

ITEM 06**BUDGET AND TREASURY OFFICE: 2023/2024 ADJUSTMENT BUDGET REPORT****PURPOSE**

The purpose of this report is to table the proposed adjustment on the 2023/2024 Annual Budget to the Mayoral Committee for consideration and approval.

INTRODUCTION

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

- 1) A municipality may revise an approved annual budget through an adjustment budget;
- 2) An adjustment budget:
 - a) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
 - b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
 - c) May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
 - d) May authorise the utilisation of projected savings in one vote towards spending under another vote;
 - e) May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
 - f) May correct any errors in the annual budget; and
 - g) May provide for any other expenditure within a prescribed framework.
- 3) An adjustment budget must be in a prescribed form.
- 4) Only the mayor may table an adjustment budget in the municipal council, but an adjustment budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

- 5) When an adjustment budget is tabled, it must be accompanied by:
 - a) An explanation how the adjustment budget affects the annual budget;
 - b) A motivation of any material changes to the annual budget;
 - c) An explanation of the impact of any increased spending on the annual budget and the annual budget for the next two financial years; and
 - d) Any other supporting documentation that may be prescribed.
- 6) Municipal tax and tariffs may not be increased during a financial year.
- 7) Sections 22(b) and 24(3) apply in respect of an adjustment budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.
- 8) Section 16(3) provides that budget in each sphere of government must contain:
 - a) Estimates of revenue and expenditure, differentiating between capital and current expenditure;
 - b) Proposals of financing any anticipated deficit for the period which they apply; and
 - c) An indication of intentions regarding borrowings and other forms of public liability that will increase public debt during the ensuing year.

RECOMMENDATIONS THAT:

1. In terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) the Municipal Council should approve the 2023/2024 Proposed Adjustments on the Annual Budget of the West Rand District Municipality.
 - a. That operational revenue budget be adjusted from R298,292 million to R325,333 million.
 - b. That the operational expenditure budget be adjusted from R300,625 million to R397,317 million.
 - c. That the capital revenue budget be adjusted from R75,786 million to R77,364 million.
 - d. That the capital expenditure budget be adjusted from R73,450 million to R8,378 million.
2. That the Adjusted budget be published on the municipal website and be submitted to National and Provincial Treasury.
3. A detailed report on the maintenance of main building: Mayoral house that was allocated (R150 000) on the adjustment budget be tabled at the next Council meeting. This report should have a detailed process plan with costs in order for Council to make an informed decision where the money should be allocated.

1R,1P,1A,1S
1 REGION, 1 PLAN, 1 ACTION
1 SYSTEM



WEST RAND FOR A BETTER LIFE FOR ALL



West Rand
District Municipality

WEST RAND DISTRICT MUNICIPALITY



ADJUSTED BUDGET REPORT 2023/2024 MTREF

TABLE OF CONTENTS

PART ONE: ADJUSTMENT BUDGETS	2
1. Section one:	2
2. Purpose	2
3. Section two: Resolutions	2
4. Section three: Executive summary	3
Table 1: High level summary of the 2023/24 Adjustment Budgets	5
Table 2: Operating budget by municipal vote	7
Table 3: Operating budget Revenue by source and expenditure by type	8
Table 4: Contracted Services	9
Table 5: Other Operating expenditure	9
Table 6: Capital projects as % of total municipal budget.....	10
Table 7: Repairs and maintenance expenditure	11
Table 8: Free cash flow analysis	12
5. Section four: Adjustment budget tables	14
PART TWO: SUPPORTING DOCUMENTATION	15
6. Section five: Measurable performance objectives and indicators	15
7. Section 6: Expenditure on allocations and grant programmes	15
Table 9: Grants allocation	15
8. Section seven: Transfers and grants made by the municipality	16
Table 10: Transfers allocation	16
9. Section eight: SDBIP	16
The revised and adjusted departmental SDBIP must be approved and signed off by the respective Executive Managers before submitting to PMS	16

PART ONE: ADJUSTMENT BUDGETS

1. Section one:

Purpose

To seek approval from the Council on the adjustments proposed to the 2023/2024 Adjustment Budget.

