



GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

2022/23 TABLED BUDGET ASSESSMENT

This document provides a review of the annual tabled budget of the West Rand District Municipality for the 2022/23 budget year

*West Rand District
Municipality -April
2022*

TABLE OF CONTENTS

ABBREVIATIONS	2
SECTION A: EXECUTIVE SUMMARY	3
SECTION B: INTRODUCTION AND BACKGROUND.....	4
1. LEGISLATIVE FRAMEWORK.....	4
2. SCOPE	4
3. APPROACH	5
SECTION C: DETAILED BUDGET ASSESSMENT	6
1. CREDIBILITY OF THE BUDGET	6
1.1 Evaluation of the budget process	6
1.2 Financial performance Trend	6
1.3 The new MTREF: 2022/23 to 2024/25 budget.....	7
2. RELEVANCE OF THE BUDGET	15
2.1 Budget alignment to IDP	15
2.2 Budget alignment to provincial and national priorities.....	15
3. SUSTAINABILITY OF THE BUDGET	16
3.1 Service delivery	16
3.2 Forecasting and multi-year budgeting	16
3.3 mSCOA compliance.....	16
3.4 Institutional governance matters	16
3.5 Funding compliance and financial health	16
SECTION D: CONCLUSION AND RECOMMENDATIONS	17
1. Credibility	17
2. Relevance	17
3. Sustainability	17
SECTION E: ANNEXURES	18
Annexure A: Consolidated Budget Summary (A1).....	18
Annexure B: Consolidated Financial Performance (A4).....	19
Annexure C: Consolidated Capital Expenditure (A5).....	20
Annexure D: Consolidated Budgeted Cash Flows (A7)	21

**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

ABBREVIATIONS

AG	Auditor General
BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPIX	Consumer Price Index
DoRA	Division of Revenue Act,
FBS	Free Basic Services
FRP	Financial Recovery Plan
GRAP	Generally Recognised Accounting Practice
GPT	Gauteng Provincial Treasury
IDP	Integrated Development Plan
LED	Local Economic Development
MBRR	Municipal Budgeting and Reporting Regulations
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of the Mayoral Committee
MPRA	Municipal Property Rates Act, 2004 (Act No 6 of 2004)
MSA	Municipal Systems Act, 2000 (Act No 32 of 2000)
MTREF	Medium Term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
NDP	National Development Plan
NT	National Treasury
PPE	Property Plant and Equipment
SDBIP	Service Delivery and Budget Implementation Plan
TER	Township Economy Revitalisation
TMR	Transformation Modernisation Reindustrialisation
VAT	Value Added Tax
WRDM	West Rand District Municipality

SECTION A: EXECUTIVE SUMMARY

This report provides an assessment of the 2022/23 tabled budget of the West Rand District Municipality. The Gauteng Provincial Treasury (GPT) is responsible for reviewing and commenting on the tabled budgets of all delegated municipalities, prior to their adoption by the respective municipal councils. This is done in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and as part of GPT's oversight role over local government finances.

The 2022/23 tabled budget of the West Rand District Municipality (WRDM) was assessed during the month of April and covers three distinct areas namely, credibility, relevance and sustainability in accordance with the relevant provisions of the MFMA, the Municipal Budget and Reporting Regulations (MBRR) and the National Treasury (NT) Budget Assessment Methodology.

A summary of the key recommendations supported by the detailed analysis and findings contained within this budget assessment report is outlined below, according to the main assessment criteria.

Credibility of the budget

This assessment area evaluated the budget preparation process, fiscal planning framework and associated budget assumptions, and level of budget funding.

- The submitted tabled budget was compliant with the applicable regulatory requirements as the IDP and draft SDBIP top layer was submitted to GPT as required by MBRR 15 (3)(c).
- The tabled budget has been assessed as unfunded based on significant liquidity risks identified and the projected operating deficits over the medium-term period.

Relevance of the budget

This area assessed the level of alignment between the budget and the municipality's IDP and the extent to which national and provincial priorities and guidelines were considered.

- The IDP was assessed as aligning with the National and Provincial strategies.

Sustainability of the budget

This area evaluated 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.

The District should take note of the findings as the municipality is legislatively required to consider the recommendations of GPT in terms of sub-sections 23(1) (b) and 23(2) of the MFMA prior to the approval of the 2022/23 budget by the municipal council. In this regard the municipality is requested to table this assessment report with the annual budget in council during the adoption of the annual budget.

SECTION B: INTRODUCTION AND BACKGROUND

1. LEGISLATIVE FRAMEWORK

The mandate for the tabled budget review is derived from Section 195 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), which establishes the promotion of efficient, economic and effective use of resources as one of the cornerstones of public administration.

The Gauteng Provincial Treasury (GPT) is responsible for reviewing and commenting on the tabled budgets of all delegated municipalities, prior to their adoption by the respective municipal councils. This is done in terms of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and as part of GPT's oversight role over local government finances.

Section 16 of the MFMA further requires the Mayor of a municipality to table the annual budget in Council at least 90 days before the start of the financial year. To this end, Section 23 of the MFMA requires that once the annual budget has been tabled, the municipal council must consider any views of the relevant Provincial Treasury, national organs of state and any other relevant institutions.

