

# **DRAKENSTEIN MUNICIPALITY**



## ***MONTHLY AND QUARTERLY BUDGET MONITORING REPORT (SECTION 71 and 52 of MFMA)***

***PERIOD ENDING: 30 SEPTEMBER 2017***

***"A place of excellence"***

**To the Municipal Council**

I hereby wish to submit a report to the Municipal Council on the implementation of the budget and the financial state of affairs of the Municipality as at the end September 2017.

Further to the above, Section 54(1) of the MFMA determines that the Executive Mayor must consider the Section 71 report submitted by the Accounting Officer to him and check whether the Municipality's approved budget is implemented in accordance with the approved Service Delivery Budget Implementation Plan (SDBIP) and if necessary issue appropriate instructions to the Accounting Officer.

The submission of this report is part of my general responsibilities as the Executive Mayor of the Drakenstein Municipality as set out in section 52 (d) of the MFMA. This report is intended to inform the Council on the state of the financial affairs of the Municipality to enable Council to exercise its oversight responsibility.



**CONRAD POOLE**  
**EXECUTIVE MAYOR**

13 October 2017

**To the Executive Mayor**

In accordance with Section 71(1) of the Municipal Finance Management Act (MFMA), I submit the required statement on the state of Drakenstein Municipality's budget reflecting the particulars up until the end of September 2017.

Section 54(1) of the MFMA requires from the mayor of a municipality to take certain actions if needed on the receipt of this report to ensure that the approved budget is implemented in accordance with the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

Section 52(d) of the MFMA required from the Mayor to submit a quarterly report to Council on the implementation of the approved budget. The period involved is 1 July 2017 to 30 September 2017.

  
**DR JH LEIBBRANDT**  
**CITY MANAGER**

13 October 2017

**Table of Content**

	<b>Page</b>
1. Introduction	5
2. Actual operating revenue per revenue source	6
3. Actual operating expenditure per vote	9
4. Actual operating expenditure per category	12
5. Actual capital expenditure per vote and funding source	14
6. Actual borrowings	16
7. Allocations received and actual expenditure on allocations received	18
8. Employees related costs	21
9. Debtors age analysis and payment rates	23
10. Creditors age analysis	28
11. Bank, cash, overdraft balances and investments	29
12. Recommendations	32

## 1. Introduction

Section 71(1) of the Municipal Finance Management Act (MFMA) requires from the Municipal Manager, as Accounting Officer of the Municipality, to submit a report in a prescribed format to the Executive Mayor within 10 working days after the end of each month on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:-

- (a) Actual revenue per revenue source;
- (b) Actual expenditure per vote;
- (c) Actual capital expenditure per vote;
- (d) Any allocations received;
- (e) Actual expenditure on allocations received;
- (f) Actual borrowings; and
- (g) Any other budget information as may be required by National and Provincial Treasury for monitoring purposes.

This report is a summary of the main budget issues arising from the monitoring process. It compares the process of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). Section 54 of the MFMA requires from the Executive Mayor to consider the Section 71 report and to take appropriate action, if needed, to ensure that the approved budget is implemented in accordance with the approved SDBIP.

The main budget monitoring issues will now be discussed through paragraphs 2 to 11 of this report and will include appropriate recommendations as set out in paragraph 12 of the report.

## **2. Actual operating revenue per revenue source**

The actual operating revenue per revenue source is set out in Table 1 below. From Table 1 it is clear that our actual operating revenue raised and/or collected (R 852,128,661) compares favourably with the pro rata budgeted figure (R 836,446,030) – a variance of (R 15,682,631) or 1.87% at month end.

### **2.1 Negative variances of 5% or more and/or above a monetary value of R 2,000,000 (grants excluded) are –**

- Free Basic Services (R 21,280,504 or 60.61%) – journals still to be processed;
- Licences and Permits (R 341,149 or 8.04%) – the transactions were less than the initial budget projections based on actual revenue received for the previous financial period;
- Transfers and Subsidies: Operational (R 20,700,088 or 100.00%) – under spending on the housing projects, which is resulting in less revenue to be recognised as specified for the conditional grant;
- Service Charges: Property Rates (R 4,342,601 or 1.26%) – revenue is levied annually and therefore can decrease or increase dependent on corrections based on appeals of implementation of a supplementary valuation;
- Service Charges: other (R 876 or 7.59%) – less than envisioned at this stage and based to historical trends;
- Sale of Goods and Rendering of Services (R 72,791 or 98.64%) – revenue (i.e. Cleaning & Removal of trees irrigation & pesticides and Fire Services) less than anticipated due to decrease in demand for services as listed;
- Contra Account: Water Foregone (R 3,760,105 or 69.58%) - pro-rata budget based on historical trends and therefore may differ one month to another; and
- Contra Account: Property Rates (R 8,815,350 or 8.51%) - pro-rata budget based on historical trends and therefore may differ one month to another.

**2.2 Positive variances of 5% or more and/or above a monetary value of R 2,000,000 are –**

- Interest, dividends and rent on land (R 917,457 or 10.62%) – revenue more than envisaged;
- Rental from fixed assets (R 1,295,953 or 20.29%) - pro-rata budget based on historical trends and therefore may differ one month to another.
- Service Charges: Cleansing (R 6,512,534 or 5.85%) – revenue is more than the projected budget, calculated from prior financial period actuals;
- Service Charges: Electricity (R 23,665,199 or 9.08%) – revenue is levied annually and therefore can decrease in order to align with the budget trends;
- Service Charges: Sanitation (R 3,155,557 or 3.13%) – revenue is levied annually and therefore can decrease in order to align with the budget trends;
- Service Charges: Water (R 14,316,481 or 30.03%) – although less water is being consumed it is billed at higher tariffs as a result of the drought currently experienced in the Drakenstein Municipal area.

***Recommendation***

***(1) That it be noted that the variance between the actual operating revenue (R 852,128,661) and the pro rata budgeted operating revenue (R 836,446,030) has a positive variance of R 15,682,631 or 1.87%.***

TABLE 1: ACTUAL REVENUE PER REVENUE SOURCE

REVENUE SOURCES	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH REVENUE	2017/2018 PRO RATA BUDGET	2017/2018 ACTUALS YEAR TO DATE	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED REVENUE FOR THE REST OF 2017/2018
FINES	59,309,968	59,309,968	0	16,946	0	45,119	45,119	0.00%	59,264,849
FREE BASIC SERVICES	120,821,000	120,821,000	9,523,469	4,956,584	35,109,777	13,829,273	(21,280,504)	-60.61%	106,991,727
GAINS AND LOSSES	250,000	250,000	0	0	0	0	0	0.00%	250,000
INTEREST DIVIDEND AND RENT ON LAND	36,190,639	36,190,639	2,880,955	4,486,673	8,642,865	9,560,323	917,457	10.62%	26,630,316
LICENCES AND PERMITS	16,971,823	16,971,823	1,414,319	1,143,857	4,242,956	3,901,807	(341,149)	-8.04%	13,070,016
NER: TRANSFERS AND SUBSIDIES : OPERATIONAL	98,441,034	98,441,034	6,900,003	(80)	20,700,008	(80)	(20,700,088)	-100.00%	98,441,114
OPERATIONAL REVENUE	23,152,265	23,152,265	1,852,181	2,566,979	4,861,976	4,969,278	107,303	2.21%	18,182,987
RENTAL FROM FIXED ASSETS	27,767,923	27,767,923	2,221,434	2,585,860	6,386,622	7,682,575	1,295,953	20.29%	20,085,348
SERVICE CHARGES : CLEANSING	120,940,260	120,940,260	1,894,181	1,058,803	111,379,735	117,892,270	6,512,534	5.85%	3,047,990
SERVICE CHARGES : ELECTRICITY	1,041,773,629	1,041,773,629	126,268,147	126,840,992	260,489,076	284,154,275	23,665,199	9.08%	757,619,354
SERVICE CHARGES : PROPERTY RATES	352,262,061	352,262,061	(4,902,699)	(8,510,778)	344,842,431	340,499,830	(4,342,601)	-1.26%	11,762,231
SERVICE CHARGES : SANITATION	108,066,192	108,066,192	1,005,789	1,993,392	100,845,966	104,001,523	3,155,557	3.13%	4,064,669
SERVICE CHARGES : WATER	228,193,650	228,193,650	18,021,385	17,563,450	47,679,379	61,995,859	14,316,481	30.03%	166,197,791
SERVICE CHARGES : OTHER	46,173	46,173	3,848	3,556	11,543	10,667	(876)	-7.59%	35,506
SALE OF GOODS AND RENDERING OF SERVICES	351,385	351,385	28,111	200	73,791	1,000	(72,791)	-98.64%	350,385
<b>SUBTOTAL A : OPERATING REVENUE</b>	<b>2,234,538,002</b>	<b>2,234,538,002</b>	<b>167,111,122</b>	<b>154,706,433</b>	<b>945,266,125</b>	<b>948,543,720</b>	<b>3,277,595</b>	<b>0.35%</b>	<b>1,285,994,282</b>
CONTRA ACCOUNT : WATER FOREGONE	(21,615,830)	(21,615,830)	(1,801,319)	(441,852)	(5,403,957)	(1,643,852)	3,760,105	-69.58%	(19,971,978)
CONTRA ACCOUNT : PROPERTY RATES	(105,815,325)	(105,815,325)	1,472,712	(569,842)	(103,586,557)	(94,771,207)	8,815,350	-8.51%	(11,044,118)
<b>SUBTOTAL B : OPERATING REVENUE FOREGONE</b>	<b>(127,431,155)</b>	<b>(127,431,155)</b>	<b>(328,607)</b>	<b>(1,011,694)</b>	<b>(108,990,514)</b>	<b>(96,415,059)</b>	<b>12,575,455</b>	<b>-11.54%</b>	<b>(31,016,096)</b>
<b>TOTAL OPERATING REVENUE</b>	<b>2,107,106,847</b>	<b>2,107,106,847</b>	<b>166,782,515</b>	<b>153,694,739</b>	<b>836,275,611</b>	<b>852,128,661</b>	<b>15,853,050</b>	<b>1.90%</b>	<b>1,254,978,186</b>
NER : TRANSFERS AND SUBSIDIES : CAPITAL	94,756,000	95,693,305	85,210	0	170,419	0	(170,419)	-100.00%	95,693,305
<b>TOTAL OPERATING REVENUE (CAPITAL GRANTS INCLUDED)</b>	<b>2,201,862,847</b>	<b>2,202,800,152</b>	<b>166,867,725</b>	<b>153,694,739</b>	<b>836,446,030</b>	<b>852,128,661</b>	<b>15,682,631</b>	<b>1.87%</b>	<b>1,350,671,491</b>

