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REPOSITIONING THE **WEST RAND** FOR A BETTER LIFE FOR ALL



West Rand  
District Municipality



# 2021/2022 TABLED BUDGET REPORT

## 2021/22 – 2023/24 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK

WEST RAND DISTRICT MUNICIPALITY  
Cnr 6th & Park Street, Randfontein, 1760

## 2021/2022 Tabled Budget Report

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## 1. 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

## 2. Purpose

Table the 2021/2022 MTREF budget to Budget Steering Committee for consideration and approval.

## 3. Legislative Background

Section 16 of the Local Government: Municipal Finance Management Act (Act No.56 of 2003) (MFMA) provides as follows:

- 1) The municipal council must for each financial year approve an annual budget for the municipality before the start of that financial year.
- 2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Section 17 of the MFMA further provides as follows:

- 1) An annual budget of a municipality must be a schedule in the prescribed format-
  - a) setting out realistically anticipated revenue for the budget year from each revenue source;
  - b) appropriating expenditure for the budget year under the different votes of the municipality;
  - c) setting out indicative revenue per source and projected expenditure per vote for the two financial years following the budget year;
  - d) setting out –
    - i) estimated revenue and expenditure by vote for the current year; and
    - ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
  - e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed

Section 241(1) of the Constitution of the Republic of South Africa (Constitution) provides that an act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. Section 214(2) of the Constitution provides that the Act referred to in subsection (1) may be enacted only after the provincial governments, organized local government and the Financial and Fiscal Commission (FFC) have been consulted, and any recommendations of the Commission have been taken into consideration, and must take into account-

- a) the national interest;
- b) any provision that must be made in respect of the national debt and other obligations;
- c) the needs and interests of the national government, determined by objective criteria;
- d) the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them;
- e) the fiscal capacity and efficiency of the provinces and municipalities;
- f) developmental and other needs of provinces, local government and municipalities;
- g) economic disparities within and among the provinces;
- h) obligations of the provinces and municipalities in terms of national legislation;
- i) the desirability of stable and predictable allocations of revenue shares; and
- j) the need for flexibility in responding to emergencies or other temporary needs, and other factors based on similar objective criteria.

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.

## 4. Financial Report

### 4.1 MMC Statement

In preparing this budget, all communities and stakeholders in the West Rand District were consulted as required by Chapter 5 of the Local Government: Municipal Systems Act. Strategic alignment of the West Rand Integrated Development Plan (IDP) with the National Development Plan, Provincial Strategic Objectives as well as the District Vision to integrated district governance to achieve a better life for all and further guided by our available resources to achieve our goals in reducing poverty, unemployment and inequality within our region. Our country has been negatively impacted by COVID-19 pandemic which heavily affects the whole world. ~~In this regard consultations were made with various stakeholders by utilizing e-consultations platforms. Public notice on budget and IDP were issued on two occasions through municipal website and local newspapers to solicit public comments through e-consultations platforms and engagements were held through Microsoft Teams and Social media platforms. All stakeholders were granted a minimum of 21 days and were further graced with 15 days to submit written proposals which may give effect to the budget preparation.~~

We have in the budget preparation process, made a detailed assessment of our capabilities, resources and competencies. We have identified Critical Success Factors (CSFs) which are essential areas that must be performed well if the mission, objectives and goals of the municipality are to be achieved. Critical Success Factors (CSFs) are performance requirements that are fundamental to an organization's success. In this context CSFs should thus be viewed as those features that are particularly valued by the people of the West Rand.

With the introduction of the District Development Model [\(DDM\)](#), we undertook an intensive strategic session workshop in determining the strategic position of West Rand District Municipality in this regard. The District Development Model has been approved by government structures, including Cabinet to integrate service delivery that will be more practical, achievable, implementable, measurable and clearly aligned to the key priorities of the government. The model seeks to change the face of rural and urban landscapes by ensuring complementarity between urban and rural development, with a deliberate emphasis on local economic development. [West Rand region aims to master it's integrated planning together with its local municipalities to ensure that the purpose of the DDM approach is achieved.](#)

The total proposed medium term revenue is R249 million.

