

1R,1P,1A,1S

1 REGION, 1 PLAN, 1 ACTION
1 SYSTEM



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



Mogale City
Local Municipality



RAND WEST CITY

West Rand
District Municipality



2021/2022 Final Budget Report

Table of Contents

1. Glossary	14
2. Purpose	15
3. Legislative Background	15
4. Financial Report	17
4.1 MMC Statement	17
4.2 Budget Assumptions	18
4.3 Budget Allocations Per MSCOA	19
4.4 Equitable Share	20
4.5 Summary of the Budget	21
Table 1: Budget Summary	21
Table 2: Budgeted financial performance by revenue and expenditure type	24
Table 3: Budgeted financial performance by municipal vote	28
Table 4: Budgeted financial performance by functional classification	29
Table 5: Budgeted transfers and grants receipts	30
Table 6: Capital budget	31
Table 7: Budgeted cash flow	32
Table 8: Budgeted financial position	33
5. Budget Related Policies	34
6. Recommendation	35

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

Submit the 2021/2022 MTREF budget to Council for consideration and approval.

3. Legislative Background

Section 24 of the Local Government: Municipal Finance Management Act (Act No.56 of 2003) (MFMA) provides as follows:

- 1) The municipal council must at least 30 days before the start of the financial year consider approval of the annual budget.
- 2) An annual budget –
 - a) must be approved before the start of the financial year;
 - b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
 - c) must be approved together with the adoption of resolution as may be necessary-
 - i) imposing any municipal tax for the budget year;
 - ii) setting any municipal tariffs for the budget year;
 - iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - iv) approving any changes to the municipality's integrated development plan; and
 - v) approving any changes to the municipality's budget-related policies
- 3) The accounting officer of the municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

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.

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. On 7 May 2021, there was a 2021/22 Tabled Budget Benchmarking Engagement with National Treasury, Gauteng Provincial Treasury and COGTA to discuss all the budget related issues facing the WRDM. This was based on the public notice on public participation which was published on the municipal website relating to the tabled budget and draft IDP.

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 **R258.9 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:

Table 1: Macroeconomic performance and projections, 2019 - 2023

Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate		Forecast	
CPI Inflation	4.1%	3.3%	3.9%	4.2%	4.4%

Source: 2021 Budget Review.

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 1st July 2017.

1	Municipal Standard Classification	<ul style="list-style-type: none"> Ensure all allocations are standardised an in line with the municipality's revised Organisational Structure.
2	Function Segment	<ul style="list-style-type: none"> Review accurate allocation of the Municipal Standard Classification to the Function Segment of NT with the Organisational Structure of the municipality. Allocate all Function segment mSCOA short codes to ensure future alignment with mSCOA system and NT Database.
3	Item Segment	<ul style="list-style-type: none"> Align all budgeted items as per Draft municipal budget to the Item Segment. Propose adjustments subsequent to consultation with relevant municipal departments. 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.
4	Project Segment	<ul style="list-style-type: none"> All municipal key priorities & objectives will be uploaded & set up in our mSCOA Budget Tool. Consultation with various departments will ensure accurate alignment of all Revenue and Expenditure to specific priority and objective and hence alignment to the IDP.
5	Region Segment	<ul style="list-style-type: none"> 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.
6	Funding Segment	<ul style="list-style-type: none"> Although this should have been allocated on the Draft budget, we will ensure accurate alignment to funding classes as included within mSCOA & allocation of mSCOA short codes.
7	Costing Segment	<ul style="list-style-type: none"> For 2017/18 MTREF budget compilation, National Treasury has proposed that municipalities perform the Costing of Departmental Charges to the 4 main service departments. Determine Cost Drivers relevant to municipality & set up within our mSCOA Budget Tool. Obtain operational feedback from departments & assist in Costing of Departmental Charges.

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 4th 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	8,509	4%	1,957	7,694	9,651
Municipal Manager & Support	12,256	6%	2,819	11,082	13,901
Corporate Services	23,484	12%	5,402	21,235	26,636
Budget & Treasury Office	14,079	7%	3,238	12,731	15,969
Health & Social Development	30,234	15%	6,954	27,338	34,292
Public safety	90,559	46%	20,829	81,884	102,714
Regional planning & Economic Development	17,127	9%	3,939	15,486	19,426
Total	196,249	100%	45,139	177,450	222,589