Actual Revenue to date	852,128,661
Projected Revenue for 2017/2018	2,202,800,152



### 3. Actual operating expenditure per vote

The actual operating expenditure per vote is set out in Table 2 below. Total actual operating expenditure of R 406,208,625 compares favourably with the pro rata budgeted expenditure of R 467,626,601 – a variance of R 61,421,411 or 13.13%.

**TABLE 2: ACTUAL OPERATIONAL EXPENDITURE PER VOTE**

VOTE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH EXPENDITURE	2017/2018 PRO RATA BUDGET	2017/2018 ACTUALS YEAR TO DATE	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED EXPENDITURE FOR THE REST OF 2017/2018
CITY MANAGER	1,472,152	1,472,152	(114,613)	213,022	(343,838)	588,206	(932,044)	271.07%	883,946.16
DEPARTMENT OF INTERNAL AUDIT	3,601,344	3,601,344	268,755	529,259	806,265	1,559,599	(753,334)	-93.43%	2,041,744.98
DEPARTMENT OF RISK AND FRAUD	2,072,263	2,072,263	169,427	191,326	508,282	471,870	36,412	7.16%	1,600,393.03
DEPARTMENT OF COMMUNICATION	1,242,152	1,242,152	100,168	63,519	300,505	192,920	107,585	35.80%	1,049,232.20
DEPARTMENT OF IDP/PMS	1,426,234	1,426,234	97,374	605,549	291,625	1,189,111	(897,485)	-307.75%	237,123.36
CORPORATE SERVICES	107,191,997	107,566,017	4,965,631	7,629,541	20,289,213	29,618,351	(9,329,139)	-45.98%	77,947,666
COMMUNITY SERVICES	572,357,339	277,243,141	17,069,254	14,628,619	50,902,582	47,725,362	3,177,221	6.24%	229,517,779
FINANCIAL SERVICES	72,759,720	72,759,720	4,606,796	5,933,577	17,515,990	20,867,871	(3,351,881)	-19.14%	51,891,849
PLANNING AND DEVELOPMENT	44,429,023	194,115,210	14,651,515	10,349,355	43,926,728	26,411,866	17,514,862	39.87%	167,703,344
ENGINEERING SERVICES	1,376,141,150	1,521,195,141	135,396,952	120,179,024	333,432,685	277,583,470	55,849,215	16.75%	1,243,611,671
<b>TOTALS</b>	<b>2,182,693,374</b>	<b>2,182,693,374</b>	<b>177,211,261</b>	<b>160,322,791</b>	<b>467,630,036</b>	<b>406,208,625</b>	<b>61,421,411</b>	<b>13.13%</b>	<b>1,770,672,309</b>
Actual Expenditure to date									<b>406,208,625</b>
Projected Expenditure for 2017/2018									<b>2,176,880,934</b>

#### Recommendation

- (2) That it be noted that the variance between the actual operating expenditure (R 406,208,625) and the pro rata budgeted operating expenditure (R 467,630,036) has a positive variance of R 61,421,411 or 13.13%.

TABLE 2.1 : OPERATIONAL EXPENDITURE PER VOTE

VOTE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH EXPENDITURE	2017/2018 PRO RATA BUDGET	2017/2018 ACTUALS YEAR TO DATE	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED EXPENDITURE FOR THE REST OF 2017/2018
<b>CITY MANAGER</b>									
Contracted Services	707,601	707,601	58,967	0	176,900	0	176,900	100.00%	707,601
Inventory	217,296	217,296	18,108	21,906	54,324	35,159	19,165	35.28%	182,137
Operational Cost	268,911	268,911	22,409	8,190	67,228	18,915	48,313	71.86%	249,996
	<b>1,193,808</b>	<b>1,193,808</b>	<b>99,484</b>	<b>30,096</b>	<b>298,452</b>	<b>54,074</b>	<b>244,378</b>	<b>81.88%</b>	<b>1,139,734</b>
<b>DEPARTMENT OF INTERNAL AUDIT</b>									
Contracted Services	1,079,013	1,064,013	88,418	11,263	268,253	11,263	256,990	95.80%	1,052,750
Inventory	35,048	35,048	2,921	2,450	8,762	6,518	2,244	25.61%	28,530
Operational Cost	105,374	105,374	8,781	1,532	26,343	14,807	11,536	43.79%	90,567
	<b>1,219,435</b>	<b>1,204,435</b>	<b>100,120</b>	<b>15,245</b>	<b>303,359</b>	<b>32,588</b>	<b>270,770</b>	<b>89.26%</b>	<b>1,171,847</b>
<b>DEPARTMENT OF RISK AND FRAUD</b>									
Contracted Services	644,559	644,559	53,713	50,000	161,140	50,000	111,140	68.97%	594,559
Inventory	11,719	11,719	977	0	2,930	0	2,930	100.00%	11,719
Operational Cost	92,184	92,184	7,682	10,124	23,046	10,124	12,922	56.07%	82,060
	<b>748,462</b>	<b>748,462</b>	<b>62,372</b>	<b>60,124</b>	<b>187,115</b>	<b>60,124</b>	<b>126,991</b>	<b>67.87%</b>	<b>688,338</b>
<b>DEPARTMENT OF COMMUNICATION</b>									
Contracted Services	0	0	0	0	0	0	0	0.00%	0
Inventory	28,233	28,233	2,353	0	7,058	0	7,058	100.00%	28,233
Operational Cost	33,643	33,643	2,804	0	8,411	0	8,411	100.00%	33,643
	<b>61,876</b>	<b>61,876</b>	<b>5,156</b>	<b>0</b>	<b>15,469</b>	<b>0</b>	<b>15,469</b>	<b>100.00%</b>	<b>61,876</b>
<b>DEPARTMENT OF IDP/PMS</b>									
Contracted Services	2,162,254	1,162,254	89,279	131,403	358,745	150,270	208,476	58.11%	1,011,984
Inventory	53,859	53,859	4,488	3,509	13,465	24,538	-11,074	-82.24%	29,321
Operational Cost	110,817	1,110,817	100,144	195,677	209,522	196,542	12,980	6.20%	914,275
	<b>2,326,930</b>	<b>2,326,930</b>	<b>193,911</b>	<b>330,589</b>	<b>581,732</b>	<b>371,350</b>	<b>210,382</b>	<b>36.16%</b>	<b>1,955,580</b>