#### 4.2 Budget Assumptions

The recent CPIX was taken into consideration when determining the inflationary increase in the 2021/2022 fiscal year and the outer years:

MACROECONOMIC PERFORMANCE AND PROJECTIONS							
Percentage change	2017	2018	2019	2020	2021	2022	2023
	Actual		Estimate		Forecast		
Household consumption	2.1	1.8	1.0	-5.9	2.9	2.4	2.0
Gross fixed-capital formation	1.0	-1.4	-0.9	-18.4	-2.4	3.9	3.9
Exports	-0.7	2.6	-2.5	-10.9	5.7	3.0	2.8
Imports	1.0	3.3	-0.5	-16.5	6.3	4.6	2.5
<b>Real GDP growth</b>	<b>1.4</b>	<b>0.8</b>	<b>0.2</b>	<b>-7.2</b>	<b>3.3</b>	<b>2.2</b>	<b>1.6</b>
CPI inflation	5.3	4.6	4.1	3.3	3.9	4.2	4.4
Current account balance (% of GDP)	-2.5	-3.5	-3.0	1.7	-0.1	-1.0	-1.4

Value Added Tax (VAT)-	15% (Unchanged)	↔
Prime Lending Rate	- 7.00% (Declined) ↓	
Repo Rate	- 3.50% (Declined) ↓	

Other budget assumptions are stated within the summary of the budget section.

#### 4.3 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. Budget and financial transactions are captured in the system using seven segments code. All municipalities and municipal entities were expected to comply from the 1<sup>st</sup> July 2017.

1	<b>Municipal Standard Classification</b>	<ul style="list-style-type: none"> <li>Ensure all allocations are standardised an in line with the municipality's revised Organisational Structure.</li> </ul>
2	<b>Function Segment</b>	<ul style="list-style-type: none"> <li>Review accurate allocation of the Municipal Standard Classification to the Function Segment of NT with the Organisational Structure of the municipality.</li> <li>Allocate all Function segment mSCOA short codes to ensure future alignment with mSCOA system and NT Database.</li> </ul>
3	<b>Item Segment</b>	<ul style="list-style-type: none"> <li>Align all budgeted items as per Draft municipal budget to the Item Segment.</li> <li>Propose adjustments subsequent to consultation with relevant municipal departments.</li> <li>Typical misalignments to be addressed includes the budgeting for Repairs and Maintenance, as mSCOA does not include such an item and focusses on the nature of the transaction.</li> </ul>
4	<b>Project Segment</b>	<ul style="list-style-type: none"> <li>All municipal key priorities &amp; objectives will be uploaded &amp; set up in our mSCOA Budget Tool.</li> <li>Consultation with various departments will ensure accurate alignment of all Revenue and Expenditure to specific priority and objective and hence alignment to the IDP.</li> </ul>
5	<b>Region Segment</b>	<ul style="list-style-type: none"> <li>We will ensure allocation of the Region segment to all Revenue and Expenditure as per the requirements of the municipality, which in most cases would be on a Ward level. This will be done on a best fit basis by consulting with various departments.</li> </ul>
6	<b>Funding Segment</b>	<ul style="list-style-type: none"> <li>Although this should have been allocated on the Draft budget, we will ensure accurate alignment to funding classes as included within mSCOA &amp; allocation of mSCOA short codes.</li> </ul>
7	<b>Costing Segment</b>	<ul style="list-style-type: none"> <li>For 2017/18 MTREF budget compilation, National Treasury has proposed that municipalities perform the Costing of Departmental Charges to the 4 main service departments.</li> <li>Determine Cost Drivers relevant to municipality &amp; set up within our mSCOA Budget Tool.</li> <li>Obtain operational feedback from departments &amp; assist in Costing of Departmental Charges.</li> </ul>

The reasons for introduction of mSCOA by National Treasury at local government level are:

- 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.

The West Rand District Municipality has compiled the tabled annual budget in terms of mSCOA and has complied with the requirements of mSCOA version 6.5 as published by National Treasury on the 4<sup>th</sup> of December 2020 for implementation on the 2021/22 MTREF.



