrenched in our mission, vision and value statements and as such are reflected so in our budget and services delivery processes.

The MTREF has been compiled in such a manner to ensure sustainable service delivery and to invest in infrastructure that will ensure growth over the medium term to long term.

The measurable performance objectives are indicators included in the budget tables SA4 and SA7.

## **8. Section eight: Overview of budget related policies**

The proposed amendments to the budget related policies are attached as Annexure B.

The following are key budget documents (strategies) and/or related policies that affect, or are affected, by the annual budget:

- Banking and investment policy
- Virement policy
- Credit control and debt management policy
- Supply chain management policy
- Supply chain management for infrastructure policy
- Fleet management policy
- Funding and Reserves policy
- Budget Management policy
- Asset management policy
- Unauthorized, irregular or fruitless and wasteful expenditure policy
- Unforeseen and unavoidable expenditure policy
- Revenue enhancement strategy
- 2022/ 23 Municipal tariff book
- Loss Control Policy
- Cost Containment policy
- Travel allowance policy
- 2022/23 Financial turnaround strategy/ Funding budget plan
- Unauthorized, irregular or fruitless and wasteful expenditure reduction plan or strategy

All the budget related policies were workshopped to Councillors (including amendments) and changes in policies which affects the employees were tabled to local labour forum for consultation. The following reviewed polices were amended:

- Asset management policy**  
Paragraph on review of policy added
- Banking and investment policy**  
Under par 3.3, amended petty cash process to be 'debit cards' instead 'cash'.  
Under part 5, removed delegations on 'overdraft facility', 'short term' and 'long-term debt'.  
Under part 12, removed signing of cheques. Added authority on EFT's.
- Credit control and debt management policy**  
Under preamble paragraph, 'rental of property' added.  
Par 1.3- ambulance services removed. The word 'garage' replaced by 'filling station'. Words 'gate takings (Donaldson dam) added.  
Par 2- ambulance services removed.
- Borrowing policy**  
Under legislative framework and delegation of authority paragraph, delegations threshold added for 'overdraft facility', 'short term' and 'long-term debt'.  
Under other consideration paragraph, date removed.  
Under review of policy, sentence on review added.
- Cost containment policy**  
Paragraph on review of policy added
- Budget management policy**  
Paragraph on review of policy added
- Funding and reserves policy**  
Paragraph on review of policy added
- Fleet management policy**  
Par.6.10.7, remove the sentence on claim and application form. Add the sentence on completion on request form.  
Paragraph on review of policy added
- Loss control policy**  
Paragraph on review of policy added
- Supply chain management policy**  
Under par. 2.2(b), add a sentence on pre-qualification criteria  
Under par. 8.2 and 8.3, prequalification criteria added  
Under par. 8.5 and 8.6, threshold on preference point system amended  
Under par. 11, add paragraph on sub-contracting  
Under par. 20.2, salient requirement added  
Under section 17, review of policy paragraph added.
- Supply chain management for infrastructure policy**  
Paragraph on review of policy added
- Transport allowance policy**  
Paragraph on review of policy added
- Unauthorised, Irregular, Fruitless and wasteful expenditure policy**  
Under par 10.1(a), added where the speaker is reported to  
Under par 10.1(b), added Executive mayor  
Under par 10.1(c), remove the speaker  
Under par.10.6, added the reporting requirement  
Paragraph on review of policy added
- Unforeseen and unavoidable expenditure policy**  
Under par 10.3, added sentences on apportionment for R5 million and R15 million  
Paragraph on review of policy added

## 9. Section nine: Overview of budget assumptions

The following assumptions were used in the preparation of the budget:

### Revenue budget assumptions

- The average estimated CPIX which were used to determine the tariff increases was 4.8% for 2022/23, 4.5% for 2023/24 and 4.4% for 2024/25 as guided by MFMA Circular 115.
- Refer to section 3.11 for more information about the tariff increases.
- Tariffs and charges are not cost reflective in compiling a funded budget due to unfunded mandates.
- Debtors payment rate of 70%.
- National grants was budgeted in accordance with Division of Revenue Bill and gazetted allocations.
- Provincial grants was budgeted in accordance with the Provincial Gazette.
- VAT recovery is based on 15% of payments made to vatable suppliers
- Interest on investment is based on repo rate 3.5% and interest on outstanding debtors is based on prime lending rate of 7.5%.

### Expenditure budget assumptions

- The average estimated CPIX which were used to determine the tariff increases was 4.8% for 2022/23, 4.5% for 2023/24 and 4.4% for 2024/25 as guided by MFMA Circular 115.
- Employee related cost based on Salary and Wage Collective Agreement implemented from effective 1 July 2022 and increment aligned to inflationary increases. A back pay to be made on the previous 12 months increment due to exemption application not accepted by the bargaining council. Notch increment has been put on abeyance.
- Moratorium placed on filling of vacancies unless critical positions are approved by Council to be filled.
- Senior managers salaries not increased
- Councillor remuneration not increased
- Departments were required to budget in terms of general cost containment measures.

### Capital budget assumptions

- Capital budget projects and funding sources based on capital programmes on Division of Revenue Bill and Gauteng gazetted allocations.
- ICT equipment based on the needs analysis and reports tabled to ICT steering committee.

## 10. Section ten: Expenditure on allocations and grant programmes

The total grants to be received for 2022/23 comprises R294 million, and for the two outer years are R295 million and R299 million respectively. The split between the various grants are listed below.