<b>CORPORATE SERVICES</b>									
Contracted Services	12,659,759	12,683,759	1,056,980	957,840	3,170,939	1,896,228	1,274,711	40.20%	10,787,531
Inventory	6,939,863	6,891,863	574,140	182,861	1,724,602	435,445	1,289,157	74.75%	6,456,418
Operational Cost	27,098,178	27,418,648	1,834,680	1,187,841	10,906,525	8,902,550	2,003,974	18.37%	18,516,098
	<b>46,697,800</b>	<b>46,994,270</b>	<b>3,465,800</b>	<b>2,328,543</b>	<b>15,802,065</b>	<b>11,234,223</b>	<b>4,567,843</b>	<b>28.91%</b>	<b>35,760,047</b>
<b>COMMUNITY SERVICES</b>									
Contracted Services	14,385,545	14,694,776	1,223,522	1,071,950	3,683,071	1,963,125	1,719,946	46.70%	12,731,651
Inventory	6,747,155	6,747,709	561,885	332,214	1,690,733	746,633	944,100	55.84%	6,001,076
Operational Cost	26,723,723	26,271,938	2,189,944	424,850	6,562,433	2,163,309	4,399,123	67.03%	24,108,629
	<b>47,856,423</b>	<b>47,714,423</b>	<b>3,975,352</b>	<b>1,829,014</b>	<b>11,936,237</b>	<b>4,873,067</b>	<b>7,063,169</b>	<b>59.17%</b>	<b>42,841,356</b>
<b>FINANCIAL SERVICES</b>									
Contracted Services	7,384,575	5,025,367	402,503	251,251	1,402,842	541,719	861,123	61.38%	4,483,648
Inventory	1,631,703	1,661,345	138,615	54,509	413,809	170,687	243,121	58.75%	1,490,658
Operational Cost	19,520,759	21,788,325	1,522,344	988,219	8,087,229	6,223,330	1,863,899	23.05%	15,564,995
	<b>28,537,037</b>	<b>28,475,037</b>	<b>2,063,461</b>	<b>1,293,979</b>	<b>9,903,879</b>	<b>6,935,736</b>	<b>2,968,143</b>	<b>29.97%</b>	<b>21,539,301</b>
<b>PLANNING AND DEVELOPMENT</b>									
Contracted Services	20,208,944	19,285,744	1,607,094	894,921	4,821,891	2,083,086	2,738,805	56.80%	17,202,658
Inventory	681,375	681,375	56,781	76,050	170,343	127,772	42,571	24.99%	553,603
Operational Cost	27,679,878	29,136,428	2,428,491	3,109,121	7,279,997	8,460,074	-1,180,077	-16.21%	20,676,354
	<b>48,570,197</b>	<b>49,103,547</b>	<b>4,092,367</b>	<b>4,080,091</b>	<b>12,272,231</b>	<b>10,670,931</b>	<b>1,601,299</b>	<b>13.05%</b>	<b>38,432,616</b>
<b>ENGINEERING SERVICES</b>									
Contracted Services	95,854,422	94,071,602	7,836,597	7,438,906	23,542,223	14,986,972	8,555,250	36.34%	79,084,630
Inventory	31,484,783	31,527,864	2,627,208	1,952,743	7,882,980	4,260,861	3,622,119	45.95%	27,267,003
Operational Cost	570,224	1,275,143	106,336	-319,717	318,109	145,467	172,642	54.27%	1,129,676
	<b>127,909,429</b>	<b>126,874,609</b>	<b>10,570,141</b>	<b>9,071,932</b>	<b>31,743,312</b>	<b>19,393,300</b>	<b>12,350,011</b>	<b>38.91%</b>	<b>107,481,309</b>
<b>TOTALS</b>	<b>305,121,397</b>	<b>304,697,397</b>	<b>24,628,163</b>	<b>19,039,614</b>	<b>83,043,851</b>	<b>53,625,394</b>	<b>29,418,457</b>	<b>35.43%</b>	<b>251,072,003</b>

Actual Expenditure to date	<b>53,625,394</b>
Projected Expenditure for 2017/2018	<b>304,697,397</b>

#### 4. Actual operating expenditure per category

The actual operating expenditure per category is set out in Table 3 below. From Table 3 it is clear that our actual operating expenditure incurred (R 406,208,625) do compare favourably with the pro rata budgeted figures (R 467,630,036) – a variance of R 61,421,410 or 13.13% at month end.

**TABLE 3: ACTUAL OPERATIONAL EXPENDITURE PER EXPENDITURE CATEGORY**

EXPENDITURE CATEGORY	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH EXPENDITURE	2017/2018 PRO RATA BUDGET	2017/2018 ACTUALS YEAR TO DATE	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED EXPENDITURE FOR THE REST OF 2017/2018
EMPLOYEE RELATED COST	539,266,748	539,266,748	37,877,503	38,199,139	112,792,980	113,384,449	(591,469)	-0.52%	425,882,299
COUNCILLOR RELATED COSTS	29,091,494	29,091,494	2,279,508	2,213,778	6,838,525	6,649,895	188,631	2.76%	22,441,599
PROVISION FOR BAD DEBTS	28,762,971	28,762,971	2,396,914	2,396,914	7,190,743	7,190,743	(0)	0.00%	21,572,228
DEPRECIATION AND AMORTISATION	188,506,431	188,506,431	0	0	0	29,441	(29,441)	0.00%	188,476,990
IMPAIRMENT LOSSES	49,375,323	49,375,323	0	0	0	0	0	0.00%	49,375,323
INTEREST PAID	119,635,859	119,635,859	9,969,655	9,952,528	29,908,965	29,857,585	51,379	0.17%	89,778,274
BULK PURCHASES WATER	43,168,974	43,168,974	242,537	284,435	2,838,641	555,299	2,283,342	80.44%	42,613,675
BULK PURCHASES: ELECTRICITY	631,669,439	631,669,439	79,435,851	76,336,284	163,927,763	150,926,318	13,001,445	7.93%	480,743,121
CONTRA ACCOUNTS: REVENUE COST OF FREE BASIC SERVICES	93,134,840	93,134,840	7,761,237	5,946,796	23,283,710	16,013,330	7,270,380	31.23%	77,121,510
CONTRACTED SERVICES	155,086,672	149,339,675	12,417,072	10,807,534	37,586,004	21,682,661	15,903,342	42.31%	127,657,014
OPERATIONAL : MONETARY	739,925	739,925	61,660	0	184,981	0	184,981	100.00%	739,925
INVENTORY	47,831,034	47,856,311	3,987,476	2,626,243	11,969,005	5,807,613	6,161,392	51.48%	42,048,698
OPERATING LEASES	15,476,691	16,569,691	1,385,375	1,648,903	4,101,308	2,889,588	1,211,720	29.54%	13,680,103
OPERATIONAL COST	102,203,691	107,501,411	8,223,615	5,605,837	33,488,842	26,135,119	7,353,723	21.96%	81,366,292
OC: MUNICIPAL SERVICES	53,181,576	53,181,576	4,431,798	2,393,554	13,295,393	21,842,514	(8,547,121)	-64.29%	31,339,062
TRANSFERS AND SUBSIDIES: OPERATIONAL	81,561,706	80,892,706	6,741,059	1,910,845	20,223,176	3,244,070	16,979,107	83.96%	77,648,636
LOSS ON SALE OF ASSETS	4,000,000	4,000,000	0	0	0	0	0	0.00%	4,000,000
<b>TOTALS</b>	<b>2,182,693,374</b>	<b>2,182,693,374</b>	<b>177,211,261</b>	<b>160,322,791</b>	<b>467,630,036</b>	<b>406,208,625</b>	<b>61,421,410</b>	<b>13.13%</b>	<b>1,776,484,749</b>
						Actual Expenditure to date			406,208,625
						Projected Expenditure for 2017/2018			<u>2,182,693,374</u>

**4.1 Positive variances of 5% or more and/or above a monetary value of R 2,000,000 are –**

- Bulk Purchases Water ( R 2,283,342 or 80.44%) – the amount of water purchased is less than the actual trend from historical information and the municipality receives free water units before the payment is required;
- Bulk Purchases Electricity (R 13,001,445 or 7.93%) - the amount of electricity purchased is less than the actual trend from historical information;
- Contra Accounts: Revenue Cost of Free Basic Services (R 7,270,380 or 31.23%) – underspending envisioned at this stage;
- Contracted services (R 15,903,342 or 42.31%) – contracted services (research and development, resealing of streets and maintenance on unspecified assets and equipment) are underspend for the month;
- Operational Monetary (R 184,981 or 100.00%) – budgeted donations still to be expensed to approved beneficiaries;
- Inventory (R 6,161,392 or 51.47%) – inventory expenditure (i.e. petrol and diesel; housing inventory, tyres; chemicals, etc.) underspend for the month;
- Operating Leases (R 1,211,720 or 29.54%) – leasing of machinery and equipment expenditure was less than anticipated;
- Operational Cost (R 7,353,723 or 21.96%) – underspending envisioned at this stage; and
- Transfers and subsidies: operational (R 16,979,107 or 83.96%) – year end recognition of expenditure still needs to be journalised.

**4.2 Negative variances of 5% or more and/or above a monetary value of R 2,000,000 are -**

- Municipal Services (R 8,547,121 or 64.29%) - the expenditure was more than anticipated.

## 5 Actual capital expenditure per vote and funding source

The actual capital expenditure per vote is set out in Table 4 below. The actual and committed capital expenditure of R 465,965,055 compares unfavourably with the pro rata budgeted capital expenditure of R 129,500,918 as per the cash flow projections of the SDBIP with a variance or over spending of R 336,464,136 or 259.82%. In the case of capital expenditure one wants to spend all capital expenditure to improve service delivery and the quality of life of the local community or customers.

