

ITEM 30**BUDGET AND TREASURY OFFICE: PROGRESS ON THE IMPLEMENTATION OF THE FINANCIAL TURN AROUND STRATEGY FOR QUARTER ENDED 31 DECEMBER 2024****5/1****PURPOSE**

The purpose of this report is to inform the Section 80 Committee about the progress made on the Financial Turnaround strategy of the West Rand District Municipality.

INTRODUCTION

The council approved the Financial Turnaround strategy as part of the budget related policies that were tabled with the 2020-2021 Annual Budget on 29 June 2020. The said strategy was reviewed and approved by council when the 2024-2025 Annual Budget was approved on 28 May 2024

The progress reported aims to provide cost benefit analysis that has been achieved from the previous fiscal period which affects medium to long term goals/objectives. This is performed for the municipality to achieve a funded budget in medium to long term goals.

RECOMMENDATIONS THAT:

1. Council takes note 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.

1R,1P,1A,1S
1 REGION, 1 PLAN, 1 ACTION
1 SYSTEM



WEST RAND FOR A BETTER LIFE FOR ALL



West Rand
District Municipality

WEST RAND DISTRICT MUNICIPALITY



**QUARTELY PROGRESS REPORT ON THE IMPLEMENTATION OF THE
FUNDING BUDGET PLAN
31 DECEMBER 2024**

TABLE OF CONTENTS

<u>1.</u>	<u>Background</u>	4
<u>2.</u>	<u>Discussion</u>	4
<u>2.1.1.</u>	<u>Revenue enhancement</u>	4
<u>2.1.2.</u>	<u>Improvement of collection Rate</u>	4
<u>2.1.3.</u>	<u>Cash Flow Management</u>	5
<u>2.1.4.</u>	<u>Cost Containment Measures</u>	5
<u>2.1.5.</u>	<u>Debtors and creditors</u>	5
<u>2.2.</u>	<u>COST CONTAINMENT MEASURES (Short to medium term)</u>	6

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 (13% 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**

Assessing the Collection Ratio will provide an indication of the performance against a number of areas, for example:

Quality of Credit Control - ensuring that what is billed is collected; and Quality of Revenue Management - the ability to set affordable tariffs and bill correctly. The average collection rate to date is at 100% (YTD actual cash collected/YTD budgeted cash to be collected) including of grants and transfers. The over-

collection was due to second trench of equitable share and a second distribution recovered from impairment of investment (VBS). The collection rate realised have a positive impact on the total operating revenue for the quarter ended in December 2024.

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 R67,7 million which represents funds available for the municipality to pay their creditors when due. The cash flow of the municipality will not be enough to cover normal operations after considering short term obligations for the next three months.

The municipality do not have sustainable revenue streams to raise the more cash.

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. 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 book for the suppliers has decreased from R27 million as reported in the previous quarter to R23 million as at end of December 2024. The creditors within 30 days are paid timeously.

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)	Progress to date Q2
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 is being transferred from Sibanye Still water to the District. Transfer is presently in process of being finalised by the conveyancer.	The District to commence the process of transfer of transferring Merafong Flora back to GDARD	(R2 100 000)	The land has finally been registered and transferred to the WRDM. Discussions are underway with both GDARD and Land bank on their involvement on the project.
2	Increase fire prevention fees	The collection rate was not in line with other municipalities, benchmark exercise was done within Gauteng municipalities and other municipalities outside the province	The municipality is implementing 10% increase which is above inflation rate to cover the shortfall	The compliance certificate will be issued to consumers	To ensure that billing is done correctly and updated on the system	R2000 000	The increase will be implemented in the new financial 2024/25
3	Increase working capital management (investing funds not immediately needed for short-term)	Municipality opened call accounts for short term investments to invest funds that are not yet utilized to generate interest income	To raise internal generated revenue while ring-fencing conditional grants	To invest funds and make them available for their intended use as and when required	Internal transfers on municipal bank accounts	R395 000	The municipality has realized an interest income to date from short term investments
4	Collect from outstanding debtors	The municipality have long outstanding debtors from the rental of facilities for commercial sales. Other businesses are closed while others are still operating	To collect from outstanding debtors and initiate payment arrangement	The municipality will issue letter of demand and effect the eviction process to debtors not adhering with payment arrangement	Send letter of demand and implement credit control policy	R 3000 000	The municipality has sent letters of demand and subsequently had meetings which resulted with a provisional payment arrangement.
5	Aggressive implementation of health inspection bi-laws	The municipality is performing health inspection for shops and restaurants operating in west rand. It also	To ensure that shops and restaurant comply with health inspection bi-laws.	To keep track of all shops and restaurant that are complying and enforce compliance	The management to ensure the aggressive implementation of health inspection bi-laws that will reflect	R 700 000	The municipality is conduction health inspection, issue notice to businesses that are not in compliance with bi-laws and advise on compliance process.

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)	Progress to date Q2
		generate additional revenue through licence and permit for health services		to those that are not up to date with health inspection bi-laws	positively on revenue collection while improving health services in the West Rand		
6	Strengthen Air Quality Regulation	The municipality is collecting other revenue from licence and permit on air quality. The tariff charges should be aligned with the regulation and ensure compliance to industries operating in the West Rand Region	Revise the tariff charge to ensure that the municipality is charging in accordance with the regulation.	To keep track of all companies that are complying and enforce compliance to those that are not up to date with regulation requirements.	The management to conclude on the implementation of enforcing compliance	R 300 000	The existing consumers are currently complying with the regulation.
7	To settle long service leave (50%)	The municipality presently has a long service award long- term obligation of R26.3 million of which R11.1 million is immediately payable. The total liability is not cash backed and contributes to a R98 million negative net asset value.	The municipality to pay the employees owed the long service award	The municipality to draft the payment plan to prevent liability to increase further.	Management to negotiate payment schedule with Organised labour on the intention to table report to Council	(R5 550 000)	The negotiated with organized labour are not yet finalised
8	Persuade employees entitled on long service leave to waive 50% for leave to be taken.	The municipality is currently owing long service award of R26.3 million.	The 50% owed to the employees be waived by encouraging employees to take leave and the other 50% to be in monetary value	To be formally communicated before implementation takes place	Management to determine the implementation period	(5 550 000)	The negotiated with organized labour are not yet finalised
9	Elimination of long service award (bonus) based on	The municipality is currently owing long service award of R26.3	The municipality to table the review of the long service award policy to	Municipal Council to approve exemption of the policy to	Management to negotiate with Organised labour on	(R1 918 080)	The municipality to review the policy and implement changes after Council

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)	Progress to date Q2
	the non-inclusion of the long service award in the regional collective agreement and the review of the policy.	million which is not cash backed.	Council so that the exemption of the policy be approved.	prevent liability from increase further.	the intention to table the review of the long-service award policy to Council		approval
10	Review rental tariffs to ensure rental charges are market related	The municipality is presently owning residential accommodation that is occupied by municipal employees that generates rental income of R144 000 per annum in total.	The municipality wants to strengthen it's revenue muscle and increase rentals from R500.00 to market related rental charges. The municipality proposes to address structural issues, preventing deterioration and preserving the integrity of the municipal properties over time by investing on property repairs and maintenance	The revenue from rentals will assist in operational costs of maintaining the municipal properties to enhance their functionality and extend their lifespan.	The management to review lease agreements Item to be tabled to Council once management and affected employees has reached the consensus	R 520 000	The municipality has implemented a market related rate of R2000.
11	Insourcing of VAT recovery services	The contracted services for VAT services was not renewed in 2023/24 financial year due to cost containment measures	The vat services will be performed in Finance department by a qualified employee. underwent trainings while working for the municipality in finance department	Enroll employees with various taxation and accounting 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.	R895 000	VAT returns are done in-house by Finance employees that undergone VAT trainings. The municipality is maintaining the annual membership fees.
12	Leasing of Donaldson Dam facilities	To source funding for feasibility study with aim of commercializing Donaldson	To get the private investor to run the facility to shift all cost implications from WRDM	To receive revenue from the lease and save on all costs that would be	The funder will bear all the cost pertaining to PPP	(R 960 000)	The notice for the public to express their objections on the intention to advertise to give a private Entity the rights to manage and control the

No	Priority Turn Around Focal Area	Current Situation/ Baseline)	Target (Changed Situation)	Municipal Action	Resource allocated	Projected income/ (savings)	Progress to date Q2
		Dam to enter into PPP agreement		transferred to the lesser			dam has already been done as part of the process.
13	To insource skills internal to deal with bargaining council cases	The municipality is sitting with cases that are reported to bargaining council and High court. These legal matters may have financial implication	All cases with bargaining council to be resolved by internally and outsource for cases that are taken to High court	To settle dispute through conciliation by official body	Negotiations with relevant parties on cases have not taken to high court	Not established yet	To be implemented in the 2024/25 financial year