



DRAKENSTEIN

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Monthly and Quarterly Budget Monitoring Report (Section 71 and 52 of MFMA)

Period ending: 31 December 2017

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 December 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.

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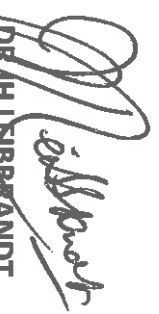
CONRAD POOLE
EXECUTIVE MAYOR
15 January 2018

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 December 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 October 2017 to 31 December 2017.



DK JH LISBRANDT
CITY MANAGER
15 January 2018

Table of Content

	Page
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	20
9. Debtors age analysis and payment rates	22
10. Creditors age analysis	27
11. Bank, cash, overdraft balances and investments	28
12. Recommendations	31

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 1,310,224,980) compares favourably with the pro rata budgeted figure (R 1,285,998,545) – a positive variance of R 24,226,435 or 1.88% 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 34,388,615 or 54.00%) – journals not processed yet, will be done in the next month;
- Transfers and Subsidies: Operational (R 36,511,513 or 88.19%) – under spending on the housing projects, which is resulting in less revenue to be recognised as specified for the conditional grant;
- Operational Revenue (R 2,009,049 or 17.36%) – revenue (i.e. Planning fees income) is less than the pro-rata budget based on historical trends;
- Service Charges: Property Rates (R 4,235,031 or 1.23%) – revenue is levied annually and therefore can decrease or increase dependent on corrections based on appeals and subsequent implementation of a supplementary valuations;
- Service Charges: Other (R 1,752 or 7.59%) – less than envisioned at this stage and based on historical trends;
- Sale of Goods and Rendering of Services (R 172,993 or 98.46%) – 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 7,757,423 or 71.78%) - pro-rata budget based on historical trends from previous years, but free water changed from 10kl to 6 kl in this financial year. Free water will therefore be less this financial year; and
- Contra Account: Property Rates (R 6,514,995 or 6.29%) - pro-rata budget based on historical trends from previous years however, the 1st supplementary valuation will only be implemented during January and will influence this amount considerably.

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

- Fines (2,832,351 or 9.55%) – revenue more than envisaged;
- Interest, dividends and rent on land (R 2,525,839 or 14.61%) – revenue more than envisaged;
- Rental from fixed assets (R 2,040,471 or 15.31%) – pro-rata budget based on historical trends and therefore may differ one month to another.
- Service Charges: Cleansing (R 6,500,903 or 5.67%) – revenue is levied annually and therefore can decrease in order to align with the budget trends;
- Service Charges: Electricity (R 13,055,210 or 2.54%) – revenue is more than the projected budget, calculated from prior financial period actuals;
- Service Charges: Sanitation (R 7,118,513 or 6.90%) – revenue is levied annually and therefore can decrease in order to align with the budget trends;
- Service Charges: Water (R 32,462,662 or 36.06%) – 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 1,310,224,980) and the pro rata budgeted operating revenue (R 1,285,998,545) has a positive variance of R 24,226,435 or 1.88%.