Actual and recorded committed capital expenditure (R 465,965,055) represents 57.16% of the total capital budget of R 815,135,300 after three months of the financial year.

**TABLE 4: ACTUAL CAPITAL EXPENDITURE PER VOTE**

VOTE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH EXPENDITURE	2017/2018 PRO RATA BUDGET	2017/2018 COMMITMENTS	2017/2018 ACTUALS YEAR TO DATE	2017/2018 COMMITMENTS + ACTUALS	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED CAPITAL EXPENDITURE FOR THE REST OF 2017/2018	
CITY MANAGER	10,218,379	8,068,187	546	0	1,088	6,000	0	6,000	4,912	451.66%	8,068,187	
DEPARTMENT OF INTERNAL AUDIT	0	0	0	0	0	0	0	0	0	0.00%	0	
DEPARTMENT OF RISK AND FRAUD	0	0	0	0	0	0	0	0	0	0.00%	0	
DEPARTMENT OF COMMUNICATION	0	0	0	0	0	0	0	0	0	0.00%	0	
DEPARTMENT OF IDP/PMS	0	0	0	0	0	0	0	0	0	0.00%	0	
CORPORATE SERVICES	13,420,000	20,198,183	1,545,228	963,417	2,889,865	1,067,597	980,126	2,047,723	(842,142)	-29.14%	19,218,057	
COMMUNITY SERVICES	34,424,004	51,449,415	1,858,657	2,894,347	3,447,314	674,446	5,714,434	6,388,880	2,941,567	85.33%	45,734,981	
FINANCIAL SERVICES	1,500,000	2,123,322	44,613	119,249	89,226	923,320	119,249	1,042,569	953,343	1068.46%	2,004,073	
PLANNING AND DEVELOPMENT	26,727,812	19,897,920	487,464	0	624,929	1,297,248	21,674	1,318,923	693,994	111.05%	19,876,246	
ENGINEERING SERVICES	546,851,348	713,398,273	56,277,523	39,173,591	122,448,497	395,181,836	59,979,124	455,160,960	332,712,463	271.72%	653,419,149	
<b>TOTALS</b>	<b>633,141,543</b>	<b>815,135,300</b>	<b>60,214,032</b>	<b>43,150,604</b>	<b>129,500,918</b>	<b>399,150,448</b>	<b>66,814,607</b>	<b>465,965,055</b>	<b>336,464,136</b>	<b>259.82%</b>	<b>748,320,693</b>	
							% of Approved Budget =	48.97%	8.20%	57.16%	Actual Expenditure to date	66,814,607
							Actual and Committed Capex as a % of Pro Rata Budget =	359.82%		Projected Expenditure for 2017/2018	815,135,300	

The actual capital expenditure per funding source is set out in Table 5 below.

**TABLE 5: ACTUAL CAPITAL EXPENDITURE PER FUNDING SOURCE**

FUNDING SOURCES	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH EXPENDITURE	2017/2018 PRO RATA BUDGET	2017/2018 COMMITMENTS	2017/2018 ACTUALS YEAR TO DATE	2017/2018 COMMITMENTS + ACTUALS	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED CAPITAL EXPENDITURE FOR THE REST OF 2017/2018
CRR	40,000,000	67,081,782	5,603,825	4,989,701	8,640,805	23,782,607	5,628,857	29,411,464	20,770,658	240.38%	61,452,925
GRANTS	84,347,367	85,284,672	10,085,210	6,491,281	25,670,419	32,301,316	26,843,810	59,145,126	33,474,707	130.40%	58,440,862
EXTERNAL LOANS	508,794,176	662,768,846	44,524,997	31,669,622	95,189,694	343,066,525	34,341,940	377,408,465	282,218,771	296.48%	628,426,906
<b>TOTALS</b>	<b>633,141,543</b>	<b>815,135,300</b>	<b>60,214,032</b>	<b>43,150,604</b>	<b>129,500,918</b>	<b>399,150,448</b>	<b>66,814,607</b>	<b>465,965,055</b>	<b>336,464,136</b>	<b>259.82%</b>	<b>748,320,693</b>
									Actual Expenditure to date		66,814,607
									Projected Expenditure for 2017/2018		815,135,300

**Recommendation**

- (3) That it be noted that the actual and committed capital expenditure of R 465,965,055 and the pro rata budgeted capital expenditure of R 129,500,918 realised over spending of R 336,464,136 or 259.82%.
- (4) That it be noted that the actual and committed capital expenditure of R 465,965,055 compared with the capital expenditure budget represent a spending percentage of 57.16% after three months of the financial year.

## **6 Actual borrowings**

The municipality's position on external loans is set out in Table 6 below. The municipality started the 2017/2018 financial year with borrowing debt of R 1,190,488,686 repayments (R 1,641,331) were made and additional loans (R 0) were taken up. Total borrowings outstanding as at 30 September 2017 is R 1,188,847,355. This borrowing debt represents 59.19% of our total operating budgeted revenue of R 2,008,665,813 for the 2017/2018 financial year. The conservative norm is 40% and some banks may be comfortable to borrow up to 50% of total operating revenue. However, the higher the percentage the higher the expected interest rates to be charged by borrowing institutions.

### ***Recommendation***

***(5) That it be noted that external borrowings amounted to R 1,188,847,355 as at 30 September 2017 and that it represents 59.19% of Drakenstein's total budgeted operating revenue of R 2,008,665,813 for the 2017/2018 financial year.***



**TABLE 6: ACTUAL BORROWINGS**

<b>EXTERNAL LOANS PROVIDERS</b>	<b>OPENING BALANCE 01/09/2017</b>	<b>CAPITAL REDEEMED</b>	<b>NEW LOANS TAKEN UP</b>	<b>CLOSING BALANCE 30/09/2017</b>
DBSA	14,703,321	0	0	14,703,321
DBSA	3,127,657	0	0	3,127,657
DBSA	71,728,832	0	0	71,728,832
DBSA	263,221,588	0	0	263,221,588
NEDBANK	16,049,361	0	0	16,049,361
NEDBANK	312	0	0	312
NEDBANK	38,608,022	0	0	38,608,022
NEDBANK	9,200,101	0	0	9,200,101
NEDBANK	75,509,843	0	0	75,509,843
NEDBANK	9,119,996	0	0	9,119,996
NEDBANK	171,918,595	0	0	171,918,595
ABSA BANK	738,136	0	0	738,136
ABSA BANK	3,403,559	0	0	3,403,559
ABSA BANK	8,607,090	0	0	8,607,090
STANDARD BANK	7,815,651	0	0	7,815,651
STANDARD BANK	4,669,415	1,084,062	0	3,585,352
STANDARD BANK	5,339,511	557,269	0	4,782,242
STANDARD BANK	41,323,441	0	0	41,323,441
STANDARD BANK	9	0	0	9
STANDARD BANK	20,037,019	0	0	20,037,019
STANDARD BANK	413,221,763	0	0	413,221,763
STANDARD BANK	4,157,770	0	0	4,157,770
STANDARD BANK	4,560,171	0	0	4,560,171
INCA	3,427,524	0	0	3,427,524
<b>TOTALS</b>	<b>1,190,488,686</b>	<b>1,641,331</b>	<b>0</b>	<b>1,188,847,355</b>

## **7. Allocations received and actual expenditure on allocations received**

The municipality's position with regard to grant allocations received and the actual expenditure on the grant allocations received are set out in Table 7 below. Unconditional grants (equitable share) and conditional grants (FMG; MSIG; housing grants; INEP, library grant, MIG, etcetera) to the value of R 56,944,959 were received to date. Operating grants expenditure to the amount of R 30,582,742 and capital grants expenditure to the amount of R 0 was spent and recorded as utilised at the end of September 2017. Taking the opening balance of R 50,601,256 as well as the aforementioned into consideration, the unspent conditional grants as at the end of September 2017 is R 76,963,473.