2. Section two: Resolutions

It is recommended –

- 1) In terms of the Municipal Finance Management Act, 2003 (Act no 56 of 2003); Municipal Council should approve the 2023/24 Proposed Adjustments on the Annual Budget of West Rand District Municipality:
 - That operational revenue budget be adjusted from R298,292 million to R325,333 million.
 - That the operational expenditure budget be adjusted from R300,625 million to R397,317 million.
 - That the capital revenue budget be adjusted from R75,786 million to R77,364 million.
 - That the capital expenditure budget be adjusted from R73,450 million to R8,378 million.
- 2) That the Adjusted budget be published on the municipal website and be submitted to National and Provincial Treasury.

3. Section three: Executive summary

3.1. Introduction

In every financial year, the municipality is expected that a performance assessment (review) with regard to the implementation of the agreed IDP strategic objectives and the service delivery programmes as outlined in our SDBIP should be performed on the quarterly basis.

Following the completion of quarterly performance assessments for both financial and non-financial compiled in accordance with section 72 of the Municipal Finance Management Act (MFMA), an assessment was determined whether it is necessary for the municipality to adjust or review its annual budget (Adjustment Budget) or not.

In the case of West Rand District Municipality, an assessment on performance is being carried on quarterly basis through an SDBIP and quarterly financial reports. As a result there is a need to review our approved annual budget through the outlined processes of the Adjustment Budget.

The Mid-Year Budget and Performance assessment report of December 2023 and its SDBIP were used to review whether we have spent and collected accordingly and whether we have implemented the approved programmes.

3.2. Legislative background

The West Rand District Municipality has followed Section 28 of the Municipal Finance Management Act, 2003 (MFMA) that allows a municipality to revise its approved annual budget through an adjustment budget. Amongst other, the municipality has approved the adjustments budgets to adjust the revenue and expenditure estimates downwards of material under-collection of revenue during the current year; to appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for; correct any errors in the annual budget.

3.3. 2023/24 Gauteng Provincial budget

The MEC of Finance delivered the Gauteng Provincial budget speech on 28 November 2023:

In the context of many socio economic challenges before us, preparation of this 2023 MTBPS and the Adjustments Budget has been a formidable task.

The economic outlook that underpins this Medium-Term Budget Policy Statement (MTBPS):

Gauteng economy

According to Stats SA, our province contributed R1.42 trillion to South Africa's GDP of R4.16 trillion in 2022. In other words, the province was responsible for R33 out of every R100 the South African economy produced. The Gauteng economy is primarily driven by the finance, real estate, and business services sectors, as well as the transport and communication industry.

THE 2023 ADJUSTMENT BUDGET

The 2023 Main Budget is today being adjusted by a net R4.551 billion from R158.9 billion to R163.5 billion. The net adjustment consists of allocations of the rollovers, national and provincial funding as follows:

- Wage settlement.
- Conditional grant reductions.
- Rollovers of both equitable share and conditional grants
- Provincial funding

The following departments have made a case for unforeseen and unavoidable circumstances, and receive additional resources as follows:

Gauteng Department of Health: An amount of R2.5 billion is allocated to the department to respond to the cost of implementing the 2023 wage agreement for public servants.

Gauteng Department of Social Development: The department receives an additional amount of R70 million for the acquisition of a new building which will be repurposed into a shelter for the homeless.

Gauteng Department of Cooperative Governance and Traditional Affairs:

The departments receive an amount of R441 million earmarked for energy projects within the province, working with City Power within the context of the MOU that has been concluded between the province and the entity.

Gauteng Department of Human Settlements: The department receives a total additional amount of R160 million for interim sanitation services including chemical toilets and honey suckers.

Gauteng Department of Roads and Transport: A total amount of R80.7 million is allocated of which R25 million is for the payment of municipal services and R55.7 million additional funding is allocated for several items including gazetting of operating licensing, new number plate project, the expansion of frontline services to TISH as part of revenue incentives.

Gauteng Department of Community Safety: An amount of R10 million is reallocated to the department from receivables to reimburse the department for receipts from the SANRAL that were 16 surrendered to the provincial revenue fund at the end of the 2022/23 financial year.

Gauteng Department of Agriculture and Rural Development: An amount of R159.1 million is available for wages, unemployment insurance fund and Compensation for Occupational Injuries and Diseases Act (COIDA) for Green Army EPWP Programme. The department has recruited 6000 EPWP Green Army to participate in the Bontle ke Botho Gauteng's Clean and Green programme. The EPWP participants will reduce poverty and unemployment including skills development for the poor citizens of Gauteng particularly in TISH areas.

Gauteng Department of Infrastructure Development: The department receives a total additional amount of R429 million, of which R100 million is for operational leases and R329 million is earmarked for alternative energy projects.

