



DATE:

REPORT TO: FINANCE PORTFOLIO COMMITTEE

**09 MAY 2022**

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**1. ITEM NUMBER FNPC 09/05/22**

**2. SUBJECT**

**FINANCE DIRECTORATE: FINANCIAL PERFORMANCE FOR THE PERIOD  
ENDING MARCH 2022**

**ONDERWERP**

**DIREKTORAAT FINANSIES: FINANSIËLE PRESTASIE VIR DIE TYDPERK  
GEËINDIG MAART 2022**

**ISIHLOKO**

**ICANDELO LOLAWULO LWEZEMALI: INDLELA YOKUSETYENZISWA  
KWEZIMALI KWISITHUBA ESIPHELA EYO-KWINDLA 2022**

**3. DELEGATED AUTHORITY**

In terms of delegation

This report is FOR NOTING BY

**Committee name** : Finance

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 (excl. Rates) for March 2022**

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
<b>Revenue</b>				
Interest earned – External Investment	-897 069 917	-671 035 251	-695 597 913	4%
Agency services	-255 000 000	-187 121 599	-191 879 847	3%
Transfers and Subsidies	-203 636 379	-133 037 193	-121 748 136	-8%
Other Revenue	-39 349 855	-33 363 254	-87 074 312	161%
Secondary Revenue	-1 351 747 332	-1 013 810 499	-1 004 900 508	-1%
Accumulative Surplus	337 534 478	0	0	0%
<b>Total Revenue</b>	<b>-2 409 269 005</b>	<b>-2 038 367 796</b>	<b>-2 101 200 716</b>	<b>3%</b>
<b>Expenditure</b>				
Salary Related costs	875 738 359	653 133 054	646 270 358	-1%
Depreciation of PPE	21 589 822	16 192 366	16 044 198	-1%
Finance charges	732 962 169	545 950 734	549 721 627	1%
General Expenses / Other	447 112 660	274 567 017	266 781 902	-3%
Secondary Expenditure	-875 152 069	-639 869 279	-603 124 236	-6%
Appropriations	51 657 534	38 698 150	-250 055 005	-746%
<b>Total Expenditure</b>	<b>1 253 908 475</b>	<b>888 672 044</b>	<b>625 638 845</b>	<b>-30%</b>

#### 4.1.1 Revenue

Actual operating revenue received amounted to R2,1 billion, compared to the budgeted provision of R2 billion. A variance of 3% is observed. Elements showing material variances are the following:

- **Transfers and Subsidies**

The actual revenue realised amounted to R122 million, compared to R133 million year to date budget provision. The actual revenue is primarily due to income-realised derivative of the VAT portion on a number of USDG projects currently in progress.

Remedial Action: Period budget will be redressed accordingly

- **Other Revenue**

The actual revenue realised amounted to R87 million, compared to the year to date budgeted provision of R33 million. The variance is a result of:

- a) Collection Charges accrued, due to an increase in the number of customers handed over to lawyers for outstanding debt. Which resulted to more income recovered than anticipated.
- b) Discounts, in 2017 the Cape Metropolitan Pension Fund allocated surplus to the City (R100m), which surplus was then transferred to the Employer Surplus Account (ESA). It was agreed that the surplus would be utilised to fund a contribution holiday. After the period, there was a small balance that remained in the ER surplus account. This balance has since grown (with investment return) to R9 490 712.14. In order to bring the ESA balance down to zero, our administrators (Alexander Forbes)

cleared out the ESA account balance and credited it as a pre-payment of the employer contributions to the Cape Metropolitan Pension Fund for the month of August 2021. In effect a discount on the amount owing for the employer contributions to the fund.

- c) Cash Recoveries Claims, due to the recovery of various SASRIA claims in respect of Riot/Protest damage to several MyCiti Bus Stations.

Remedial Action: To be monitored by line department.

#### 4.1.2 Expenditure

Actual operating expenditure amounted to R626 million, compared to the year to date budget provision of R889 million. A variance of -30% is observed, Elements showing material variances are the following:

- **Secondary Expenditure**

The actual expenditure amounted to R603 million, compared to the year to date budgeted provision of R640 million. The variance 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 the sender departments. Under-spending on sender departments therefore results in under recover of support services charges which would reflect as the under-spending for receiver departments.

Remedial Action: No remedial action required.

- **Appropriations**

Appropriations shown as expenditure are all movements within the net assets, which includes CRR, depreciation offsets (FDR) and the Insurance fund. The CRR funds for the Imizamo Yethu (IY) project of R200m were written out of the CRR back to general surpluses. The Human Settlements directorate has, however, identified other projects for which these funds will be used, therefore they will be re-appropriated to the CRR once the projects have been approved in the annual budget.

Remedial Action: No remedial action required.

#### 4.1.3 Revenue and Expenditure for Rates

**Finance Directorate: Operating Rates Budget for March 2022**

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
<b>Revenue</b>				
Property Rates	-10 690 730 000	-8 017 916 501	-7 671 981 218	-4%
Interest earned – Outstanding Debtors	-95 378 252	-73 947 970	-85 709 472	16%
Transfers and Subsidies	-3 082 477 296	-3 082 477 296	-3 082 477 296	0%
Other Revenue	-2 608 900 000	-2 608 900 000	-2 627 377 275	1%
Secondary Revenue	-1 651 695 281	-1 238 771 461	-1 238 322 124	0%
Accumulative Surplus	-96 478 706	0	0	0%
<b>Total Revenue</b>	<b>-18 225 659 535</b>	<b>-15 022 013 228</b>	<b>-14 705 867 385</b>	<b>-2%</b>
<b>Expenditure</b>				
Salary Related costs	387 527 318	151 691 052	155 042 665	2%
Debt impairment	474 086 946	368 065 209	368 065 209	0%
General Expenses / Other	123 140 000	93 770 699	99 545 437	6%
Secondary Expenditure	3 621 419 633	2 715 020 125	2 703 909 041	0%
<b>Total Expenditure</b>	<b>4 606 173 897</b>	<b>3 328 547 085</b>	<b>3 326 562 352</b>	<b>0%</b>

- **Property Rates**

The actual revenue accrued amounted to R7.7 billion compared to the year to date budget provisions of R8 billion.

- i. The majority of the rates income accrual under recovery is due to appeal decisions. The Appeal Board has been fast-tracking outstanding appeals for the 2018 General Valuation roll (GV2018). Appeal decisions that do not uphold the City objection outcomes will result in the municipal accounts being reversed and recalculated from 1 July 2019, the implementation date of GV2018.
- ii. Further adjustments in the accrued income are being made as the City processes applications from property owners to move from one property category to another. The new property categories implemented by the City, as a strategy to support not for profit organisations providing essential support to those suffering the effects of the pandemic and other social ills, result in property rates being lowered significantly due to the different rate-in-the-Rand applied.

Remedial Action: Currently 99,97% of the appeals received for the GV and subsequent Supplementary Valuations rolls are complete and the accrual under-recovery will be monitored, with lessons learned implemented in future budgeting processes. This will be monitored by line department

- **Interest Earned – Outstanding Debtors**

The actual revenue accrued amounted to R86 million, compared to the year to date budget provisions of R74 million. The over recovery is due to Interest on Arrear Rates, due to higher than planned interest earned on outstanding property rates accounts

Remedial Action: No remedial action required.

- **General Expense – Other**

The actual amounted to R100 million, compared to the year to date budget provisions of R94 million. The variance is a result of over expenditure on Indigent Relief: Electricity- Eskom Re-Imburse due to more application received for the relief.

Remedial Action: Budget provision to be reviewed and adjusted.

#### 4.2. **Capital Expenditure**

The annual Capital Budget of the Finance Directorate amounts to R16, 5 million, of which R 8 041 475 is spent. Comments on the status of Capital spend for the Directorate are provided below.