### ***Recommendation***

***(6) That it be noted that unspent conditional and unconditional grants amounted to R 76,963,473 at the end of September 2017.***

**TABLE 7: CONDITIONAL GRANTS**

<b>DESCRIPTION</b>	<b>OPENING BALANCE 1 September 2017</b>	<b>OTHER INCOME</b>	<b>OPERATIONAL EXPENDITURE DURING THE YEAR</b>	<b>CAPITAL EXPENDITURE DURING THE YEAR</b>	<b>BALANCE AS ON 30 September 2017</b>
<b>CONDITIONAL GRANTS</b>					
<b>NATIONAL: EQUITABLE SHARE</b>					
TRUST FUND : INDIGENT POLICY FUNDS	0	(42,705,464)	27,130,508	0	(15,574,956)
<b>SUB - TOTAL</b>	<b>0</b>	<b>(42,705,464)</b>	<b>27,130,508</b>	<b>0</b>	<b>(15,574,956)</b>
<b>NATIONAL TREASURY</b>					
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	0	(5,200,000)	0	0	(5,200,000)
MUNICIPAL FINANCE MANAGEMENT GRANT (FMG)	(5)	0	0	0	(5)
TRUST FUND:ELECTRICITY DEMAND SIDE GRANT	(318,155)	0	316,404	0	(1,751)
TRUST FUND :COMMUNITY DEV WORKER (CDW)	(473,931)	0	0	0	(473,931)
TRUST FUND : ELECTRIFICATION FUNDING	(1,011,231)	0	0	0	(1,011,231)
<b>SUB - TOTAL</b>	<b>(1,803,322)</b>	<b>(5,200,000)</b>	<b>316,404</b>	<b>0</b>	<b>(6,686,918)</b>
<b>PROVINCIAL TREASURY</b>					
TRUST FUND : HEALTH SUBSIDIES					
TRUST FUND : PROCLAIMED ROADS SUBSIDIES	0	0	0	0	0
N-GOV: REGION BULK INFRA GRT SCHEDULE 6B	(17,700,000)	0	0	0	(17,700,000)
N-GOV: HUMAN SETTLEM CAPACITY GRT SCH 5B	(2,000)	0	0	0	(2,000)
PD WC - HOUSING: HUMAN SETTELMENT DEVEL	(90,000)	0	0	0	(90,000)
SILVERTOWN OPENING BALANCE	(60,000)	0	0	0	(60,000)
TRUST FUND : CARTERVILLE HOUSING PROJECT	(956,503)	0	0	0	(956,503)
TRUST FUND : 1068 HUISE WDR SKENKING	(738,659)	0	0	0	(738,659)
TRUST FUND: DROMMEDARIS	(429,143)	0	0	0	(429,143)
TRUST FUND : DROMMEDARIS STREET EHP	429,143	0	0	0	429,143
SCHEME 49 OPERATING EXPENDITURE	(130,183)	0	0	0	(130,183)
FMG WESTERN CAPE	(60,000)	0	0	0	(60,000)
P59 FAIRYLANDS OPERATING INCOME	(8,116,015)	0	0	0	(8,116,015)
P59 FAIRYLANDS OPERATING EXPENDITURE	129,312	0	0	0	129,312
NEW SIYAZAMA INCOME	(4,890,102)	0	0	0	(4,890,102)
NEW SIYAZAMA EXPENDITURE	4,890,102	0	0	0	4,890,102
ERF 2220	(802,653)	0	0	0	(802,653)

GOUDA INCOME	(971,063)	0	0	0	(971,063)
GOUDA EXPENDITURE	491	0	0	0	491
SIYASHLALA	0	(79,200)	0	0	(79,200)
DALJOSAPHAT TRANSFERS	(453,180)	0	0	0	(453,180)
TRUST FUND : KINGSTON INCOME	(10,982,731)	0	0	0	(10,982,731)
TRUST FUND : KINGSTON EXPENDITURE	10,982,731	0	0	0	10,982,731
TRUST FUND : AMSTELHOF PROJECT 35	(10,348)	0	0	0	(10,348)
TRUST FUND : LIBRARY GRANT (PROV)	(97,638)	(8,613,668)	0	0	(8,711,306)
TRUST FUND : SPORTFONDS	0	0	0	0	0
MUNICIPAL SYSTEM IMPROVEMENT GRANT(MSIG)	0	0	0	0	0
TRUST FUND : LIBRARY BUILDING GRANT	0	0	0	0	0
TRUST FUND : SOCCERFIELD	(6,237)	0	0	0	(6,237)
TRUST FUND : WRITING FESTIVAL (DON FUND)	0	0	0	0	0
TRUST FUND : SIMONDIUM PIRMER BIBLIOTEEK	0	0	0	0	0
T/F:INV LAND FOR PROV OF IND&RES PURPOSE	(13)	0	0	0	(13)
TRUST FUND : RBIG	0	0	0	0	0
TRUST FUND : VPUU	0	0	0	0	0
DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	829	0	0	0	829
TRUST FUND : TRAINING LEVY	(1,961,867)	(260,806)	13,026	0	(2,209,647)
<b>SUB - TOTAL</b>	<b>(32,025,727)</b>	<b>(8,953,674)</b>	<b>13,026</b>	<b>0</b>	<b>(40,966,375)</b>
<b>GRANTS: OTHER INSTITUTIONS</b>					
TRUST FUND : ERF 2220:STROMWATER UPGRADE	(383,312)	0	0	0	(383,312)
WATER&SEWER MASTERPLANS	(300,000)	0	0	0	(300,000)
T/F:EMERGENCY KITS:O R THAMBO INF SETTLE	(1,191,615)	0	0	0	(1,191,615)
TRUST FUND : BULK SERVICES WATER & SEWER	(7,670,341)	0	0	0	(7,670,341)
TRUST FUND : BULK SERVICES ELECTRICAL	(4,810,822)		3,122,805		(1,688,017)
NUMARKT	(12,033)	0	0	0	(12,033)
EPWP : ROADS AND CLEANSING	0	0	0	0	0
<b>SUB - TOTAL</b>	<b>(14,368,123)</b>	<b>0</b>	<b>3,122,805</b>	<b>0</b>	<b>(11,245,318)</b>
<b>OTHER: CONDITIONAL GRANTS</b>					
COLIN D BROWN GUARANTEE PIPELINE BUILD	(1,300,000)	0	0	0	(1,300,000)
UNSPENT MONEY PRECT 59	(623,636)	0	0	0	(623,636)
TRUST FUND : MUN WEDUWEE & WESE PENSIOEN	(363,572)	0	0	0	(363,572)
T/FUND :GUARANTEE:D V RENSBURG(BURGERSDR	(38,488)	0	0	0	(38,488)
DONATIONS WATER WEEK	(78,388)	(85,822)		0	(164,209)
<b>SUB - TOTAL</b>	<b>(2,404,084)</b>	<b>(85,822)</b>	<b>0</b>	<b>0</b>	<b>(2,489,906)</b>
<b>TOTAL - CONDITIONAL GRANTS</b>	<b>(50,601,256)</b>	<b>(56,944,959)</b>	<b>30,582,742</b>	<b>0</b>	<b>(76,963,473)</b>

## 8 Employee related costs

Employee related costs for the first month of the financial year is set out in Table 8 below. Actual employee related costs as a whole amounts to R 113,384,449 compared with the pro rata budgeted amount of R 112,792,980 – an overspending of R 591,469 or 0.52%.

### 8.1 Positive variances of 5% or more and/or above a monetary value of R 500,000 are –

- Salaries (R 1,277,733 or 1.65%) - underspending envisioned at this stage due to delay in appointment of personnel;
- Long Services Awards (R 1,728 or 41.97%) – provision journals not yet processed for Long Services expenses;
- Subsidy House Loans (R 954,022 or 43.64%) – expenditure is less than envisaged;
- Housing allowance (R 166,990 or 41.79%) – expenditure is less than envisaged;
- Workmen’s compensation fund (R 545,359 or 100.00%) – the expenditure is based on actual historical information and will be adjusted in the Adjustment Budget to align with the current year actuals; and
- Unemployment Insurance Fund Contribution (R 37,224 or 5.07%) – the expenditure is based on actual historical information and will be adjusted in the Adjustment Budget to align with the current year actuals;

### 8.2 Negative variances of 5% or more and/or above a monetary value of R 500,000 are –

- Ex Gratia Allowances – Pensioners (1,547,848 or 0.00%) - due to TASK implementation adjustments;
- Overtime payments (R 406,824 or 5.81%) – due to TASK implementation adjustments;
- Travel Allowance (R 530,383 or 16.31%) – due to TASK implementation adjustments;
- Acting Allowance (R 142,628 or 43.07%) – due to TASK implementation adjustments.
- Standby allowance (R 698,284 or 42.20%) – expenditure is more than envisaged; and
- Cell allowance (R 17,157 or 6.25%) - expenditure is more than envisaged.

**Recommendation**

**(7) That it be noted that the actual employee related cost expenditure of R 113,384,449 compared with the pro rata budgeted expenditure of R 112,792,980 relates to a negative variance of R 591,469 or 0.52%.**

**TABLE 8 : EMPLOYEE RALATED COST AS AT 30 SEPTEMBER 2017**

CATEGORY OF EXPENDITURE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTED BUDGET	2017/2018 CURRENT MONTH BUDGET	2017/2018 CURRENT MONTH EXPENDITURE	2017/2018 PRO RATA BUDGET	2017/2018 ACTUALS YEAR TO DATE	2017/2018 POSITIVE / (NEGATIVE) VARIANCES	2017/2018 POSITIVE / (NEGATIVE) VARIANCES %	PROJECTED EXPENDITURE FOR THE REST OF 2017/2018
SALARIES	349,004,925	349,004,925	25,804,379	25,326,701	77,413,137	76,135,404	1,277,733	1.65%	272,869,521
BONUSSES	21,736,829	21,736,829	0	12,215	0	103,463	(103,463)	0.00%	21,633,366
PERFORMANCE BONUSSES	892,029	892,029	0	0	0	0	0	0.00%	892,029
LONG SERVICES AWARDS	6,246,510	6,246,510	1,373	797	4,118	2,390	1,728	41.97%	6,244,120
EX GRATIA ALLOWANCES - PENSIONERS	16,835,000	16,835,000	0	753,030	0	1,547,848	(1,547,848)	0.00%	15,287,152
OVERTIME PAYMENTS	30,879,699	30,879,699	2,597,429	2,560,598	7,007,453	7,414,277	(406,824)	-5.81%	23,465,422
SUBSIDY HOUSE LOANS	8,743,940	8,743,940	728,661	405,102	2,185,983	1,231,961	954,022	43.64%	7,511,979
TRAVEL ALLOWANCES	13,009,135	13,009,135	1,084,094	1,354,538	3,252,283	3,782,666	(530,383)	-16.31%	9,226,469
HOUSING ALLOWANCE	1,598,347	1,598,347	133,195	73,470	399,586	232,596	166,990	41.79%	1,365,751
ACTING ALLOWANCE	1,324,502	1,324,502	110,375	163,839	331,125	473,753	(142,628)	-43.07%	850,749
STANDBY ALLOWANCE	6,619,536	6,619,536	551,628	847,310	1,654,883	2,353,167	(698,284)	-42.20%	4,266,369
NIGHT SHIFT ALLOWANCE	3,957,704	3,957,704	331,490	323,664	939,773	958,541	(18,768)	-2.00%	2,999,163
CELL ALLOWANCE	1,098,719	1,098,719	91,560	99,117	274,679	291,836	(17,157)	-6.25%	806,883
GROUP INSURANCE	3,494,370	3,494,370	291,197	296,765	873,591	891,596	(18,005)	-2.06%	2,602,774
MEDICAL AID FUND CONTR	19,026,487	19,026,487	1,585,540	1,518,092	4,756,620	4,566,687	189,933	3.99%	14,459,800
PENSION FUND CONTR	47,262,669	47,262,669	3,938,555	4,022,978	11,815,665	12,078,545	(262,879)	-2.22%	35,184,124
WORKMENS COMPENSATION FUND	2,181,442	2,181,442	181,786	0	545,359	0	545,359	100.00%	2181442
PROVIDENT FUND CONTR	2,416,645	2,416,645	201,387	207,298	604,161	622,380	(18,219)	-3.02%	1,794,265
UNEMPLOYMENT INSURANCE FUND CONTR	2,938,260	2,938,260	244,854	233,624	734,563	697,339	37,224	5.07%	2,240,921
<b>TOTALS</b>	<b>539,266,748</b>	<b>539,266,748</b>	<b>37,877,503</b>	<b>38,199,139</b>	<b>112,792,980</b>	<b>113,384,449</b>	<b>(591,469)</b>	<b>-0.52%</b>	<b>425,882,299</b>

Actual Expenditure to date 113,384,449

Projected Expenditure for 2017/20 539,266,748

## **9. Debtors age analysis and payment rates**

### **9.1 Debtors age analysis per service**

The municipality's total outstanding debtors amounted to R 322,072,652 as at 30 September 2017 compared with the R 334,032,314 as at 31 August 2017. As reflected in Table 9 below, current debt represent 48.08% of the total outstanding debt compared with the 52.46% of August 2017; 30 days and older debt 8.89% compared with the 5.17% for August 2017; 60 days and older debt 3.60% compared with the 2.20% of August 2017; and 90 days and older debt 39.42% compared with the 40.17% of August 2017.

The debtors test ratio (before bad debt provision) shows an increase of 3.8 days from 69.4 days in July 2017 to 73.2 days in August 2017 and a decrease of 3.3 days to 69.9 days in September 2017. The debtors test ratio (after bad debt provision) shows an increase of 6.8 days from 48.7 days in July 2017 to 55.5 days in August 2017 and a decrease of 6.3 days to 49.2 days in September 2017. The acceptable norm is 45 days.

Current debt increased with R 36,113,082 to R 154,771,073 compared with the R 118,657,991 as at 31 August 2017; 30 days + debt increased with R 9,356,943; 60 days + increased with R 3,647,323 and 90 days and older debt as at 31 September 2017 has decreased with R 15,448,774 to R 126,969,831 compared with the R 142,418,605 as at 31 August 2017.

TABLE 9 : DEBTORS AGE ANALYSIS PER SERVICE AS AT 30 SEPTEMBER 2017

SERVICE	CURRENT 1 (Levied but not billed as yet)	CURRENT 2 (Levied and billed)	30 Days +	60 Days +	90 Days +	TOTAL OUTSTANDING DEBTORS	PERCENTAGE OF TOTAL OUTSTANDING DEBTORS
RATES	5,455	31,792,783	2,055,253	1,221,640	14,333,317	49,408,448	15.34%
WATER	15,960	25,995,665	12,562,292	3,582,598	32,684,557	74,841,072	23.24%
ELECTRICITY	16,556	72,739,001	7,671,058	2,843,629	18,445,963	101,716,206	31.58%
SEWERAGE	843	10,690,070	1,480,283	1,017,175	16,053,250	29,241,620	9.08%
REFUSE	734	11,232,533	2,373,709	1,616,071	27,560,934	42,783,980	13.28%
HOUSING	-	674,441	440,421	409,818	7,609,901	9,134,580	2.84%
OTHERS	44,225	1,646,582	2,054,387	919,642	10,281,910	14,946,747	4.64%
<b>TOTAL</b>	<b>83,772</b>	<b>154,771,073</b>	<b>28,637,403</b>	<b>11,610,573</b>	<b>126,969,831</b>	<b>322,072,652</b>	<b>100.00%</b>
2017/09 % =	48.08%		8.89%	3.60%	39.42%	100.00%	
2017/08 % =	52.46%		5.17%	2.20%	40.17%	100.00%	

Debtors owe the municipality property rates (15.34%); water (23.24%); electricity (31.58%); sewerage (9.08%); refuse (13.28%); housing (2.84%), and sundry debt (4.64%).



## 9.2 Debtors age analysis per debtor type

Agricultural debtors owes the municipality R 24,485,727 (7.6%); business debtors R 68,475,472 (21.3%); domestic debtors R 192,693,265 (59.8%); Government accounts R 25,512,052 (7.9%); Municipal accounts R 1,235,869 (0.4%) and other debtors R 9,670,268 (3.0%) of the total outstanding debt of R 322,072,652 as set out in Table 10 below. Most of the domestic debt and other debt will be irrecoverable and most probably will have to be written-off.

**TABLE 10 : DEBTORS AGE ANALYSIS PER DEBTOR TYPE AS AT 30 SEPTEMBER 2017**

DEBTOR TYPE	CURRENT 1 (Levied but not billed as yet)	CURRENT 2 (Levied and billed)	30 Days +	60 Days +	90 Days +	SUBTOTAL	VAT	TOTAL OUTSTANDING DEBTORS	PERCENTAGE OF TOTAL OUTSTANDING DEBTORS
AGRICULTURE	1,347.78	17,329,609.34	1,337,776.10	407,408.05	3,601,933.38	22,678,075	1,807,652	24,485,727	7.6%
BUSSINESS	6,453.19	51,658,060.45	1,894,320.52	763,333.51	7,128,956.00	61,451,124	7,024,348	68,475,472	21.3%
DOMESTIC	69,696.06	53,257,371.52	16,942,513.34	7,328,873.04	97,400,579.71	174,999,034	17,694,232	192,693,265	59.8%
GOVERNMENT	365.30	16,461,084.82	3,562,847.69	1,829,641.07	1,390,762.52	23,244,701	2,267,350	25,512,052	7.9%
MUNICIPAL	365.30	344,391.10	68,671.82	36,367.64	738,659.79	1,188,456	47,413	1,235,869	0.4%
SUNDRY ACCOUNTS	423.49	960,610.73	1,743,364.72	183,917.39	6,077,744.10	8,966,060	704,208	9,670,268	3.0%
<b>TOTAL</b>	<b>78,651</b>	<b>140,011,128</b>	<b>25,549,494</b>	<b>10,549,541</b>	<b>116,338,636</b>	<b>292,527,449</b>	<b>29,545,203</b>	<b>322,072,652</b>	<b>100.0%</b>

### 9.3 Debtors age analysis per ward

In Table 11 below the total outstanding debt of R 322,072,652 is reflected per ward. It is of great concern to note that 30 days and older debt as a percentage of the current debt of 23 of the 31 wards is above 50%. Notably is the percentages of ward 5 (70.1%); ward 6 (67.9%); ward 7 (69.4%); ward 8 (80.9%); ward 9 (77.8%); ward 10 (56.8%); ward 11 (68.7%); ward 12 (85.9%); ward 13 (72.0%); ward 14 (79.3%); ward 16 (53.1%); ward 20 (81.6%); ward 21 (82.8%); ward 22 (54.5%); ward 23 (58.2%); ward 24 (79.3%); ward 25 (54.1%); ward 26 (66.8%); ward 27 (78.2%); ward 30 (91.2%); ward 31 (74.8%); ward 32 (78.8%) and ward 33 (60.0%).

