



2020/2021 ADJUSTMENT BUDGET REPORT

28 January 2021

Contents

GLOSSARY	3
1. PURPOSE	4
2. LEGISLATIVE BACKGROUND	4
3. BOARD CHAIRPERSON REPORT	5
4. BUDGET ASSUMPTIONS	5
5. SUMMARY OF THE ADJUSTMENT BUDGET	6
Table 1: Adjustment Budget summary	6
6. FINANCIAL PERFORMANCE	7
Table 2: Adjusted Budget financial performance by revenue and expenditure type	7
Table 3: Adjusted Budget financial performance by strategic objective	8
7. CASH FLOW	9
Table 5: Adjusted Budget cash flow	9
8. FINANCIAL POSITION	10
Table 6: Adjusted Budget Financial position	10
9. RECOMMENDATION	11

GLOSSARY

MFMA: Municipal Financial Management Act

GDARD: Gauteng Department of Agriculture and Rural Development

VAT: Value added tax

WRDM: West Rand District municipality

WRDA: West Rand Development Agency

mSCOA: Municipal Standard Chart of Accounts.

MTREF: Medium term revenue and expenditure framework

CPIX: Consumer price index

IDP: Integrated development plan

1. PURPOSE

To submit 2020/ 2021 Adjustment Budget to Board committee for consideration and to Council of the Parent Municipality for approval as part of West Rand District Municipality Consolidated Adjustment budget.

2. LEGISLATIVE BACKGROUND

Section 87(6) of Municipal finance management Act, 2003 states that the board of directors of a municipal entity may, with the approval of the mayor, revise the budget of the municipal entity, but only for the following reasons:

- a) To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- b) to authorize expenditure of any additional allocations to the municipal entity from its parent municipality;
- c) to authorize, within a prescribed framework, any unforeseeable and unavoidable expenditure approved by the mayor of the parent municipality;
- d) To authorize any other expenditure within a prescribed framework.

Section 87(9) of Municipal finance management Act, 2003 states that the mayor must table the budget or adjusted budget and any adjustments budget of a municipal entity as approved by its board of directors, at the next council meeting of the municipality.

3. BOARD CHAIRPERSON REPORT

In preparing this adjustment 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 strategic plan 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. Revenue therefore will have a significant decrease, total revenue will be sitting at R 248,000.

A major challenge facing the agency is the disestablishment process of the entity which is presently underway due to financial crisis and it is expected to be finalized by 31 March 2021. The current board of directors is facilitating the process as it was resolved by the council of the Parent Municipality.

4. BUDGET ASSUMPTIONS

The budget of the entity will be prepared on the assumption that the entity which cease to exist in the near future (beyond 31 March 2021). Therefore no impact of consumer price inflation (CPIX) on the current budget and outer years.

VAT- 15%

Prime lending rate- 10.25%

Repo rate- 6.75%

5. SUMMARY OF THE ADJUSTMENT BUDGET

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

Table 1: Adjustment Budget summary

West Rand Developmet Agency - Table E1 Adjustments Budget Summary -

Description	Budget Year 2020/21			Budget Year +1 2021/22	Budget Year +1 2022/23
	Original Budget	Other Adjusts. 5	Adjusted Budget 7	Adjusted Budget	Adjusted Budget
R thousands	A	E	G		
Financial Performance					
Transfers recognised - operational	-	-	-	-	-
Other own revenue	450	(271)	179	-	-
Investment revenue	-	68	68	-	-
Total Revenue (excluding capital transfers and contributions)	450	(202)	248	-	-
Employee costs	2 614	(357)	2 257	-	-
Remuneration of Board Members	700	(502)	198	-	-
Depreciation and debt impairment	523	(301)	222	-	-
Other expenditure	732	(289)	443	-	-
Total Expenditure	4 569	(1 449)	3 120	-	-
Surplus/(Deficit)	(4 119)	1 247	(2 872)	-	-
Transfers recognised - capital	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(4 119)	1 247	(2 872)	-	-
Taxation	-	-	-	-	-
Surplus/ (Deficit) for the year	(4 119)	1 247	(2 872)	-	-
Financial position					
Total current assets	-	11 579	11 579	-	-
Total non current assets	11 579	(11 579)	-	-	-
Total current liabilities	2 922	(2 922)	-	-	-
Total non current liabilities	-	-	-	-	-
Community wealth/Equity	8 656	2 922	11 578	-	-
Cash flows					
Net cash from (used) operating	(2 874)	946	(1 928)	-	-
Net cash from (used) investing	-	(1 506)	(1 506)	-	-
Net cash from (used) financing	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	-	-

