



West Rand Development Agency

Mid-Year Budget and Financial Performance Assessment for the
2019/2020 Financial Year

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Glossary

MFMA	Municipal Finance Management Act
MWIG	Municipal Water Infrastructure Grant
GDARD	Gauteng Department of Agriculture and Rural Development
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GIFA	Gauteng Infrastructure Financing Agency
MSIG	Municipal Systems Improvement Grant
RSC	Regional Services Council
WRDM	West Rand District Municipality
WRDA	West Rand Development Agency
DoRA	Division of Revenue Act
mSCOA	Municipal Standard Chart of Accounts
MTREF	Medium Term Revenue and Expenditure Framework
MMC	Member of Mayoral Committee
CPIX	Consumer Price Inflation Index
GDP	Gross Domestic Product
FFC	Financial and Fiscal Commission
IDP	Integrated Development Plan
SDBIP	Service Delivery Budget Implementation Plan
MFRS	Municipal Financial Recovery Services
FRP	Financial Recovery Plan
MEC	Member of Executive Council

Purpose

The purpose of this report is to present the mid-year budget and financial performance which incorporates the quarterly financial report for the quarter ended 31 December 2019 submitted to council in terms of section 87 of the Municipal Financial Management Act, 2003 (Act No. 56 of 2003).

Legislative Background

Section 88 of the MFMA states that:

- (1) The accounting officer of a municipality must by 20 January of each year –
 - (a) Assess the performance of the municipality during the first half of the financial year, taking into account –
 - (i) The monthly statement referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality; and
 - (ii) The entity's annual report for the past year, and progress on resolving problems identified in the annual report; and
 - (b) Submit a report on such assessment to –
 - (i) The board of directors of the entity; and
 - (ii) The parent municipality of the entity

Table 1: Financial Performance Revenue by Type

West Rand Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 Deceml

Description	Ref	2018/19	Current Year 2019/20						
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Rental of facilities and equipment		345	–	12	16	–	16	#DIV/0!	–
Interest earned - external investments		185	81	13	13	41	(27)	-67.5%	81
Interest earned - borrowings		–	–	27	27	–	27	#DIV/0!	–
Agency services		–	1,800	–	–	900	(900)	-100.0%	1,800
Transfers and subsidies		4,139	3,900	–	–	1,950	(1,950)	-100.0%	3,900
Other revenue		–	218	80	133	109	24	22.3%	218
Total Revenue (excluding capital transfers and contributions)		4,668	6,000	132	189	3,000	(2,811)	-93.7%	6,000

1.1 Revenue as at end of the quarter ending 31 December 2019 amounted to R189 thousand. This represents 3% of the total original budget.

1.2 Below are the causes of major variances –

Source	Variance (R)	Comment
Agency services	(900)	The Agency had anticipated to have received funds for the implementation of the West Rand Academy & Milling Plant projects and to date nothing has been received to that regard hence the variance of R900 thousand.
Transfers and Subsidies	(1,950)	The Development Agency has not received any of the anticipated funds from the Gauteng Department of Economic Development.

Table 2: Financial Performance Expenditure by Type

West Rand Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 Deceml

Description	Ref	2018/19	Current Year 2019/20						
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Expenditure By Type									
Employee related costs		2 469	2 747	277	1 283	1 373	(90)	-6.6%	2 747
Remuneration of Directors		686	793	65	350	396	(46)	-11.7%	793
Depreciation & asset impairment		160	523	44	262	262	0	0.0%	523
Contracted services		257	613	36	312	307	5	1.6%	613
Other expenditure		2 572	3 900	13	85	1 950	(1 865)	-95.6%	3 900
Loss on disposal of PPE		27	-	-	-	-	-	-	-
Total Expenditure	3	6 171	8 576	435	2 292	4 288	(1 996)	-46.6%	8 576

2.1 Expenditure as at the quarter ending 31 December 2019 amounted to R 2,2 million. This represents 27% of the Original budget.

2.2 The Development Agency's operational expenditure budget is mainly driven by employee related costs. These costs represent 71 % of the total expenditure spent as at 31 December 2019.