Table 8: Grants allocation

### DC48 West Rand - Supporting Table SA18 Transfers and grant receipts

| Description                                     | Ref  | Current Year 2021/22 |                 |                    | 2022/23 Medium Term Revenue & Expenditure Framework |                        |                        | Variance (%) |
|---|------|----------------------|-----------------|--------------------|---|------------------------|------------------------|--------------|
|   |      | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2022/23                                 | Budget Year +1 2023/24 | Budget Year +2 2024/25 |              |
| <b>RECEIPTS:</b>                                | 1, 2 |                      |                 |                    |   |                        |                        |              |
| <b>Operating Transfers and Grants</b>           |      |                      |                 |                    |   |                        |                        |              |
| <b>National Government:</b>                     |      | 224 679              | 224 679         | 224 679            | 232 673   | 238 584                | 242 060                | 4%           |
| Local Government Equitable Share                |      | 45 139               | 45 139          | 45 139             | 48 516  | 51 664                 | 55 140                 | 7%           |
| RSC Levy Replacement                            |      | 177 450              | 177 450         | 177 450            | 181 736   | 185 720                | 185 720                | 2%           |
| Finance Management                              |      | 1 000                | 1 000           | 1 000              | 1 200   | 1 200                  | 1 200                  | 20%          |
| EPWP Incentive                                  |      | 1 090                | 1 090           | 1 090              | 1 221   | -                      | -                      | 12%          |
| <b>Provincial Government:</b>                   |      | 12 364               | 11 201          | 11 201             | 11 932  | 12 469                 | 12 469                 | -3%          |
| Health subsidy                                  |      | 11 364               | 10 201          | 10 201             | 11 932  | 12 469                 | 12 469                 | 5%           |
| GRAP 17 Asset management grant                  |      | 1 000                | 1 000           | 1 000              | -   | -                      | -                      | (0)          |
| <b>Other grant providers:</b>                   |      | 1 100                | 2 610           | 2 610              | 1 800   | 2 100                  | 2 400                  | 64%          |
| <b>LG SETA</b>                                  |      | 1 100                | 2 610           | 2 610              | 1 800   | 2 100                  | 2 400                  | 64%          |
| <b>Total Operating Transfers and Grants</b>     | 5    | 238 143              | 238 490         | 238 490            | 246 405   | 253 153                | 256 929                | 3%           |
| <b>Capital Transfers and Grants</b>             |      |                      |                 |                    |   |                        |                        |              |
| <b>National Government:</b>                     |      | 2 651                | 2 651           | 2 651              | 45 775  | 41 999                 | 42 887                 | 1627%        |
| Neighbourhood Development Partnership           |      | -                    | -               | -                  | 43 000  | 39 213                 | 40 000                 | 100%         |
| Rural Asset Management(Capital Grant)           |      | 2 651                | 2 651           | 2 651              | 2 775   | 2 786                  | 2 887                  | 5%           |
| <b>Provincial Government:</b>                   |      | 7 000                | 7 000           | 7 000              | 2 200   | -                      | -                      |              |
| Fire services grant                             |      | 7 000                | 7 000           | 7 000              | 2 200   | -                      | -                      |              |
| <b>Total Capital Transfers and Grants</b>       | 5    | 9 651                | 9 651           | 9 651              | 47 975  | 41 999                 | 42 887                 | 397%         |
| <b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b> |      | 247 794              | 248 141         | 248 141            | 294 380   | 295 152                | 299 816                | 19%          |

## 11. Section eleven: Transfers and grants made by the municipality

The total transfers and grants amount to R11.9 million in 2021/22, and R12.4 million and R12 million over the two outer years concerning HIV/ Aids subsidy is made to local municipalities in two tranches.

Table 9: Transfers and grants

| Description<br>R thousands        | Apportion | Budget<br>2022/23 |
|-----------------------------------|-----------|-------------------|
| <b>Transfers and subsidies</b>    |           |                   |
| Mogale City Local municipality    | 44%       | 5 250             |
| Rand West City Local municipality | 32%       | 3 818             |
| Merafong City Local municipality  | 24%       | 2 864             |
| <b>Total</b>                      |           | <b>11 932</b>     |

## **12. Section twelve: Budgeted cash flow and monthly targets for revenue expenditure and cash flows**

This is contained in Table A7 of Annexure A as well as the supporting schedule table SA25 and SA30.

## **13. Section thirteen: Annual budgets and SDBIP**

The final service delivery and budget implementation plans (SDBIP) will be dealt with after the budget is finally approved to be submitted to the Mayor within 14 days after the approval of the budget and approved by the Mayor within 28 days after the approval of the budget.

## **14. Section fourteen: Contracts having future budgetary implications**

It is required to disclose in the budget documentation any contracts that will impose financial obligations on the municipality beyond the three years covered by the 2022/23 MTREF. The detail of this is included in supporting tables SA32 and SA33.

## **15. Section 19: Legislation compliance status**

All relevant legislations and regulations have been implemented. The applicable legislation and circulars considered were:

- Sections 15 – 33 of the MFMA;
- MFMA circulars 10, 12, 13, 14, 19, 28, 31, 45, 48, 51, 54, 58, 59, 64, 66, 67, 70, 72, 74, 75, 78, 79, 82, 85, 86, 89, 91, 93 and 94, 98, 99, 107, 108, 115.
- Municipal Budget and Reporting Regulations, 2009.
- Municipal Regulations on Standard Chart of Accounts as per gazette notice no. 37577, 22 April 2014.

The most recent MFMA Budget Circular no 115 is included in the budget documentation as Annexure G.