6. FINANCIAL PERFORMANCE

Table 2: Adjusted Budget financial performance by revenue and expenditure type

West Rand Developmet Agency - Table E2 Adjustments Budget - Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2020/21			Budget Year	Budget Year
		Original Budget	Other Adjusts.	Adjusted Budget	+1 2021/22	+1 2022/23
			5	7	Adjusted Budget	Adjusted Budget
R thousands		A	E	G		
Revenue By Source						
Rental of facilities and equipment		66	(17)	50	-	-
Transfers recognised - operational		-	-	-	-	-
Other revenue		384	(254)	130	-	-
Investment revenue		-	68	68	-	-
Total Revenue (excluding capital transfers and contributions)		450	(202)	248	-	-
Expenditure By Type						
Employee related costs		2 614	(357)	2 257	-	-
Remuneration of Directors		700	(502)	198	-	-
Depreciation & asset impairment		523	(301)	222	-	-
Contracted services		231	(48)	183	-	-
Lease rentals on operating lease		180	(50)	131	-	-
Other expenditure		321	(192)	129	-	-
Total Expenditure		4 569	(1 449)	3 120	-	-
Surplus/(Deficit)		(4 119)	1 247	(2 872)	-	-
Surplus/(Deficit) before taxation		(4 119)	1 247	(2 872)	-	-
Surplus/ (Deficit) for the year		(4 119)	1 247	(2 872)	-	-

The Agency will be adjusting its budget from an operating deficit of R4,1 million to R2,8 million due to cost containment measures implemented and disestablishment process to be finalized on 31 March 2021.

Table 3: Adjusted Budget financial performance by strategic objective

DC48 West Rand Development Agency- Table E3 Adjustments BudgetFinancial Performance (revenue and expenditure by strategic goal)

Description	Ref	Current year Budget 2020/21			Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Adjust	Adjusted Budget	Original Budget	Original Budget
R thousands						
Revenue by Strategic goal	1					
Market and business intelligence to support decision making		-	68	68	-	-
External funding and partnership opportunities secured		-	-	-	-	-
Targeted strategic economic infrastructure projects implemented		450	(271)	179	-	-
Viable foreign and local investment directly facilitated		-	-	-	-	-
Positioning Wset Rand as a preferred trade and investment destination		-	-	-	-	-
An optimally capacitated and capable organization		-	-	-	-	-
Total Revenue by Strategic goal	2	450	(202)	248	-	-
Surplus/Deficit						
Expenditure by Strategic goal	1					
Market and business intelligence to support decision making		(369)	48	(321)	-	-
External funding and partnership opportunities		(461)	192	(269)	-	-
Targeted strategic economic infrastructure projects implemented		(277)	50	(228)	-	-
Positioning Wset Rand as a preferred trade and investment destination		(879)	301	(578)	-	-
An optimally capacitated and capable organization		(2 584)	859	(1 725)	-	-
Total Expenditure by Strategic goal	2	(4 570)	1 449	(3 121)	-	-
Surplus/ (Deficit) for the year	2	(4 120)	1 247	(2 873)	-	-

7. CASH FLOW

Table 5: Adjusted Budget cash flow

West Rand Developmet Agency - Table E5 Adjustments Budget - Cash Flows -

Description	Ref	Budget Year 2020/21			Budget Year	Budget Year
		Original Budget	Other Adjusts.	Adjusted Budget	+1 2021/22	+1 2022/23
		A	E	G	Adjusted Budget	Adjusted Budget
R thousands						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Other revenue		450	(271)	179	-	-
Investment revenue		-	68	68	-	-
Government - operating		-	-	-	-	-
Payments						
Suppliers and employees		(3 324)	1 148	(2 176)	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		(2 874)	946	(1 928)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE		-	-	-	-	-
Payments						
Transfer to Parent Municipality		-	(1 506)	(1 506)	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(1 506)	(1 506)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES						
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(2 874)	(560)	(3 434)	-	-
Cash/cash equivalents at the year begin:	8	2 874	560	3 434	-	-
Cash/cash equivalents at the year end:	8	-	-	-	-	-

The agency's anticipated cash-flow after taking into account necessary adjustments is nil due to the disestablishment process which needs to be finalised by 31 March 2021 and the entity has to dissolve the it's bank accounts and transfer the remaining amount to the Parent Municipality's bank account.

8. FINANCIAL POSITION

Table 6: Adjusted Budget Financial position

West Rand Developmet Agency - Table E4 Adjustments Budget - Financial Position -

Description	Ref	Budget Year 2020/21			Budget Year	Budget Year
		Original	Other Adjus.	Adjusted	+1 2021/22	+1 2022/23
		Budget		Budget	Adjusted	Adjusted
			5	7		
		A	E	G		
R thousands						
ASSETS						
Current assets						
Cash	1	-	-	-	-	-
Call investment deposits	1	-	-	-	-	-
Non-current asset held for sale		-	11 579	11 579	-	-
Other debtors		-	-	-	-	-
Total current assets		-	11 579	11 579	-	-
Non current assets						
Property, plant and equipment		11 579	(11 579)	-	-	-
Total non current assets		11 579	(11 579)	-	-	-
TOTAL ASSETS		11 579	-	11 579	-	-
LIABILITIES						
Current liabilities						
Trade and other payables		2 922	(2 922)	-	-	-
Total current liabilities		2 922	(2 922)	-	-	-
TOTAL LIABILITIES		2 922	(2 922)	-	-	-
NET ASSETS	2	8 657	2 922	11 579	-	-
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		(5 922)	17 500	11 578	-	-
Share premium		14 578	(14 578)	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	8 656	2 922	11 578	-	-

- The budgeted statement of financial position has been prepared on the liquidation basis due to the disestablishment process and.

9. RECOMMENDATION

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

- That the operational expenditure budget be adjusted from R4,1 million to R2,8 million.
- That the revenue budget be adjusted from R450,000 to R248,000.
- That the board take cognizance of a mid-year budget and performance assessment for 31 December 2020 in the enclosed annexure.
- That the item be tabled to Council of the Parent Municipality.

Enclosed: Annexure (Mid-year Budget and Performance assessment for 31 December 2020)

ANNEXURE



West Rand Development Agency

Mid-Year Budget and Financial Performance Assessment for the
2020/2021 Financial Year

Contents

Glossary.....	14
Purpose	15
Legislative Background	15
Table 1: Financial Performance Revenue by Type	16
Table 2: Financial Performance Expenditure by Type	17
Table 3: Capital Expenditure	18
Table 4: Cash Flow	19
Table 5: Financial Position	20
Table 6: Debtors.....	21
Table 7: Creditors.....	21
Conclusion.....	21

Glossary

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

Purpose

The purpose of this report is to present the mid-year budget and financial performance which incorporates the quarterly financial report for the quarter ended 31 December 2020 submitted to council in terms of section 87 of the Municipal Financial Management Act, 2003 (Act No. 56 of 2003).

Legislative Background

Section 88 of the MFMA states that:

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

Table 1: Financial Performance Revenue by Type

West Rand Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q2 Second Quarter									
Description	2019/20	Current Year 2020/21							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue By Source									
Rental of facilities and equipment	-	66	-	42	147	33	114	345,5%	66
Other revenue	-	384	-	-	-	192	(192)	-100,0%	384
Total Revenue (excluding capital transfers and contributions)	-	450	-	42	147	225	(78)	-34,7%	450

1.1 Revenue as at end of the quarter ending 31 December 2020 amounted to R147 thousand. This represents 33% of the total original budget.

1.2 Below are the causes of major variances –

Source	Variance (R)	Comment
Other revenue	(192)	The Agency had anticipated to claim VAT and raise interest income amounting to R348 thousand. To date, no VAT was payable to the agency due to less expenses on vatable supplies and interest is expected to be accrued on the third quarter.

Table 2: Financial Performance Expenditure by Type

West Rand Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q2 Second Quarter									
Description	2019/20	Current Year 2020/21							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Expenditure By Type									
Employee related costs	-	1 914	-	216	1 397	957	440	46,0%	1 914
Remuneration of Directors	-	140	-	-	-	70	(70)	-100,0%	140
Depreciation & asset impairment	-	523	-	-	-	262	(262)	-100,0%	523
Contracted services	-	-	-	31	133	-	133	0,0%	-
Other expenditure	-	-	-	28	254	-	254	0,0%	-
Total Expenditure	-	2 577	-	275	1 784	1 288	496	38,5%	2 577

2.1 Expenditure as at the quarter ending 31 December 2020 amounted to R1 784 million. This represents 69% of the Original budget.

2.2 The Development Agency's operational expenditure budget is mainly driven by employee related costs. These costs represent 78 % of the total expenditure spent as at 31 December 2020.

2.3 Below are the causes of major variances –

Type	Variance (R)	Comment
Employee related costs	440	Year to date employee related costs figures are over the anticipated year to date budget figures due to the overspending of R440 thousand. This is due to agency budget being limited to six months because of disestablishment process.
Remuneration of Directors	(70)	Year to date remuneration of directors figures are slightly below anticipated year to date budget figures due to the underspending of R70 thousand.
Contracted services	133	During the original budget process, no budget was allocated for contracted services. This is due to the disestablishment process of the entity.
Other expenditure	254	During the original budget process, no budget was allocated for other expenditure. This is due to the disestablishment process of the entity.

Table 3: Capital Expenditure

West Rand Development Agency - Table F3 Monthly Budget Statement - Capital Expenditure - Q2 Second Quarter

Description	2019/20	Current Year 2020/21							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total Capital Funding	-	-	-	-	-	-	-	-	-

4.1 The West Rand Development Agency no budget for capital expenditure. As at 31 December 2020 no capital expenditure has been incurred to that regard.

Table 4: Cash Flow

West Rand Development Agency - Table F5 Monthly Budget Statement - Cash Flows - Q2 Second Quarter

Description	Current Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Other revenue	450	-	42	147	225	(78)	0,0%	450
Payments								
Suppliers and employees	(3 324)	-	(275)	(1 507)	(1 662)	155	0,0%	(3 324)
NET CASH FROM/(USED) OPERATING ACTIVITIES	(2 874)	-	(233)	(1 360)	(1 437)	77	-5,4%	(2 874)
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-		-
Payments								
Capital assets	-	-	-	-	-	-		-
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	-	-	-	-	-		-
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-		-
Payments								
Repayment of borrowing	-	-	-	-	-	-		-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD	(2 874)	-	(233)	(1 360)	(1 437)	77	-5,4%	(2 874)
Cash/cash equivalents at the year begin:	2 874	-	-	3 436	1 437			2 874
Cash/cash equivalents at the year end:	-	-	(233)	2 076	-	2 076	0,0%	-

4.1 Included in the amount for cash and cash equivalents as at 31 December 2020 is an amount from a call account investment. The call account investment is available on demand and is reflected in the table below.

West Rand Development Agency - Supporting Table F5 Entity investment portfolio monthly statement - Q2 Second Quarter

Investments by maturity Name of institution & investment ID	Ref	Current Year 2020/21							
		Period of investment Months	Type of investment	Expiry date of investment	Accrued interest for the month	Yield %	Market value		
							Begin	Change	End
R thousands									
FNB Call Account		N/A	Call Account	N/A	0	6,25	2 249	(394)	1 855

Table 5: Financial Position

West Rand Development Agency - Table F4 Monthly Budget Statement - Financial Position - Q2 Second Quarter				
Vote Description	Current Year 2020/21			
	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands				
ASSETS				
Current assets				
Cash	-	-	221	-
Call investment deposits	-	-	1 855	-
Other debtors	-	-	-	-
Total current assets	-	-	2 076	-
Non current assets				
Property, plant and equipment	11 579	-	12 100	11 579
Total non current assets	11 579	-	12 100	11 579
TOTAL ASSETS	11 579	-	14 176	11 579
LIABILITIES				
Current liabilities				
Trade and other payables	2 922	-	3 415	2 922
Total current liabilities	2 922	-	3 415	2 922
Non current liabilities				
Borrowing	-	-	-	-
Provisions	-	-	-	-
Total non current liabilities	-	-	-	-
TOTAL LIABILITIES	2 922	-	3 415	2 922
NET ASSETS	8 657	-	10 761	8 657
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	(5 921)	-	(3 817)	(5 921)
Share Capital	14 578	-	14 578	14 578
TOTAL COMMUNITY WEALTH/EQUITY	8 657	-	10 761	8 657

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

Table 6: Debtors

West Rand Development Agency - Supporting Table F3 Entity Aged debtors - Q2 Second Quarter												
Detail	NT Code	Current Year 2020/21									Total	Bad Debts
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year			
R thousands												
Debtors Age Analysis By Income Source	1100											
Other	1900	-	-	-	-	-	-	-	-	-	-	-
Total By Income Source	2000	-	-	-	-	-	-	-	-	-	-	-
Debtors Age Analysis By Customer Group	2100											
Other	2500	-	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	-	-	-	-	-	-	-	-	-	-	-

6.1 The Development Agency has no outstanding debtors as at 31 December 2020.

Table 7: Creditors

West Rand Development Agency - Supporting Table F4 Entity Aged creditors - Q2 Second Quarter												
Detail	NT Code	Current Year 2020/21									Total	
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year			
R thousands												
Creditors Age Analysis By Customer Type												
Trade Creditors	0700	-	-	3 415	-	-	-	-	-	-	-	3 415
Total By Customer Type	2600	-	-	3 415	-	-	-	-	-	-	-	3 415

7.1 The Development Agency only has creditors amounting to R3 million, which mainly as a result of debt owed to the Rand West City Local Municipality.

Conclusion

Taking all of the above into account, it is recommended the budget in terms of MFMA Section 87(6) for the 2020/2021 MTREF be revised by the board of directors and table the adjusted budget to be submitted to the Council of the Parent Municipality by the end of January 2021.



Z MPHAPHULI

ACTING CHIEF EXECUTIVE OFFICER

DATE: 20/01/2021