

***ITEM******BUDGET AND TREASURY OFFICE: PROGRESS ON THE IMPLEMENTATION OF THE FINANCIAL TURN AROUND STRATEGY FOR QUARTER ENDED 31 MARCH 2025******5/1******PURPOSE***

The purpose of this report is to the Executive Committee (EXCO) about the progress made on the Financial Turnaround strategy of the West Rand District Municipality.

***INTRODUCTION***

The council approved the Financial Turnaround strategy as part of the budget related policies that were tabled with the 2020-2021 Annual Budget on 29 June 2020. The said strategy was reviewed and approved by council when the 2024-2025 Annual Budget was approved on 28 May 2024.

The progress reported aims to provide cost benefit analysis that has been achieved from the previous fiscal period which affects medium to long term goals/objectives. This is performed for the municipality to achieve a funded budget in medium to long term goals.

***RECOMMENDATIONS THAT:***

1. Note be taken of the progress made regarding the Financial Turnaround Strategy.
2. The Municipality continue to realize savings in order to achieve the funded budget in medium and long term.
3. The commitment to achieve a funded budget, be forwarded to National and Provincial Treasury for consideration.



# WEST RAND DISTRICT MUNICIPALITY



**QUARTELY PROGRESS REPORT ON THE IMPLEMENTATION OF THE  
FUNDING BUDGET PLAN  
31 MARCH 2025**

## TABLE OF CONTENTS

<u>1.</u>	<u>Background</u> .....	4
<u>2.</u>	<u>Discussion</u> .....	4
<u>2.1.1.</u>	<u>Revenue enhancement</u> .....	4
<u>2.1.2.</u>	<u>Improvement of collection Rate</u> .....	4
<u>2.1.3.</u>	<u>Cash Flow Management</u> .....	5
<u>2.1.4.</u>	<u>Cost Containment Measures</u> .....	5
<u>2.1.5.</u>	<u>Debtors and creditors</u> .....	5
<u>2.2.</u>	<u>COST CONTAINMENT MEASURES (Short to medium term)</u> .....	6

## **1. Background**

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- a) Realistically anticipated revenue to be collected,
- b) Cash backed accumulated funds from previous year's surpluses not committed for other purposes, and
- c) Borrowed funds, but only for capital

Section 18(2) further states that "revenue projections in the budget must be realistic, taking into account"

- a) Projected revenue for the current year based on the collection levels to date, and
- b) Actual revenue collected in previous years"

## **2. Discussion**

The Municipality is facing significant challenges regarding its ability to meet its financial commitments and to ensure sustainability of services provided. The measures to cost containment are in place and the cost benefit analysis has been applied while prioritising service delivery.

The budget funding plan was introduced by National Treasury to all municipality with unfunded budget with the progress report that will be monitored by relevant treasuries. The progress report was compiled in terms of five pillars prescribed on a framework that was provided by National Treasury to assist municipalities improve unfunded budget position.

### **2.1.1. Revenue enhancement**

The revenue realised from own generated income to date (18% of the total operating revenue to date) has not made an impact to change the funding of budget. The main source of income was from grant funding.

### **2.1.2. Improvement of collection Rate**

Assessing the Collection Ratio will provide an indication of the performance against a number of areas, for example:

Quality of Credit Control - ensuring that what is billed is collected; and Quality of Revenue Management - the ability to set affordable tariffs and bill correctly. The average collection rate to date is at 100% (YTD actual cash collected/YTD budgeted cash to be collected) including of grants and transfers. The over-

collection was due to third trench of equitable share. The collection rate realised have a positive impact on the total operating revenue for the quarter ended in March 2025.

### **2.1.3. Cash Flow Management**

Cash flow management must be implemented to ensure that the cash flow is monitored monthly. The closing balance of R76,6 million which represents funds available for the municipality to pay their creditors when due. The cash flow of the municipality will not be enough to cover normal operations after considering short term obligations for the next three months.

The municipality do not have sustainable revenue streams to raise the more cash.

### **2.1.4. Cost Containment Measures**

Cost containment measures are applied according to the guidelines as imposed by National Treasury. A separate report is prepared and taken to council on a quarterly basis.

### **2.1.5. Debtors and creditors**

#### **Debtors**

The debtor's book has not improved the status of long standing debtors for the quarter. Credit control measures for other commercial debtors have already commenced. It remains a cash flow challenge whereby no cash has been realised to meet other short term obligations. There was a reduction of R1,8 million in the debtors book balance due to the credit note that was processed in line with the settlement agreement between the district and the Rand West City Local Municipality (RWCLM).

#### **Creditors**

The payment arrangements with long standing creditors are in place. The municipality is striving to ensure that payment terms are honoured as per agreement while facing cash constraints challenges. The creditors book for the suppliers remain at R23 million as reported in the previous quarter. The creditors within 30 days are paid timeously.

The strategy was outlined in terms of short- term, medium term. The status on the following short-term goals:

## 2.2. COST CONTAINMENT MEASURES (SHORT TO MEDIUM TERM) :

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)	Department: Progress to date- Q3_ March 2025
1	Transfer of Merafong Flora to Gauteng department of agriculture and rural development	The district municipality is present running this function at the loss of R2.1 million	Gauteng department of agriculture and rural development to invest into the project to align it with the agripark model and other interested parties	The land transfer has been finalized and tittle deeds has been received	Discussion on the form of partnership between GDARD and Landbank are in progress	(R2 100 000)	<b>RPED:</b> The land has been transferred the WRDM and tittle deeds has been received. Engagement with GDARD is ongoing. An draft MOU between WRDM, Merafong City and GDARD id being drafted. Furthermore Land bank has also been approached and they have done an assessment of the status of the project and will then submit a proposal on how they will be involved.
2	Increase fire prevention fees	The collection rate is not in line with other municipalities, benchmark exercise was done within Gauteng municipalities and other municipalities outside the province	The municipality is implementing 10% increase which is above inflation rate to cover the shortfall	The compliance certificate will be issued to consumers	To ensure that billing is done correctly and updated on the system	R2000 000	<b>Public Safety:</b> The fees were increased for the current financial year and the department is going to increase for the next financial year as in line with CPI index and MTREF Regulations
3	Increase working capital management	Municipality opened call accounts for short term	To raise internal generated revenue while ringfencing	To invest funds and make them available	Internal transfers on municipal bank	R5 600 000	<b>BTO:</b> The municipality has

	(investing funds not immediately needed for short-term)	investments to invest funds that are not yet utilized to generate interest income	conditional grants	for their intended use as and when required	accounts		realized an interest income to date from short term investments
4	Collect from outstanding debtors	The municipality have long outstanding debtors from the rental of facilities for commercial sales. Other businesses are closed while others are still operating	To collect from outstanding debtors and initiate payment arrangement	The municipality will issue letter of demand and effect the eviction process to debtors not adhering with payment arrangement	Send letter of demand and implement credit control policy	R 3000 000	<b>BTO:</b> The municipality has sent letters of demand and subsequently had meetings which resulted with a provisional payment arrangement.
5	Aggressive implementation of health inspection bi-laws	The municipality is performing health inspection for shops and restaurants operating in west rand. It also generate additional revenue through licence and permit for health services	To ensure that shops and restaurant comply with health inspection bi-laws.	To keep track of all shops and restaurant that are complying and enforce compliance to those that are not up to date with health inspection bi-laws	The management to ensure the aggressive implementation of health inspection bi-laws that will reflect positively on revenue collection while improving health services in the West Rand	R 700 000	<b>Health services:</b> The municipality is conduction health inspection, issue notice to businesses that are not in compliance with bi-laws and advise on compliance process.  MHS Fine schedules approved by the courts in 3 Local Municipalities. EHP training conducted on how to complete the Sec 56 books. EHP to start issuing fines.
6	Increase in MHS Tariffs	The collection rate is not in line with other municipalities, benchmark exercise was done within Gauteng municipalities and other municipalities outside the province	The municipality is implementing 10% increase which is above inflation rate to cover the shortfall	The compliance certificate will be issued to consumers	To ensure that billing is done correctly	200 000	<b>Health services:</b> MHS Tariffs increased by 10% this financial year and will continue in the next year
7	Strengthen Air Quality Regulation	The municipality is collecting other revenue	Revise the tariff charge to ensure that the	To keep track of all companies that are	The management to conclude on the	R 300 000	<b>Health services:</b> The existing consumers are currently

		from licence and permit on air quality. The tariff charges should be aligned with the regulation and ensure compliance to industries operating in the West Rand Region	municipality is charging in accordance with the regulation.	complying and enforce compliance to those that are not up to date with regulation requirements.	implementation of enforcing compliance		complying with the regulation.
8	To settle long service leave (50%)	The municipality presently has a long The municipality presently has a long service award long- term obligation of R26.3 million of which R11.1 million is immediately payable. The total liability is not cash backed and contributes to a R98 million negative net asset value.	The municipality to pay the employees owed the long service award	The municipality to draft the payment plan to prevent liability to increase further.	Management to negotiate payment schedule with Organised labour on the intention to table report to Council	(R5 550 000)	Corporate: The negotiated with organized labour are not yet finalised
9	Persuade employees entitled on long service leave to waive 50% for leave to be taken.	The municipality is currently owing long service award of R26.3 million.	The 50% owed to the employees be waived by encouraging employees to take leave and the other 50% to be in monetary value	To be formally communicated before implementation takes place	Management to determine the implementation period	(R5 550 000)	<b>Corporate</b> The negotiated with organized labour are not yet finalised
10	Elimination of long service award (bonus) based on the non-inclusion of the long service award in the regional collective agreement and the review of the policy.	The municipality is currently owing long service award of R26.3 million which is not cash backed.	The municipality to table the review of the long service award policy to Council so that the exemption of the policy be approved.	Municipal Council to approve exemption of the policy to prevent liability from increase further.	Management to negotiate with Organised labour on the intention to table the review of the long- service award policy to Council	(R1 918 080)	<b>Corporate</b> The municipality to review the policy and implement changes after Council approval
11	Review rental tariffs to ensure rental charges are	The municipality is presently owning residential	The municipality wants to strengthen it's revenue muscle and increase rentals	The revenue from rentals will assist in operational costs of	The management to review lease agreements	R 520 000	Corporate The municipality has implemented a market