TABLE 1: ACTUAL REVENUE PER REVENUE SOURCE FOR DECEMBER 2017

SERIAL NUMBER	REVENUE SOURCES	ANNUAL		MONTHLY		YEAR-TO-DATE				PROJECTED REVENUE FOR THE REST OF THE YEAR
		APPROVED BUDGET	ADJUSTED BUDGET	BUDGET	ACTUAL REVENUE	PRO RATA BUDGET	ACTUAL REVENUE	POSITIVE / (NEGATIVE) VARIANCES	POSITIVE / (NEGATIVE) VARIANCES %	
1	Fines	59,309,968	59,309,968	29,654,984	32,415,536	29,654,984	32,487,335	2,832,351	9.55%	26,822,633
2	Free Basic Services	120,821,000	120,821,000	9,523,469	5,222,425	63,680,185	29,291,570	(34,388,615)	-54.00%	91,529,430
3	Gains and Losses	250,000	250,000	0	0	0	0	0	0.00%	250,000
4	Interest Dividend and Rent on land	36,190,639	36,190,639	2,880,955	2,699,101	17,285,731	19,811,570	2,525,839	14.61%	16,379,069
5	Licences and Permits	16,971,823	16,971,823	1,414,319	1,185,727	8,485,911	8,268,405	(217,506)	-2.56%	8,703,418
6	Ner: Transfers and Subsidies : Operational	98,441,034	98,441,034	6,900,003	3,811,399	41,400,017	4,888,504	(36,511,513)	-88.19%	93,552,530
7	Operational Revenue	23,152,265	23,152,265	2,315,227	1,540,780	11,576,133	9,567,084	(2,009,049)	-17.36%	13,585,181
8	Rental from Fixed Assets	27,767,923	27,767,923	2,360,274	2,573,615	13,328,603	15,369,074	2,040,471	15.31%	12,398,849
9	Service Charges : Cleansing	120,940,260	120,940,260	2,764,893	1,082,902	114,695,075	121,195,979	6,500,903	5.67%	(255,719)
10	Service Charges : Electricity	1,041,773,629	1,041,773,629	75,969,738	78,860,920	514,345,128	527,400,339	13,055,210	2.54%	514,373,290
11	Service Charges : Property Rates	352,262,061	352,262,061	478,484	53,689	344,662,244	340,427,213	(4,235,031)	-1.23%	11,834,848
12	Service Charges : Sanitation	108,066,192	108,066,192	1,821,307	2,149,480	103,209,225	110,327,738	7,118,513	6.90%	(2,261,546)
13	Service Charges : Water	228,193,650	228,193,650	13,403,366	18,013,355	90,012,828	122,475,490	32,462,662	36.06%	105,718,160
14	Service Charges : Other	46,173	46,173	3,848	3,556	23,087	21,335	(1,752)	-7.59%	24,838
15	Sale Of Goods And Rendering Of Services	351,385	351,385	35,139	600	175,693	2,700	(172,993)	-98.46%	348,685
16	Subtotal A : Operating Revenue	2,234,538,002	2,234,538,002	149,526,004	149,613,085	1,352,534,843	1,341,534,335	(11,000,509)	-0.81%	893,003,667
17	Contra Account : Water Foregone	(21,615,830)	(21,615,830)	(1,801,319)	(478,340)	(10,807,915)	(3,050,492)	7,757,423	-71.78%	(18,565,338)
18	Contra Account : Property Rates	(105,815,325)	(105,815,325)	(143,731)	(699,195)	(103,532,431)	(97,017,436)	6,514,995	-6.29%	(8,797,889)
19	Subtotal B : Operating Revenue Foregone	(127,431,155)	(127,431,155)	(1,945,050)	(1,177,535)	(114,340,346)	(100,067,928)	14,272,418	-12.48%	(27,363,227)
20	Total Operating Revenue	2,107,106,847	2,107,106,847	147,580,954	148,435,550	1,238,194,498	1,241,466,407	3,271,909	0.26%	865,640,440
21	Ner : Transfers and Subsidies : Capital	94,756,000	95,693,305	47,463,210	68,758,573	47,804,048	68,758,573	20,954,525	43.83%	26,934,732
22	Total Operating Revenue (Capital Grants Included)	2,201,862,847	2,202,800,152	195,044,163	217,194,123	1,285,998,545	1,310,224,980	24,226,435	1.88%	892,575,172
							Actual Revenue to date			1,310,224,980
							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 993,239,865 compares favourably with the pro rata budgeted expenditure of R 1,035,929,439 – a variance of R 42,689,573 or 4.12%.

TABLE 2: ACTUAL OPERATIONAL EXPENDITURE PER VOTE FOR DECEMBER 2017

SERIAL NUMBER	VOTE	ANNUAL		MONTHLY		YEAR-TO-DATE				PROJECTED EXPENDITURE FOR THE YEAR	
		APPROVED BUDGET	ADJUSTED BUDGET	BUDGET	ACTUAL EXPENDITURE	PRO RATA BUDGET	ACTUALS EXPENDITURE	POSITIVE / (NEGATIVE) VARIANCES	POSITIVE / (NEGATIVE) VARIANCES %		
1	City Manager	1,472,152	1,072,752	127,252	(2,143,044)	(453,182)	(1,060,048)	606,867	-133.91%	2,132,800.49	
2	Department of Internal Audit	3,601,344	3,602,424	291,776	(1,514,134)	1,949,747	1,535,243	414,505	21.26%	2,067,181.28	
3	Department of Risk And Fraud	2,072,263	2,072,743	169,482	145,626	1,053,892	1,006,680	47,212	4.48%	1,066,062.91	
4	Department of Communication	1,242,152	1,242,152	100,168	0	639,135	192,920	446,215	69.82%	1,049,232.20	
5	Department of IDP/PMS	1,426,234	1,426,834	145,217	(1,805,731)	785,785	643,146	142,639	18.15%	783,687.54	
6	Corporate Services	107,191,997	107,610,337	23,472,530	(5,681,631)	55,272,435	45,433,349	9,839,085	17.80%	62,176,988	
7	Community Services	572,357,339	277,189,701	47,472,937	49,468,847	139,082,384	136,884,804	2,197,580	1.58%	140,304,897	
8	Financial Services	72,759,720	73,378,715	7,141,015	(13,411,566)	36,192,707	24,899,148	11,293,559	31.20%	48,479,567	
9	Planning and Development	44,429,023	195,462,970	21,445,811	16,383,215	97,334,103	65,449,229	31,884,874	32.76%	130,013,741	
10	Engineering Services	1,376,141,150	1,519,634,746	179,159,614	242,256,360	704,072,433	718,255,395	(14,182,962)	-2.01%	801,379,351	
11	Totals	2,182,693,374	2,182,693,374	279,525,803	283,697,942	1,035,929,439	993,239,865	42,689,573	4.12%	1,189,453,509	
										Actual Expenditure to date	993,239,865
										Projected Expenditure for 2017/2018	2,182,693,374

Recommendation

(2) That it be noted that the variance between the actual operating expenditure (R 993,239,865) and the pro rata budgeted operating expenditure (R 1,035,929,439) has a positive variance of R 42,689,573 or 4.12%.