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

Description R thousands	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
Financial Performance						
Investment revenue	750	750	750	750	750	750
Transfers recognised - operational	239,295	238,569	238,569	238,143	242,778	244,577
Other own revenue	19,297	18,964	18,964	10,350	21,887	22,333
Total Revenue (excluding capital transfers and contributions)	259,342	258,283	258,283	249,243	265,415	267,660
Employee costs	189,656	189,856	189,856	196,249	202,137	208,201
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	250	270
Transfers and grants	11,223	11,223	11,223	11,364	11,932	11,932
Other expenditure	38,765	33,713	33,713	30,090	30,250	31,330
Total Expenditure	260,795	252,983	252,983	255,854	262,100	268,904
Surplus/(Deficit)	(1,453)	5,301	5,301	(6,611)	3,315	(1,244)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2,615	3,118	3,118	9,651	2,782	2,785
Surplus/(Deficit) for the year	1,162	8,419	8,419	3,040	6,097	1,541

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
R thousands						
Capital expenditure & funds sources						
Capital expenditure	4 650	5 000	5 000	7 600	-	-
Transfers recognised - capital	-	-	-	7 000	-	-
Borrowing	-	-	-	-	-	-
Internally generated funds	4 650	5 000	5 000	600	-	-
Total sources of capital funds	4 650	5 000	5 000	7 600	-	-
Financial position						
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	75 842	72 542	69 602
Total current liabilities	113 067	87 772	87 772	84 567	71 200	64 739
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)	(54 147)	(48 050)	(46 509)
Cash flows						
Net cash from (used) operating	3 850	1 655	1 655	6 800	0	(0)
Net cash from (used) investing	(3 850)	(2 700)	(2 700)	(6 800)	-	-
Net cash from (used) financing	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	(0)	0	(0)
Cash backing/surplus reconciliation						
Cash and investments available	-	-	-	-	-	-
Application of cash and investments	135 189	115 480	115 480	110 534	102 587	97 375
Balance - surplus (shortfall)	(135 189)	(115 480)	(115 480)	(110 534)	(102 587)	(97 375)
Asset management						
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 surplus budget and has plans in place to source 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.

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
R thousand	1						
Revenue By Source							
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
Transfers and subsidies		239,295	238,569	238,569	238,143	242,778	244,577
Other revenue	2	16,510	16,177	16,177	7,434	18,813	19,093
Total Revenue (excluding capital transfers and contributions)		259,342	258,283	258,283	249,243	265,415	267,660
Expenditure By Type							
Employee related costs	2	189,656	189,856	189,856	196,249	202,137	208,201
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	8,961	9,348	9,408
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	21,129	20,902	21,922
Losses		-	320	320	-	-	-
Total Expenditure		260,795	252,983	252,983	255,854	262,100	268,904
Surplus/(Deficit)		(1,453)	5,301	5,301	(6,611)	3,315	(1,244)
Transfers and subsidies - capital (monetary allocations) (National /		2,615	3,118	3,118	9,651	2,782	2,785
Surplus/(Deficit) for the year		1,162	8,419	8,419	3,040	6,097	1,541

Revenue

Total anticipated revenue amounts to R258 million, and its affected by the following factors:

- GRAP 17 allocation from COGTA to ensure that asset registers are maintained and updated in compliance with GRAP 17
- Capital allocation from COGTA to the value of R7 million for the purchase of x1 fire engine
- No additional allocation from National Treasury concerning the financial relief on COVID-19 pandemic challenges.

Table of detailed explanations for the presented revenue items has been presented below:

Rental of facilities	Rental of municipal property is based on the agreed rates as per the signed SLA's with consumer debtors. Rates charged escalate every year in line with the escalation clause.
Interest – external investments	Anticipated interest from external investment will be earned from the call account held with FNB, used for ring-fencing conditional grants.
Interest – outstanding debtors	Interest from outstanding debtors is charged at a rate equivalent to the interest rate.
Licenses and permits	This will be derived from the sale of air quality emission licenses to the public.
Transfers and subsidies	Amounts presented are allocated through the DORA and provincial gazettes. The amount presents both conditional and unconditional grants <i>#Table 4: Budgeted transfers and grants receipts</i>

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
Sale of municipal assets	800,000
Total	7,434,000

Expenditure

The municipality's operational expenditure is R255 million due to the following:

- The municipality is committed towards the implementing the circular 82 and cost containment policy.
- Increase of 2.25% and no 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.