The WRDM is thus legislatively required to consider the recommendations of GPT in terms of sub-sections 23(1)(b) and 23(2) of the MFMA prior to the approval of the 2022/23 budget by the municipal council. This report is meant to serve this purpose and provides an assessment of the 2022/23 tabled budget of the West Rand District Municipality.

2. SCOPE

The 2022/23 tabled budget assessment was conducted during the month of April 2022. It covers three distinct areas namely, credibility, relevance and sustainability of the budget in compliance with the relevant provisions of the MFMA and the Municipal Budget and Reporting Regulations (MBRR). Additional general financial management criteria were however added to bolster the completeness of the budget assessment.

Documentation submitted by the municipality was accepted at face value, unless the contrary is specifically stated.

The following documents were submitted and reviewed:

- a) The 2022/23 Tabled Budget with supporting annexures;
- b) Council resolution;
- c) Draft Integrated Development Plan;
- d) Budget related policies;
- e) Revenue enhancement Strategy;
- f) Draft SDBIP; and the
- g) Signed quality certificate.

GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY

3. APPROACH

The budget assessment includes an assessment of the budget preparation process undertaken in terms of the legislative framework and an in-depth analysis of the supporting budget schedules. The details of the criteria utilised to undertake the assessment are outlined below.

Table 1: Assessment criteria National Treasury framework

ASSESSMENT CRITERIA		DESCRIPTION OF ASSESSMENT CRITERIA
1	CREDIBILITY	
1.1	Evaluation of the budget process	1.1.1 Political guidance and oversight
		1.1.2 Public participation/ Community consultations
		1.1.3 Evaluation of legal compliance of the budget
1.2	Revenue and expenditure fiscal framework	1.2.1 Expected outcomes for current financial year
		1.2.2 The new MTREF
		1.2.3 Budget assumptions
		1.2.4 Adequacy of revenue management framework
		1.2.5 Adequacy of expenditure management framework
		1.2.6 Adequacy of capital budget and its funding sources
1.3	Establish the level of funding of budget	1.3.1 Financial performance i.e. surplus/deficit
		1.3.2 Financial position
		1.3.3 Cash flow
		1.3.4 Application of cash and investments
2	RELEVANCE	
2.1	Budget alignment to IDP	Establish the level of alignment between the revenue, expenditure and capital budgets and the IDP
2.2	Budget alignment to national programmes	Establish whether the municipality has sufficiently considered the relevant NDP and TMR priorities
2.3	Budgetary provision for funded provincial and national priorities	Establish whether the municipality's IDP/SDBIP and budget achieved adequate alignment between national, provincial and local government priorities.
3	SUSTAINABILITY	
3.1	Service delivery	Does the budget give effect to long-term financial and operational sustainability and proper asset management?
3.2	Free Basic Services (FBS)	Assess the FBS budget provision
3.3	Forecasting and multi-year budgeting	3.3.1 Monthly forecasting and projections
		3.3.2 Baseline assessment
		3.3.3 Percentage increases in two outer year
3.4	mSCOA compliance	3.4.1 Assess the implementation readiness of the municipality
3.5	Institutional governance	Review key institutional issues impacting on the budget
3.6	Funding compliance and financial health	Assess the level of funding compliance and financial health

SECTION C: DETAILED BUDGET ASSESSMENT

1. CREDIBILITY OF THE BUDGET

1.1 Evaluation of the budget process

a) Political guidance and oversight

The municipal council approved the schedule of key timelines by 31 August 2020. The mayor established a functional budget steering committee in terms regulation 4 of the MBRR to provide the required political oversight over the budget process.

b) Public participation

As per the approved schedule of key deadlines, the municipality is in the process of community consultations after the tabling of the budget.

c) Legal compliance of the budget

The municipality tabled its 2022/23 budget before the municipal council on the 24th of March 2022 and was submitted to GPT on 25 March 2022. The District is required to upload its budget document, IDP, SDBIP and budget policies on the National Treasury GoMuni portal.

1.2 Financial performance Trend

1.2.1 Current financial year: financial performance (28 February 2022)

Table 2: Actual financial performance - 28 February 2022

Description (R'000)	Original Budget	Adjusted Budget	Actual YTD	Actual YTD %
Total Operating Revenue	249 243	252 520	190 377	75%
Total Operating Expenditure	255 854	259 240	160 915	62%
Deficit / Surplus	(6 611)	(6 720)	29 463	-
Total Capital Expenditure	7 600	6 000	3 607	60%

Source: C-schedule M08

a) Total Operating Revenue and Expenditure

The year-to-date operating revenue and expenditure at the end of February 2022 is at 75 percent and 62 percent respectively.

b) Total Capital Expenditure

The capital expenditure to date accounts for R671 thousand (11 percent) of the adjusted budget of R6 million. The district must ensure full spending by the end of the financial year.

GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY

c) Total Cash and Cash Equivalents

The cash and cash equivalents, at the end of February 2021, reflects a positive balance of R27 million.

d) Creditors

The district owed its suppliers an amount of R89 million as at the end of February 2022. The district is not fully complying with the conditions of section 65(2) (e) of the MFMA with significant arrears in outstanding creditors as at 28 February 2022.

e) Debtors

The outstanding debtors balance is R16, 958 million at the end of February 2022. An amount of R16, 268 million is owed for over 90 days. Of the total outstanding debtors, the biggest outstanding amount is R6, 400 million and is related to the Organs of State.

1.3 The new MTREF: 2022/23 to 2024/25 budget

1.3.1 The Budget Overview

Table 3: 2022/23 MTREF framework

Description	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2014/25
Total Operating Revenue	260 677	273 680	264 774
Total Operating Expenditure*	269 408	280 525	279 329
Total Surplus / (Deficit)	(8 732)	(6 846)	(14 555)
Non-Cash Items	5 450	4 900	4 350
- Depreciation	4 800	4 400	4 000
- Debt Impairment	650	500	350
Adjusted Surplus / (Deficit)	(14 182)	(11 746)	(18 905)
Total Capital Expenditure	43 450	39 513	40 250

Source: LG Database

The district has budgeted for an operating deficit of R14, 182 million for 2022/23 and the deficits are projected over the MTREF. This must be corrected as the district needs to curb non-essential spending to realise an operating surplus.

1.3.2 Budget Assumptions

The economic and fiscal assumptions inform the compilation of the budget extracted from the West Rand budget document are as follows:

**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

Figure 1: Budget Assumptions

Description Percentage	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
Municipal own revenue tariffs				
Emergency Services Training academy	5.5%	5.6%	3.5%	4.8%
Emergency services Fire risk management	5.5%	5.6%	3.5%	10%
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%

Source: Budget document

1.3.3 Adequacy of the revenue management framework

2022/23 MTREF framework - Revenue by source

Table 4: Total Operating Revenue

Description	2022/23 Medium Term Revenue & Expenditure Framework		
	Budget Year +0 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source			
Rental of facilities and equipment	2 365	2 554	2 759
Interest earned - external investments	-	-	-
Interest earned - outstanding debtors	211	228	246
Dividends received	1 671	1 746	1 823
Fines, penalties and forfeits	-	7 328	6 790
Licences and permits	250	300	315
Agency services	-	-	-
Transfers and subsidies	244 605	251 053	242 060
Other revenue	11 575	10 470	10 782
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	260 677	273 680	264 774

Source: LG Database

The total operating revenue is R260 million, of which own revenue accounts for R16 million. The own operating revenue growth has decreased by 28, 5 percent against the 2021/22 adjustment budget. The total budget is largely grant dependent as over R244 million will be from unconditional grant funding. The operating revenue for the 2022/23 financial year has increased by 4, 6 percent.

GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY

1.3.4 Adequacy of the expenditure management framework: New MTREF

Table 5: 2022/23 MTREF - Expenditure by type

Description	2022/23 Medium Term Revenue & Expenditure Framework		
	Budget Year +0 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Expenditure By Type			
Employee related costs	211 367	220 668	230 598
Remuneration of councillors	12 532	12 570	12 670
Debt impairment	650	500	350
Depreciation & asset impairment	4 800	4 400	4 000
Finance charges	1 530	1 450	1 320
Bulk purchases	–	–	–
Other materials	250	300	350
Contracted services	11 358	11 812	12 285
Transfers and subsidies	11 932	12 469	–
Other expenditure	20 439	21 257	22 107
Loss on disposal of PPE	–	–	–
Total Expenditure	274 858	285 425	283 679

Source: LG Database

The projections indicate an increase in total operating expenditure from R255 million in the adjusted budget for 2021/22 financial year to R274 million (7,4 percent) for the 2022/23 budget year and 3,8 and -0,6 percent for the outer years. The major expenditure items are as follows:

a) Employee related costs

Employee related costs including the remuneration of councillors was increased from the adjusted budget of R210 million to the tabled budget of R224 million for 2022/23. This item remains the biggest expenditure for the district and it constitute 82 percent of the total expenditure. The municipality has an increase of 6, 5 percent, 4, 2 percent and 4, 3 percent over the 2022/23 MTREF.

b) Contracted services

Contracted services have been projected to increase by 26, 8 percent and contracted services as percentage of total expenditure is 4, 1 percent and this increase is acceptable as it remains below the 5 percent NT threshold.

**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

1.3.5 Adequacy of capital budget and funding sources

1.3.5.1 Adequacy of the capital expenditure framework

Figure 2: Total capital expenditure by functional classification

Vote Description	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +0 2022/23	Budget Year +1 2023/24
Capital Expenditure - Functional						
Municipal governance and administration	600	500	500	450	300	250
Executive and council						
Finance and administration	600	500	500	450	300	250
Internal audit						
Community and public safety	7 000	5 500	5 500	-	-	-
Community and social services						
Sport and recreation						
Public safety	7 000	5 500	5 500			
Housing						
Health						
Economic and environmental services	-	-	-	43 000	39 213	40 000
Planning and development				43 000	39 213	40 000
Road transport						
Environmental protection						
Trading services	-	-	-	-	-	-
Energy sources						
Water management						
Waste water management						
Waste management						
Other						
Total Capital Expenditure - Functional	7 600	6 000	6 000	43 450	39 513	40 250
Funded by:						
National Government				43 000	39 213	40 000
Provincial Government	7 000	5 500	5 500			
District Municipality						
Transfers and subsidies - capital						
Transfers recognised - capital	-	5 500	5 500	43 000	39 213	40 000
Borrowing	-	-	-	-	-	-
Internally generated funds	600	500	500	450	300	250
Total Capital Funding	7 600	6 000	6 000	43 450	39 513	40 250

Source: LG Database

Overall observation

The total capital expenditure equates to R43 million for the 2022/23 financial year in comparison with the revised adjustment budget of R6 million for the 2021/22 financial year. As indicate above, the large contribution increase of the capital budget is from the National grants.

a) Borrowings

The district does not have any long-term borrowings or finance leases and neither does it qualify to borrow given its current financial position and performance.

b) Long-term financial plan/model

The municipality adopted a Financial Recovery Plan to address its inability to meet its financial obligations.