Wards that owes the municipality more than R 10,000,000 monetary wise are ward 1 (R 11,290,923), ward 4 (R 18,372,215); ward 9 (R 10,488,873); ward 12 (R 10,045,405); ward 15 (R 16,336,805); ward 16 (R 11,598,070); ward 17 (R 14,216,909); ward 18 (R 23,898,910); ward 19 (R 23,923,450); ward 22 (R 11,187,355); ward 28 (R 16,935,437); ward 30 (R 35,097,247); and ward 31 (R 13,464,726).

It is imperative that critical vacant positions in the credit control, customer care, and indigent and revenue protection sections as approved in the new functional organisational structure be filled to enforce Council's Credit Control and Debt Collection Policy.

#### **Recommendation**

- (8) That it be noted that total outstanding debtors as at 31 September 2017 amounted to R 322,072,652 and that 30 days and older debt constitutes 51.9% of total outstanding debtors.**
  
- (9) That it be noted that domestic consumers owe the municipality R 192,693,265 or 59.8% of the municipality's total debtor's book.**

TABLE 11: OUTSTANDING DEBTORS PER WARD AS AT 30 SEPTEMBER 2017

WARD	CURRENT 1 (Levied but not billed as yet)	CURRENT 2 (Levied and billed)	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL OUTSTANDING DEBT 30/09/2017	30 DAYS AND OLDER AS A % OF TOTAL DEBT	TOTAL OUTSTANDING DEBT 31/08/2017	INCREASE / (DECREASE)	WARD COUNCILLOR
1	3,710.39	9,067,726.67	947,559.60	195,556.77	1,076,369.31	11,290,923	19.7%	10,827,515	463,408	C KROUTZ
2	1,870.66	5,288,735.99	355,065.56	119,698.86	911,170.72	6,676,542	20.8%	7,248,643	(572,101)	HJ KOTZE
3	2,203.50	5,130,713.17	185,633.49	76,658.50	748,176.48	6,143,385	16.4%	7,411,969	(1,268,584)	WE SMIT
4	3,193.40	13,980,579.13	842,213.07	251,113.33	3,295,115.74	18,372,215	23.9%	20,652,025	(2,279,811)	J MILLER
5	335.75	1,367,062.87	684,471.42	271,665.13	2,245,652.73	4,569,188	70.1%	4,451,257	117,930	NP MBENENE
6	0.00	1,843,411.55	432,912.48	189,672.40	3,280,440.74	5,746,437	67.9%	5,565,841	180,596	TZ NQORO / NOMANA
7	0.00	1,243,338.81	648,234.04	237,623.38	1,927,615.29	4,056,812	69.4%	4,586,558	(529,746)	RB ARNOLDS
8	0.00	446,164.80	167,098.70	86,092.78	1,633,394.55	2,332,751	80.9%	2,330,456	2,295	N.ZIKHALI
9	787.70	2,329,353.71	967,549.72	431,581.12	6,759,600.40	10,488,873	77.8%	10,103,768	385,105	TC MANGENA
10	423.20	817,487.34	252,457.20	115,771.56	707,752.06	1,893,891	56.8%	2,264,864	(370,973)	C KEARNS
11	1,105.19	2,924,103.04	990,185.39	480,691.39	4,961,620.83	9,357,706	68.7%	9,315,351	42,355	AC STOWMAN
12	3,585.20	1,412,039.26	1,935,316.74	373,710.10	6,320,753.59	10,045,405	85.9%	10,888,678	(843,273)	MD NOBULA
13	3,509.66	707,295.29	284,149.33	114,223.81	1,425,477.04	2,534,655	72.0%	2,617,103	(82,448)	S ROSS
14	1,540.50	1,149,601.82	644,826.08	310,881.19	3,460,521.76	5,567,371	79.3%	5,251,714	315,658	J DE WET
15	5,481.67	13,410,952.46	681,515.84	420,630.70	1,818,224.59	16,336,805	17.9%	18,884,865	(2,548,060)	LW NIEHAUS
16	1,376.19	5,442,827.39	1,424,129.80	540,154.72	4,189,581.56	11,598,070	53.1%	11,992,147	(394,078)	DS BLANCKENBERG
17	11,672.53	11,157,613.73	784,814.92	256,014.54	2,006,793.61	14,216,909	21.4%	14,256,030	(39,121)	HJN MATTHEE
18	10,536.87	13,975,863.47	1,721,213.65	449,432.52	7,741,863.32	23,898,910	41.5%	24,999,070	(1,100,160)	AML BUCKLE
19	7,663.74	19,093,306.88	910,597.85	570,324.99	3,341,556.73	23,923,450	20.2%	25,743,594	(1,820,144)	TE BESTER
20	3,174.51	1,065,949.10	528,372.63	264,550.08	3,933,015.54	5,795,062	81.6%	5,911,300	(116,238)	PBA CUPIDO
21	800.48	788,196.84	436,790.96	209,177.58	3,152,589.94	4,587,556	82.8%	4,884,076	(296,520)	E GOUWS
22	4,475.88	5,081,980.08	998,072.28	308,775.66	4,794,051.07	11,187,355	54.5%	11,870,287	(682,932)	FP CUPIDO
23	320.42	2,132,724.86	508,903.51	185,691.66	2,272,570.61	5,100,211	58.2%	5,099,088	1,123	F JACOBS
24	0.00	909,479.58	329,623.24	163,642.96	2,983,818.65	4,386,564	79.3%	4,794,004	(407,440)	MM ADRIAANSE
25	1,201.80	4,534,576.64	1,815,753.92	1,026,244.66	2,514,319.89	9,892,097	54.1%	8,852,232	1,039,864	LT VAN NIEKERK
26	2,063.35	1,595,881.38	472,868.81	191,082.57	2,545,777.08	4,807,673	66.8%	5,113,968	(306,295)	JV ANDERSON
27	146.90	605,259.58	321,053.41	178,906.01	1,672,287.97	2,777,654	78.2%	2,732,659	44,995	VC BOOYSEN
28	7,461.70	11,513,279.76	2,548,658.80	998,505.90	1,867,531.29	16,935,437	32.0%	19,774,241	(2,838,804)	RH VAN NIEWENHUYZEN
29	2,165.63	4,126,626.49	680,549.83	370,174.01	1,668,536.42	6,848,052	39.7%	6,670,474	177,579	L WILLEMSE
30	400.14	3,084,085.26	2,561,944.70	1,297,227.77	28,153,589.32	35,097,247	91.2%	32,916,513	2,180,734	J SMIT
31	890.12	3,392,870.91	1,232,856.75	395,358.29	8,442,749.77	13,464,726	74.8%	17,074,362	(3,609,636)	GH FORD
32	467.30	959,783.30	559,924.54	252,003.92	2,767,069.45	4,539,249	78.8%	4,429,226	110,022	LV NZELE
33	320.40	1,453,051.91	363,630.73	114,162.19	1,698,439.91	3,629,605	60.0%	4,040,192	(410,587)	SE SEPTEMBER
SUNDRIES	887.60	2,739,150.42	418,453.97	163,571.58	651,802.91	3,973,866	31.0%	3,738,101	235,766	SUNDRIES
<b>TOTAL</b>	<b>83,772</b>	<b>154,771,073</b>	<b>28,637,403</b>	<b>11,610,573</b>	<b>126,969,831</b>	<b>322,072,652</b>	<b>51.9%</b>	<b>337,292,172</b>	<b>(15,219,519)</b>	

## 10. Creditors age analysis

The municipality's creditor's age analysis amounted to R 23,161 as at 30 September 2017 as set out in Table 12 below. Creditors 30 days and older to the amount of R 0.

### *Recommendation*

*(10) That it be noted that outstanding creditors amounted to R 23,161 as at 30 September 2017.*

**TABLE 12: CREDITORS AGE ANALYSIS AS AT 30 SEPTEMBER 2017**

<b>CREDITOR</b>	<b>CURRENT</b>	<b>30 DAYS +</b>	<b>60 DAYS +</b>	<b>90 DAYS +</b>	<b>TOTAL AS AT 30/09/2017</b>
SA DRIVER	10,969	0	0	0	10,969
WELLINGTON PAINT & HARDWARE	2,438	0	0	0	2,438
WYNLAND AUTO ELECTRICAL	9,755	0	0	0	9,755
<b>TOTAL</b>	<b>23,161</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,161</b>

## 11. Bank, cash, overdraft balances and investments

The municipality's primary and secondary bank accounts reconciles as at 30 September 2017 as can be seen in table 13 below. The primary bank account showed a positive cashbook balance of R 109,013,684 at the end of August whilst the actual bank balance was a positive R 92,043,658.