In Conclusion, the MTBPS and the Adjustments Budget that we are presenting today does the following:

- It sets out how this provincial government plans to achieve fiscal sustainability by reducing the budget deficit and stabilizing the debt to GDP ratio over the medium term.
- It supports growth by maintaining a sustainable fiscal stance and providing on budget allocations to infrastructure and pro-growth policy priorities.
- It emphasises that reducing fiscal and economic risks should be complemented by rapid and decisive implementation of economic reforms, including urgently addressing the challenge of loadshedding, improving the efficiency of social and economic services and the capability of the state.

3.4. 2022/23 West Rand District Municipal budget

The adjustment budget seeks to rectify issues identified in the mid-year assessment of the financial results as well as the inclusion of the additional allocations. It is drafted in terms of section 28 of the MFMA. The municipality has implemented financial strategies to improve financial situation with continued guidance and support provided by the external stakeholders. The WRDM biggest challenge still remains Powers and Functions, Unfunded and Under- Funded Mandates. The municipality strongly believe that the organization will continue as a going concern given the commitment towards service delivery. The WRDM adjustment budget is in the view of the monthly to quarterly financial reports to evaluate if the implemented budget is in the favourable position to move from unfunded to funded budgets.

A high-level summary of the 2023/24 adjustment budgets is provided in the table below:

Table 1: High level summary of the 2023/24 Adjustment Budgets

Performance Summary of the Adjustment Budget Statement - February 2024						
Description	Ref	2023/2024				
		Adjustment Budget			Budget Year +2024/25	Budget Year +2025/26
		Original Budget	Total Adjustments	Adjusted Budget		
R thousands						
Financial Performance						
Interest earned - external investments		3 919	1 722	5 642	5 867	6 102
Transfers and subsidies - operational		262 852	11 767	274 619	274 438	287 062
Transfers and subsidies - capital		75 786	1 578	77 364	80 459	83 677
Other revenue		31 521	13 553	45 073	44 426	45 229
Total Revenue		374 078	28 620	402 698	405 190	422 071
Operating expenditure		300 625	93 692	394 317	397 260	414 141
Capital expenditure		73 450	(65 072)	8 378	7 928	7 928
Total Expenditure		374 075	28 620	402 696	405 189	422 070
Surplus/Deficit		2	0	2	1	1

The computation of the adjusted budget summary has taken into account both income and expenditure according to the Municipality's mid-year figures. Therefore, the current budget indicates that the municipality should adopt better financial management decisions in order to provide for functions that are either funded or under-funded to reduce the budget deficit and to improve overall liquidity of the municipality until the situation is resolved. The upward

adjustment from the total expenditure is higher than the upward adjustment from the total revenue due to high standard of living and low collections from own revenue generated. Furthermore, the municipality has made a provision for non-cash items by increasing expenditure to prevent unauthorized expenditure.

3.5. Impact of National Development Programme approach

The National Development Programme 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.

The implementation of the National Development Programme enhances intergovernmental relations wherein different sector departments collaborate in the implementation of service delivery projects in different local municipalities within the West Rand Region.

The National Development Programme (NDP) is in the process of being reviewed in line with the process plan developed by National and Provincial Department of Cooperative Governance and Traditional Affairs (CoGTA) including other sector departments, wherein the current projects will be assessed and the new projects may be identified to accelerate service delivery. The process plan for the review of NDP will also be submitted to Council for endorsement.

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

The municipality has prepared its budget and B schedules on version 6.7 of the mSCOA classification framework.

