

REPORT TO: Finance Portfolio Committee

1. ITEM NUMBER **FNPC 12/03/23**

2. SUBJECT

FINANCE DIRECTORATE: FINANCIAL PERFORMANCE FOR THE PERIOD
ENDING JANUARY 2023

ONDERWERP

DIREKTORAAT FINANSIES: FINANSIËLE PRESTASIE VIR DIE TYDPERK
GEËINDIG JANUARIE 2023

ISIHLOKO

ICANDELO LOLAWULO LWEZEMALI: INDLELA YOKUSETYENZISWA
KWEZIMALI KWISITHUBA ESIPHELA EYOMQUNGU 2023

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 January 2023

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
Revenue				
Interest earned – External Investment	-1 250 108 503	-720 324 198	-752 733 256	4%
Agency services	-257 125 000	-153 125 000	-155 201 384	1%
Transfers and Subsidies	-172 594 581	-65 643 455	-67 928 706	3%
Other Revenue	-36 248 905	-16 173 934	-41 128 630	154%
Secondary Revenue	-1 462 243 668	-852 975 474	-870 644 594	2%
Accumulative Surplus	371 175 915			0%
Total Revenue	-2 807 144 742	-1 808 242 061	-1 887 636 570	4%
Expenditure				
Salary Related costs	923 896 119	538 464 477	528 740 295	-2%
Depreciation of PPE	21 917 667	12 785 305	12 658 308	-1%
Finance charges	715 811 624	412 298 579	407 139 743	-1%
General Expenses / Other	463 563 490	257 775 543	269 097 766	4%
Secondary Expenditure	-923 894 097	-515 546 127	-502 658 305	-2%
Appropriations	17 070 165	-13 600 961	-84 552 322	522%
Total Expenditure	1 218 364 967	692 176 816	630 425 486	-9%

4.1.1 Revenue

Actual operating revenue received amounted to R1,9 billion, compared to the year to date budgeted provision of R1,8 billion. A variance of 4% is observed. Elements showing material variances are the following:

- **Interest External Investment**

The actual revenue realised amounted to R753 million, compared to the year to date budgeted provision of R720 million. The variance is due to Improved investment returns as a result of higher than expected interest rates.

Remedial Action: No remedial action required.

- **Other Revenue**

The actual revenue realised amounted to R41 million, compared to the year to date budgeted provision of R16 million. The variance is made up of the following:

- Recoveries of operational Expenditure: The R20million recovery relates to a settlement from contractors for the building of the Cape Town Stadium a few years back. The City was successful in its litigation against the contractors for inflating prices at the time, and the basis of the settlement is that there will be three annual settlements from which this R20million was the first one.
- Cash Recoveries claims: due to the recovery of various SASRIA claims
- Prior Year Revenue and Refunds Received: Funds were recovered as a result of fraudulent information provided by a bidder.

Remedial Action: No remedial action required.

4.1.2 Expenditure

Actual operating expenditure amounted to R630 million, compared to the year to date budget provision of R692 million. A variance of -9% is observed, Elements showing material variances are the following:

- **General Expenses**

The actual expenditure amounted to R269 million compared to the year to date budget of R258 million. The variance is due to misalignment in the period budget.

Remedial Action: Budget provision to be reviewed and adjusted in the next report.

- **Appropriations**

The variance is mainly attributed to the Capital Replacement Reserve where January 2023 actuals will be processed in February 2023.

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

4.1.3 Revenue and Expenditure for Rates

Finance Directorate: Operating Rates Budget for January 2023

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
<u>Revenue</u>				
Property Rates	-11 203 305 000	-6 535 480 170	-6 577 186 824	1%
Interest earned – Outstanding Debtors	-95 378 252	-61 196 320	-76 002 510	24%
Transfers and Subsidies	-1 510 551 456	-1 087 596 767	-1 087 596 767	0%
Other Revenue	-2 675 726 000	-1 783 510 444	-1 783 338 026	0%
Secondary Revenue	-1 792 282 660	-1 045 498 218	-1 046 359 422	0%
Total Revenue	-17 277 243 368	-10 513 281 919	-10 570 483 549	1%
<u>Expenditure</u>				
Salary Related costs	510 276 805	122 274 392	126 823 376	4%
Debt impairment	458 734 668	287 753 914	287 753 914	0%
General Expenses / Other	149 248 501	69 641 260	69 952 458	0%
Secondary Expenditure	1 936 350 736	1 129 414 298	1 129 998 383	0%
Total Expenditure	3 054 610 710	1 609 083 864	1 614 528 131	0%

- **Interest Earned – Outstanding Debtors**

The actual revenue accrued amounted to R76 million, compared to the year to date budget provisions of R61 million. The Over recovery is due to higher than planned outstanding property rates debtor balances.