2.3 Below are the causes of major variances –

Type	Variance (R)	Comment
Employee related costs	(90)	Year to date employee related costs figures are slightly below anticipated year to date budget figures due to the underspending of R90 thousand.
Remuneration of Directors	(46)	Year to date remuneration of directors figures are slightly below anticipated year to date budget figures due to the underspending of R46 thousand.
Other expenditure	(1,865)	Due to none of the funds having being received for the development of running the incubator project, no other expenditure has been incurred with that regard for the period ending 31 December 2019.

Table 3: Capital Expenditure

West Rand Development Agency - Table F3 Monthly Budget Statement - Capital Expenditure - M06 December

Description	Ref	2009/10	Current Year 2010/11						
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1								
Funded by:									
National Government		-	-	-	-	-	-	-	-
Provincial Government		-	-	-	-	-	-	-	-
Parent Municipality		-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-
Transfers recognised - capital		-	-	-	-	-	-	-	-
Public contributions & donations	6	-	-	-	-	-	-	-	-
Borrowing	3	-	-	-	-	-	-	-	-
Internally generated funds		-	50	-	-	25	25	100.0%	50
Total Capital Funding	4	-	50	-	-	25	25	0	50

3.1 The West Rand Development Agency had anticipated capital expenditure relating to the purchase of computer equipment from internally generated funds. As at 31 December 2019 no capital expenditure has been incurred to that regard.

Table 4: Cash Flow

West Rand Development Agency - Table F5 Monthly Budget Statement - Cash Flows - M06 December

Description	Ref	2018/19	Current Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Other revenue		500	2,018	–	104	65	1,009	(944)	-93.6%	2,018
Government transfers - operating		2,200	–	–	–	2,200	–	2,200	#DIV/0!	–
Interest		160	81	–	26	26	41	(15)	-36.0%	81
Payments										
Suppliers and employees		(5,439)	(8,053)	–	(422)	(1,955)	(4,026)	2,071	-51.4%	(8,053)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(2,579)	(2,053)	–	(291)	336	(1,027)	(2,780)	270.8%	(2,053)
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		5,243	–	–	–	–	–	–	–	–
Payments										
Capital assets		–	(50)	–	–	–	(25)	25	-100.0%	(50)
NET CASH FROM/(USED) INVESTING ACTIVITIES		5,243	(50)	–	–	–	(25)	(25)	100.0%	(50)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		2,664	(2,103)	–	(291)	336	(1,052)	1,387	-131.9%	(2,103)
Cash/cash equivalents at the year begin:	2	2,100	2,100	2,100	4,763	4,763	–	–	–	2,100
Cash/cash equivalents at the year end:	2	4,763	(4)	2,100	(291)	5,099	(1,052)	6,151	-584.9%	(4)

4.1 Included in the amount for cash and cash equivalents as at 31 December 2019 is an amount from a call account investment which was opened during the 2019/20 financial year. The call account investment is available on demand and is reflected in the table below.

West Rand Development Agency - Supporting Table F5 Entity investment portfolio monthly statement - M06 December

Investments by maturity Name of institution & investment ID	Ref	Current Year 2019/20							
		Period of investment Months	Type of investment	Expiry date of investment	Accrued interest for the month	Yield %	Market value		
							Begin	Change	End
FNB Call Account	1	N/A	Call Account	N/A	13	6.35		4 013	4 013
Total investments	1							4 013	4 013

Table 5: Financial Position

West Rand Development Agency - Table F4 Monthly Budget Statement - Financial Position - M06 Decem

Vote Description	Ref	2018/19	Current Year 2019/20		
		Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash		4,763	425	1,099	425
Call investment deposits		–	–	4,013	–
Other debtors		2,230	2,200	–	2,200
Total current assets		6,993	2,625	5,112	2,625
Non current assets					
Property, plant and equipment		12,711	12,102	12,047	12,102
Total non current assets		12,711	12,102	12,047	12,102
TOTAL ASSETS		19,704	14,727	17,159	14,727
LIABILITIES					
Current liabilities					
Trade and other payables		5,165	4,710	4,966	4,710
Provisions		1,683	–	–	–
Total current liabilities		6,847	4,710	4,966	4,710
Non current liabilities					
Total non current liabilities		–	–	–	–
TOTAL LIABILITIES		6,847	4,710	4,966	4,710
NET ASSETS	1	12,857	10,017	12,193	10,017
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)		(1,722)	(4,562)	(2,385)	(4,562)
Reserves		–	–	–	14,578
Share capital		14,579	14,578	14,578	–
TOTAL COMMUNITY WEALTH/EQUITY	1	12,857	10,017	12,193	10,017