3.8. Operating budget Expenditure and Revenue by municipal vote

Table 2: Operating budget by municipal vote

Vote Description	Ref	Budget Year 2023/2043					
		Original Budget	Other Adjusts	Total Adjusts	Adjusted	Budget Year +2024/25	Budget Year +2025/26
R thousands							
Revenue by Vote	0						
Vote 1 - Corporate Governance		10 087	5 811	5 811	15 898	16 645	17 410
Vote 2 - Municipal Manager & Support		14 305	353	353	14 658	15 347	16 053
Vote 3 - Corporate Services		36 622	13 245	13 245	49 867	52 210	54 612
Vote 4 - Budget & Treasury Office		37 740	2 646	2 646	40 386	42 284	44 229
Vote 5 - Health & Social Development		49 253	(1 265)	(1 265)	47 988	50 243	52 554
Vote 6 - Public safety		121 255	9 213	9 213	130 468	136 600	142 884
Vote 7 - Regional planning & Economic Development		104 817	(1 392)	(1 392)	103 426	108 287	113 269
Total Revenue by Vote	2	374 078	28 611	28 611	402 690	421 616	441 010
Expenditure by Vote							
Vote 1 - Corporate Governance		15 132	765	765	15 897	16 645	17 410
Vote 2 - Municipal Manager & Support		13 358	1 300	1 300	14 658	15 347	16 053
Vote 3 - Corporate Services		45 988	3 879	3 879	49 867	52 211	54 612
Vote 4 - Budget & Treasury Office		35 025	5 361	5 361	40 386	42 284	44 229
Vote 5 - Health & Social Development		48 274	(287)	(287)	47 988	50 243	52 554
Vote 6 - Public safety		114 478	15 990	15 990	130 468	136 600	142 883
Vote 7 - Regional planning & Economic Development		101 820	1 603	1 603	103 425	108 286	113 267
Total Expenditure by Vote	2	374 075	28 611	28 611	402 688	421 615	441 009
Surplus/ (Deficit) for the year	2	2	0	0	1	2	2

3.8.1 The above income and expenditure summary table indicates the adjustments per municipal vote due to following reasons.

- The votes with a deficit budget including Corporate Governance, Municipal Manager and Corporate service was adjusted with operational revenue generated from other votes with surpluses.
- The expenditure was adjusted upward based on the current performance and Annual Financial Statements actual performance.
- The department with the highest upward adjustment on both income and expenditure is Public safety due to approved rollovers and Corporate services due to ITC expenditure, payment arrangement with Labour department and other operational expenditure.
- The interest charges from actuarial valuation of employee benefits contribute more expenditure increase in finance due actuarial result from previous financial year.

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

Table 3: Operating budget Revenue by source and expenditure by type

Revenue By Source and Expenditure							
Description	Ref	Budget Year 2023/24					
		Original Budget	Other Adjusts	Total Adjustments	Adjusted Budget	Budget Year +2024/25	Budget Year +2025/26
R thousands							
Revenue By Source							
Rental of facilities and equipment		2 606	–	–	2 606	2 710	2 819
Interest earned - external investments		3 919	1 722	1 722	5 642	5 867	6 102
Interest earned - outstanding debtors		355	459	459	814	846	880
Licences and permits		701	–	–	701	729	758
Reversal on impairment of investment		4 600	–	–	4 600	3 825	3 005
Transfers and subsidies		262 852	11 767	11 767	274 619	274 438	287 062
Other revenue		22 709	12 993	12 993	35 702	36 315	37 767
Gains on disposal of PPE		550	100	100	650	–	–
Total Revenue excluding capital transfers and contributions)		298 292	27 042	27 042	325 333	324 731	338 393
Expenditure By Type							
Employee related costs		222 569	2 500	2 500	225 069	231 565	241 990
Remuneration of councillors		13 132	765	765	13 897	14 453	15 031
Debt impairment		650	1 000	1 000	1 650	1 716	350
Depreciation & asset impairment		5 800	200	200	6 000	6 240	4 000
Finance Charges		6 135	4 363	4 363	10 498	6 435	6 738
Other materials		250	160	160	410	300	350
Contracted services		9 464	76 943	76 943	86 407	83 218	86 589
Transfers and subsidies		12 469	(734)	(734)	11 735	12 463	13 500
Operating Surplus/Deficit		30 156	8 495	8 495	38 651	40 870	45 594
Total Operating Expenditure		300 625	93 692	93 692	394 317	397 260	414 141
Operating Surplus/Deficit		(2 334)	(66 650)	(66 650)	(68 984)	(72 530)	(75 748)
Capital Transfers and Subsidies		75 786	1 578	1 578	77 364	80 459	83 677
Total Capital expenditure		73 450	(65 072)	(65 072)	8 378	7 928	7 928
Total Surplus/Deficit		2	0	0	2	1	1

3.8.2 The adjusted operating deficit

The adjusted balanced budget for the current year of R2 thousand was computed under financial challenges. The major reasons underpinning the municipality adjusting its budget is:

- The depreciation charge which is not fully cashed-back;
- The reduction in estimated revenue collection, particularly the municipal own revenue being relatively low for the current year;
- The increase over non-cash items;
- Additional revenue allocation for operational budget from approved rollover;
- Additional expenditure for operational budget;
- Redirection of operational budget being utilized for capital purposes;