Remedial Action: No remedial action required.

- **Salary Related Costs**

The actual amounted to R127 million, compared to the year to date budget provisions of R122 million. The variance is a result of over expenditure on contribution to provision: Continued member Med Aid.

Remedial Action: No remedial action required.

4.2. Capital Expenditure

The annual Capital Budget of the Finance Directorate amounts to R30 million, of which R13 million is spent. Comments on the status of Capital spend for the Directorate are provided below.

Finance Directorate: Capital Budget results for January 2023

CAPITAL BUDGET							
Department	Current Budget	YTD Planned Budget	YTD Actual Spent	YTD % Target	YTD % Spent	Comments	Remedial Action
Budgets	305 021	226 221	182 089	74%	60%	Multi-funded project: Some orders delivered. Requisition for high end laptops created later than anticipated. Orders have since been placed; awaiting delivery.	To be monthly monitored by the department
Cape Town Stadium	544 200	0	68 735	0%	13%	IT Replacement Project: Some orders delivered earlier than anticipated due to availability of stock. Further orders to be placed in February 2023.	To be monthly monitored by the department
Expenditure	167 844	167 844	167 843	100%	100%	Project completed minor savings realised.	Not applicable
Grant Funding	46 074	46 074	46 073	100%	100%	Project completed minor savings realised.	Not applicable
Management Finance	136 140	0	0	0%	0%	Insurance provision to be utilised as and when an insurance claim is settled and the replacement asset must be procured.	Not applicable
Revenue	21 515 241	10 486 099	10 244 270	49%	48%	System Enhancement Project: Project is in progress. Some work has been completed, additional work is in progress and further orders must still be placed for more additional work.	To be monthly monitored by the department
SCM	2 724 734	1 062 993	715 367	39%	26%	Computer Equipment: Replacement: Some orders delivered. Placing of additional orders took longer than anticipated due to price adjustment of printers; orders have now been placed, awaiting delivery. Further orders to be placed as soon as the new IT tender (255G/2021/22) is awarded and active on SAP.	To be monthly monitored by the department
Treasury Services	335 561	298 769	298 768	89%	89%	Computer Equipment: Replacement: Multi-funded project: Some items have been delivered. Additional orders placed, awaiting delivery.	To be monthly monitored by the department
Valuations	4 907 752	1 262 752	1 262 752	26%	26%	Orders placed and delivered. Purchase order has been issued for the oblique imagery/photography. The flying is affected by weather conditions and air traffic control. Flying can therefore only start at the beginning of Summer, when there are continuous days of cloudless skies available for photography. Flying would therefore only start in November 2022, with the first set of images verified by quality control, delivered by March 2023.	To be monthly monitored by the department
Finance Directorate	30 682 567	13 550 752	12 985 897	44%	42%	1. System Enhancement - Immaterial variance work is progressing well and will be completed by year end . 2. IT Equipment - Placing of orders took longer than anticipated due to price adjustment of printers; orders have now been placed, awaiting delivery. Further orders to be placed as soon as the new IT tender (255G/2021/22) is awarded and active on SAP.	1. Department to follow up and ensure work is completed before financial year end. 2. Department to place additional orders as soon as tender approved.

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 January 2023 be noted.

AANBEVELING

Daar word aanbeveel dat kennis geneem word van die finansiële prestasie van die direktoraat finansies vir die tydperk geëindig Januarie 2023.

IZINDUDULO

Kundululwe ukuba makuqwalaselwe ingxelo engendlela yokusetyenziswa kwezimali iyonke yeCandelo loLawulo lweziMali kwisithuba esiphela eyoMqungu 2023.

ANNEXURES: NONE

FOR FURTHER DETAILS CONTACT

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DIRECTORATE	Finance	FILE REF NO	FinRepJan23

CHIEF FINANCIAL OFFICER

NAME KEVIN JACOBY COMMENT: _____

DATE _____ _____

SIGNATURE _____ _____

The CFO signature represents support for report content and confirms POPIA compliance.

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 _____ _____

SIGNATURE _____ _____

Approval Form

Supported for inclusion on the agenda



Finance Performance Report for January 2023

Report Reference: 522460
Meeting: Section 79 Portfolio Committee - Finance
Meeting Date: 06.03.2023
Meeting Venue: Meeting Room 2 6th Floor Podium

Contact Person: Daniel Clegg
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Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	DANIEL(DANNY) CLEGG	Approved	21.02.2023 11:59:34	
02	Director/Directorate Support Manager	Kevin Jacoby	Approved	22.02.2023 11:40:33	Approved
03	Executive Director	Kevin Jacoby	Approved	22.02.2023 11:41:31	
04	Legal Compliance	Jason Sam Liebenberg	Approved with Comments	22.02.2023 12:30:39	For information.

ECS Officer: