

REPORT TO: Finance Portfolio Committee

1. ITEM NUMBER **FNPC 10/10/24**

2. SUBJECT

**FINANCE DIRECTORATE: FINANCIAL PERFORMANCE FOR THE PERIOD
ENDING AUGUST 2024**

ONDERWERP

**DIREKTORAAT FINANSIES: FINANSIËLE PRESTASIE VIR DIE TYDPERK GEËINDIG
AUGUSTUS 2024**

ISIHLOKO

**ICANDELO LOLAWULO LWEZEMALI: INDLELA YOKUSETYENZISWA KWEZIMALI
KWISITHUBA ESIPHELA LWEYETHUPHA 2024**

3. DELEGATED AUTHORITY

In terms of delegation

This report is FOR NOTING BY

- Committee name : Finance Portfolio Committee**
- 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 August 2024

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
Revenue				
Interest earned – External Investment	-1 054 315 537	-175 719 256	-265 319 681	51%
Agency services	-280 105 547	-46 684 258	-41 712 257	-11%
Transfers and Subsidies	-232 278 250	-39 582 722	-2 992 569	-92%
Other Revenue	-59 330 584	-6 711 431	-17 049 552	154%
Secondary Revenue	-3 000 163 724	-500 027 287	-490 576 753	-2%
Accumulative Surplus	145 619 533			0%
Total Revenue	-4 480 574 109	-768 724 954	-817 650 812	6%
Expenditure				
Salary Related costs	1 042 518 193	166 259 109	152 994 236	-8%
Depreciation of PPE	24 282 479	4 047 079	3 924 832	-3%
Finance charges	1 197 067 549	175 890 366	143 190 024	-19%
General Expenses / Other	548 044 635	166 169 027	151 627 370	-9%
Secondary Expenditure	-972 441 391	-135 430 087	-118 402 831	-13%
Appropriations	295 534 094	17 289 689	-70 730 437	-509%
Total Expenditure	2 135 005 559	394 225 183	262 603 194	-33%

4.1.1 Revenue

Actual operating revenue received amounted to R817 million, compared to the year to date budgeted provision of R768 million. A variance of 6% is observed, Elements showing material variances are the following:

- Interest External Investment**

The actual revenue realised amounted to R265 million, compared to the year to date budgeted provision of R175 million. The variance is due to improved investment returns as a result of higher than expected interest rates.

Remedial Action: No remedial action required.

- Agency Services**

The actual revenue realised amounted to R41 million, compared to the year to date budgeted provision of R46 million. The under-recovery is due to agency income for August 2024 not fully reflected in the reporting period with the balance only being processed in the first week of September 2024.

Remedial Action: Revenue Department to ensure month entries are captured on time.

- **Transfers and Subsidies**

The actual revenue realised amounted to R2 million, compared to the year to date budgeted provision of R39 million. The variance is due to VAT portion on various National funded projects where VAT clawback is applied, August VAT will be captured in September 2024.

Remedial Action: Period budget will be redressed accordingly.

- **Other Revenue**

The actual revenue realised amounted to R17 million, compared to the year to date budgeted provision of R6 million. The variance is due to following:

- **Collection Charges Recovered:** (Over) due to an increase in the number of customers handed over to the lawyers for outstanding debt.
- **Rental Fixed assets - Non Market related other:** due to the monthly entries for the Cape Town Stadium that were not posted before month-end.
- **Net gains on financial instruments at FV:** Net gains (profit on sales) on the valuation of financial instruments (e.g investments) are not budgeted for but do occur from time to time due to market valuation movement.

Remedial Action: No remedial action required.

4.1.2 Expenditure

Actual operating expenditure amounted to R262 million, compared to the year to date budget provision of R394 million. A variance of -33% is observed, Elements showing material variances are the following:

- **Salary Related Costs**

The actual expenditure amounted to R152 million, compared to the year to date budgeted provision of R166 million. The under expenditure is mainly due to the turnaround time in filling vacancies.

Remedial Action: The directorate has 94 vacancies in various stages of the Recruitment and Selection process; 50 positions were filled while 13 positions were terminated since the start of the financial year

- **Finance charges**

The actual expenditure amounted to R143 million, compared to the year to date budgeted provision of R175 million. The variance is due to interest on loans, which have not yet been taken up, which will be taken up later in the year.

Remedial Action: To be monitored by line department.

- **General Expenses**

The actual expenditure amounted to R151 million compared to the year to date budget of R166 million. The variance is mainly due to less than planned insurance claims paid, which is ad-hoc in nature and difficult to anticipate fluctuating levels of spending.

Remedial Action: Period budget will be redressed accordingly.

- **Secondary expenditure**

The actual expenditure amounted to R118 million, compared to the year to date budgeted provision of R135 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 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 August 2024 actuals will be processed in September 2024.