Contracted services and other expenditure breakdown

Table 4: Contracted Services

Contracted services breakdown	Original	YTD expenditure	Adjustment	Adjusted	Reasons for adjustment	Vote
Security Services	3 445 003	1 391 684	-	3 445 003		Public Safety
Rural Roads Asset Management (RRAMS) professional services	786 000	-	(786 000)	-	Contract for service provider not renewed, grant conditions revised	Regional Planning
Actuarial valuation	30 000	19 205	(10 795)	19 205	Once off payment	Finance
Consultants and professional services	965 040	205 728	(759 312)	205 728	Contract not renewed	Finance
Repairs and maintenance of unspecified assets : Main Buidling	600 000	-	-	600 000		Corporate Serices
Repairs and maintenance of unspecified assets :Building Fire stations & Disaster Management Centre	-	-	7 315 000	7 315 000	Funded by fire grant rollover	Public Safety
Repairs and maintenance of unspecified assets: Fire Vehicles and equipment	600 000	908 567	1 663 754	2 263 754	Funded by fire grant rollover	Public Safety
Repairs and maintenance of unspecified assets: Pool Vehicle	100 000	68 950	-	100 000		Finance
Repairs and maintenance of unspecified assets: Computer equipment	100 000	85 840	70 000	170 000	Under estimated	Corporate Serices
Legal fees	1 327 833	303 089	-	1 327 833		Corporate Serices
DC Board, Audit and risk committee	560 186	258 417	-	560 186		Municipal Manager
DMPT committee	750 000	21 584	(650 000)	100 000	Over estimated	Regional Planning
Burial services	200 000	175 043	100 000	300 000	Under estimated	Health
Building of multipurpose centre	-	36 478 025	70 000 000	70 000 000	GRAP reporting requirement: the project to be recorded as operational not capital expenditure	Regional Planning
Total	9 464 061	39 916 133	76 942 647	86 406 709		

Table 5: Other Operating expenditure

Other operating expenditure	Original	YTD expenditure	Adjustment	Adjusted	Reasons for adjustments	Vote
Advertising	400 140	80 217	-	400 140		Corporate Services
Bank charges facilities	105 300	19 630	- 60 000	45 300	Over estimated	Finance
Communication	1 537 380	1 108 334	700 000	2 237 380	Under estimated	Corporate Services
External Audit fees	3 369 600	2 922 908	-	3 369 600		Finance
External computer services	3 764 957	3 452 640	1 000 000	4 764 957	The over-spending is due to computer de	Corporate Services
Lease of office equipment	400 140	236 473	-	400 140		Corporate Services
Insurance underwriting and excess	2 685 150	1 516 624	- 998 607	1 686 543	Annual payment has already incurred	Finance
Municipal services	3 685 500	2 528 680	400 000	4 085 500	Under estimated	Corporate Services
Membership fees SALGA	2 000 470	-	-	2 000 470		Corporate Governance
Professiona bodies	95 000	47 227	-	95 000		Finance
Travel subsistence	121 095	34 000	- 25 000	96 095	Low expenditure due to cost containment measures	Corporate Services
Uniform and protective clothing	-	-	3 000 000	3 000 000	Funded by fire grant rollover	
Cleaning material/ Chemical	250 000	-	150 000	100 000	Over estimated	
Vehicle tracking	63 180	-	-	63 180		Finance
Fuel	1 342 575	870 000	397 428	1 740 003	High fuel prices	Corporate Services
Workman's Compensation fund	1 250 000	-	2 750 000	4 000 000	Informed by payment arrangement	Corporate Services
LG SETA trainings	9 085 800	917 560	-	9 085 800	Funded by mandatory grant	Corporate Services
Motor vehicle licence and registration		19 821	25 000	25 000	Not provided from original budget	Finance
Health services operational project HIV/AIDS		25 000	249 380	249 380	Utilisation of handling fees from HIVgrant	Health and social
RRAMS operational project			1 206 799	1 206 799	grant conditions revised	Regional
Total	30 156 287	13 779 113	8 495 000	38 651 287		

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.

The construction of link road between Westonaria and Finsbury is funded through neighbourhood development partnership grant gazette in a DoRA bill. The project is adjusted to operational project under contracted service as the asset will be not be recognize as asset of the municipality in the fixed asset register as per GRAP reporting requirement.

The total capital expenditure to be adjusted with additional R4,478 million due to approved rollover grant by Provincial Government. The funds will be shifted from operational to capital funds based on service delivery needs analysis. The total adjustment of R1,876 million for computer equipment will be funded by fire grant roll over and R150 thousand that will be funded by Rural Asset Management Systems (RAMS) Grant.

The additional expenditure of R1,876 million for the purchase of fire vehicle is due to approved rollover from capacity building grant of R2,200 million received in the previous financial year. The purchasing of municipal vehicle will internally generated
The disaster management equipment will be funded by the approved rollover of R2,634 million from R3,022 million gazetted from the previous financial year.

All grants are anticipated to be utilized by end of the financial year.

Table 6: Capital projects as % of total municipal budget

of the Capital Expenditure Adjustment Budget Statement - February 2024						
Description	Ref	2023/2024		Adjustment Budget	Budget Year +2024/25	Budget Year +2025/26
		Original Budget	Adjustments	Adjusted Budget		
R thousands						
Fire rescue services equipment			-	-	-	-
Computer equipment and ICT equipment		450	1 867	2 317	2 410	2 506
Public safety vehicles		3 000	1 876	4 876	3 889	3 889
Disaster management equipment		-	735	735	178	185
NDPG project		70 000	(70 000)	-	-	-
Purchase of municipal vehicle		-	450	450		
Total capital expenditure		73 450	4 478	8 378	6 477	6 580
Total municipal expenditure		300 625	93 692	394 317	397 260	414 141
% of municipal expenditure		24.4%	0%	2.1%		

3.10. Repairs and maintenance expenditure

The adjusted budget allocation for the repairs and maintenance will be adjusted from R1,400 million to R10,449 million due to approved rollover of capacity building grant from Provincial Government. The amounts reflected as repairs and maintenance on fire vehicle and equipment represents contracted services on emergency vehicles maintenance in responding to service delivery

The municipality has allocated R600 thousands for maintenance of municipal building due to its current state to improve the working conditions of its employees.

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 is less than 1% of the total operating budget in 2023/24

Table 7: Repairs and maintenance expenditure

DC48 West Rand Summary of the Repairs and Maintenance Adjustment Budget Statement - February 2024						
Description	Ref	Adjustment Budget			Budget Year +2024/25	Budget Year +2025/26
		Original Budget	Adjustments	Adjusted Budget		
R thousands						
Maintenance of main building: Main building		600	(150)	450	471	493
Maintenance of main building : Mayor's house			150	150	150	150
Maintenance of fire stations and disaster management centre		-	7 315	7 315	7 659	8 011
Repairs of Fire vehicles and equipment		600	1 664	2 264	2 370	2 479
Repair of computer equipment and ICT equipment		100	70	170	178	186
Repairs of pool vehicles		100	-	100	105	110
Total repairs and expenditure		1 400	9 049	10 449	10 933	11 429
Total municipal expenditure		300 625	93 692	394 317	397 260	414 141
% of municipal expenditure		0.5%	-	2.6%		

3.11. Cash flow analysis

Table 8: Free cash flow analysis

Free Cash Flow Analysis	
Total Application of cash and investments:	Balances (R '000)
Cash and cash equivalent 31 January 2024	66 238
Unspent conditional grants	(41 820)
Free cash flow - 31 January 2024	24 418
Obligations	(67 101)
February 2024 obligations	(20 651)
March 2024 obligations	(21 055)
April 2023 obligations	(25 395)
Equitable share – March 2024	63 705
Net inflow	21 022
Obligations	(41 659)
May 2023 obligations	(21 512)
June 2023 obligations	(20 147)
Net cash flow - (deficit) June 2023	(20 637)

3.12. Unfunded and underfunded mandates

The municipality continues to carry the fire fighting 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.

3.13. 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.

3.14. Financial recovery plan

The municipality has been under the financial recovery plan since 2018/19 financial year. On the 1st 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.

3.15. Conclusion

The adjustment budget has been prepared in such a way that value for money and sustainability are key considerations. It is important to note that expenditure required to address the challenges facing the municipality and our communities will always exceed the available funding, hence the implementation of the financial strategies to achieve the balance to expenditure against realistically anticipated revenue as stipulated in Section 18 of the MFMA.