#### 4.4 Equitable Share

The Division of Revenue Act (DoRA) takes into account the powers and functions assigned to each sphere of government. Provinces and municipalities are assigned service delivery functions such as education, health, social development, housing, and roads, provision of electricity and water and municipal infrastructure. The West Rand District Municipality is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. The equitable share allocation to the WRDM has however remained inadequate and insufficient over a number of years to provide minimum basic service as required by the Constitution. The current DoRA equitable share allocation has been apportioned in terms of the spending patterns of the departments in 2021/22 financial period.

Revenue by Vote	Performance	%	Equitable Share	RSC Levy	Total
Corporate Governance	8,750	4%	1,957	7,694	9,651
Municipal Manager & Support	12,603	6%	2,819	11,082	13,901
Corporate Services	24,149	12%	5,402	21,235	26,636
Budget & Treasury Office	14,478	7%	3,238	12,731	15,969
Health & Social Development	31,089	15%	6,954	27,338	34,292
Public safety	93,121	46%	20,829	81,884	102,714
Regional planning & Economic Development	17,612	9%	3,939	15,486	19,426
<b>Total</b>	<b>201,801</b>	<b>100%</b>	<b>45,139</b>	<b>177,450</b>	<b>222,589</b>

#### 4.5 Summary of the Budget

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

Table 1: Budget Summary

DC48 West Rand - Table A1 Budget Summary		13,931	13,931	13,931	13,931	13,931	13,931	2021/22 Medium Term Revenue & Expenditure Framework	2021/22 Medium Term Revenue & Expenditure Framework	2021/22 Medium Term Revenue & Expenditure Framework		
Description	R thousands	7,000	4,040	4,040	4,000	3,600	3,240	Original Budget	Adjusted Budget	2021/22 Forecast	2022/23 Budget	2023/24 Budget
		220	220	220	220	220	250					
Remuneration of councillors		13,931	13,931	13,931	13,931	13,931	13,931					
Depreciation & asset impairment		7,000	4,040	4,040	4,000	3,600	3,240					
Materials and bulk purchases		220	220	220	220	220	250					
Transfers and grants		11,223	11,223	11,223	11,364	11,932	11,932					
Other expenditure		38,765	33,713	33,713	28,826	28,786	29,511					
<b>Total Expenditure</b>		<b>260,795</b>	<b>252,983</b>	<b>252,983</b>	<b>249,520</b>	<b>245,897</b>	<b>258,147</b>					
<b>Surplus/(Deficit)</b>		<b>(1,453)</b>	<b>5,301</b>	<b>5,301</b>	<b>(2,651)</b>	<b>(2,263)</b>	<b>(1,932)</b>					
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		2,615	3,118	750	3,118	750	2,785	750	2,785	750	750	750
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>1,162</b>	<b>8,419</b>	<b>8,419</b>	<b>8,419</b>	<b>8,419</b>	<b>(1,187)</b>	<b>(1,035)</b>	<b>(1,035)</b>	<b>(1,035)</b>	<b>(1,035)</b>	<b>(1,035)</b>
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>1,162</b>	<b>8,419</b>	<b>8,419</b>	<b>8,419</b>	<b>8,419</b>	<b>(1,187)</b>	<b>(1,035)</b>	<b>(1,035)</b>	<b>(1,035)</b>	<b>(1,035)</b>	<b>(1,035)</b>

DC48 West Rand - Table A1 Budget Summary

Description	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousands</b>						
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	4,650	5,000	5,000	-	-	-
Transfers recognised - capital	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-
Internally generated funds	4,650	5,000	5,000	-	-	-
<b>Total sources of capital funds</b>	4,650	5,000	5,000	-	-	-
<b>Financial position</b>						
Total current assets	18,131	15,281	15,281	11,215	7,245	5,265
Total non current assets	88,859	71,942	71,942	68,242	64,942	62,002
Total current liabilities	113,067	87,772	87,772	91,829	95,441	106,105
Total non current liabilities	56,637	56,637	56,637	56,637	56,637	56,637
Community wealth/Equity	(62,715)	(57,187)	(57,187)	(69,009)	(79,891)	(95,475)
<b>Cash flows</b>						
Net cash from (used) operating	3,850	1,655	1,655	(0)	0	(0)
Net cash from (used) investing	(3,850)	(2,700)	(2,700)	-	-	-
Net cash from (used) financing	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	-	-	-	(0)	0	(0)
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	-	-	-	-	-	-
Application of cash and investments	(17,995)	(15,108)	(15,108)	(15,600)	(9,825)	(5,962)
<b>Balance - surplus (shortfall)</b>	17,995	15,108	15,108	15,600	9,825	5,962
<b>Asset management</b>						
Asset register summary (WDV)	-	-	-	-	-	-
Depreciation	7,000	4,040	4,040	4,000	3,600	3,240
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-
Repairs and Maintenance	764	764	764	1,175	1,175	1,175

The municipality has presented a deficit budget with a challenge of sourcing alternative and innovative ways of raising additional revenue. The financial turnaround strategy of the District dictates radical revenue enhancement strategies in medium term in order to generate municipal own revenue and strengthen the municipality's financial position. The municipality will continue to approach National and Provincial government in terms of the funding model in order to sustain firefighting function.

The implication of COVID-19 pandemic on municipal finances have further deteriorated the financial situation since the District is assigned as Disaster Management Centre in terms of Section 156 (4) of the Constitution. In the preceding year the District received no grant allocation from the National Disaster Management Centre relating to COVID-19 pandemic.

With the implementation of the District Development Model, the District will be playing its coordinating function to ensure that service delivery is not compromised. A detailed funding assessment will have to be undertaken prior to the implementation of the District Development Model. The District Development Model 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.

West Rand District Municipality is presently implementing circular 82 since 1<sup>st</sup> of July 2016 and has recently tabled a cost containment policy to Council to ensure curtailment of expenditure in the following patterns:

- Reducing catering at official functions and meetings
- Reducing overtime
- Non filling of vacant positions (except for critical positions approved by Council)
- Better working capital management

Table 2: Budgeted financial performance by revenue and expenditure type

The application of sound financial management principles for the compilation of the municipality's financial turnaround strategy is essential and critical to ensure that the municipality becomes financially viable and that services are provided sustainably, economically and equitably to all communities. It is our view that the 2021/22 financial year should be approached with realism and a tightening fiscal discipline and we should further identify revenue initiative opportunities through the utilization of resource mobilization task team established by the Accounting Officer.

DC48 West Rand - Table A4 Budgeted Financial Performance (revenue and expenditure)							
Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>	1						
<b>Revenue By Source</b>							
Rental of facilities and equipment		1,961	1,961	1,961	2,067	2,178	2,296
Interest earned - external investments		750	750	750	750	750	750
Interest earned - outstanding debtors		427	427	427	450	474	500
Licences and permits		400	400	400	400	422	444
Agency services		–	–	–	–	–	–
Transfers and subsidies		239,295	238,569	238,569	236,769	242,778	244,577
Other revenue	2	16,510	16,177	16,177	6,634	6,813	7,093
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>259,342</b>	<b>258,283</b>	<b>258,283</b>	<b>247,069</b>	<b>253,415</b>	<b>255,660</b>
<b>Expenditure By Type</b>							
Employee related costs	2	189,656	189,856	189,856	201,801	207,855	214,091
Remuneration of councillors		13,931	13,931	13,931	13,931	13,931	13,931
Depreciation & asset impairment	2	7,000	4,040	4,040	4,000	3,600	3,240
Other materials	8	220	220	220	220	250	270
Contracted services		9,324	9,198	9,198	8,817	8,268	8,328
Transfers and subsidies		11,223	11,223	11,223	11,364	11,932	11,932
Other expenditure	4, 5	29,441	24,195	24,195	21,409	21,243	22,237
Losses		–	320	320	–	–	–
<b>Total Expenditure</b>		<b>260,795</b>	<b>252,983</b>	<b>252,983</b>	<b>261,542</b>	<b>267,079</b>	<b>274,029</b>
<b>Surplus/(Deficit)</b>		<b>(1,453)</b>	<b>5,301</b>	<b>5,301</b>	<b>(14,473)</b>	<b>(13,664)</b>	<b>(18,369)</b>
Transfers and subsidies - capital (monetary allocations) (National /		2,615	3,118	3,118	2,651	2,782	2,785
<b>Surplus/(Deficit) for the year</b>		<b>1,162</b>	<b>8,419</b>	<b>8,419</b>	<b>(11,822)</b>	<b>(10,882)</b>	<b>(15,584)</b>

### Revenue

Total anticipated revenue amounts to R249 million, and its affected by the following factors:

- No additional allocation from National Treasury concerning the financial relief on COVID-19 pandemic challenges.

Other amounts included in revenue are: R3,5 million for value added tax recoveries expected to be claimed from South African Revenue Services (SARS); rental of facilities (shops) for R2 million based on current contracts; Air quality licenses imposed in terms of the applicable legislation for R400 thousand.

Description	Amount R
Sale of plants at Merafong Flora	10,000
Fire prevention and building plan fees	2,500,000
VAT claim from the Receiver	3,584,000
Donaldson dam revenue (gate takings)	240,000
Fair value adjustment on investment property	300,000
<b>Total</b>	<b>6,634,000</b>

### Expenditure

The municipality's operational expenditure is R261 million due to the following:

- The municipality is committed towards the implementing the circular 82 and cost containment policy.
- Increase of 2.5% and implementation of notch increases on employee related costs based on the previous agreement with members of unions.
- [Additional budget required for critical vacant positions amounts to R1.2 million which can only accommodate about two level 5 positions and one level 7 position. Should the municipality finalize the transfer process of Merafong flora function to Gauteng the Department of Agriculture and rural development, the municipality may realize projected savings amounting to R2.1 million.](#)

**MFMA Budget Circular No. 108, section 6.1 on employee related costs** states the following:

*“Given the current economic condition exacerbated by the COVID-19 pandemic, municipalities are urged to consider projecting increases to wage that would reflect their affordability. Some municipalities are already not able to afford the current wage cost and would indeed have to apply no more than a zero per cent increase in the 2021/22 MTREF and exercise the option for exemption for any negotiated increase above the level of their affordability.*”

*Therefore, should accounting officers fail to consider salary increases within the ambit of the municipality’s available resources and financial position, such failure will constitute an act of financial misconduct as defined in section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.”*

**MFMA Budget Circular No. 108, section 6.2 on remuneration of councillors** states the following:

*“Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process.”*

In addressing unfunded mandates, it is herewith proposed through the recovery financial plan process that the district enters into memorandum of understanding with its local municipalities to fund sustainability of these unfunded functions.

The contracted services for the 2021/22 financial year projections are made up as follows: -

Description	Amount R
Security Services	2,950,000
Actuarial valuations	21,034
Performance management system	726,000
Rural Asset Management Expenditure	2,651,000
VAT consultants	322,541
Legal fees	550,000
Maintenance of municipal assets	1,175,204
Pauper burials	211,202
Audit & risk committee; DC Board	210,000
<b>Total</b>	<b>8,816,980</b>

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The other expenditures for the 2021/22 financial year projections are made up as follows: -

Description	Amount R
Audit fees	3,400,000
Membership fees-SALGA	1,800,000
Insurance Underwriting: Excess Payments	15,000
Membership fees- Professional institutes	90,000
Fuel and oil	800,000
Vehicle tracking system	100,000
Telephone Fax Telegraph and Telex	1,460,000
Municipal charges	4,200,500
Lease of equipment	1,119,795
External Computer Service: Software Licenses	2,864,400
Insurance Underwriting: Premiums	2,500,000
Advertising services	300,000
Maintenance of municipal assets	280,000
Travelling costs and accommodation fees	50,000
Bank charges	60,000
COVID-19 PPE and disinfect material	500,000
Workman's Compensation Act	1,269,754
Uniform	600,000
<b>Total</b>	<b>21,409,449</b>