Table of detailed explanations for the presented expenditure items has been presented below:

Employee related costs	Related costs refer to the anticipated costs for all employees appointed by the West Rand District Municipality, including an increase of 2.25%. <i>#Refer to MFMA Budget Circular No. 108, section 6.1</i>
Remuneration of councillors	Related costs refer to the anticipated costs for all councillors appointed by the West Rand District Municipality, with no increment due to financial constraints of the municipality. <i>#Refer to MFMA Budget Circular No. 108, section 6.2</i>
Depreciation and asset impairment	Depreciation is based on the 2020/2021 useful lives of the fixed assets of the West Rand District Municipality.
Other materials	This refers to the consumables utilized by the municipality on a day-to-day basis i.e stationery, cleaning materials.
Transfers and subsidies	Amount presented relates to the transfers to be made to the constituent local municipalities in line with the conditions of the HIV/ Aids grant.

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
Asset verification services	869,565
Legal fees	550,000
Maintenance of municipal assets	1,175,204
Pauper burials	211,202
Audit & risk committee; DC Board	210,000
Total	8,960,545

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
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
Total	21,129,450

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
R thousand							
Revenue by Vote	1						
Corporate Governance		9,750	9,750	9,750	9,651	9,957	10,035
Municipal Manager & Support		14,151	13,425	13,425	13,901	14,342	14,454
Corporate Services		30,817	30,817	30,817	30,253	30,433	30,792
Budget & Treasury Office		30,022	30,022	30,022	23,403	34,073	34,362
Health & Social Development		47,422	47,422	47,422	46,056	47,732	48,032
Public safety		104,873	104,873	104,873	112,214	108,575	109,515
Regional planning & Economic Development Agency		24,472	24,845	24,845	23,417	23,084	23,255
		450	247	247	-	-	-
Total Revenue by Vote	2	261,957	261,402	261,402	258,894	268,197	270,445
Expenditure by Vote to be appropriated	1						
Corporate Governance		24,364	24,364	24,364	24,496	24,730	24,975
Municipal Manager & Support		16,244	15,518	15,518	15,964	16,476	17,006
Corporate Services		38,953	33,004	33,004	35,586	36,928	38,343
Budget & Treasury Office		21,441	20,437	20,437	20,734	21,443	22,051
Health & Social Development		42,552	42,552	42,552	42,816	43,741	44,629
Public safety		94,723	94,390	94,390	96,065	97,986	100,609
Regional planning & Economic Development Agency		19,942	20,142	20,142	20,193	20,796	21,291
		2,577	2,577	2,577	-	0	-
Total Expenditure by Vote	2	260,795	252,983	252,983	255,854	262,100	268,904
Surplus/(Deficit) for the year	2	1,162	8,418	8,418	3,040	6,097	1,541

Table 4: Budgeted financial performance by functional classification

DC48 West Rand - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	Curent Year 2020/2021			2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1						
Revenue - Functional							
<i>Governance and administration</i>		84,740	84,014	84,014	77,208	88,805	89,643
Executive and council		14,151	13,425	13,425	13,901	14,342	14,454
Finance and administration		60,839	60,839	60,839	53,656	64,506	65,153
Internal audit		9,750	9,750	9,750	9,651	9,957	10,035
<i>Community and public safety</i>		152,296	152,296	152,296	158,269	156,307	157,547
Public safety		104,873	104,873	104,873	112,214	108,575	109,515
Health		47,422	47,422	47,422	46,056	47,732	48,032
<i>Economic and environmental services</i>		24,922	25,092	25,092	23,417	23,084	23,255
Planning and development		24,922	25,092	25,092	23,417	23,084	23,255
Total Revenue - Functional	2	261,957	261,402	261,402	258,894	268,197	270,445
Expenditure - Functional							
<i>Governance and administration</i>		101,002	93,323	93,323	96,781	99,577	102,375
Executive and council		16,244	15,518	15,518	15,964	16,476	17,006
Finance and administration		60,394	53,441	53,441	56,320	58,371	60,394
Internal audit		24,364	24,364	24,364	24,496	24,730	24,975
<i>Community and public safety</i>		137,275	136,942	136,942	138,881	141,727	145,238
Public safety		94,723	94,390	94,390	96,065	97,986	100,609
Health		42,552	42,552	42,552	42,816	43,741	44,629
<i>Economic and environmental services</i>		22,519	22,719	22,719	20,193	20,796	21,291
Planning and development		22,519	22,719	22,719	20,193	20,796	21,291
Total Expenditure - Functional	3	260,795	252,983	252,983	255,854	262,100	268,904
Surplus/(Deficit) for the year		1,162	8,418	8,418	3,040	6,097	1,541

Table 5: 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
RECEIPTS:	1, 2						
<u>Operating Transfers and Grants</u>							
National Government:		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	–	–
Provincial Government:		11,949	11,223	11,223	12,364	11,932	11,932
Health Subsidy		11,223	11,223	11,223	11,364	11,932	11,932
Perfomance Management Services		726	–	–	–	–	–
GRAP 17		–	–	–	1,000	–	–
Other grant providers:		1,580	1,580	1,580	1,100	–	–
LG SETA		1,580	1,580	1,580	1,100	–	–
Total Operating Transfers and Grants	5	239,295	238,569	238,569	238,143	242,778	244,577
<u>Capital Transfers and Grants</u>							
National Government:		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
Provincial Government:		–	–	–	7,000	–	–
Fire and Rescue services		–	–	–	7,000	–	–
Total Capital Transfers and Grants	5	2,615	3,118	3,118	9,651	2,782	2,785
TOTAL RECEIPTS OF TRANSFERS & GRANTS		241,910	241,687	241,687	247,794	245,560	247,362

Total grants and subsidies (Including capital grants) as per DoRA and provincial gazettes amounted to R247 million. Department of Cooperative Governance and Traditional Affairs have made an allocation of R8 million to the WRDM made up of R1 million and R7 million for GRAP 17 Compliance and Fire and Rescue services respectively. It should be noted that no additional funds have been allocated from National Treasury as a financial relief in addressing COVID-19 challenges.

Table 6: Capital budget

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

Vote Description R thousand	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue &		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Capital Expenditure - Functional							
<i>Governance and administration</i>		4 650	5 000	5 000	600	-	-
Finance and administration		4 650	5 000	5 000	600	-	-
<i>Community and public safety</i>		-	-	-	7 000	-	-
Public safety		-	-	-	7 000	-	-
Total Capital Expenditure - Functional	3	4 650	5 000	5 000	7 600	-	-
Funded by:							
National Government		-	-	-	-	-	-
Provincial Government		-	-	-	7 000	-	-
Transfers recognised - capital	4	-	-	-	7 000	-	-
Borrowing	6	-	-	-	-	-	-
Internally generated funds		4 650	5 000	5 000	600	-	-
Total Capital Funding	7	4 650	5 000	5 000	7 600	-	-

- 6.1 Due to allocation made by COGTA, the capital budget allocated for the 2021/2022 MTREF is for the purchase of 1 x medium pumper fire engine with equipment. No funding has been allocated for external projects by National Government.
- 6.2 The municipality plans to procure computer equipment due to work demands that cannot be realized because of the ineffectiveness of current redundant equipment.

Table 7: Budgeted cash flow

DC48 West Rand - Table A7 Budgeted Cash Flows							
Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue &		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Other revenue		19 297	19 107	19 107	14 350	25 887	24 333
Transfers and Subsidies - Operational	1	239 295	238 569	238 569	238 143	242 778	244 577
Transfers and Subsidies - Capital	1	2 615	2 615	2 615	9 651	2 782	2 785
Interest		-	750	750	750	750	750
Payments							
Suppliers and employees		(246 134)	(248 163)	(248 163)	(244 730)	(260 265)	(260 513)
Transfers and Grants	1	(11 223)	(11 223)	(11 223)	(11 364)	(11 932)	(11 932)
NET CASH FROM/(USED) OPERATING ACTIVITIES		3 850	1 655	1 655	6 800	0	(0)
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE		800	800	800	800	-	-
Decrease (increase) in non-current investments		-	1 500	1 500	-	-	-
Payments							
Capital assets		(4 650)	(5 000)	(5 000)	(7 600)	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(3 850)	(2 700)	(2 700)	(6 800)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Payments							
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	(1 045)	(1 045)	(0)	0	(0)
Cash/cash equivalents at the year begin:	2	-	1 045	1 045	-	(0)	0
Cash/cash equivalents at the year end:	2	-	-	-	(0)	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 R255 million and budgeted cash flow payments for the year amounts to R257 million. The municipality does not have sufficient cash flow to cover the outstanding creditors' value as at 30 June 2022, thus contravening Section 65(2)(e) of the MFMA.