The WRDM has not been able to achieve funded adjusted budget though remedial measures are in place, revenue streams is the major challenge. The upward increase on expenditure was mainly affected by costs of living against low collection rate on municipality's own generated revenue for the past six and negative impact on non-cash items with no cash backed from previous financial years.

4. Section four: Adjustment budget tables

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

- Table B1 – Budget summary;
- Table B2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification);
- Table B4 – Budgeted Financial Performance (Revenue by Source and Expenditure by type);
- Table B5 – Budgeted Capital Expenditure by Vote, standard classification and funding;
- Table B6 – Budgeted Financial Position;
- Table B7 – Budgeted Cash Flows;

PART TWO: SUPPORTING DOCUMENTATION

5. **Section five: 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 Adjustment budget 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.

6. **Section 6: Expenditure on allocations and grant programmes**

All grants that grants were allocated according to DoRA and gazette has no amendments except for rollovers. The SETA is discretionary grant that can be adjusted based on its performance.

The various grants are listed in a table below:

Table 9: Grants allocation

DC48 West Rand - Supporting Table SB7 Transfers & Grants-						
Description	Budget Year 2023/2024					
	Original Budget	Other Adjustments	Total Adjustments	Adjusted budget	Budget Year +2024/25	Budget Year +2025/26
R thousands						
RECEIPTS:						
Operating Transfers and Grants						
National Government:	240 819	-	-	240 819	252 137	263 736
Local Government Equitable Share	51 355	-	-	51 355	53 769	56 242
RSC Levy Replacement	187 061	-	-	187 061	195 853	204 862
Finance Management	1 200	-	-	1 200	1 256	1 314
EPWP Incentive	1 203	-	-	1 203	1 260	1 317
Provincial Government:	12 469	11 767	11 767	24 236	12 287	12 852
Health Subsidy	12 469	(734)	(734)	11 735	12 287	12 852
Fire and rescue services	-	9 866	9 866	9 866	-	-
Disaster management	-	2 635	2 635	2 635	-	-
Other grant providers:	9 564	-	-	9 564	10 014	10 474
LG SETA	9 564	-	-	9 564	10 014	10 474
Total Operating Transfers and Grants	262 852	11 767	11 767	274 619	274 438	287 062
Capital Transfers and Grants						
National Government:	72 786	(298)	(298)	72 488	76 201	79 702
Rural Roads Asset Management Systems	2 786	(298)	(298)	2 488	2 911	3 041
Neighbourhood Development Partnership	70 000	-	-	70 000	73 290	76 661
Provincial Government:	3 000	1 876	1 876	4 876	-	-
Fire Rescue Services	3 000	1 876	1 876	4 876	-	-
Total Capital Transfers and Grants	75 786	1 578	1 578	77 364	76 201	79 702
TOTAL RECEIPTS OF TRANSFERS & GRANTS	338 638	13 345	13 345	351 983	350 639	366 764

7. Section seven: Transfers and grants made by the municipality

The total transfers and grants amount to R11,932 million in 2022/23, had a rollover of R733 thousand which was not approved by provincial government and will be transferred back in 2023/24 financial year.

Table 10: Transfers allocation

Description	Apportion	Original Budget	Adjustments	Adjusted Budget
Transfers and subsidies				
Mogale City Local Municipality	44%	5 486	(734)	4 752
Rand West City Local Municipality	32%	3 990	-	3 990
Merafong City Local Municipality	24%	2 993		2 993
Handling fees 2%		-	(249)	(249)
Total adjusted grants transferred to locals	100%	12 469	(983)	11 486

8. Section eight: SDBIP

In line with the graph above performance for the 2023/24 as at 31 December 2023 is at 98%, this indicates consistent performance where performance was reported at 98% in December 2022.

The municipality's performance is measured in line with the six (6) key performance areas of local government, which are service delivery, institutional planning and transformation, local economic development, financial viability; and good governance and public participation. Against this, below is a graph that outlines municipal performance as per municipal departments over the first half of the 2023/24 financial year ending 31 December 2023.

ADJUSTMENT CONSIDERATIONS

Adjustment consideration(s) are to be dealt with in the 2023/24 Adjustment SDBIP process.

At high level the following areas have been identified as possible adjustments:

- KPIs targets may be adjusted downward / upwards in line with actual audited performance of 1st and 2nd quarters.
- Only 3rd and 4th quarter targets may be adjusted in instances where the annual target is being revised.

The revised and adjusted departmental SDBIP must be approved and signed off by the respective Executive Managers before submitting to PMS