Remedial Action: Treasury Department to ensure timeous process of transactions in September 2024.

4.1.3 Revenue and Expenditure for Rates

Finance Directorate: Operating Rates Budget for August 2024

Item Description	Current Budget	YTD Budget	YTD Actuals	YTD Variance
Revenue				
Property Rates	-12 712 797 000	-2 168 439 483	-2 088 220 702	-4%
Interest earned – Outstanding Debtors	-105 954 842	-17 659 140	-27 463 695	56%
Transfers and Subsidies	-1 848 491 174	-770 204 797	-770 204 797	0%
Other Revenue	-2 759 547 019	-918 182 323	-919 124 536	0%
Secondary Revenue	-2 128 817 185	-354 802 864	-354 011 119	0%
Total Revenue	-19 555 607 220	-4 229 288 607	-4 159 024 849	-2%
Expenditure				
Salary Related costs	274 341 174	45 723 529	43 656 930	-5%
Debt impairment	390 293 873	65 048 979	65 048 979	0%
Finance charges	202 101	29 229	0	-100%
General Expenses / Other	210 000 000	17 393 711	16 008 927	-8%
Secondary Expenditure	2 312 753 903	389 176 389	384 561 085	-1%
Total Expenditure	3 187 591 051	517 371 837	509 275 921	-2%

• **Property Rates**

The actual revenue accrued amounted to R2 billion compared to the year to date budget provisions of R2,1 billion, the variance is a combination of over/under recovery due to:

- Property Rates: due to value changes (Objections, appeals, reviews and Supplementary valuations) done during the reporting period.
- Income Forgone: Rates: Old Age Pension (under), as a result of fewer than planned applications approved to date.
- Income Forgone: Council Determine Rebate: due to fewer than initially anticipated properties received the reduction to date than initially planned.

Remedial Action:

1. It is anticipated that the real time supplementary valuations to be done over the next 10 months would cover the deficit.
2. There is constant interaction between Revenue department and the relevant service departments to ensure that the unbilled accounts are timeously resolved.

• **Interest Earned – Outstanding Debtors**

The actual revenue accrued amounted to R27 million, compared to the year to date budget provisions of R17 million. The over recovery is due to higher than planned outstanding property rates debtor balances.

Remedial Action: To keep up with the debt collection practices.

- **Salary Related Costs**

The actual expenditure amounted to R43 million, compared to the year to date budget provisions of R45 million. The variance is due to less than planned Contribution to Provision: Continued Member Medical Aid for the reporting period as a result of early retirement.

Remedial Action: To be monitored by line department.

- **Finance Charges**

The actual expenditure amounted to nil compared to the year to date budget provisions of twenty nine thousand. The variance is due to no objections being granted in favour of the customer, which could have resulted in the interest payments due to the property owners.

Remedial Action: To be monitored by line department.

- **General Expenses/Other**

The actual expenditure amounted to R16 million compared to the year to date budget provisions of R17 million. The variance is a result of under expenditure on Indigent Relief: Electricity- Eskom Re-Imburse, where the August 2024 invoice for Free Basic Electricity will be processed in September 2024.

Remedial Action: To be monitored by line department.

4.2. **Capital Expenditure**

The annual Capital Budget of the Finance Directorate amounts to R70 million, of which R6 million is spent. Comments on the status of Capital spend for the Directorate are provided below.