5.1 The table above reflects the total assets and liabilities of the Development Agency. The Agency's financial position indicates a positive balance of net assets, the majority of which stemming from property, plant & equipment, a favorable balance on current assets comprises of cash & cash equivalents and a call account investment.

Table 6: Creditors

West Rand Development Agency - Supporting Table F4 Entity Aged creditors - M06 December										
Detail	NT Code	Current Year 2019/20								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	-	-	-	-	-	-	-	-	-
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	8	-	-	-	-	1,683	-	1,691
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	47	47	45	45	45	45	3,001	-	3,275
Auditor General	0800	-	-	-	-	-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	2600	47	55	45	45	45	45	4,684	-	4,966

6.1 The Development Agency has outstanding creditors amounting to R4,9 million as at 31 December 2019.

6.2 The outstanding trade creditors are reflected in the table below.

Creditor Name	Nature of Business	Total	0- 30 Days	31- 60 Days	61- 90 Days	91- 120 Days	121- 150 Days	151- 180 Days	181 Days - 1 Year	Over 1 Year
AUDITOR-GENERAL SA	External audit fees	2	-	2	-	-	-	-	-	-
HUGE TELECOM	Telephone costs	0	0	-	-	-	-	-	-	-
RAND WEST CITY LOCAL MUNICIPAL	Municipal charges	3,272	46	45	45	45	45	45	3,001	-
SASFIN BANK	Telephone costs	0	0	-	-	-	-	-	-	-
Total Trade Creditors Outstanding		3,275	47	47	45	45	45	45	3,001	-

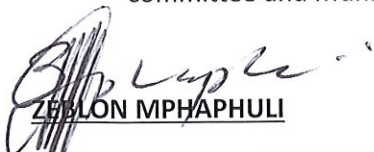
Table 7: Directors and Staff Benefits

West Rand Development Agency - Supporting Table F6 Entity Board member allowances & staff benefits - M06 December

Summary of Employee and Board Member remuneration	Ref	2018/19	Current Year 2019/20						
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands		A	B						D
Remuneration									
Board Members of Entities									
Basic Salaries		686	793	65	350	396	-46 326.22	-11.7%	793
Sub Total - Board Members of Entities		686	793	65	350	396	(46)	-11.7%	793
% increase	4		15.6%						15.6%
Senior Managers of Entities									
Basic Salaries		618	584	55	329	292	37	12.8%	584
Other benefits or allowances		-	8	-	-	4	(4)	-100.0%	8
Sub Total - Senior Managers of Entities		618	592	55	329	296	33 419.53	11.3%	592
% increase	4		-4.3%						-4.3%
Other Staff of Entities									
Basic Salaries		1 456	2 064	157	954	1 032	(78)	-7.6%	2 064
Other benefits or allowances		1 013	91	-	-	46	(46)	-100.0%	91
Sub Total - Other Staff of Entities		2 469	2 155	157	954	1 077	-123 573.84	-11.5%	2 155
% increase	4		-12.7%						-12.7%
Total Municipal Entities remuneration		3 773	3 539	277	1 633	1 770	-136 480.53	-7.7%	3 539

Recommendations

1. In terms of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), cognizance be taken of the Mid-year Financial Report of the Development Agency for the six months ended 31 December 2019.
2. That the report be tabled to the Executive Mayor of the Parent Municipality of the entity.
3. It is recommended that an adjustment budget in terms of Section 87(6) of MFMA for the 2019/20 financial year should be favorably considered and compiled for submission to the Board committee and Municipal Council.


ZEPHON MPHAPHULI
 ACTING CHIEF EXECUTIVE OFFICER

DATE: 20/1/2020