#### **Finance Directorate: Interim Capital Budget results for March 2022**

Department	Current Budget	YTD Planned Budget	YTD Actual Spent	YTD % Target	YTD % Spent	Comments	Remedial Action
Budgets	60,000	0	20,598	0%	34%	Some items were delivered earlier than anticipated. Further orders have been placed, awaiting delivery. Minor savings to be realised.	To be monthly monitored by the department.
Cape Town Stadium	881,065	566,065	351,485	64%	40%	<b>IT Equipment Replacement:</b> Orders to be placed once the printer tender 117G/2015/16 refresher is concluded and tender is active on SAP.	To be monthly monitored by the department.
Expenditure	187,495	162,616	187,224	87%	100%	Above target.	Not Applicable
Grant Funding	44,850	44,850	1,349	100%	3%	<b>IT Equipment:</b> Orders placed; awaiting delivery. Delivery is taking longer than anticipated due to supplier	To be monthly monitored by the department.
Management Finance	153,815	0	0	0%	0%	Insurance provision to be utilised when an insurance claim is settled and the replacement asset must be	Not Applicable
Revenue	10,952,710	3,087,047	4,221,115	28%	39%	Above target.	Not Applicable
SCM	1,293,024	915,024	677,955	71%	52%	<b>Computer Equipment:</b> Replacement: Some orders delivered. Further orders placed; awaiting delivery. Variance is due to supplier	To be monthly monitored by the department.
Treasury Services	193,587	43,587	0	23%	0%	Multi-funded project: Orders placed; awaiting delivery. Delivery is taking longer than anticipated due to supplier constraints..	To be monthly monitored by the department.
Support Services	3,450	3,450	852	100%	25%	Ordered item delivered. Awaiting invoice from the vendor.	Follow up with the vendor to send the invoice to be GRN'd.
Valuations	2,772,023	1,144,143	2,580,897	41%	93%	Above target. Awaiting for last order to be delivered.	To be monthly monitored by the department.
<b>Finance Directorate</b>	<b>16,542,019</b>	<b>5,966,782</b>	<b>8,041,475</b>	<b>36%</b>	<b>49%</b>	<b>Above target.</b>	<b>Departments to follow up on all that's outstanding.</b>

- Financial Implications  None  Opex  Capex  
 Capex: New Projects  
 Capex: Existing projects requiring additional funding  
 Capex: Existing projects with no additional funding requirements
- Policy and Strategy  Yes  No
- Legislative Vetting  Yes  No
- Legal Implications  Yes  No
- Staff Implications  Yes  No
- Risk Implications  Yes The risks for approving and/or not approving the recommendations are listed below:  
 No Report is for decision and has no risk implications.  
 No Report is for noting only and has no risk implications.
- POPIA Compliance  Yes It is confirmed that this report has been checked and considered for POPIA compliance.

## 5. RECOMMENDATIONS

It is recommended that the overall financial performance of the Finance Directorate for the period ending March 2022 be noted.

**AANBEVELING**

Daar word aanbeveel dat kennis geneem word van die finansiële prestasie van die direktoraat finansies vir die tydperk geëindig Maart 2022.

**IZINDUDULO**

Kundululwe ukuba makuqwalaselwe ingxelo engendlela yokusetyenziswa kwezimali iyonke yeCandelo loLawulo lweziMali kwisithuba esiphela KweyoKwindla 2022.

**ANNEXURES - NONE****FOR FURTHER DETAILS CONTACT**

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DIRECTORATE	Finance	FILE REF No	FinRepMar22

## Approval Form

Supported for inclusion on the agenda



### Finance Performance Report March 2022

**Report Reference:** 520009  
**Meeting:** Section 79 Portfolio Committee - Finance  
**Meeting Date:** 09.05.2022  
**Meeting Venue:** Meeting Room 2 6th Floor Podium  
  
**Contact Person:** Daniel Clegg  
**Contact Telephone:** 0829638598  
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Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	DANIEL(DANNY) CLEGG	Approved	20.04.2022 09:45:49	
02	Director	Kevin Jacoby	Approved	20.04.2022 10:33:51	
03	Executive Director	Kevin Jacoby	Approved	20.04.2022 10:35:10	
04	Legal Compliance	Joan Mari Holt	Approved with Comments	21.04.2022 11:29:34	For information.

**ECS Officer:**