



# **2020/2021 FINAL BUDGET REPORT**

**31 MARCH 2020**

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## GLOSSARY

**MFMA:** Municipal Financial Management Act

**GIFA:** Gauteng Infrastructure Financing Agency

**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

**CPIX:** Consumer price index

**GDP:** Gross domestic product

## 1. PURPOSE

The approval of the 2020/ 2021 Final annual budget.

## 2. LEGISLATIVE BACKGROUND

Section 87(4) of Municipal finance management Act, 2003 states that the board of directors of a municipal entity must approve the budget of the municipal entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality.

Section 87(5) of Municipal finance management Act, 2003 states the budget of a municipal entity must—

- a) be balanced;
- b) be consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality;
- c) be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing;
- d) include a multi-year business plan for the entity that—
  - i. sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality;
  - ii. is consistent with the budget and integrated development plan of the entity's parent municipality;
  - iii. is consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; and
  - iv. reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates; and
- e) otherwise comply with the requirements of section 17(1) and (2) to the extent that such requirements can reasonably be applied to the entity.

### 3. BOARD CHAIRPERSON REPORT

In preparing this tabled budget, the input of all stakeholders in the West Rand Development Agency were consulted as required by chapter 5 of the local government Municipal Systems Act. Strategic alignment of West Rand Development Agency IDP with Parent Municipality's IDP, provincial strategic objectives as well as the District vision guided us in the allocation of our available resources to achieve our goals in reducing poverty, unemployment and inequality within our region. The total proposed medium term revenue is R450 thousand.

West Rand Development Agency achieved an unqualified audit opinion in the 2018/ 2019 financial year. I must commend the Acting Chief Executive officer, officials and board members for their hard work to achieve this.

A major challenge facing the agency still remains to be a financial sustainability and the current board of directors are taking reasonable steps to ensure that cash flow of the agency improves.

### 4. BUDGET ASSUMPTIONS

The recent CPIX was taken into consideration when determining the inflationary increase in the 2020/2021 fiscal year and the outer years:

**Table 1.1 Macroeconomic outlook – summary**

	2019	2020	2021	2022
<b>Real percentage growth</b>	<b>Estimate</b>	<b>Forecast</b>		
Household consumption	1.1	1.1	1.3	1.6
Gross fixed-capital formation	-0.4	0.2	1.3	1.9
Exports	-2.1	2.3	2.6	2.8
Imports	0.2	1.8	2.5	2.8
<b>Real GDP growth</b>	<b>0.3</b>	<b>0.9</b>	<b>1.3</b>	<b>1.6</b>
Consumer price index (CPI) inflation	4.1	4.5	4.6	4.6
Current account balance (% of GDP)	-3.4	-3.4	-3.5	-3.7

*Across all tables in the Budget Review, the use of "0" refers to a value of zero.*

VAT- 15%

Prime lending rate- 7.75%

Repo rate-5.25%

## 5. BUDGET ALLOCATIONS PER MSCOA

The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budgets and financial transactions are captured in the system using seven segments code. All municipalities and municipal entities must comply by 1 July 2017.

The reasons for National treasury introducing mSCOA at local government are as follows:

- Inconsistencies in financial classifications by municipalities
- Poor data integrity (validity, accuracy and completeness of municipal data was in most cases questionable); and
- Irregular submission of reports to regulatory bodies

## 6. SUMMARY OF THE BUDGET

The total operating and capital expenditure budget appropriation over the 2020/ 2021 to 2022/ 2023 MTREF illustrates as follows:

Table 1: Budget summary

West Rand Development Agency - Table D1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>									
<b>Financial Performance</b>									
Investment revenue	6	-	185	81	42	42	-	-	-
Transfers recognised - operational	3 855	4 154	4 139	3 900	-	-	-	-	-
Other own revenue	802	3 851	345	2 018	267	267	450	473	498
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4 663</b>	<b>8 005</b>	<b>4 668</b>	<b>6 000</b>	<b>308</b>	<b>308</b>	<b>450</b>	<b>473</b>	<b>498</b>
Employee costs	4 584	2 539	2 469	2 747	2 616	2 616	2 614	2 715	2 855
Remuneration of councillors	297	597	686	793	700	700	700	727	765
Depreciation & asset impairment	1 052	343	160	523	523	523	523	543	571
Finance charges	73	-	141	-	-	-	-	-	-
Other expenditure	3 975	1 731	2 715	4 513	1 033	1 033	732	764	804
<b>Total Expenditure</b>	<b>9 982</b>	<b>5 210</b>	<b>6 171</b>	<b>8 576</b>	<b>4 872</b>	<b>4 872</b>	<b>4 569</b>	<b>4 750</b>	<b>4 995</b>
<b>Surplus/(Deficit) for the year</b>	<b>(5 319)</b>	<b>2 796</b>	<b>(1 503)</b>	<b>(2 577)</b>	<b>(4 564)</b>	<b>(4 564)</b>	<b>(4 119)</b>	<b>(4 276)</b>	<b>(4 497)</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>483</b>	<b>27</b>	<b>17</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	483	27	17	50	50	50	-	-	-
<b>Total sources of capital funds</b>	<b>483</b>	<b>27</b>	<b>17</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial position</b>									
Total current assets	109	7 360	6 993	2 625	2 873	2 873	-	-	-
Total non current assets	14 844	12 881	12 711	12 102	12 102	12 102	11 579	11 036	10 464
Total current liabilities	5 982	5 885	6 847	4 710	3 200	3 200	2 922	2 856	2 657
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	8 970	14 355	12 857	10 017	11 775	11 775	8 657	8 180	7 807
<b>Cash flows</b>									
Net cash from (used) operating	(2 351)	2 018	(2 579)	(2 053)	(1 840)	(1 840)	(2 874)	-	-
Net cash from (used) investing	(483)	(27)	5 243	(50)	(50)	(50)	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>109</b>	<b>2 100</b>	<b>4 763</b>	<b>425</b>	<b>2 874</b>	<b>2 874</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

The entity has presented a deficit budget with a difficult task to source alternative ways of raising additional revenue with the aim of achieving key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality. The entity carries the mandate of West Rand region to attract investment with the region and is faced with challenges with regards to the funding model. Presently there is a plastic recycling plant and Donaldsondam which generates revenue for the entity, however it is not self-sustainable to fully fund its operations.

The entity has been committed in optimizing its savings in the following manner:

- Improved prioritization of expenditure
- Heeding the guidelines of National Treasury Circulars number 82
- Non filling of vacant positions

The entity's business and service delivery priorities were again reviewed as part of this year's planning and budget process.

## 7. FINANCIAL PERFORMANCE

Table 2: Budgeted financial performance by revenue and expenditure type

West Rand Development Agency - Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Source</b>										
Rental of facilities and equipment	1	–	239	345	–	–	–	66	73	80
Interest earned - external investments		6	–	185	81	42	42	–	–	–
Agency services		–	–	–	1 800	–	–	–	–	–
Transfers and subsidies		3 855	4 154	4 139	3 900	–	–	–	–	–
Other revenue		802	–	–	218	267	267	384	400	418
Gains		–	3 613	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>4 663</b>	<b>8 005</b>	<b>4 668</b>	<b>6 000</b>	<b>308</b>	<b>308</b>	<b>450</b>	<b>473</b>	<b>498</b>
<b>Expenditure By Type</b>										
Employee related costs		4 584	2 539	2 469	2 747	2 616	2 616	2 614	2 715	2 855
Remuneration of councillors		297	597	686	793	700	700	700	727	765
Debt impairment	4	190	–	–	–	–	–	–	–	–
Depreciation & asset impairment		1 052	343	160	523	523	523	523	543	571
Finance charges		73	–	141	–	–	–	–	–	–
Contracted services		–	330	257	613	412	412	411	427	449
Other expenditure	3	3 786	1 400	2 431	3 900	621	621	321	337	355
Losses		–	–	27	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>9 982</b>	<b>5 210</b>	<b>6 171</b>	<b>8 576</b>	<b>4 872</b>	<b>4 872</b>	<b>4 569</b>	<b>4 750</b>	<b>4 995</b>
<b>Surplus/(Deficit) for the year</b>		<b>(5 319)</b>	<b>2 796</b>	<b>(1 503)</b>	<b>(2 577)</b>	<b>(4 564)</b>	<b>(4 564)</b>	<b>(4 119)</b>	<b>(4 277)</b>	<b>(4 498)</b>

Total revenue has been budgeted at the amount of R450 thousand due to the following reasons:

- Donaldson dam revenue to be received from social events taking place.
- The West Rand District Municipality will not be in a position to transfer R4 million to assist with the financial operations of the entity

The entity's operational expenditure has been budgeted at R4.8 million due to the following reasons that the entity is committed towards the implementing the circular 82 (cost containment measures) by taking the following steps:

- Review of rental expenses and municipal levies
- Review of security contract



Table 4: Budgeted financial performance by strategic goal

West Rand Development Agency - Table D2 Budgeted Financial Performance (revenue and expenditure) by Strategic goal

Description	Ref	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>				
<b>Revenue by Strategic goal</b>	1			
Market and business intelligence to support decision making				
External funding and partnership opportunities secured				
Targeted strategic economic infrastructure projects implemented		450	473	498
Viable foreign and local investment directly facilitated				
Positioning West Rand as a preferred trade and investment destination				
An optimally capacitated and capable organization				
<b>Total Revenue by Strategic goal</b>	2	<b>450</b>	<b>473</b>	<b>498</b>
Surplus/Deficit				
<b>Expenditure by Strategic goal</b>	1			
Market and business intelligence to support decision making		(369)	(399)	(442)
External funding and partnership opportunities		(461)	(499)	(552)
Targeted strategic economic infrastructure projects implemented		(277)	(300)	(331)
Positioning West Rand as a preferred trade and investment destination		(879)	(952)	(1 054)
An optimally capacitated and capable organization		(2 584)	(2 600)	(2 616)
<b>Total Expenditure by Strategic goal</b>	2	<b>(4 570)</b>	<b>(4 750)</b>	<b>(4 995)</b>
<b>Surplus/ (Deficit) for the year</b>	2	<b>(4 120)</b>	<b>(4 277)</b>	<b>(4 497)</b>

## 8. GRANTS AND SUBSIDIES

Table 5: Budgeted transfers and grants receipts

### Transfers and grant receipts

Description	Ref	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>RECEIPTS:</b>	1, 2			
Subsidies		-	-	-
West Rand District Municipality		-	-	-
<b>Total Operating Transfers and Grants</b>	5	-	-	-
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	-	-

There will not be a subsidy from Parent Municipality from July 2020 onward, due to the fact that the Parent Municipality is under financial crisis and declared under administration in terms of section 139.

## 9. SUMMARY OF CAPITAL BUDGET

Table 6: Capital budget

### - Table D3 Capital Budget by asset class and funding

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Total capital expenditure on assets</b>	1	483	27	17	50	50	50	-	-	-
<b>Funded by:</b>										
Internally generated funds		483	27	17	50	50	50	-	-	-
<b>Total Capital Funding</b>	4	483	27	17	50	50	50	-	-	-

## 10. CASH FLOW

Table 7: Budgeted cash flow

- Table D5 Budgeted Cash Flow

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Other revenue		503	239	500	2 018	267	267	450	473	498
Transfers and Subsidies - Operational		4 394	6 400	2 200	-	2 200	2 200	-	-	-
Transfers and Subsidies - Capital		-	-	-	3 900	-	-	-	-	-
Interest		6	-	160	81	42	42	-	-	-
<b>Payments</b>										
Suppliers and employees	2	(7 255)	(4 620)	(5 439)	(8 053)	(4 349)	(4 349)	(3 324)	(473)	(498)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>(2 351)</b>	<b>2 018</b>	<b>(2 579)</b>	<b>(2 053)</b>	<b>(1 840)</b>	<b>(1 840)</b>	<b>(2 874)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		-	-	5 260	-	-	-	-	-	-
<b>Payments</b>										
Capital assets		(483)	(27)	(17)	(50)	(50)	(50)	-	-	-
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(483)</b>	<b>(27)</b>	<b>5 243</b>	<b>(50)</b>	<b>(50)</b>	<b>(50)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	1	<b>(2 834)</b>	<b>1 991</b>	<b>2 664</b>	<b>(2 103)</b>	<b>(1 890)</b>	<b>(1 890)</b>	<b>(2 874)</b>	<b>-</b>	<b>-</b>
Cash/cash equivalents at the year begin:	2	2 942	109	2 100	2 528	4 763	4 763	2 874	(0)	(0)
Cash/cash equivalents at the year end:	2	109	2 100	4 763	425	2 874	2 874	(0)	(0)	(0)

The entity is anticipating that after taking into account all revenue and expenditure transactions that there will be a balanced cash flow amount.

# 11. FINANCIAL POSITION

Table 8: Budgeted financial position

West Rand Development Agency - Table D4 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>										
<b>ASSETS</b>										
<b>Current assets</b>										
Cash		109	2 100	253	425	873	873	-	-	-
Call investment deposits		-	-	4 511	-	2 000	2 000	-	-	-
Other debtors		-	5 260	2 230	2 200	-	-	-	-	-
<b>Total current assets</b>		<b>109</b>	<b>7 360</b>	<b>6 993</b>	<b>2 625</b>	<b>2 873</b>	<b>2 873</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non current assets</b>										
Property, plant and equipment	1	14 826	12 881	12 711	12 102	12 102	12 102	11 579	11 036	10 464
Intangible		18	0	0	-	-	-	-	-	-
<b>Total non current assets</b>		<b>14 844</b>	<b>12 881</b>	<b>12 711</b>	<b>12 102</b>	<b>12 102</b>	<b>12 102</b>	<b>11 579</b>	<b>11 036</b>	<b>10 464</b>
<b>TOTAL ASSETS</b>		<b>14 953</b>	<b>20 240</b>	<b>19 704</b>	<b>14 727</b>	<b>14 975</b>	<b>14 975</b>	<b>11 579</b>	<b>11 036</b>	<b>10 464</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Trade and other payables		5 982	5 885	6 847	4 710	3 200	3 200	2 922	2 856	2 657
Provisions	3	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>		<b>5 982</b>	<b>5 885</b>	<b>6 847</b>	<b>4 710</b>	<b>3 200</b>	<b>3 200</b>	<b>2 922</b>	<b>2 856</b>	<b>2 657</b>
<b>Non current liabilities</b>										
Borrowing		-	-	-	-	-	-	-	-	-
Provisions	3	-	-	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>5 982</b>	<b>5 885</b>	<b>6 847</b>	<b>4 710</b>	<b>3 200</b>	<b>3 200</b>	<b>2 922</b>	<b>2 856</b>	<b>2 657</b>
<b>NET ASSETS</b>	2	<b>8 970</b>	<b>14 355</b>	<b>12 857</b>	<b>10 017</b>	<b>11 775</b>	<b>11 775</b>	<b>8 657</b>	<b>8 180</b>	<b>7 807</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)		(5 608)	(223)	(1 722)	(4 562)	(2 803)	(2 803)	(5 922)	(6 399)	(6 771)
Share premium		14 579	14 579	14 579	14 578	14 578	14 578	14 578	14 578	14 578
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>8 970</b>	<b>14 355</b>	<b>12 857</b>	<b>10 017</b>	<b>11 775</b>	<b>11 775</b>	<b>8 657</b>	<b>8 180</b>	<b>7 807</b>

## 12. BUDGET RELATED POLICIES

Budgeting is central to the process of prioritizing for service delivery and the management of the functions of the entity. The entity's budgeting process is guided, and governed, by relevant legislation and budget related policies. The following are the key policies that affect, or are affected, by the tabled budget:

- Banking and investment policy (as per Parent Municipality)
- Virement policy (as per Parent Municipality)
- Budget management policy (as per Parent Municipality)
- Tariff book

## 13. RECOMMENDATION

In terms of the Municipal Finance Management Act, 2003 (Act no 56 of 2003), the 2020/ 2021 tabled budget of the Development Agency be approved as follows:

- That the operational expenditure budget be R4.5 million
- That the revenue budget be R450 thousand
- That the Parent Municipality's policies be adopted as part Development Agency's policy
- That the 2020/21 tariffs be tabled
- That budget be submitted to the Parent Municipality