



WEST RAND DISTRICT MUNICIPALITY



**QUARTELY PROGRESS REPORT ON THE IMPLEMENTATION OF THE
FUNDING BUDGET PLAN
31 DECEMBER 2022**

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1. Background

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- a) Realistically anticipated revenue to be collected,
- b) Cash backed accumulated funds from previous year's surpluses not committed for other purposes, and
- c) Borrowed funds, but only for capital

Section 18(2) further states that "revenue projections in the budget must be realistic, taking into account"

- a) Projected revenue for the current year based on the collection levels to date, and
- b) Actual revenue collected in previous years"

2. Discussion

The Municipality is facing significant challenges regarding its ability to meet its financial commitments and to ensure sustainability of services provided. The measures to cost containment are in place and the cost benefit analysis has been applied while prioritising service delivery.

The budget funding plan was introduced by National Treasury to all municipality with unfunded budget with the progress report that will be monitored by relevant treasuries. The progress report was compiled in terms of five pillars prescribed on a framework that was provided by National Treasury to assist municipalities improve unfunded budget position.

2.1.1. Revenue enhancement

The revenue realised from own generated income to date (3% of the total operating revenue to date) has not made an impact to change the funding of budget. The main source of income was from grant funding.

2.1.2. Improvement of collection Rate

The average collection rate for the quarter is at 85% (YTD actual/YTD revenue) in exclusion of grants and transfers (95% of to date actual revenue). The collection rate realised do not have impact on the financial sustainability as revenue generated contributes 5% of the total revenue for the quarter ended in December.

2.1.3. Cash Flow Management

Cash flow management must be implemented to ensure that the cash flow is monitored monthly. The closing balance of R63,4 million which represents funds available for the municipality to pay their creditors when due. The R24,6 million from funds available is ring-fenced for their intended purposes while realising interest income. The cash flow of the municipality will not be enough to cover normal operations after considering short term obligations for the next three months. In March 2023 the municipality will receive last trench of equitable to cover shortfall and pay creditors due.

The municipality do not have sustainable revenue streams to raise the more cash. The revenue collection rate below the norm of 95% from existing debtors have a negative impact on cash flow.

2.1.4. Cost Containment Measures

Cost containment measures are applied according to the guidelines as imposed by National Treasury. A separate report is prepared and taken to council on a quarterly basis.

2.1.5. Debtors and creditors

Debtors

The debtor's book has not improved the status of long standing debtors for the quarter. The municipality has issued a contract termination letter to one of the major debtor BP Garage. Credit control measures for other commercial debtors have already commenced.

It remains a cash flow challenge whereby no cash has been realised to meet other short term obligations.

Creditors

The payment arrangements with long standing creditors are in place. The municipality is striving to ensure that payment terms are honoured as per agreement while facing cash constraints challenges. The creditors within 30 days are paid timeously. Total creditors of R31,6 million during the first quarter increased to R36 million, however the municipality managed to reduce creditors R29,3 million after receiving second trench of equitable share in December 2022.

The strategy was outlined in terms of short- term, medium term. The following short-term goals were achieved:

2.2. COST CONTAINMENT MEASURES (SHORT TO MEDIUM TERM)

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings) short to medium term	Progress to date 2022/23 FY – Q1
1	Transfer of Merafong Flora to Gauteng department of agriculture and rural development	The district municipality is present running this function at the loss of R2.1 million	Gauteng department of agriculture and rural development to take over this function.	The legal form of land vests with Sibanye Still water. Donation of the land needs to be transferred to the District. Transfer is presently in process of being finalised by the conveyancer.	Sibanye Still water to donate the land to the District as a pre-requisite for GDARD to consider supporting the Merafong Flora project financially, so that the process of transfer can commence.	(R2 100 000)	The status has not changed to date
2	Application for exemption on any negotiated increase above the level of municipality's affordability	The municipality presently has unfunded budget and employee related cost is the major contributor. Presently at 3.9% CPIX	The municipality is opting to apply for no more than a zero per cent increase in the 2021/22 MTREF to achieve funded.	Apply for exemption once the national negotiations has been concluded.	Council to approve intention to apply for salary increment exemption.	(R11 800 000)	The exemption was not granted. The municipality has paid amount owing to employees and inflated the annual increase in 2022/23 FY
3	Negotiations with Organised labour to waive the annual notch increments	Management in initiated notch increment in 2016/17 financial year and was implemented on 2018/19 financial year	Suspension of notch increments will assist the with reduction of employee related cost and curb overall operational Expenditure	Management to consult with Organised labour on the impact of putting notch increment on abeyance and reach amicable solution	Employees to be notified on suspension of notch increment	(R7 500 000)	The negotiations outcome did not work in favour for the municipality. The back pay for the notches is due to the municipality.

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings) short to medium term	Progress to date
4	Review of long serviceaward policy	The municipality presently has a long service award long-term obligation of R17 million which is not cash backed contributes to a R160 million cash shortfall.	The municipality to table the review of the long service award policy to Council so that the exemption of the policy be approved.	Municipal Council to approve exemption of the policy to prevent liability from increase further.	Management to negotiate with Organised labour on the intention to table the review of the long-service award policy to Council	(R17 872 477)	The municipality will review all policies before the start of new the financial year
5	Review of Post-retirement medical aid policy	The municipality presently has a long service award long-term obligation of R62 million which is not cash backed contributes to a R160 million cash shortfall.	The municipality to table the review of the Post-retirement medical aid policy to Council so that the exemption of the policy be approved.	Municipal Council to approve exemption of the policy to prevent liability from increase further by applying the matter prospectively.	Management to negotiate with Organised labour on the intention to table the review of the long-service award policy to Council	(R2 872 477)	The municipality is in the process of reviewing all policies before the start of new the financial year
5	<i>Insourcing vs outsourcing services</i>	The District is presently outsourcing VAT review and Fixed assets conditional assessments	The municipality should develop internal skills to perform outsourced functions.	Enroll employees with various taxation, accounting and valuation professional bodies to be members.	The municipality to bear the cost of enrollment and annual membership to the professional membership bodies on behalf of its employees.	(R3 200 000)	Some of the finance employees are undergoing VAT trainings.

6	Cost curtailment on computer equipment	The municipality presently budgeted R1 million for computer equipment in 2020/21 financial year.	Computer equipment current budget be reduced to R400,000 and another R600,000 be deferred to the following FY	Budget reduction to accommodate new council on computer equipment after elections	Computer equipment be reduced to R400,000 in 2020/21 FY and R600,000 carried to R400,000	(R400 000)	The municipality has purchased computers with R 358 000 from the current budget of R450 000
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RECOMMENDATIONS THAT:

1. Cognisance be taken of the progress made regarding the Financial Turnaround Strategy.
2. The Municipality continue to realize savings in order to achieve the funded budget in medium and long term.
3. The commitment to achieve a funded budget, be forwarded to National and Provincial Treasury for consideration.