Finance Directorate: Capital Budget for August 2024

CAPITAL BUDGET							
Department	Current Budget	YTD Planned Budget	YTD Actual Spent	YTD % Target	YTD % Spent	Comments	Remedial Action
Budgets	60 000	58 863	56 495	98%	94%	Computers: Replacement FY25 - Some items delivered. A additional orders placed, awaiting delivery. Variance is due to delivery taking longer than anticipated due to supplier constraints and delivery is expected in September 2024. Minor savings to be realised.	Not Applicable.
Cape Town Stadium	41 494 250	2 644 298	209 965	6%	1%	Lighting: Replacement - Variance is due to Transversal Application of tender 272C/2021/22 that took longer than anticipated. Orders placed, contractor is on site and work is anticipated to be completed by December 2024. A breakout project will be created during the January 2025 adjustment budget, whereby the balance of funding will be transferred. LED Big Screen Replacement - Variance is due to Transversal Application of tender 272C/2021/22 taking longer than anticipated. Application has been approved and an order has been placed. Further orders to be placed in September 2024. Rental Units at Cape Town Stadium - Some work completed, project is in progress. Variance is due to a transversal application process to use tender 272C/21/22, as well as detailed design work that took longer than anticipated. It is anticipated that detailed design will be completed in December 2024. IT back-end Infrastructure upgrade FY25 - Variance is due to Transversal Application of tender 272C/2021/22 that took longer than anticipated. Final quotation has been received and an order for professional service provider will be placed in September 2024. Pitch Cleaning Equipment: Repl FY25 - Variance is due to re-advertising of the RFQ due to non response on the first advert. Orders to be placed in September 2024.	To be monthly monitored by the department.
Expenditure	505 164	505 164	442 809	100%	88%	Printer Replacement: Payroll FY25 - Placing of orders is taking longer than anticipated due to price refresh and contract value being exceeded. Price refresh has been concluded and the contract owner is currently following the process to increase the contract value. Orders to be placed as soon as the contract value has been increased.	To be monthly monitored by the department.
Grant Funding	150 000	133 158	98 743	89%	66%	Grants office - Storage Facilities - Orders placed, work in progress. Variance is due to RFQ process that took longer than anticipated. Savings to be realised.	To be monthly monitored by the department.
HR Business Partner	56 518	38 663	37 663	68%	67%	Computer Equip: Repl HRBP Finance FY25 - Some orders received. A additional orders placed, delivery is taking longer due to supplier constraints. Minor saving to be realised.	To be monthly monitored by the department.
Management Finance	159 942	0	0	0%	0%	Insurance provision to be utilised as and when an insurance claim is settled and the replacement asset must be procured.	To be monthly monitored by the department.
Support Services	18 832	17 664	18 832	94%	100%	Project completed.	Not Applicable.
Revenue	20 326 118	1 642 912	2 136 343	8%	11%	IT Equipment: Replacement - Multi-funded project: Orders delivered earlier than anticipated due to availability of stock. A additional orders placed, awaiting delivery. Minor savings to be realised.	To be monthly monitored by the department.
SCM	2 307 890	1 418 117	1 369 648	61%	59%	Warehouse Equipment: Replacement FY25 - Orders placed, awaiting delivery. Savings to be realised. Variance is due to RFQ process that took longer than anticipated. Printer: Replacement FY25 : Some orders delivered. A additional orders placed, awaiting delivery. Minor savings to be realised.	To be monthly monitored by the department.
Treasury Services	280 000	280 000	188 316	100%	67%	Computer Equipment: Replacement FY25 - Some orders delivered. A additional orders placed, awaiting delivery. RFQ process was followed to procure the additional orders. Variance is due to RFQ process that took longer than anticipated. Minor savings to be realised.	To be monthly monitored by the department.
Valuations	5 513 935	1 549 746	1 549 747	28%	28%	Computer Equipment: Replacement FY25 - Some orders delivered. A additional orders placed, awaiting delivery. Minor savings to be realised.	Not Applicable.
Finance Directorate	70 872 649	8 288 585	6 108 559	12%	9%	1. Lighting: Replacement : Variance is due to Transversal Application of tender 272C/2021/22 that took longer than anticipated. Orders placed, contractor is on site and work is anticipated to be completed by December 2024. 2. Stadium - IT back-end Infrastructure upgrade FY25 : Variance is due to Transversal Application of tender 272C/2021/22 that took longer than anticipated. Final quotation has been received and an order for professional service provider will be placed in September 2024.	1. Stadium staff to engage and put pressure on contractors to complete work by December 2024 2. Final quotation has been received and an order for professional service provider will be placed in September 2024.

Financial Implications

None Opex Capex

Making progress possible. Together.

- 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 and the content of the annexures have 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 August 2024 be noted.

Making progress possible. Together.

AANBEVELING

Daar word aanbeveel dat kennis geneem word van die finansiële prestasie van die direktoraat finansies vir die tydperk geëindig Augustus 2024.

IZINDUDULO

Kundululwe ukuba makuqwalaselwe ingxelo engendlela yokusetyenziswa kwezimali iyonke yeCandelo loLawulo lweziMali kwisithuba esiphela kweyeThupha 2024.

ANNEXURES: NONE

FOR FURTHER DETAILS CONTACT

NAME	Daniel Clegg	CONTACT NUMBER	021 400 3170
E-MAIL ADDRESS	Daniel.Clegg@Capetown.gov.za		
DIRECTORATE	Finance	FILE REF NO	FinRepAug 24

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 : August 2024

Report Reference: 526753
Meeting: Section 79 Portfolio Committee - Finance
Meeting Date: 07.10.2024
Meeting Venue: Meeting Room 2 6th Floor Podium

Contact Person: Daniel Clegg
Contact Telephone: 0829638598
Contact Email: DANIEL.CLEGG@CAPETOWN.GOV.ZA

Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	DANIEL(DANNY) CLEGG	Approved	25.09.2024 08:43:51	
02	Director/Directorate Support Manager/Chief	Kevin Jacoby	Approved	25.09.2024 08:47:47	Approve
03	Executive Director	Kevin Jacoby	Approved	25.09.2024 08:50:53	Approved
04	Legal Compliance	John Laing Smale	Approved with Comments	25.09.2024 15:39:39	For information.

ECS Officer: