



REPORT TO : Finance Portfolio Committee

DATE : 14 May 2020

1. ITEM NUMBER FNPC 12/06/20

2. SUBJECT

FINANCE DIRECTORATE: FINANCIAL PERFORMANCE FOR THE PERIOD ENDING APRIL 2020

ONDERWERP

DIREKTORAAT FINANSIES: FINANSIËLE PRESTASIE VIR DIE TYDPERK GEËINDIG APRIL 2020

ISIHLOKO

ICANDELO LOLAWULO LWEZEMALI: INDLELA YOKUSETYENZISWA KWEZIMALI KWISITHUBA ESIPHELA NGO-APRIL 2020

3. DELEGATED AUTHORITY

In terms of delegation

This report is For NOTING by

- Committee name: Finance
- The Executive Mayor ito Delegated authority
- The Executive Mayor together with the Mayoral Committee (MAYCO)
- Council

4. DISCUSSION

4.1 Operating Revenue and Expenditure

The tables below and ensuing paragraphs provide details on revenue received and expenditure incurred by the Finance Directorate. Remedial actions to address variances are proposed, where relevant.

Finance Directorate: Operating Budget (excluding Rates) for April 2020

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
Revenue				
Interest earned – External Investment	-913 256 448	-840 277 806	-1 085 912 499	29%
Agency services	-206 570 158	-168 109 305	-174 455 261	4%
Transfers and Subsidies	-253 138 488	-90 502 651	-143 600 451	59%
Other Revenue	-48 640 175	-34 310 104	-34 245 570	0%
Secondary Revenue	-1 410 407 170	-1 175 339 308	-1 172 492 794	0%
Accumulative Surplus	267 859 445	0	0	
Total Revenue	-2 564 152 994	-2 308 539 174	-2 610 706 575	13%
Expenditure				
Salary Related costs	826 274 203	689 152 583	664 305 974	-4%
Depreciation of PPE	17 181 103	14 317 587	13 789 489	-4%
Finance charges	721 144 092	634 202 240	634 202 241	0%
General Expenses / Other	463 354 668	317 996 159	272 733 356	-14%
Secondary Expenditure	-836 791 252	-671 973 910	-606 239 679	-10%
Appropriations	131 478 927	-79 747 064	-75 977 539	-5%
Total Expenditure	1 322 641 742	903 947 595	902 813 841	0%

4.1.1 Revenue

Actual operating revenue received amounted to R2.6 billion, compared to the year to date budgeted provision of R2.3 billion. A variance of 13% was recorded and revenue received represents 102% of the annual forecast. Elements showing material variances are the following:

- **Interest Earned – External Investments**

The interest income received year to date amounted to R1.1 billion which includes interest earned of R200 million on non-current investments (non-cash), compared to R840 million year to date budget with the same inclusion. The variance is a result of investment interest income greater than expected, due to higher than expected cash and investment fund balances.

Remedial Action: No remedial action required.

- **Transfers and subsidies**

The actual revenue received amounted to R144 million, compared to R91 million year to date budget provision. The variance is primarily due to earlier than anticipated income realised in respect of the VAT portion on a number of USDG projects currently in progress.

Remedial action: Period budget will be redressed accordingly.

4.1.2 Expenditure

Actual operating expenditure amounted to R903 million, compared to the year to date budgeted provision of R904 million. A year to date variance of nil was recorded and actual expenditure represents 68% of the annual forecast. Elements showing material variances were the following:

- **General Expenses**

The actual expenditure amounted to R272 million, compared to the year to date provision of R318 million. Variance due to under-spending on the following items:

- Insurance Premiums and Insurance Claims - where premiums paid was slightly less than planned and actual claims were fewer than planned.
- Collection Fees – Collection costs are dependent on the number of handovers and actions instituted by attorneys. Collection processes were hampered by COVID19 conditions over lockdown having a negative effect on collection fees.

Remedial action: Insurance expenditure will be analysed and budget to be re-aligned accordingly. Collections are expected to optimally resume post lockdown.

- **Secondary Expenditure**

The actual expenditure amounted to R606 million, compared to the year to date budget of R672 million. The variance of 10% is attributed to a combination of over and under expenditure of secondary cost elements, the major one being the support services variance. Support services charges are based on the expenditure of sender departments. Under-spending on sender departments therefore results in under recovery of support services charges which would reflect as the under-spending for receiver departments.

Remedial Action: No remedial action required.

- **Appropriations**

The variance is mainly attributed to the Capital Replacement Reserve where April 2020 actuals will be processed in May 2020.

Remedial Action: Treasury Department to ensure timeous processing of transactions.

Finance Directorate: Operating Rates Budget for April 2020

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
Revenue				
Property Rates	-9 710 785 915	-8 108 984 122	-8 147 951 356	0%
Services Charges - Other	287 132 840	239 277 367	188 868 227	-21%
Interest earned – Outstanding Drs	-107 931 264	-86 942 720	-97 687 238	12%
Transfers and Subsidies	-5 261 019 717	-5 261 019 717	-5 261 019 717	0%
Secondary Revenue	-1 470 389 725	-1 201 991 437	-1 172 074 591	-2%
Accumulative Surplus	-900 000 000	0	0	
Total Revenue	-17 162 993 781	-14 419 660 631	-14 489 864 675	0%
Expenditure				
Salary Related costs	496 505 041	150 556 403	153 930 990	2%
Debt impairment	396 778 915	330 649 096	330 649 096	0%
Transfers and subsidies	47 400 000	-	-	
General Expenses / Other	79 910 004	65 975 345	67 538 796	2%
Secondary Expenditure	3 461 246 343	2 883 540 324	2 921 096 550	1%
Total Expenditure	4 481 840 303	3 430 721 167	3 473 215 432	1%

- **Service Charges – Other**

The actual revenue amounted to R189 million, compared to the year to date budget of R239 million. The variance is a result of lower than planned indigent applications by customers who qualify for assistance relating to refuse charges.

Remedial Action: Revenue Department to monitor on monthly basis in the context of COVID19 conditions.

- **Interest Earned – Outstanding Debtors**

The actual revenue amounted to R98 million, compared to the year to date budget of R87 million. The variance is due to higher than planned interest earned on outstanding property rates debtor's accounts.

Remedial Action: No remedial action required.


4.2. **Capital Expenditure**

The annual Capital Budget of the Finance Directorate amounts to R109 million, of which R38 million has been spent. Comments on the status of Capital spend for the Directorate are provided below.

Finance Directorate: Capital Budget for April 2020

Department	Current Budget	YTD Plan April	YTD Actual April	YTD % Spent	Comments
Budgets	377 651	377 651	375 321	99%	Projects completed, minor saving realised.
Cape Town Stadium	74 980 068	29 553 684	22 026 443	29%	Suites at the Stadium: Construction was put on hold in April 2020 as a result of the COVID-19 lockdown. Work recommenced on 1 May 2020. A portion of the project will be rephased to the 2020/21 fin. year.
Expenditure	545 339	481 194	527 297	97%	Orders delivered earlier than anticipated.
Finance: Fin	69 000	66 693	66 693	97%	In line with target.
Grant Funding	404 926	364 655	203 195	50%	Orders placed; awaiting delivery.
HR Bus.Partner	100 700	76 500	82 442	82%	Orders delivered earlier than anticipated.
Mang. Finance	263 429	0	0	0%	Orders placed; delays in delivery, due to the COVID-19 lockdown.
Revenue	22 510 370	11 638 518	9 183 542	41%	1. System Enhancement - Orders placed; awaiting delivery. Due to National lockdown, it is anticipated that an amount of R124,076 will be under spent by 30 June 2020 2. Furniture and Equipment- Orders placed via RFQ; awaiting delivery. R1,104,451 is rolled over to the 2020/21 financial year due unavailability of the furniture tender 043G2019/20.
SCM	2 300 622	1 413 620	1 765 725	77%	Orders delivered earlier than anticipated.
Support Services	116 600	116 600	116 483	100%	Project complete, small savings realised.
Treasury	296 939	225 000	242 480	82%	Orders delivered earlier than anticipated.
Valuations	6 754 950	3 380 654	3 866 092	57%	Aerial Photography commenced earlier than anticipated.
Finance Directorate	108 720 594	47 694 769	38 455 713	35%	1. CTS Suites: Construction was put on hold in April 2020 as a result of the COVID-19 lockdown. Work recommenced on 1 May 2020. 2. Furniture & Equipment: Unavailability of the furniture tender. 3. IT equipment: Delays in delivery, due to the COVID-19 lockdown.

- 4.3. Financial implications None Opex Capex
 Capex: New Projects
 Capex: Exist projects requiring additional funding
 Capex: Existing projects with no additional funding
- 4.4. Legal Compliance None
- 4.5. Staff Implications Yes No
- 4.6. Policy and Strategy Yes No
- 4.7. Legislative Vetting Yes No
- 4.8. Risk Implications Yes No



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5. RECOMMENDATIONS

It is recommended that the overall interim financial performance of the Finance Directorate for the period ending April 2020 be noted.

AANBEVELING

Daar word aanbeveel dat kennis geneem word van die tussentydse finansiële prestasie van die direktoraat finansies vir die tydperk geëindig April 2020.

IZINDUDULO

Kundululwe ukuba makuqwalaselwe ingxelo engendlela yokusetyenziswa kwezimali iyonke yeCandelo loLawulo lweziMali kwisithuba esiphela ngo-April 2020.

ANNEXURES – none

FOR FURTHER DETAILS CONTACT

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DIRECTORATE	Finance	FILE REF NO	FinRepApr20
FINANCE MANAGER			

CHIEF FINANCIAL OFFICER

NAME	KEVIN JACOBY	COMMENT:
DATE	15 May 2020	
SIGNATURE		

LEGAL COMPLIANCE

- REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.
 NON-COMPLIANT

NAME		COMMENT:
DATE		
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Executive Director	Kevin Jacoby	Approved	19.05.2020	10:47:56	Report approved
Section	User ID	Approval status	Date	Time	Comments
Legal Compliance	Joan Mari Holt	Approved with Comments	20.05.2020	06:51:49	For information.
Section	User ID	Approval status	Date	Time	Comments
Chairperson	Siseko Mbandezi	Approved	21.05.2020	14:51:26	