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



West Rand
District Municipality



2020/2021 FINAL BUDGET REPORT

2020/21 – 2022/23 MEDIUM TERM REVENUE EXPENDITURE FRAMEWORK

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

2020/2021 Final 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

Submit the 2020/2021 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

As I begin, let me first table before this house on this occasion:

- The budget Speech as contained in the MMC Finance Report
- The 2020/21 MTREF Budget for the West Rand District Municipality which includes West Rand Development Agency as the District Municipal entity
- Budget-related policies and tariffs

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.

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.

This budget has been prepared under severe financial problems experienced by the District Municipality. 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 2020/2021 fiscal year and the outer years:

Table 1.1 Macroeconomic outlook – summary

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

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

Value Added Tax (VAT)- Unchanged at 15%
Prime Lending Rate - Unchanged at 9.75%
Repo Rate - Decreased from 6.75% to 3.75%

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 and its entity have compiled the tabled annual budget in terms of mSCOA and has complied with the requirements of mSCOA version 6.4 as published by National Treasury on the 9th of March 2020 for implementation on the 2020/21 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 2020/21 financial period.

Revenue by Vote	Performance	%	Equitable Share	RSC levy	Total
Corporate Governance	7,913	4%	1,696	6,904	8,600
Municipal Manager & Support	11,869	6%	2,544	10,356	12,900
Corporate Services	23,739	12%	5,088	20,713	25,801
Budget & Treasury Office	13,848	7%	2,968	12,083	15,050
Health & Social Development	31,652	16%	6,784	27,617	34,401
Public Safety	90,999	46%	19,503	79,400	98,902
Regional Planning & Economic Development	17,804	9%	3,816	15,535	19,350
	197,824	100%	42,397	172,608	215,005

4.5 Summary of the Budget

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

Table 1: Budget Summary
DC48 West Rand - Table A1 Budget Summa

Description	Current Year 2019/20			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 thousands						
Financial Performance						
Investment revenue	–	120	120	427	450	474
Transfers recognised - operational	193 080	229 843	229 843	230 627	236 516	244 581
Other own revenue	34 720	9 817	9 817	16 171	7 381	6 767
Total Revenue (excluding capital transfers and contributions)	227 800	239 780	239 780	247 224	244 347	251 821
Employee costs	180 354	187 051	187 051	194 356	201 713	211 084
Remuneration of councillors	14 643	13 931	13 931	13 931	13 931	13 931
Depreciation & asset impairment	7 000	7 000	7 000	7 000	5 600	4 480
Finance charges	1 564	1 594	1 594	–	–	–
Materials and bulk purchases	200	220	220	220	250	270
Transfers and grants	12 640	8 248	8 248	11 223	11 364	11 932
Other expenditure	65 216	59 366	59 366	43 197	40 677	42 458
Total Expenditure	281 617	277 410	277 410	269 927	273 535	284 155
Surplus/(Deficit)	(53 816)	(37 630)	(37 630)	(22 703)	(29 188)	(32 334)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	14 748	2 748	2 748	2 615	2 759	2 919
Surplus/(Deficit) for the year	(39 068)	(34 882)	(34 882)	(20 088)	(26 429)	(29 415)

DC48 West Rand - Table A1 Budget Summa

Description	Current Year 2019/20			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 thousands						
Capital expenditure & funds sources						
Capital expenditure	24 739	6 539	6 539	4 650	-	-
Transfers recognised - capital	12 000	-	-	-	-	-
Internally generated funds	12 739	6 539	6 539	4 650	-	-
Total sources of capital funds	24 739	6 539	6 539	4 650	-	-
Financial position						
Total current assets	26 721	26 721	26 721	12 147	5 147	2 147
Total non current assets	79 630	79 884	79 630	88 859	82 715	77 664
Total current liabilities	137 191	113 590	113 590	119 810	116 895	118 202
Total non current liabilities	74 589	56 637	56 637	56 637	56 637	56 637
Community wealth/Equity	(105 430)	(63 623)	(63 877)	(75 442)	(85 670)	(95 028)
Cash flows						
Net cash from (used) operating	20 506	4 032	4 032	4 650	-	(0)
Net cash from (used) investing	(24 739)	(6 539)	(6 539)	(4 650)	-	-
Cash/cash equivalents at the year end	0	(0)	(0)	-	-	(0)
Cash backing/surplus reconciliation						
Cash and investments available	-	-	-	-	-	(0)
Application of cash and investments	(30 644)	(104 497)	(103 508)	(12 012)	(5 012)	(2 012)
Balance - surplus (shortfall)	30 644	104 497	103 508	12 012	5 012	2 012
Asset management						
Asset register summary (WDV)	-	-	-	-	-	-
Depreciation	7 000	7 000	7 000	7 000	6 400	5 120
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-
Repairs and Maintenance	764	764	764	475	475	475

The municipality has presented an unbalanced budget with a difficult task of sourcing alternative and innovative ways of raising additional revenue with the aim of servicing the needs of the community and provides regional support to our local municipalities through strengthening of district governance. Although the municipality has notified relevant stakeholders of the serious financial problems in terms of Section 135 of the MFMA, continued efforts are made to find a permanent solution towards the district sustainability.

The municipality is urgently attending to fire brigade services, municipal health service and disaster management functions as unfunded mandates by engaging relevant authorities to seek solution to funding models of these functions. These functions were either transferred to the municipality (Fire brigade services and municipal health) or assigned (disaster management) without any funds. The municipality has ascertained through engagements with National Treasury that the funds for fire brigade services and municipal health services are allocated to the local municipalities (Mogale City, Rand West City and Merafong Local Municipalities) within the region. A request for the re-allocation of equitable share and or funds for the above functions was submitted to the Minister and has not been appropriately addressed in the 2020/2021 DoRA bill.

The West Rand District Municipality has been committed for since 01 July 2014 in optimizing its savings in the following manner:

- Reducing catering at official functions and meetings
- Improved prioritization of expenditure
- Heeding the guidelines of National Treasury Circulars number 94
- Reducing overtime
- Non filling of vacant positions pending implementation of migration policy. Only applicable from Level 3 downwards.
- Implementation of the shared service model
- Better working capital management

Table 2: Budgeted financial performance by revenue and expenditure type

DC48 West Rand - Table A4 Budgeted Financial Performance (revenue and expenditure)							
Description	Ref	Current Year 2019/20			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
Revenue By Source							
Rental of facilities and equipment		1 038	1 391	1 391	1 461	1 540	1 623
Interest earned - external investments		-	120	120	-	-	-
Interest earned - outstanding debtors		-	569	569	427	450	474
Licences and permits		700	400	400	400	422	444
Transfers and subsidies		193 080	229 843	229 843	230 627	236 516	244 581
Other revenue	2	32 982	7 457	7 457	14 310	5 420	4 699
Total Revenue (excluding capital transfers and contributions)		227 800	239 780	239 780	247 224	244 347	251 821
Expenditure By Type							
Employee related costs	2	180 354	187 051	187 051	194 356	201 713	211 084
Remuneration of councillors		14 643	13 931	13 931	13 931	13 931	13 931
Depreciation & asset impairment	2	7 000	7 000	7 000	7 000	5 600	4 480
Finance charges		1 564	1 594	1 594	-	-	-
Other materials	8	200	220	220	220	250	270
Contracted services		28 758	22 284	22 284	8 824	8 593	8 808
Transfers and subsidies		12 640	8 248	8 248	11 223	11 364	11 932
Other expenditure	4, 5	36 458	37 082	37 082	34 373	32 084	33 651
Total Expenditure		281 617	277 410	277 410	269 927	273 535	284 155
Surplus/(Deficit)		(53 816)	(37 630)	(37 630)	(22 703)	(29 188)	(32 334)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		14 748	2 748	2 748	2 615	2 759	2 919
Surplus/(Deficit) for the year		(39 068)	(34 882)	(34 882)	(20 088)	(26 429)	(29 415)

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that services are provided sustainably, economically and equitably to all communities. It is our view that the 2020/21 financial year should be approached with realism and a tightening fiscal discipline and we further believe that we should guard against unrealistic demands and concentrate on our key role of uplifting our communities in the West Rand Region as a whole.

The municipality's business and service delivery priorities were again reviewed as part of this year's planning and budget process. The municipality strives to deliver sustainable services to its community without overburdening the consumers with excessive service fees with the key priority of government this year being a "Phase II of the back to basics" approach.

Revenue

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

- Budget cuts on grants appropriated to local government as per DoRA and subsequently to WRDM.
- Delay and reluctance in implementing the powers and functions promulgated to the district municipality by the MEC responsible for local government in the province.

Other amounts included in revenue are, R11 million for value added tax recoveries to be paid by South African Revenue Services (SARS); rental of facilities (shops) for R1.4 million based on current contracts; Air quality licenses imposed in terms of the applicable legislation for R400 thousand Overall operational grants from both national and provincial government R233 million to representing an increase of R19 million (9.25% increase) which is above the CPIX.

Description	Amount R
Sale of plants	200,000
Fire prevention fee	1,850,000
VAT recovery	11,309,800
Donaldson dam	450,000
Fines & penalties	500,000
Total	14,309,800

Expenditure

The municipality's operational expenditure is R269 million due to the following:

- The municipality is committed towards the implementing the circular 82.
- The lease of fire engines is coming to an end during the 2019/20 budget year.
- The lease of municipal vehicles will have expired during the 2019/20 budget year.
- Majority of projects have been kept on hold pending the improvement of the financial situation. Only critical contracted services have been given priority.
- An increase of 6.5% in salary costs based on the outcome of the main collective agreement including notch progression.

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. Alternatively the district will have to transfer the operations of these functions (including the employee related costs and contracted services linked to these functions) and coordinate them from district level.

Other significant cost optimization considerations taken into account in the compilation of the budget:

- Detailed budget line item assessment was concluded of a cost versus benefit analysis which was completed during budget restructuring exercise. WRDM has identified contracts which the municipality will to renew which will contribute to savings of the municipality;
- Significant saving of R7.5 million a year on the leasing of fleet cars when lease contract lapses;
- Significant saving of R15 million a year on the leasing of fire and rescue vehicles when lease term contract ends;
- Municipality identified contracts to be scaled down in terms of specifications. This may affect the municipality's operations, but the action is required in order to reduce the municipality's 2020/2021 MTREF deficit budget.

The contracted services for the 2020/21 financial year projections are made up as follows: -

Description	Amount R
Security Service	2,950,000
Actuarial valuations	21,034
Rural Asset Management Expenditure	2,615,000
Asset verification	905,116
Valuation of investment in controlled entities	200,000
Legal fees	300,000
Maintenance of municipal assets	575,203
Pauper burials	211,202
Audit committee	221,057
Performance Management System	726,000
VAT Consultants	300,000
Total	8,824,412

The other expenditures for the 2020/21 financial year projections are made up as follows: -

Description	Amount R
Membership fees	1,800,000
Training	1,000,000
Insurance Underwriting: Excess Payments	15,000
Professional institutes	90,000
WRDA Expenditure	4,568,220
Fuel and oil	1,300,000
Telephone Fax Telegraph and Telex	944,000
Municipal charges	6,310,200
Lease of equipment	1,119,795
External Computer Service: Software Licenses	2,604,000
Insurance Underwriting: Premiums	3,824,033
Advertising & communication	420,680
Travelling Agency	50,000
Audit fees	3,680,950
Uniforms	833,333
Bank Charges	42,068
SPLUMA Compliance	50,000
COVID-19 PPE	1,011,840
Arbitration Awards	2,698,000
Workmen's Compensation Act	1,270,000
Total	34,372,944

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	Current Year 2019/20			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							
Revenue by Vote	1						
Corporate Governance		12 371	15 371	15 371	8 603	8 928	9 214
Municipal Manager & Support		17 119	17 119	17 119	13 631	12 666	13 060
Corporate Services		33 985	36 703	36 703	29 277	29 719	30 365
Budget & Treasury Office		31 491	26 895	26 895	27 365	20 241	20 592
Health & Social Development		36 678	36 678	36 678	46 035	47 499	49 232
Public safety		72 249	72 249	72 249	100 786	104 309	107 682
Regional planning & Economic Development		29 812	17 672	17 672	23 692	23 269	24 095
Development Agency		8 844	308	308	450	474	500
Total Revenue by Vote	2	242 549	222 994	222 994	249 839	247 106	254 740
Expenditure by Vote to be appropriated	1						
Corporate Governance		24 269	23 508	23 508	10 587	10 834	11 183
Municipal Manager & Support		18 010	15 034	15 034	16 707	16 593	17 347
Corporate Services		44 357	43 386	43 386	55 002	53 839	55 695
Budget & Treasury Office		22 549	33 286	33 286	22 755	23 468	24 367
Health & Social Development		36 954	36 448	36 448	43 065	43 150	45 019
Public safety		104 868	101 216	101 216	96 891	99 602	103 379
Regional planning & Economic Development		22 068	17 135	17 135	20 352	21 300	22 171
Development Agency		8 541	4 553	4 553	4 569	4 750	4 995
Total Expenditure by Vote	2	281 617	274 566	274 566	269 927	273 535	284 155
Surplus/(Deficit) for the year	2	(39 068)	(51 572)	(51 572)	(20 088)	(26 429)	(29 415)

Table 4: Budgeted transfers and grants receipts

DC48 West Rand - Supporting Table SA18 Transfers and grant receipts

Description	Ref	Current Year 2019/20			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							
RECEIPTS:	1, 2						
Operating Transfers and Grants							
National Government:		196 280	195 499	195 499	217 098	225 152	232 649
Local Government Equitable Share		39 436	39 436	39 436	42 470	45 757	48 638
RSC Levy Replacement		153 864	153 864	153 864	172 608	177 450	181 711
Municipal Systems Improvement		900	0	0	-	945	1 100
Finance Management		1 000	1 000	1 000	1 000	1 000	1 200
EPWP Incentive		1 080	1 080	1 080	1 020	-	-
Disaster Management Grant		-	119	119	-	-	-
Provincial Government:		11 548	31 548	31 548	11 949	11 364	11 932
Health Subsidy		8 248	8 248	8 248	11 223	11 364	11 932
Performance Management Services		500	500	500	726	-	-
Library Grant		2 800	2 800	2 800	-	-	-
Fire and Rescue services		-	20 000	20 000	-	-	-
Other grant providers:		-	2 796	2 796	1 580	-	-
LG SETA		-	2 796	2 796	1 580	-	-
Total Operating Transfers and Grants	5	207 828	229 843	229 843	230 627	236 516	244 581
Capital Transfers and Grants							
National Government:		14 748	2 748	2 748	2 615	2 759	2 919
Neighbourhood Development Partnership		12 000	0	0	-	-	-
Rural Households Infrastructure		2 748	2 748	2 748	2 615	2 759	2 919
Total Capital Transfers and Grants	5	14 748	2 748	2 748	2 615	2 759	2 919
TOTAL RECEIPTS OF TRANSFERS & GRANTS		222 576	232 591	232 591	233 242	239 275	247 500

Total grants and subsidies (Including capital grants) as per DoRA and provincial gazettes amounts to R231 million. Funding agreement between Gauteng Dept of Sports and West Rand District to fund network on libraries has expired on 31 March 2020. The relevant department will undertake the project moving forward.

Table 5: Capital budget

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

Vote Description R thousand	Ref	Current Year 2019/20			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
Capital Expenditure - Functional							
<i>Governance and administration</i>		6 200	-	-	4 650	-	-
Finance and administration		6 200	-	-	4 650	-	-
<i>Community and public safety</i>		6 539	6 539	6 539	-	-	-
Public safety		6 539	6 539	6 539	-	-	-
<i>Economic and environmental services</i>		12 000	0	0	-	-	-
Planning and development		12 000	0	0	-	-	-
Total Capital Expenditure - Functional	3	24 739	6 539	6 539	4 650	-	-
Funded by:							
National Government		12 000	-	-	-	-	-
Transfers recognised - capital	4	12 000	-	-	-	-	-
Internally generated funds		12 739	6 539	6 539	4 650	-	-
Total Capital Funding	7	24 739	6 539	6 539	4 650	-	-

6.1. R4.5 million relates to outright purchase of vehicles through a transversal contract and R150,000 is for ICT equipment. The municipality will be undertaking a full functionality of Gauteng Broadband Network from July 2020 since the contract with network service provider will be expiring in June 2020.

Table 6: Budgeted cash flow

DC48 West Rand - Table A7 Budgeted Cash Flows								
Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Other revenue		40 022	38 223	38 223	-	16 597	7 831	7 240
Transfers and Subsidies - Operational	1	207 828	229 843	229 843	-	230 627	236 516	244 581
Transfers and Subsidies - Capital	1	14 748	2 748	2 748	-	2 615	2 759	2 919
Interest		-	120	120	-	-	-	-
Payments								
Suppliers and employees		(229 451)	(252 667)	(252 667)	-	(233 966)	(235 742)	(242 808)
Finance charges		-	(1 594)	(1 594)	-	-	-	-
Transfers and Grants	1	(12 640)	(12 640)	(12 640)	-	(11 223)	(11 364)	(11 932)
NET CASH FROM/(USED) OPERATING ACTIVITIES		20 506	4 032	4 032	-	4 650	-	(0)
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		-	-	-	-	-	-	-
Payments								
Capital assets		(24 739)	(6 539)	(6 539)	-	(4 650)	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(24 739)	(6 539)	(6 539)	-	(4 650)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Payments								
Repayment of borrowing		-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(4 233)	(2 507)	(2 507)	-	-	-	(0)
Cash/cash equivalents at the year begin:	2	4 233	2 506	2 506	-	-	-	-
Cash/cash equivalents at the year end:	2	0	(0)	(0)	-	-	-	(0)

The municipality is anticipating that whilst a permanent solution is being sought to the financial problems, a balanced cash flow balance will be reported at the end of the 2020/21 financial year. The municipality can however access R50 million in overnight facility as per Council resolution in terms of the banking and investment policy to bridge working capital requirements.

Table 7: Budgeted financial position

DC48 West Rand - Table A6 Budgeted Financial Position

Description	Ref	Current Year 2019/20			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							
ASSETS							
Current assets							
Cash		-	-	-	-	-	(0)
Other debtors		26 585	26 585	26 585	12 012	5 012	2 012
Inventory	2	136	136	136	136	136	136
Total current assets		26 721	26 721	26 721	12 147	5 147	2 147
Non current assets							
Long-term receivables		-	254	-	-	-	-
Investment property		5 800	5 800	5 800	5 800	5 800	5 800
Property, plant and equipment	3	58 912	58 912	58 912	68 141	61 998	56 947
Biological		338	338	338	338	338	338
Other non-current assets		14 579	14 579	14 579	14 579	14 579	14 579
Total non current assets		79 630	79 884	79 630	88 859	82 715	77 664
TOTAL ASSETS		106 351	106 605	106 351	101 006	87 863	79 811
LIABILITIES							
Current liabilities							
Trade and other payables	4	131 836	110 599	110 599	103 291	99 050	98 969
Provisions		5 355	2 991	2 991	16 520	17 846	19 233
Total current liabilities		137 191	113 590	113 590	119 810	116 895	118 202
Non current liabilities							
Borrowing		-	-	-	-	-	-
Provisions		74 589	56 637	56 637	56 637	56 637	56 637
Total non current liabilities		74 589	56 637	56 637	56 637	56 637	56 637
TOTAL LIABILITIES		211 780	170 227	170 227	176 448	173 533	174 839
NET ASSETS	5	(105 430)	(63 623)	(63 877)	(75 442)	(85 670)	(95 028)
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)		(105 430)	(63 623)	(63 877)	(75 442)	(85 670)	(95 028)
TOTAL COMMUNITY WEALTH/EQUITY	5	(105 430)	(63 623)	(63 877)	(75 442)	(85 670)	(95 028)

Adjustments budget and 2020/2021 MTREF budgeted revenue and expenditure were taken into account when determining budgets on financial position.

Accumulated surplus/ (deficit) has increased due to West Rand District Municipality's budgeted expenditure exceeding the budgeted revenue and applying the basic accounting principles of Net Assets = Total Assets - Total Liabilities

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

6. Recommendation

1. The West Rand District Municipality's annual budget for the financial year 2020/21 and indicative allocations for the two projected outer years 2021/22 and 2022/23, and related policies as set out in the following Schedules, Tables and Annexures, be tabled.
 - 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 2019/20 as set out in Table SA7.
 - 1.10 Consolidated budget tables for the WRDM and WRDA as reflected in Table A1 to Table A10.
 - 1.11 Tariffs, fees and charges book as set out in Annexure 1.

1.12 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

1.13 Integrated Development Plan (IDP) July 2017-June 2022 with proposed amendments (2020/21) as set out in Annexure 3.

1.14 WRDA Business Plan and Budget - Schedule D (annual budget and supporting tables) as set out in Annexure _“

2. The item be tabled to West Rand District Municipality Council.