**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

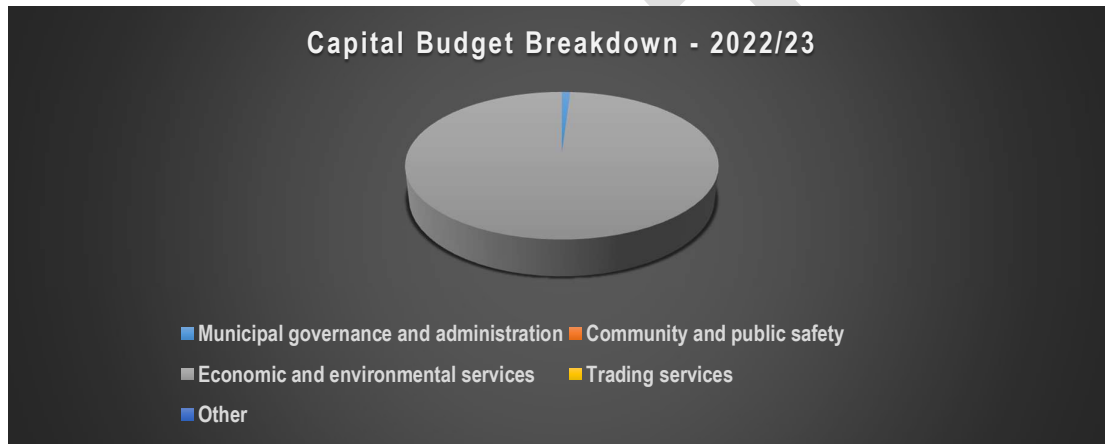
The district’s financial situation has not improved over the years and has a financial turnaround strategy to achieve the passing a funded budget. The challenges relating to unfunded need to be resolved for the financial problems to be resolved in the long-term.

c) Infrastructure Assessment

The municipality has budgeted R1 million for total repairs and maintenance budget and the municipality’s repairs and maintenance as a percentage of PPE is 1, 1 percent given the financial constraints faced by the District. The District has budgeted R43 million for total new assets road infrastructure.

d) Composition and Prioritisation of the Capital Budget

Figure 3: Capital budget breakdown

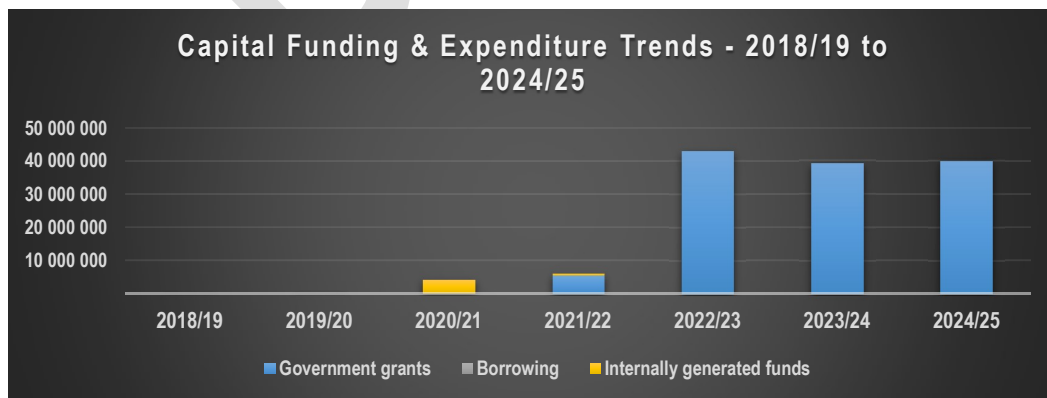


Source: LG database

The capital budget breakdown show that funds are allocated towards economic and environment services and municipal governance and administration.

e) Capital Funding Mix

Figure 4: Capital funding mix



Source: LG database

GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY

National government grants of R43 million or 99 percent will fund the new road infrastructure project. The municipality must strengthen efforts to improve their planning and spending capital funding. Internally generated funds of R450 thousand of the total capital expenditure will fund office furniture. This could not be realised as the municipality has no capital replacement reserves and therefore it is critical to limit unnecessary operating costs and build cash reserves.

f) Credibility of the funding sources

In testing the funding credibility of the capital budget, GPT firstly looks at whether grant allocations as captured on schedule SA18 of the budget are aligned to the DoRA and Provincial Gazette. The second would be looking at whether the municipality has sufficient cash reserves to fund the internally funded capital programmes. The municipality's capital budget is to a large extent funded by capital grants.

Grant allocation

The municipality has captured correctly the national operating and capital grant funding over the MTREF as per the DORA. To achieve this, the municipality needs to ensure that A5 is correctly captured all the capital transfers.

Cash reserves credibility

The municipality does not have any cash reserves and projects funded from internally generated funds may not materialise and thus is considered unrealistic.

mSCOA COVID-19 grant

The municipality has not budgeted for any COVID-19 related expenditure.

**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

**1.3.6 funding of the budget
a) Cash Flows**

The table below demonstrates the municipality's 2022/23 cash flow as per calculations made by GPT, as well as the projected over two years following the 2022/23 financial year.

Table 6: 2022/23 MTREF Cash flow statement

Description	MTREF					
	2022/23	2022/23	2023/24	2023/24	2024/25	2024/25
	Budget Year +0	Treasury Calculation	Budget Year +1	Treasury Calculation	Budget Year +2	Treasury Calculation
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates						
Service charges						
Other revenue	14 401	24 926	20 880	24 273	20 891	25 084
Government - operating	244 605	244 605	251 053	251 053	242 060	242 060
Government - capital	40 971	43 000	25 426	39 213	10 861	40 000
Interest	1 671	211	1 746	228	1 823	246
Dividends		1 671		1 746		1 823
Payments						
Suppliers and employees	3 117	(266 875)	1 730	(277 392)	147	(289 143)
Finance charges		(1 530)		(1 450)		(1 320)
Transfers and Grants		(11 932)		(12 469)		
NET CASH FROM/(USED) OPERATING ACTIVITIES	304 765	34 076	300 835	25 202	275 782	18 750
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE						
Decrease (Increase) in non-current debtors						
Decrease (increase) other non-current receivables	(560)	(689)	129	129	125	125
Decrease (increase) in non-current investments						
Payments						
Capital assets		(43 450)		(39 513)		(40 250)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(560)	(44 139)	129	(39 384)	125	(40 125)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Short term loans						
Borrowing long term/refinancing						
Increase (decrease) in consumer deposits						
Payments						
Repayment of borrowing						
NET CASH FROM/(USED) FINANCING ACTIVITIES						
NET INCREASE/ (DECREASE) IN CASH HELD	304 206	(10 063)	300 965	(14 182)	275 907	(21 374)
Cash/cash equivalents at the year begin:		(6 601)		(16 664)		(30 846)
Cash/cash equivalents at the year end:	304 206	(16 664)	300 965	(30 846)	275 907	(52 220)

Source: LG Database

Disclaimer:

The GPT recalculations are not to be used as a budgeting tool but rather are to guide the municipality into considering other broader cash flow aspects in ensuring that a budget is sufficiently funded. The municipality would have more accurate budgeting assumptions and

GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY

the tool is merely used to ascertain to what extent these assumptions are informed by past trends. Although it is unlikely that all the “applications” will have to be paid at one point in time by the municipality it must be noted that this remains a significant institutional risk.

The net cash surplus from operating activities is R34 million with the recalculated cash deficit of R16 million for 2022/23 financial year. From cash and cash equivalents, the opening balances for 2022/23 were not disclosed and they were recalculated to be R6 million. The cash deficit is projected to worsen over the MTREF which is an indication that the financial situation is deteriorating and as a result the budget remains unfunded.

b) Application of Cash and Investments

Table 7: Cash backed reserves/ accumulated surplus reconciliation

Description	MTREF					
	2022/23	2022/23	2023/24	2023/24	2024/25	2024/25
	Budget Year +0	Treasury Calculation	Budget Year +1	Treasury Calculation	Budget Year +2	Treasury Calculation
Cash and investments available						
Cash/cash equivalents at the year end	304 206	(16 664)	300 965	(30 846)	275 907	(52 220)
Other current investments > 90 days						
Non current assets - Investments						
Cash and investments available:	304 206	(16 664)	300 965	(30 846)	275 907	(52 220)
Application of cash and investments						
Unspent conditional transfers		1		1		1
Unspent borrowing						
Statutory requirements		(766)		(748)		(768)
Other working capital requirements	175 239	96 277	164 795	97 473	160 398	97 644
Other provisions	15 754	15 754	14 289	15 754	13 130	15 754
Long term investments committed						
Reserves to be backed by cash/investments						
Total Application of cash and investments:	190 993	111 266	179 084	112 480	173 528	112 631
Surplus(shortfall)	113 213	(127 930)	121 881	(143 326)	102 379	(164 852)

Source: LG database

Statutory requirements have been calculated at R766 thousand using the latest audited AFS outcomes. GPT has calculated other working capital requirements as the difference between current debtors and current creditors in which it equates to R96 million for 2022/23, which created a huge negative impact in terms of budget funding.

Table 7 in short, further confirms that the annual budget of the municipality is unfunded with negative cash balance of R128 million after cash commitments have been applied. This must be corrected in the final budget to ensure compliance with section 18 of the MFMA to achieve a funded budget.

2. RELEVANCE OF THE Budget

2.1 Budget alignment to IDP

There is strategic alignment between the budget and IDP.

2.2 Budget alignment to provincial and national priorities

The objective of reviewing the alignment of intergovernmental planning is to ensure synergy amongst the three spheres of government. To achieve the vision of making Gauteng into an integrated city region, the Premier of the Province outlined a 10-pillar programme in ensuring the radical transformation, modernisation and revitalisation of the Gauteng region.

Table: 8 Synergy of capital programmes with TMR and TER

Pillar No.	Pillar Description	Allocation ('000)	Allocation ('000)	Allocation ('000)
Pillar 4	Transformation of the state and governance	450	300 000	250 000
Pillar 5	Modernisation of the public service	43 000	39 213	40 000
		43 450	39 513	40 250

Source: LG Database

The IDP is strategically aligned the National Development plan, Provincial Strategic objectives as well as the District vision to integrate district governance. The districts capital projects are more aligned to modernisation of the public service and transformation of the state and governance.

3. SUSTAINABILITY OF THE BUDGET

3.1 Service delivery

With the implementation of District Development Model, the District will be playing its coordination function to ensure that service delivery is not compromised.

3.2 Forecasting and multi-year budgeting

The application of the multi-year budgeting principle is limited particularly in the operating budget of the municipality. GPT noted that the budget is incremental for the two outer years. It is noted that the cash flows remain unsustainable. The multi-year budgeting is has been done.

3.3 mSCOA compliance

The annual budget of the municipality was prepared using the updated version 6.6 of A Schedule. The municipality has successfully submitted the data strings on 04 May 2022 to National Treasury for 2022/23 MTREF. There are variances from the submitted data strings and A-Schedule, the municipality is required to ensure accuracy of financial information submitted to National Treasury's LG Database.

3.4 Institutional governance matters

The municipal Manager position remains vacant with Acting MM appointed from 12 January 2022 to 12 April 2022 and the municipality aims to fill the MM position by the end of April 2022. The budget and Treasury office has a 67 percent vacancy rate.

3.5 Funding compliance and financial health

The financial health analysis uses purely municipal generated figures and the analysis should be read notwithstanding comments already made in the independent calculation that GPT conducted in the cash flow analysis. The budget document does not include SA10, as such GPT could not do a full financial health analysis.

a) Cash/cash equivalents at year end

The municipality is projected to end the financial year with a positive cash balance of R441 thousand and R0 cash balance in the two outer years. The district does not have sufficient cash to meet its own obligations and more sustainable solutions are needed to change the situation in the district.

SECTION D: CONCLUSION AND RECOMMENDATIONS

1. Credibility

- The municipality has budgeted for fluctuating operating deficits across the MTREF. Even though this is inclusive of non-cash items, the budget policy of the municipality requires that these items be cash-backed.
- An independent cash analysis using National Treasury guidelines indicate that the requirements of Section 18 are not fully met, therefore, the budget is not considered fully funded from a cash flow perspective.
- Municipality is required to ensure accuracy of financial information submitted to National Treasury's LG Database (data strings) and information submitted to the PT (Schedule-A).

2. Relevance

- The draft IDP of the district municipality is aligned to the National, Provincial and the District vision and strategies.

3. Sustainability

- The budget has been assessed as **unfunded and unsustainable** due to low cash coverage and the projected negative cash balances over the MTREF period.
- The projected revenue is deemed to be insufficient to cover the projected expenditure obligations impacting negatively on the financial viability and sustainability of the municipality.
- The municipality budgeted for a deficit in the medium-term budget and has no cash reserves.
- The budget has been assessed as unfunded and unsustainable as a result of low cash availability that puts the district finances at significant risk and over-reliance on grant dependency in executing its capital programme and operations therefore, resulting in capital projects not being budgeted for over the 2022/23 MTREF.
- It is therefore recommended that the municipality consider the contents of this report and incorporate the inputs when approving its 2022/23 final Budget.

GAUTENG PROVINCIAL TREASURY - 2017/18 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY

SECTION E: ANNEXURES

Annexure A: Consolidated Budget Summary (A1)

DC48 West Rand - Table A1 Consolidated Budget Summary

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Financial Performance										
Interest earned	411	769	1 021	750	1 303	1 303	1 337	1 671	1 746	1 823
Transfers recognised - operational	270 586	269 234	236 989	238 143	238 490	238 490	238 490	244 605	251 053	242 060
Other own revenue	29 131	26 079	9 194	10 350	12 728	12 728	12 281	14 400	20 880	20 891
	300 128	296 082	247 205	249 243	252 520	252 520	252 108	260 676	273 679	264 774
Total Revenue (excluding capital transfers and contributions)										
Employee costs	176 743	181 591	195 838	196 249	196 249	196 249	196 198	211 367	220 668	230 598
Remuneration of councillors	13 020	13 244	12 572	13 931	13 931	13 931	10 406	12 532	12 570	12 670
Depreciation & asset impairment	8 047	14 658	1 461	4 000	4 000	4 000	6 345	5 450	4 900	4 350
Interest cost and penalties	12 950	8 400	8 454	-	747	747	746	1 530	1 450	1 320
Materials and bulk purchases	100	129	184	220	220	220	171	250	300	350
Transfers and grants	13 144	7 444	9 562	11 364	10 201	10 201	10 201	11 932	12 469	-
Other expenditure	43 812	49 111	38 024	30 090	33 892	33 892	32 474	31 797	33 069	34 392
Total Expenditure	267 817	274 576	266 094	255 854	259 240	259 240	256 540	274 858	285 426	283 679
Operating Surplus/(Deficit)	32 311	21 505	(18 889)	(6 611)	(6 720)	(6 720)	(4 433)	(14 182)	(11 746)	(18 905)
Transfers and subsidies - capital (monetary allocations) (National /	2 598	2 245	3 118	9 651	9 651	9 651	9 651	45 775	41 999	42 887
Contributions recognised - capital & contributed assets	255	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	35 164	23 750	(15 771)	3 040	2 931	2 931	5 218	31 593	30 253	23 982
Capital expenditure	35	25	4 040	7 600	6 000	6 000	5 965	43 450	39 513	40 250
Surplus/(Deficit) for the year	35 129	23 725	(19 811)	(4 560)	(3 069)	(3 069)	(747)	(11 857)	(9 260)	(16 268)

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Capital expenditure & funds sources										
Capital expenditure	35	25	4 040	7 600	6 000	6 000	5 965	43 450	39 513	40 250
Transfers recognised - capital	-	-	-	7 000	5 500	5 500	5 485	43 000	39 213	40 000
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	35	25	4 040	600	500	500	480	450	300	250
Total sources of capital funds	35	25	4 040	7 600	6 000	6 000	5 965	43 450	39 513	40 250
Financial position										
Total current assets	37 993	18 223	8 159	11 215	10 024	10 024	8 589	(1 687)	(14 844)	(31 882)
Total non current assets	79 921	74 487	70 702	75 842	70 702	70 702	63 297	59 281	55 681	
Total current liabilities	168 245	126 605	122 836	84 567	86 824	86 824	86 824	81 579	78 860	77 701
Total non current liabilities	53 787	56 691	62 409	56 637	62 409	62 409	62 409	62 409	59 150	56 820
Community wealth/Equity	(104 118)	(90 585)	(106 385)	(54 147)	(68 508)	(68 508)	(69 943)	(82 378)	(93 573)	(110 722)
Cash flows										
Net cash from (used) operating	24 442	16 781	3 210	6 800	7 416	7 416	5 638	35 027	27 743	24 796
Net cash from (used) investing	(35)	(18)	(2 932)	(6 800)	(6 000)	(6 000)	(5 485)	(42 570)	(39 513)	(40 250)
Net cash from (used) financing	(15 547)	(13 217)	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	2 747	1 045	1 323	-	2 739	2 739	1 476	(4 804)	(16 574)	(32 028)
Cash backing/surplus reconciliation										
Cash and investments available	2 747	1 045	1 323	-	2 739	2 739	1 476	(4 804)	(16 574)	(32 028)
Application of cash and investments	106 865	91 631	107 708	54 147	71 247	71 247	71 419	77 574	76 999	78 694
Balance - surplus (shortfall)	(104 118)	(90 585)	(106 385)	(54 147)	(68 508)	(68 508)	(69 943)	(82 378)	(93 573)	(110 722)
Asset management										
Asset register summary (MDV)	63 957	59 389	70 356	75 578	70 356	70 356	70 356	62 906	59 156	55 681
Depreciation	7 206	6 419	4 489	4 000	4 000	4 000	4 000	4 800	4 400	4 000
Renewal and Upgrading of Existing Assets										
Repairs and Maintenance	1 000	-	-	-	1 000	1 000	1 000	1 200	1 248	1 298

**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

Annexure B: Consolidated Financial Performance (A4)

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

Description	Ref	2021/22			Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		2018/19	2019/20	2020/21	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year H1 2023/24	Budget Year H2 2024/25
Revenue By Source											
Rental of facilities and equipment		1 566	1 630	1 762	2 067	2 190	2 190	2 126	2 365	2 554	2 759
Interest earned - external investments		411	769	1 021	750	1 303	1 303	1 337	1 671	1 746	1 823
Interest earned - outstanding receivables		537	533	258	450	195	195	115	211	227	246
Licences and permits		422	117	104	400	200	200	200	250	300	315
Reversal of impairment on investment		-	-	-	-	5 328	5 328	5 328	-	7 328	6 790
Transfers and subsidies		270 586	269 234	236 989	238 143	238 490	238 490	238 490	244 605	251 053	242 060
Other revenue	2	26 607	23 598	7 070	7 434	4 814	4 814	4 512	11 015	10 470	10 782
Gains on disposal of PPE		-	-	-	-	-	-	-	560	-	-
Total Revenue (excluding capital transfers and contributions)		300 128	296 082	247 205	249 243	252 520	252 520	252 106	260 676	273 679	264 774
Expenditure By Type											
Employee related costs	2	176 743	181 591	195 838	196 249	196 249	196 249	196 198	211 367	220 668	230 698
Remuneration of councillors		13 020	13 244	12 572	13 931	13 931	13 931	10 406	12 532	12 570	12 670
Debt impairment	3	842	8 240	(3 028)	-	-	-	2 345	650	500	350
Depreciation & asset impairment	2	7 206	6 419	4 489	4 000	4 000	4 000	4 000	4 800	4 400	4 000
Interest cost and penalties		12 950	8 400	8 454	-	747	747	746	1 530	1 450	1 320
Other materials	8	100	129	184	220	220	220	171	250	300	350
Contracted services		17 241	17 946	5 532	8 961	12 255	12 255	11 503	11 358	11 812	12 285
Transfers and subsidies		13 144	7 444	9 562	11 364	10 201	10 201	10 201	11 932	12 469	-
Operating costs	4, 5	26 571	31 165	32 492	21 129	21 636	21 636	20 971	20 439	21 257	22 107
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		267 817	274 576	266 094	255 854	259 240	259 240	256 540	274 858	285 426	283 679
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		2 598	2 245	3 118	9 651	9 651	9 651	9 651	45 775	41 999	42 887
Transfers and subsidies - capital (in-kind - all)		255	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		35 164	23 750	(15 771)	3 640	2 931	2 931	5 218	31 593	30 253	23 982
Capital expenditure		35	25	4 040	7 600	6 000	6 000	5 965	43 450	39 513	40 250
Surplus/(Deficit) for the year		35 128	23 725	(19 811)	(4 560)	(3 069)	(3 069)	(747)	(11 857)	(9 260)	(16 268)