Table 8: Budgeted financial position

DC48 West Rand - Table A6 Budgeted Financial Position

Description	Ref	Curent Year 2020/2021			2021/22 Medium Term Revenue &		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand							
ASSETS							
Current assets							
Cash		–	–	–	–	–	–
Call investment deposits	1	–	–	–	–	–	–
Other debtors		17 995	14 995	14 995	10 995	6 995	4 995
Inventory	2	136	286	286	220	250	270
Total current assets		18 131	15 281	15 281	11 215	7 245	5 265
Non current assets							
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	68 378	64 778	61 538
Biological		338	264	264	264	264	264
Other non-current assets		14 579	–	–	–	–	–
Total non current assets		88 859	71 942	71 942	75 842	72 542	69 602
TOTAL ASSETS		106 989	87 223	87 223	87 057	79 787	74 867
LIABILITIES							
Current liabilities							
Trade and other payables	4	96 547	73 951	73 951	69 741	54 823	46 780
Provisions		16 520	13 822	13 822	14 826	16 377	17 959
Total current liabilities		113 067	87 772	87 772	84 567	71 200	64 739
Non current liabilities							
Borrowing		–	–	–	–	–	–
Provisions		56 637	56 637	56 637	56 637	56 637	56 637
Total non current liabilities		56 637	56 637	56 637	56 637	56 637	56 637
TOTAL LIABILITIES		169 704	144 410	144 410	141 204	127 837	121 376
NET ASSETS	5	(62 715)	(57 187)	(57 187)	(54 147)	(48 050)	(46 509)
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)		(62 715)	(57 187)	(57 187)	(54 147)	(48 050)	(46 509)
Reserves	4	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	(62 715)	(57 187)	(57 187)	(54 147)	(48 050)	(46 509)

The municipality has projected a negative net asset value amounting to R54 million and total current liabilities for the 2021/22 financial year are projected to decrease from R87 million to R84 million. The municipality aims to sign payment arrangements with its suppliers/ creditors to extend payment terms from 30 days up to 120 days. 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 realized the ultimate 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 year's budget and for the 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 (strategies) and/or related policies that affect, or are affected, by the annual budget:

1. **Banking and investment policy** *(no changes on the policy)*
2. **Virement policy** *(no changes on the policy)*
3. **Credit control and debt management policy** *(no changes on the policy)*
4. **Supply chain management policy**
(Section 12.5, paragraph 4 of the policy: *the CFO shall ensure that, irrespective of the procurement process followed, no award above R15 000 (vat included) is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order. SARS tax clearance certificate will be sufficient in this regard. Previously the threshold was above R30 000 (vat included)*)
(Section 14.2, paragraph 4.2 of the policy: *aligning the SCM policy to SCM regulations on the range of procurement processes and petty cash purchases*)
(Section 14.2, paragraph 22.5(a)(ii) of the policy: *procurement of conference for the professional Bodies, Indabas and professional membership fees.*)
5. **Supply chain management for infrastructure policy** *(no changes on the policy)*
6. **Fleet management policy** *(no changes on the policy)*
7. **Funding and Reserves policy** *(no changes on the policy)*
8. **Budget Management policy** *(no changes on the policy)*
9. **Asset management policy** *(no changes on the policy)*
10. **Unauthorized, irregular or fruitless and wasteful expenditure policy** *(no changes on the policy)*
11. **Unforeseen and unavoidable expenditure policy** *(no changes on the policy)*
12. **Revenue enhancement strategy**
(Paragraph 4 of the strategy has been amended with additional revenue enhancement initiatives to be realized in the medium-term)
13. **2021/ 22 Tariff book**
(The tariff book has been updated with increments at the average of 10% for all services rendered by the municipality)
14. **Loss Control Policy** *(no changes on the policy)*
15. **Cost Containment policy** *(no changes on the policy)*
16. **Travel allowance policy**
(On paragraph 7.1.8 of the policy, an added clause that once the employee is provisionally approved to participate into the locomotion allowance scheme, the employee will be granted three (3) months to submit required documentation for final approval; failing which the initial provisional approval lapses.)
17. **2021/22 Financial turnaround strategy/ Budget plan to achieve a funded budget**
(The municipality has amended the financial turnaround strategy to find more savings which may be realized within the short-term. The municipality also has revenue enhancement initiatives to be realized in the medium-term)

6. Recommendations

1. The West Rand District Municipality's annual 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 approved and 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 reviewed policies and strategies 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
 - 2021/22 Tariff book
 - Loss control policy
 - Borrowing Policy
 - Cost Containment policy
 - 2021/22 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. Increase in employee related cost be curbed in adherence with Circular issued by National Treasury (2021_22 MFMA Budget Circular No. 108 - 08 Mar 2021)
3. Council to approve that management be delegated to exercise the option in applying for exemption on national negotiated increment that may arise for the period of 2021/22 to 2023/24 Medium Term Revenue and Expenditure Framework.