**TABLE 13: BANK RECONCILIATION AS AT 30 SEPTEMBER 2017**

	FNB Primary Account 62702310385	FNB Billing & Sundry Receipt Account 62702312349	FNB Traffic Account 62071526514	Nedbank Primary Account 1498121861	Nedbank Secondary Account 1498121853	TOTALS
<b>Cashbook balance as per 31/08/2017</b>	<b>(22,873,323)</b>	<b>19,184,769</b>	<b>0</b>	<b>57,862,009</b>	<b>54,840,229</b>	<b>109,013,684</b>
In CB not in GL : Direct Deposit Transfers	97,798	12,597	0	48,267	54,464	213,126
In GL not in CB : ACB's	87,218,231	0	0	0	0	87,218,231
In GL not in CB : Cheques	(157,793)	0	0	0	0	(157,793)
In CB not in GL : Canceled Cheque	750	0	0	0	0	750
Direct-Deposito-Transfer-in-Cashook	5,207,248	(19,197,366)	0	(47,702,127)	(54,894,693)	(116,586,938)
Less : Amount receipted but not yet banked	(1,543,511)	0	0	0	0	(1,543,511)
Plus : Cheques issued but not yet cashed	677,318	0	0	231,145	0	908,463
Plus : ACB's issued but not yet cashed	12,910,304	0	0	67,342	0	12,977,646
<b>Balance bank statement as per 31/08/2017</b>	<b>81,537,022</b>	<b>0</b>	<b>0</b>	<b>10,506,636</b>	<b>0</b>	<b>92,043,658</b>

In terms of section 11 of the Local Government: Municipal Finance Management Act (No 56 of 2003) the total amount of money withdrawn from the municipality's bank accounts is R 373,599,513 for the three month period ending 30 September 2017.

**TABLE 14: BANK WITHDRAWALS AS AT 30 SEPTEMBER 2017**

	AMOUNT	REASON FOR WITHDRAW
<b>MFMA section 11.</b> (1) Only the <i>accounting officer</i> or the <i>chief financial officer</i> of a <i>municipality</i> , or any other senior financial official of the <i>municipality</i> acting on the written authority of the <i>accounting officer</i> may withdraw money or authorise the withdrawal of money from any of the <i>municipality</i> 's bank accounts, and may do so only -		
(b) to defray expenditure authorised in terms of section 26(4);	N/A	N/A
(c) to defray unforeseeable and unavoidable expenditure authorised in terms of section 29(1);	N/A	N/A
(d) in the case of a bank account opened in terms of section 12. to make payments from the account in accordance with subsection (4) of that section;	N/A	N/A
(e) to pay over to a person or organ of state money received by the <i>municipality</i> on behalf of that person or organ of state, including -	N/A	N/A
(i) money collected by the <i>municipality</i> on behalf of that person or organ of state by agreement; or	N/A	N/A
(ii) any insurance or other payments received by the <i>municipality</i> for that person or organ of state;	N/A	N/A
(f) to refund money incorrectly paid into a bank account;	N/A	N/A
(g) to refund guarantees, sureties and <i>security</i> deposits;	N/A	N/A
(h) for cash management and <i>investment</i> purposes in accordance with section 13;	N/A	N/A
(i) to defray increased expenditure in terms of section 31; or	R373,599,513.00	Normal expenditure as per budget
(j) for such other purposes as may be <i>prescribed</i> .	N/A	N/A
(4) The <i>accounting officer</i> must within 30 days after the end of each <i>quarter</i> -	N/A	N/A
(a) table in the <i>municipal council</i> a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that <i>quarter</i> and	N/A	N/A
(b) submit a copy of the report to the relevant <i>provincial treasury</i> and the <i>Auditor-General</i> .	N/A	N/A

Surplus cash is invested on a daily basis. The municipality's investments as at 30 September 2017 is as set out in Table 14 below. The municipality started the beginning of the month with total investments of R 278,570,665 and after investments made R (0), withdrawn (R 92,000,000) and interest capitalised (R 1,585,593) closed with an investments balance of R 372,156,258 at the five listed local banks and at Eskom where we do have some shares.

**TABLE 15 : INVESTMENTS AS AT 30 SEPTEMBER 2017**

BANK	BALANCE AT 31 JULY 2017	INVESTMENTS MADE	INVESTMENTS WITHDRAWN	INTEREST CAPITALISED	BALANCE AT 30 SEPTEMBER 2017	INTEREST EARNED YEAR-TO-DATE	INTEREST RATE
ABSA BANK	20,501,955	0	0	117,535	20,619,490	237,177	6.750%
ABSA BANK	20,394,878	0	0	116,921	20,511,799	235,938	6.750%
ABSA BANK	21,132,586	0	0	121,151	21,253,737	244,472	6.750%
ABSA BANK	20,233,876	0	0	115,998	20,349,874	234,075	6.750%
ABSA BANK	20,242,121	0	0	116,046	20,358,167	234,171	6.750%
<b>SUB-TOTAL</b>	<b>102,505,415</b>	<b>0</b>	<b>0</b>	<b>587,651</b>	<b>103,093,066</b>	<b>1,185,832</b>	<b>6.750%</b>
FNB	0	0	92,000,000	0	92,000,000	0	7.090%
<b>SUB-TOTAL</b>	<b>0</b>	<b>0</b>	<b>92,000,000</b>	<b>0</b>	<b>92,000,000</b>	<b>0</b>	<b>7.090%</b>
STANDARD BANK	150,932,260	0	0	858,867	151,791,127	1,791,127	6.700%
<b>SUB-TOTAL</b>	<b>150,932,260</b>	<b>0</b>	<b>0</b>	<b>858,867</b>	<b>151,791,127</b>	<b>1,791,127</b>	<b>6.700%</b>
NEDBANK	25,000,000	0	0	139,075	25,139,075	281,575	6.550%
<b>SUB-TOTAL</b>	<b>25,000,000</b>	<b>0</b>	<b>0</b>	<b>139,075</b>	<b>25,139,075</b>	<b>281,575</b>	<b>6.550%</b>
ESKOM	132,990	0	0	0	132,990	0	13.500%
<b>SUB-TOTAL</b>	<b>132,990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,990</b>	<b>0</b>	<b>13.500%</b>
<b>GRAND TOTAL</b>	<b>278,570,665</b>	<b>0</b>	<b>92,000,000</b>	<b>1,585,593</b>	<b>372,156,258</b>	<b>3,258,535</b>	<b>8.118%</b>

**Recommendation**

- (11) *That it be noted that the primary bank account had a positive bank balance at 30 September 2017 which amounted to R 92,043,658.*
- (12) *That it be noted that the total amount withdrawn from the municipality's bank account amounts to R 373,599,513 for the three month period ending 30 September 2017.*
- (13) *That it be noted that total investments in cash and shares amounted to R 372,156,258 as at 30 September 2017 at the five local banks and Eskom.*

## 12. RECOMMENDATIONS

Based on the contents of this report it is recommended to the Executive Mayor and his Mayoral Committee, the Finance Portfolio Committee and Council –

- (1) That it be noted that the variance between the actual operating revenue (R 852,128,661) and the pro rata budgeted operating revenue (R 836,446,030) has a positive variance of R 15,682,631 or 1.87%.
- (2) That it be noted that the variance between the actual operating expenditure (R 406,208,625) and the pro rata budgeted operating expenditure (R 467,630,036) has a positive variance of R 61,421,411 or 13.13%.
- (3) That it be noted that the actual and committed capital expenditure of R 465,965,055 and the pro rata budgeted capital expenditure of R 129,500,918 realised over spending of R 336,464,136 or 259.82%.
- (4) That it be noted that the actual and committed capital expenditure of R 465,965,055 compared with the capital expenditure budget represent a spending percentage of 57.16% after three months of the financial year.
- (5) That it be noted that external borrowings amounted to R 1,188,847,355 as at 30 September 2017 and that it represents 59.19% of Drakenstein's total budgeted operating revenue of R 2,008,665,813 for the 2017/2018 financial year.
- (6) That it be noted that unspent conditional and unconditional grants amounted to R 76,963,473 at the end of September 2017.
- (7) That it be noted that the actual employee related cost expenditure of R 113,384,449 compared with the pro rata budgeted expenditure of R 112,792,980 relates to a negative variance of R 591,469 or 0.52%.
- (8) That it be noted that total outstanding debtors as at 31 September 2017 amounted to R 322,072,652 and that 30 days and older debt constitutes 51.9% of total outstanding debtors.



- (9) That it be noted that domestic consumers owe the municipality R 192,693,265 or 59.8% of the municipality's total debtor's book.
- (10) That it be noted that outstanding creditors amounted to R 23,161 as at 30 September 2017.
- (11) That it be noted that the primary bank account had a positive bank balance at 30 September 2017 which amounted to R 92,043,658.
- (12) That it be noted that the total amount withdrawn from the municipality's bank account amounts to R 373,599,513 for the three month period ending 30 September 2017.
- (13) That it be noted that total investments in cash and shares amounted to R 372,156,258 as at 30 September 2017 at the five local banks and Eskom.
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