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



Mogale City
Local Municipality



West Rand
District Municipality

West Rand
District Municipality



2020/2021 DRAFT BUDGET REPORT

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

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

2020/2021 Draft 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

To table the 2020/2021 annual draft budget to Council for consideration and approval.

3. Legislative Background

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

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

Section 17 of the MFMA further provides as follows:

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

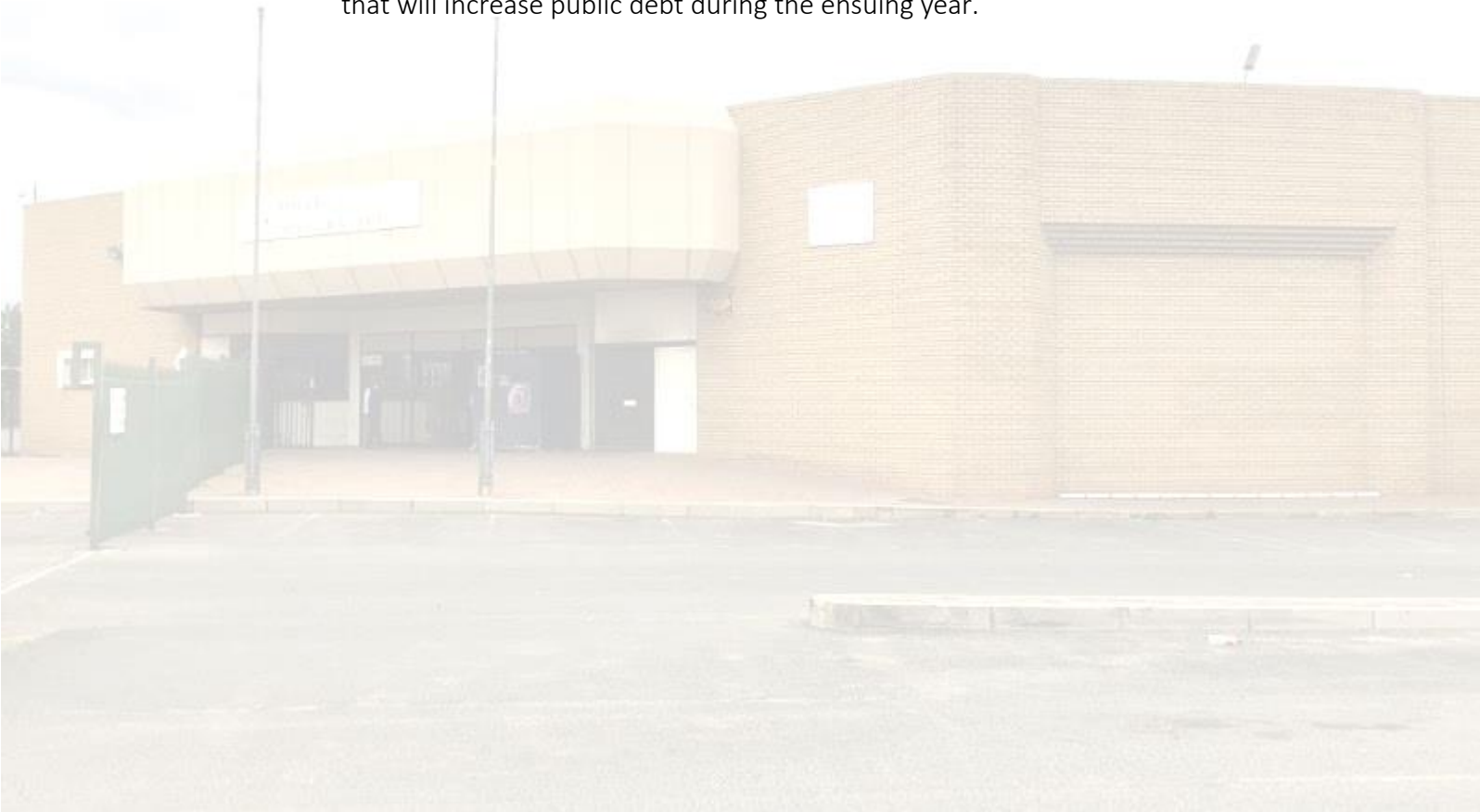
Section 241(1) of the Constitution of the Republic of South Africa (Constitution) provides that, An act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. Section 214(2) of the Constitution provides that the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

- a) the national interest;
- b) any provision that must be made in respect of the national debt and other obligations;
- c) the needs and interests of the national government, determined by objective criteria;
- d) the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them;
- e) the fiscal capacity and efficiency of the provinces and municipalities;

- f) developmental and other needs of provinces, local government and municipalities;
- g) economic disparities within and among the provinces;
- h) obligations of the provinces and municipalities in terms of national legislation;
- i) the desirability of stable and predictable allocations of revenue shares; and
- j) the need for flexibility in responding to emergencies or other temporary needs, and other factors based on similar objective criteria.

Section 16(3) provides that budget in each sphere of government must contain-

- a) estimates of revenue and expenditure, differentiating between capital and current expenditure;
- b) proposals of financing any anticipated deficit for the period which they apply; and
- c) an indication of intentions regarding borrowings and other forms of public liability that will increase public debt during the ensuing year.



4. MMC Finance Report

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 R248 million.

4.1 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 - Unchanged at 6.75%

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

4.2 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 reason 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.

4.3 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

4.4 Summary of the Budget

The total operating and capital expenditure budget appropriation over the 2020/2021 to 2022/2023 MTREF illustrates as follows:

Table 1: Budget Summary

Choose name from list - Table A1 Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	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									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	1 464	954	411	-	120	120	-	-	-
Transfers recognised - operational	216 305	207 730	270 586	193 080	206 876	206 876	230 703	236 763	244 166
Other own revenue	21 979	30 596	29 131	34 720	13 250	13 250	10 965	11 465	12 015
Total Revenue (excluding capital transfers and contributions)	239 747	239 280	300 128	227 800	220 246	220 246	243 956	250 502	258 482
Employee costs	167 250	171 856	176 743	180 354	185 751	185 751	193 158	201 713	211 084
Remuneration of councillors	9 700	13 134	13 020	14 643	13 097	13 097	13 580	14 100	14 600
Depreciation & asset impairment	7 140	86 630	7 206	7 000	7 000	7 000	7 000	5 600	4 480
Finance charges	6 644	9 383	12 950	1 564	1 594	1 594	1 677	1 120	1 763
Materials and bulk purchases	-	640	100	200	200	200	220	250	270
Transfers and grants	13 582	13 972	13 144	12 640	8 248	8 248	8 743	8 743	8 743
Other expenditure	106 394	98 534	44 654	65 216	58 676	58 676	38 372	34 813	31 242
Total Expenditure	310 711	394 150	267 817	281 617	274 566	274 566	262 749	266 339	272 183
Surplus/(Deficit)	(70 964)	(154 870)	32 311	(53 816)	(54 320)	(54 320)	(18 793)	(15 837)	(13 700)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	20 858	55 866	2 598	14 748	2 748	2 748	2 906	3 066	3 235
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	255	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(50 106)	(99 004)	35 164	(39 068)	(51 572)	(51 572)	(15 887)	(12 771)	(10 465)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(50 106)	(99 004)	35 164	(39 068)	(51 572)	(51 572)	(15 887)	(12 771)	(10 465)

Capital expenditure & funds sources									
Capital expenditure	23	14	35	24 739	6 539	6 539	4 650	-	-
Transfers recognised - capital	-	-	-	12 000	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	23	14	35	12 739	6 539	6 539	4 650	-	-
Total sources of capital funds	23	14	35	24 739	6 539	6 539	4 650	-	-
Financial position									
Total current assets	49 827	32 878	37 993	26 721	26 721	26 721	12 147	5 147	2 147
Total non current assets	98 327	86 362	79 921	79 630	79 630	79 630	77 280	71 680	67 200
Total current liabilities	99 940	190 499	167 945	137 191	85 304	85 304	102 594	130 510	198 603
Total non current liabilities	81 774	68 022	53 787	74 589	56 637	56 637	56 637	56 637	56 637
Community wealth/Equity	(33 560)	(139 282)	(104 118)	(105 430)	(35 590)	(35 590)	(69 804)	(110 320)	(185 893)
Cash flows									
Net cash from (used) operating	(31 683)	28 659	24 442	20 506	3 355	3 355	4 650	643	0
Net cash from (used) investing	211	(14)	(35)	(24 739)	(5 861)	(5 861)	(4 650)	-	-
Net cash from (used) financing	(1 897)	(15 290)	(15 547)	-	-	-	-	-	-
Cash/cash equivalents at the year end	(19 465)	(6 113)	2 747	0	0	0	0	643	644
Cash backing/surplus reconciliation									
Cash and investments available	(19 599)	(6 113)	2 747	-	-	-	-	-	-
Application of cash and investments	(43 401)	(37 547)	(30 369)	(30 644)	(76 688)	(76 688)	(15 418)	(3 266)	(711)
Balance - surplus (shortfall)	23 802	31 434	33 116	30 644	76 688	76 688	15 418	3 266	711
Asset management									
Asset register summary (WDV)	97 263	45 100	39 397	-	-	-	-	-	-
Depreciation	9 863	10 500	7 206	7 000	7 000	7 000	7 000	6 400	5 120
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	1 000	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 provide 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

4.5 Financial Performance

Table 2: Budgeted financial performance by revenue and expenditure type

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	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		1 526	1 522	1 566	1 038	1 391	1 391	1 461	1 534	1 611
Interest earned - external investments		1 464	954	411		120	120	-		
Interest earned - outstanding debtors		263	372	537		569	569	427	320	240
Licences and permits		1 189	288	422	700	700	700	400	420	450
Transfers and subsidies		216 305	207 730	270 586	193 080	206 876	206 876	230 703	236 763	244 166
Other revenue	2	19 000	28 414	26 607	32 982	10 590	10 590	10 965	11 465	12 015
Total Revenue (excluding capital transfers and contributions)		239 747	239 280	300 128	227 800	220 246	220 246	243 956	250 502	258 482
Expenditure By Type										
Employee related costs	2	167 250	171 856	176 743	180 354	185 751	185 751	193 158	201 713	211 084
Remuneration of councillors		9 700	13 134	13 020	14 643	13 097	13 097	13 580	14 100	14 600
Debt impairment	3		5 523	842						
Depreciation & asset impairment	2	7 140	86 630	7 206	7 000	7 000	7 000	7 000	5 600	4 480
Finance charges		6 644	9 383	12 950	1 564	1 594	1 594	1 677	1 120	1 763
Bulk purchases	2	-	-	-	-	-	-	-	-	-
Other materials	8		640	100	200	200	200	220	250	270
Contracted services		75 060	59 888	17 241	28 758	22 284	22 284	9 419	9 361	9 615
Transfers and subsidies		13 582	13 972	13 144	12 640	8 248	8 248	8 743	8 743	8 743
Other expenditure	4, 5	31 334	33 124	26 571	36 458	36 392	36 392	28 952	25 452	21 627
Total Expenditure		310 711	394 150	267 817	281 617	274 566	274 566	262 749	266 339	272 183
Surplus/(Deficit)		(70 964)	(154 870)	32 311	(53 816)	(54 320)	(54 320)	(18 793)	(15 837)	(13 700)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		20 858	55 866	2 598	14 748	2 748	2 748	2 906	3 066	3 235
Transfers and subsidies - capital (in-kind - all)				255						
Surplus/(Deficit) for the year		(50 106)	(99 004)	35 164	(39 068)	(51 572)	(51 572)	(15 887)	(12 771)	(10 466)

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 R243 million, and its affected by the following factors:

- Budget cuts on grants appropriated to local government as per DoRA and subsequently to WRDM.
- No capital revenue was appropriated for the District Municipality in the 2020/21 MTREF.
- 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, R8.5 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 R232 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	1,550,000
VAT recovery	8,565,000
Donelson dam	450,000
Fines & penalties	200,000
Total	10,965,000

Expenditure

The municipality's operational expenditure is R262 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:

- Saving of R7.5 million a year on the purchase of fleet cars when lease contract lapses.
- Saving of R15 million a year on the purchase of fire and rescue vehicles when lease term contract ends. The fire and rescue vehicles will be disposed to the local municipalities as part of the transfer of functions in terms of council approved policies.

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
Performance management system	630,000
Rural Asset Management Expenditure	2,906,000
Asset verification	905,116
Valuation of investment in controlled entities	200,000
Legal fees	500,000
Maintenance of municipal assets	575,203
Pauper burials	211,202
Audit committee	221,057
VAT Consultants	300,000
Total	9,419,612

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	4,868,220
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
Total	28,952,279

Table 4: Budgeted financial performance by municipal vote

Choose name from list - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	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		15 371	73 043	91 487	12 371	15 371	15 371	9 322	9 674	10 043
Municipal Manager & Support		–	9 450	7 632	17 119	17 119	17 119	14 057	13 934	14 465
Corporate Services		1 166	18 121	25 538	33 985	36 703	36 703	31 361	32 454	32 368
Budget & Treasury Office		108 191	36 507	35 050	31 491	26 895	26 895	31 049	31 057	31 275
Health & Social Development		6 609	31 975	31 409	36 678	36 678	36 678	35 701	37 685	39 798
Public safety		79 739	65 453	74 311	72 249	72 249	72 249	99 214	103 159	107 083
Regional planning & Economic Development		25 308	48 983	30 913	29 812	17 672	17 672	22 800	22 038	22 899
Development Agency		3 364	7 831	6 642	8 844	308	308	450	500	550
Total Revenue by Vote	2	239 748	291 363	302 982	242 549	222 994	222 994	243 955	250 502	258 482
Expenditure by Vote to be appropriated	1									
Corporate Governance		53 831	83 325	40 194	24 269	23 508	23 508	10 789	10 901	10 989
Municipal Manager & Support		13 892	11 091	13 287	18 010	15 034	15 034	17 133	18 131	19 201
Corporate Services		28 355	31 031	17 798	44 357	43 386	43 386	45 108	45 546	50 927
Budget & Treasury Office		30 650	39 144	31 242	22 549	33 286	33 286	25 036	20 925	18 519
Health & Social Development		31 369	43 097	27 869	36 954	36 448	36 448	33 341	42 012	43 959
Public safety		103 996	131 255	110 899	104 868	101 216	101 216	100 557	96 946	96 047
Regional planning & Economic Development		18 053	44 790	20 038	22 068	17 135	17 135	25 918	27 223	28 716
Development Agency		9 707	6 634	6 492	8 541	4 553	4 553	4 868	4 656	3 825
Total Expenditure by Vote	2	289 853	390 367	267 818	281 617	274 566	274 566	262 749	266 339	272 183
Surplus/(Deficit) for the year	2	(50 105)	(99 004)	35 164	(39 068)	(51 572)	(51 572)	(15 887)	(12 771)	(10 466)

4.6 Grants and Subsidies

Table 5: Budgeted transfers and grants receipts

Choose name from list - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	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:		192,677	195,437	200,112	196,280	195,380	195,380	216,950	225,220	232,623
Local Government Equitable Share		30,273	31,608	34,742	39,436	39,436	39,436	42,397	45,670	49,196
RSC Levy Replacement		158,599	161,579	163,265	153,864	153,864	153,864	172,608	177,450	182,428
Municipal Systems Improvement		1,250			900	0	0	945	1,100	
Finance Management		1,250	1,250	1,000	1,000	1,000	1,000	1,000	1,000	1,000
EPWP Incentive		1,305	1,000	1,105	1,080	1,080	1,080	–	–	–
Provincial Government:		10,474	10,224	10,596	11,548	11,548	11,548	12,173	11,543	11,543
Health Subsidy		7,174	7,424	7,796	8,248	8,248	8,248	8,743	8,743	8,743
Performance Management Services					500	500	500	630		
Library Grant		3,300	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Other grant providers:		–	–	–	–	2,696	2,696	1,580	–	–
LG SETA					–	2,696	2,696	1,580		
Total Operating Transfers and Grants	5	203,151	205,661	210,708	207,828	209,624	209,624	230,703	236,763	244,166
Capital Transfers and Grants										
National Government:		3,480	2,589	2,594	14,748	2,748	2,748	2,906	3,066	3,235
Rural Households Infrastructure		3,480	2,589	2,594	2,748	2,748	2,748	2,906	3,066	3,235
Total Capital Transfers and Grants	5	3,480	2,589	2,594	14,748	2,748	2,748	2,906	3,066	3,235
TOTAL RECEIPTS OF TRANSFERS & GRANTS		206,631	208,250	213,302	222,576	212,372	212,372	233,609	239,829	247,401

Total grants and subsidies (Including capital grants) as per DoRA and provincial gazettes amounts to R233 million.

4.7 Summary of Capital Budget

Table 6: Capital budget

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	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>		23	14	35	6,200	–	–	4,650	–	–
Finance and administration		23	14	35	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	23	14	35	24,739	6,539	6,539	4,650	–	–
Funded by:										
National Government		–	–	–	12,000	–	–			
Transfers recognised - capital	4	–	–	–	12,000	–	–	–	–	–
Internally generated funds		23	14	35	12,739	6,539	6,539	4,650		
Total Capital Funding	7	23	14	35	24,739	6,539	6,539	4,650	–	–

6.1. The vehicle operating lease contract will be coming to an end in 2019/20 financial year.

Based on cost vs benefit analysis the Municipality anticipates an outright purchase of approximately R4.5 million for fleet vehicles which may be needed for service delivery.

4.8 Cash Flow

Table 7: Budgeted cash flow

Choose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Other revenue		19,835	34,844	24,634	40,022	38,223	38,223	17,011	8,954	5,061
Transfers and Subsidies - Operational	1	210,681	285,797	276,412	207,828	206,928	206,928	230,703	236,763	244,166
Transfers and Subsidies - Capital	1	18,850	53,277	–	14,748	2,748	2,748	2,906	3,066	3,235
Interest		1,464	954	411		120	120	–	–	–
Payments										
Suppliers and employees		(268,356)	(344,531)	(275,276)	(229,451)	(230,430)	(230,430)	(233,970)	(266,193)	(282,132)
Finance charges		(574)	(1,683)	(1,739)	–	(1,594)	(1,594)	(1,677)	(1,763)	(1,763)
Transfers and Grants	1	(13,582)	–	–	(12,640)	(12,640)	(12,640)	(10,323)	(8,743)	(8,743)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(31,683)	28,659	24,442	20,506	3,355	3,355	4,650	(0)	–
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		234	(14)	(35)				–	–	–
Payments										
Capital assets		(23)	–	–	(24,739)	(5,861)	(5,861)	(4,650)	–	–
NET CASH FROM/(USED) INVESTING ACTIVITIES		211	(14)	(35)	(24,739)	(5,861)	(5,861)	(4,650)	–	–
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
Repayment of borrowing		(1,897)	(15,290)	(15,547)				–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,897)	(15,290)	(15,547)	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD										
Cash/cash equivalents at the year begin:	2	13,904	(19,468)	(6,113)	4,233	2,506	2,506	–	0	–
Cash/cash equivalents at the year end:	2	(19,465)	(6,113)	2,747	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.

4.9 Financial Position

Table 8: Budgeted financial position

Choose name from list - Table A6 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	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		2,401	–	2,747	–	–	–	–	–	–
Other debtors		47,037	32,411	34,859	26,585	26,585	26,585	12,012	5,012	2,012
Inventory	2	389	467	387	136	136	136	136	136	136
Total current assets		49,827	32,878	37,993	26,721	26,721	26,721	12,147	5,147	2,147
Non current assets										
Long-term receivables		1,055	558	255	–	–	–	–	–	–
Investment property		4,680	5,100	5,600	5,800	5,800	5,800	5,800	5,800	5,800
Property, plant and equipment	3	91,463	65,787	58,857	58,912	58,912	58,912	55,562	49,162	44,042
Biological		1,112	338	331	338	338	338	338	338	338
Intangible		18	0	0	–	–	–	–	–	–
Other non-current assets		–	14,579	14,579	14,579	14,579	14,579	14,579	14,579	14,579
Total non current assets		98,327	86,362	79,621	79,630	79,630	79,630	76,280	69,880	64,760
TOTAL ASSETS		148,154	119,240	117,614	106,351	106,351	106,351	88,427	75,027	66,907
LIABILITIES										
Current liabilities										
Bank overdraft	1	22,000	6,113	–	–	–	–	–	–	–
Borrowing	4	1,566	11,593	13,095	–	–	–	–	–	–
Trade and other payables	4	56,530	169,138	150,932	131,836	81,131	81,131	98,421	126,337	194,430
Provisions		19,845	3,656	3,919	5,355	4,173	4,173	4,173	4,173	4,173
Total current liabilities		99,940	190,499	167,945	137,191	85,304	85,304	102,594	130,510	198,603
Non current liabilities										
Borrowing		50,375	13,095	–	–	–	–	–	–	–
Provisions		31,399	54,927	53,787	74,589	56,637	56,637	56,637	56,637	56,637
Total non current liabilities		81,774	68,022	53,787	74,589	56,637	56,637	56,637	56,637	56,637
TOTAL LIABILITIES		181,715	258,521	221,732	211,780	141,941	141,941	159,231	187,147	255,240
NET ASSETS	5	(33,560)	(139,282)	(104,118)	(105,430)	(35,590)	(35,590)	(70,804)	(112,120)	(188,333)
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		(33,560)	(139,282)	(104,118)	(105,430)	(35,590)	(35,590)	(70,804)	(112,120)	(188,333)
TOTAL COMMUNITY WEALTH/EQUITY	5	(33,560)	(139,282)	(104,118)	(105,430)	(35,590)	(35,590)	(70,804)	(112,120)	(188,333)

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
- Cost Containment Policy

2. The item be tabled to Council.