Table 3: Budgeted financial performance by municipal vote

DC48 West Rand - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>							
<b>Revenue by Vote</b>	1						
Corporate Governance		9,750	9,750	9,750	9,651	9,957	10,035
Municipal Manager & Support		14,151	13,425	13,425	14,627	14,342	14,454
Corporate Services		30,817	30,817	30,817	29,153	30,433	30,792
Budget & Treasury Office		30,022	30,022	30,022	21,603	22,073	22,362
Health & Social Development		47,422	47,422	47,422	46,056	47,732	48,032
Public safety		104,873	104,873	104,873	105,214	108,575	109,515
Regional planning & Economic Development Agency		24,472	24,845	24,845	23,417	23,084	23,255
		450	247	247	-	-	-
<b>Total Revenue by Vote</b>	2	<b>261,957</b>	<b>261,402</b>	<b>261,402</b>	<b>249,720</b>	<b>256,197</b>	<b>258,445</b>
<b>Expenditure by Vote to be appropriated</b>	1						
Corporate Governance		24,364	24,364	24,364	24,736	24,978	25,230
Municipal Manager & Support		16,244	15,518	15,518	17,037	16,833	17,374
Corporate Services		38,953	33,004	33,004	36,631	37,969	39,380
Budget & Treasury Office		21,441	20,437	20,437	20,163	20,757	21,377
Health & Social Development		42,552	42,552	42,552	43,672	44,621	45,536
Public safety		94,723	94,390	94,390	98,627	100,625	103,326
Regional planning & Economic Development Agency		19,942	20,142	20,142	20,677	21,295	21,805
		2,577	2,577	2,577	-	0	-
<b>Total Expenditure by Vote</b>	2	<b>260,795</b>	<b>252,983</b>	<b>252,983</b>	<b>261,542</b>	<b>267,079</b>	<b>274,029</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>1,162</b>	<b>8,418</b>	<b>8,418</b>	<b>(11,822)</b>	<b>(10,882)</b>	<b>(15,584)</b>

Table 4: Budgeted transfers and grants receipts

DC48 West Rand - Supporting Table SA18 Transfers and grant receipts							
Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>RECEIPTS:</b>	1, 2						
<b>Operating Transfers and Grants</b>							
<b>National Government:</b>		225,766	225,766	225,766	224,679	230,846	232,645
Local Government Equitable Share		42,470	42,470	42,470	45,139	47,910	45,750
RSC Levy Replacement		181,276	181,276	181,276	177,450	181,736	185,695
Municipal Systems Improvement		–	–	–	–	–	–
Finance Management		1,000	1,000	1,000	1,000	1,200	1,200
EPWP Incentive		1,020	1,020	1,020	1,090	–	–
<b>Provincial Government:</b>		11,949	11,223	11,223	12,090	11,932	11,932
Health Subsidy		11,223	11,223	11,223	11,364	11,932	11,932
Perfomance Management Services		726	–	–	726	–	–
<b>Other grant providers:</b>		1,580	1,580	1,580	–	–	–
LG SETA		1,580	1,580	1,580	–	–	–
<b>Total Operating Transfers and Grants</b>	5	239,295	238,569	238,569	236,769	242,778	244,577
<b>Capital Transfers and Grants</b>							
<b>National Government:</b>		2,615	3,118	3,118	2,651	2,782	2,785
Rural Households Infrastructure		2,615	3,118	3,118	2,651	2,782	2,785
<b>Total Capital Transfers and Grants</b>	5	2,615	3,118	3,118	2,651	2,782	2,785
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		241,910	241,687	241,687	239,420	245,560	247,362

Table 5: Capital budget

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

Vote Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1						
<b>Capital Expenditure - Functional</b>							
<i>Governance and administration</i>		4,650	5,000	5,000	-	-	-
Finance and administration		4,650	5,000	5,000	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	4,650	5,000	5,000	-	-	-
<b>Funded by:</b>							
Internally generated funds		4,650	5,000	5,000	-	-	-
<b>Total Capital Funding</b>	7	4,650	5,000	5,000	-	-	-

6.1. Due to cash flow constraints, no capital budget will be allocated for the 2021/2022 MTREF [for internal projects and no funding allocated for external projects by National Government.](#)

Table 6: Budgeted cash flow

DC48 West Rand - Table A7 Budgeted Cash Flows							
Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>							
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
Other revenue		19,297	19,107	19,107	13,550	13,887	12,333
Transfers and Subsidies - Operational	1	239,295	238,569	238,569	236,769	242,778	244,577
Transfers and Subsidies - Capital	1	2,615	2,615	2,615	2,651	2,782	2,785
Interest		-	750	750	750	750	750
<b>Payments</b>							
Suppliers and employees		(246,134)	(248,163)	(248,163)	(242,356)	(248,265)	(248,513)
Finance charges		-	-	-	-	-	-
Transfers and Grants	1	(11,223)	(11,223)	(11,223)	(11,364)	(11,932)	(11,932)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>3,850</b>	<b>1,655</b>	<b>1,655</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
Proceeds on disposal of PPE		800	800	800	-	-	-
Decrease (increase) in non-current investments		-	1,500	1,500	-	-	-
<b>Payments</b>							
Capital assets		(4,650)	(5,000)	(5,000)	-	-	-
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(3,850)</b>	<b>(2,700)</b>	<b>(2,700)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
<b>Payments</b>							
Repayment of borrowing		-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>							
Cash/cash equivalents at the year begin:	2	-	(1,045)	(1,045)	(0)	0	(0)
Cash/cash equivalents at the year end:	2	-	1,045	1,045	-	(0)	0

The municipality is anticipating that whilst a permanent solution is still being sought to its financial problems, a balanced cash flow balance will be reported at the end of the 2021/22 financial year. [The operational expenditure amounts to R261 million and budgeted cash flow payments for the year amounts to R253 million. The municipality will be able realizing a cash flow deficit which will affect the outstanding creditors' value as at 30 June 2022 and the cash flow surplus will be utilized to settle the outstanding creditors under current liabilities.](#)

Table 7: Budgeted financial position

DC48 West Rand - Table A6 Budgeted Financial Position

Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>ASSETS</b>							
<b>Current assets</b>							
Other debtors		17,995	14,995	14,995	10,995	6,995	4,995
Inventory	2	136	286	286	220	250	270
<b>Total current assets</b>		<b>18,131</b>	<b>15,281</b>	<b>15,281</b>	<b>11,215</b>	<b>7,245</b>	<b>5,265</b>
<b>Non current assets</b>							
Investment property		5,800	6,900	6,900	7,200	7,500	7,800
Property, plant and equipment	3	68,141	64,778	64,778	60,778	57,178	53,938
Biological		338	264	264	264	264	264
Other non-current assets		14,579	-	-	-	-	-
<b>Total non current assets</b>		<b>88,859</b>	<b>71,942</b>	<b>71,942</b>	<b>68,242</b>	<b>64,942</b>	<b>62,002</b>
<b>TOTAL ASSETS</b>		<b>106,989</b>	<b>87,223</b>	<b>87,223</b>	<b>79,457</b>	<b>72,187</b>	<b>67,267</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	4	96,547	73,951	73,951	77,003	79,064	88,146
Provisions		16,520	13,822	13,822	14,826	16,377	17,959
<b>Total current liabilities</b>		<b>113,067</b>	<b>87,772</b>	<b>87,772</b>	<b>91,829</b>	<b>95,441</b>	<b>106,105</b>
<b>Non current liabilities</b>							
Provisions		56,637	56,637	56,637	56,637	56,637	56,637
<b>Total non current liabilities</b>		<b>56,637</b>	<b>56,637</b>	<b>56,637</b>	<b>56,637</b>	<b>56,637</b>	<b>56,637</b>
<b>TOTAL LIABILITIES</b>		<b>169,704</b>	<b>144,410</b>	<b>144,410</b>	<b>148,466</b>	<b>152,078</b>	<b>162,742</b>
<b>NET ASSETS</b>	5	<b>(62,715)</b>	<b>(57,187)</b>	<b>(57,187)</b>	<b>(69,009)</b>	<b>(79,891)</b>	<b>(95,475)</b>
<b>COMMUNITY WEALTH/EQUITY</b>							
Accumulated Surplus/(Deficit)		(62,715)	(57,187)	(57,187)	(69,009)	(79,891)	(95,475)
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>(62,715)</b>	<b>(57,187)</b>	<b>(57,187)</b>	<b>(69,009)</b>	<b>(79,891)</b>	<b>(95,475)</b>

The municipality has projected a negative net asset value amounting to R69 million and total current liabilities for the 2021/22 financial year are projected to increase from 87 million to R91 million. The municipality will have to embark on entering into payment arrangements with its creditors and negotiate extended payment terms. The municipality's negative net asset value casts a significant doubt for the municipality to continue as a going concern. The municipality has not yet seen the fruits of the financial recovery plan and a decision will have to be made to review and revise the current financial recovery plan to accommodate the challenges faced by the West Rand District Municipality.

The municipality's current creditor's book has a negative effect on the implementation of the current budget and outer financial years. The municipality is committed to reducing the value of its creditors in order to improve the municipality's financial position. In order for this to be achieved, the municipality needs additional revenue streams to generate additional cash flow injection, thus improving the municipality's working capital and financial position.

## 5. Budget Related Policies

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

- Banking and investment policy
- Virement policy
- Credit control and debt management policy
- Supply chain management policy
- Supply chain management for infrastructure policy
- Fleet management policy
- Funding and Reserves Policy
- Budget Management Policy
- Asset management policy
- Unauthorized, irregular or fruitless and wasteful expenditure policy
- Unforeseen and unavoidable expenditure policy
- Revenue enhancement strategy
- Tariff book
- Loss Control Policy
- Cost Containment Policy
- [Financial turnaround strategy/ Budget plan to achieve a funded budget](#)

## 6. Recommendation

1. The West Rand District Municipality's tabled budget for the financial year 2021/22 and indicative allocations for the two projected outer years 2022/23 and 2023/24, and related policies as set out in the following Schedules, Tables and Annexures, be adopted as follows:
  - 1.1 Operating expenditure by standard classification reflected in Table A2.
  - 1.2 Operating expenditure by vote reflected in Table A3.
  - 1.3 Operating revenue by source reflected in Table A4
  - 1.4 Single-year capital appropriations by vote reflected in Annexure A5
  - 1.5 Capital expenditure by standard classification reflected in Table A5A.
  - 1.6 Capital funding by source reflected in Table A5.
  - 1.7 Budgeted Cash Flow statement as reflected in Table A7.
  - 1.8 Salaries and Benefits of Political Office Bearers, Councilors and Senior Officials as reflected in Table SA22 and Table SA23.
  - 1.9 Performance Indicators and benchmarks for 2020/21 as set out in Table SA7.
  - 1.10 Tariffs, fees and charges book as set out in Annexure 1.

1.11 The following policies as set out in Annexure 2

- Banking and investment policy
- Virement policy
- Credit control and debt management policy
- Supply chain management policy
- Supply chain management for infrastructure procurement policy
- Fleet management policy
- Funding and reserves policy
- Budget management policy
- Asset management policy
- Unauthorized, irregular or fruitless and wasteful expenditure policy
- Unforeseen and unavoidable expenditure policy
- Transport allowance policy
- Revenue enhancement strategy
- Tariff book
- Loss control policy
- Borrowing Policy
- Cost Containment Policy
- [Financial turnaround strategy/ Budget plan to achieve a funded budget](#)

1.12 Integrated Development Plan (IDP) July 2017-June 2022 with proposed amendments (2021/22) as set out in Annexure 3.

2. Additional revenue be sourced to improve the financial situation of the municipality.
3. Increase in employee related cost be curbed in adherence with Circular issued by National Treasury (2021\_22 MFMA Budget Circular No. 108 – 08 March 2021)