	market related	accommodation that is occupied by municipal employees that generates rental income of R144 000 per annum in total.	from R500.00 to market related rental charges. The municipality proposes to address structural issues, preventing deterioration and preserving the integrity of the municipal properties over time by investing on property repairs and maintenance	maintaining the municipal properties to enhance their functionality and extend their lifespan.	Item to be tabled to Council once management and affected employees has reached the consensus		related rate of R2000.
12	Insourcing of VAT recovery services	The contracted services for VAT services was not renewed in 2023/24 financial year due to cost containment measures	The vat services will be performed in Finance department by a qualified employee. underwent trainings while working for the municipality in finance department	Enroll employees with various taxation and accounting professional bodies to be members	The municipality to bear the cost of enrollment and annual membership to the professional membership bodies on behalf of its employees.	(R960 000)	<b>BTO</b> VAT returns are done in-house by Finance employees that undergone VAT trainings. The municipality is maintaining the annual membership fees.
13	To insource skills internal to deal with bargaining council cases	The municipality is sitting with cases that are reported to bargaining council and High court. These legal matters may have financial implication	All cases with bargaining council to be resolved by internally and outsource for cases that are taken to High court	To settle dispute through conciliation by official body	Negotiations with relevant parties on cases have not taken to high court	Not established yet	<b>Corporate:</b> To be implemented in the 2024/25 financial year

## MEDIUM-TERM STRATEGY

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

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)	Department: Progress to date- Q3_ March 2025
1	<i>Levy Fire services</i>	Fire service function is presently an unfunded function and constitute 65% of the municipality's budget. The fire account is mainly contributed by indigents with 70% as revenue forgone	The municipality aims to sustain the fire service function to deliver optimum service delivery to the community. The amount billed for indigents to be recovered from local municipalities as they receive the indigent subsidy	The municipality to approach local municipalities and reach an agreement on settling debt arose from indigents households that are utilizing fire services. Or alternatively, make application of re-introduction of fire service levy to National Treasury and enter into SLA's with constituent local municipalities	Political leadership to engage with local municipalities to refund their indigent households utilizing fire services.  National Treasury established a task team made up Provincial Treasury, CoGTA, District and Local municipality to look at the viability of fire services levy and realigning the equitable share to accommodate the fire service function.	R51 803 430	<b>Public Safety:</b> Request for revision of the funding model has been submitted to PT and NT, PDMC and NDMC waiting for feedback. Request for levy was submitted to NT and Minister of finance and has not been approved
2	<i>Emergency Rescue services</i>	Emergency rescue services is part of the fire service function which is presently an unfunded function	The municipality aims to sustain the fire service function to deliver optimum service delivery to the community. The road accident fund is currently recognizing medical aid and ambulances not fire rescue in terms of accident response	Engage with road accident fund, SANRAL and insurance companies on the sustainability of the services provided on both provincial and National roads. The fire rescue services to be reviewed in the Road Accident Act as part of accident response	Road accident fund, SANRAL and insurance companies to assist the District in sustaining the function. Realignment of equitable share to accommodate the emergency rescue service function	R20 000 000	<b>Public Safety:</b> Road accident fund has not reverted back to the municipality with regards to our request. Request to unbundle the equitable share submitted to PT and NDMC ,still waiting for feedback
3	<i>Parking By-laws</i>	The District does not generate sufficient own revenue	The municipality aims to identify revenue opportunities which will	Engage with constituent local municipalities to	The constituent local municipalities to assist the	R3 000 000	<b>RPED</b>

			sustain maintenance of its facilities and assets.	promulgate by-laws and enter into SLA's with them.	district with revenue generation		
4.	<i>Insourcing vs outsourcing services:</i> Insourcing of asset verification processes	The District is outsourcing asset verification and assets conditional assessments	The municipality should develop internal skills to perform outsourced function. The municipality is intending to internalize asset verification conditional assessment and the valuation of assets	Enroll employees with valuation professional bodies to be members.	The municipality to bear the cost of enrollment and annual membership to the professional membership bodies on behalf of its employees.	(R1 200 000)	<b>BTO</b> No employee that is formally enrolled for asset management course
5	Leasing of Donaldson Dam facilities	To source funding for feasibility study with aim of commercializing Donaldson Dam to enter into PPP agreement	To get the private investor to run the facility to shift all cost implications from WRDM	To receive revenue from the lease and save on all costs that would be transferred to the lesser	The funder will bear all the cost pertaining to PPP	(R 960 000)	<b>RPED</b>  The procurement process to lease the Dam is underway. Notice for Public participation has already been advertised. Soliciting inputs from both NT and GPT is done, the Valuation of the property is completed. Council has approved the leasing of the dam subject to procurement processes.

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

1. Note be taken of the progress made regarding the Financial Turnaround Strategy.
2. The Municipality continue to realize savings in order to achieve the funded budget in medium and long term.
3. The commitment to achieve a funded budget, be forwarded to National and Provincial Treasury for consideration.