**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

Annexure C: Consolidated Capital Expenditure (A5)

DC48 West Rand - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework			
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23
Capital expenditure - Vote	1											
<i>Single-year expenditure to be appropriated</i>	2											
Multi-year expenditure appropriation		-	-	-	-	-	-	-	-	-	-	-
Vote 1 - Corporate Governance		-	-	24	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager & Support		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		35	18	125	600	500	500	-	450	300	250	
Vote 4 - Budget & Treasury Office		-	-	3 889	-	-	-	-	-	-	-	-
Vote 5 - Health & Social Development		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	7	-	7 000	5 500	5 500	-	-	-	-	-
Vote 7 - Regional Planning & Economic Development		-	-	-	-	-	-	-	43 000	39 213	40 000	
Capital single-year expenditure sub-total		35	25	4 040	7 600	6 000	6 000	-	43 450	39 513	40 250	
Total Capital Expenditure - Vote		35	25	4 040	7 600	6 000	6 000	-	43 450	39 513	40 250	
Capital Expenditure - Functional												
<i>Governance and administration</i>		35	25	4 040	600	500	500	480	450	300	250	
Executive and council				24								
Finance and administration		35	25	4 016	600	500	500	480	450	300	250	
<i>Community and public safety</i>		-	-	-	7 000	5 500	5 500	5 485	-	-	-	
Public safety					7 000	5 500	5 500	5 485				
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	43 000	39 213	40 000	
Planning and development									43 000	39 213	40 000	
Total Capital Expenditure - Functional	3	35	25	4 040	7 600	6 000	6 000	5 965	43 450	39 513	40 250	
Funded by:												
National Government									43 000	39 213	40 000	
Provincial Government					7 000	5 500	5 500	5 485				
Transfers recognised - capital	4	-	-	-	7 000	5 500	5 500	5 485	43 000	39 213	40 000	
Internally generated funds		35	25	4 040	600	500	500	480	450	300	250	
Total Capital Funding	7	35	25	4 040	7 600	6 000	6 000	5 965	43 450	39 513	40 250	

31

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**GAUTENG PROVINCIAL TREASURY – 2022/23 TABLED BUDGET ASSESSMENT
WEST RAND DISTRICT MUNICIPALITY**

Annexure D: Consolidated Budgeted Cash Flows (A7)

DC48 West Rand - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Other revenue		24 634	21 735	16 694	14 350	9 579	9 579	8 143	17 630	14 725	17 356
Government - operating	1	276 412	231 101	241 318	238 143	238 490	238 490	238 490	244 605	251 053	242 060
Government - capital	1	-	2 245	3 118	9 651	9 651	9 651	9 651	45 775	41 999	42 887
Interest		411	789	1 021	750	1 498	1 498	1 421	1 671	1 746	1 823
Payments											
Suppliers and employees		(275 276)	(238 421)	(258 941)	(244 730)	(241 601)	(241 601)	(241 866)	(255 946)	(256 532)	(262 555)
Finance charges		(1 739)	(649)	-	-	-	-	-	(1 530)	(1 450)	(1 320)
Transfers and Grants	1	-	-	-	(11 364)	(10 201)	(10 201)	(10 201)	(11 932)	(12 469)	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		24 442	16 781	3 210	6 800	7 416	7 416	5 638	40 272	39 072	40 250
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					800				880	-	-
Decrease (increase) in non-current investments				1 108							
Payments											
Capital assets		(35)	(18)	(4 040)	(7 600)	(6 000)	(6 000)	(5 485)	(43 450)	(39 513)	(40 250)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(35)	(18)	(2 932)	(6 800)	(6 000)	(6 000)	(5 485)	(42 570)	(39 513)	(40 250)
CASH FLOWS FROM FINANCING ACTIVITIES											
Payments											
Repayment of borrowing		(15 547)	(13 217)								
NET CASH FROM/(USED) FINANCING ACTIVITIES		(15 547)	(13 217)	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	6 113	(2 501)	1 045	-	1 323	1 323	1 323	2 739	441	-
Cash/cash equivalents at the year end:	2	2 747	1 045	1 323	-	2 739	2 739	1 476	441	-	-

33

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