TABLE 2.1 : OPERATIONAL EXPENDITURE PER VOTE FOR DECEMBER 2017

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									
Contracted Services	707,601	299,601	13,633	30,000	217,800	30,000	187,800	86.23%	269,601
Inventory	217,296	225,296	18,997	14,085	111,315	88,207	23,108	20.76%	137,089
Operational Cost	268,911	269,511	22,478	2,435	134,645	23,051	111,594	82.88%	246,460
	1,193,808	794,408	55,108	46,520	463,760	141,258	322,503	69.54%	653,150
DEPARTMENT OF INTERNAL AUDIT									
Contracted Services	1,079,013	1,064,013	88,418	375	533,506	54,062	479,444	89.87%	1,009,951
Inventory	35,048	35,048	2,921	1,219	17,524	14,324	3,200	18.26%	20,724
Operational Cost	105,374	121,454	10,401	0	59,047	58,063	984	1.67%	63,391
	1,219,435	1,220,515	101,740	1,594	610,077	126,449	483,628	79.27%	1,094,066
DEPARTMENT OF RISK AND FRAUD									
Contracted Services	644,559	644,559	53,713	0	322,279	50,000	272,279	84.49%	594,559
Inventory	11,719	11,719	977	451	5,859	1,230	4,630	79.02%	10,489
Operational Cost	92,184	92,664	7,737	480	46,242	37,553	8,689	18.79%	55,111
	748,462	748,942	62,427	931	374,381	88,782	285,599	76.29%	660,160
DEPARTMENT OF COMMUNICATION									
Contracted Services	0	0	0	0	0	0	0	0.00%	0
Inventory	28,233	28,233	2,353	0	14,116	0	14,116	100.00%	28,233
Operational Cost	33,643	33,643	2,804	0	16,821	0	16,821	100.00%	33,643
	61,876	61,876	5,156	0	30,938	0	30,938	100.00%	61,876
DEPARTMENT OF IDP/PMS									
Contracted Services	2,162,254	1,162,254	89,279	0	626,581	350,301	276,281	44.09%	811,953
Inventory	53,859	53,859	4,488	0	26,929	32,440	-5,511	-20.46%	21,419
Operational Cost	110,817	1,111,417	100,210	2,188	510,154	548,801	-38,647	-7.58%	562,616
	2,326,930	2,327,530	193,977	2,188	1,163,665	931,542	232,123	19.95%	1,395,988

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
CORPORATE SERVICES									
Contracted Services	12,659,759	13,939,489	1,208,304	1,909,632	6,689,662	6,301,738	387,924	5.80%	7,637,751
Inventory	6,939,863	2,023,613	33,464	112,960	1,822,825	831,867	990,958	54.36%	1,191,746
Operational Cost	27,098,178	31,081,038	2,223,793	3,860,010	17,738,274	16,465,496	1,272,778	7.18%	14,615,542
	46,697,800	47,044,140	3,465,561	5,882,602	26,250,761	23,599,101	2,651,660	10.10%	23,445,039
COMMUNITY SERVICES									
Contracted Services	14,385,545	14,577,436	1,210,524	1,283,214	7,314,283	6,117,747	1,196,536	16.36%	8,459,689
Inventory	6,747,155	6,631,269	547,151	389,891	3,348,357	2,391,680	956,678	28.57%	4,239,589
Operational Cost	26,723,723	26,116,213	2,164,042	1,278,643	13,131,953	5,626,961	7,504,992	57.15%	20,489,252
	47,856,423	47,324,918	3,921,717	2,951,748	23,794,594	14,136,388	9,658,206	40.59%	33,188,530
FINANCIAL SERVICES									
Contracted Services	7,384,575	5,048,887	405,116	171,664	2,618,190	1,770,368	847,822	32.38%	3,278,519
Inventory	1,631,703	1,837,345	160,690	181,153	873,201	773,698	99,504	11.40%	1,063,647
Operational Cost	19,520,759	21,886,800	1,543,350	601,053	12,626,694	10,842,910	1,783,784	14.13%	11,043,890
	28,537,037	28,773,032	2,109,157	953,870	16,118,085	13,386,976	2,731,110	16.94%	15,386,056
PLANNING AND DEVELOPMENT									
Contracted Services	20,208,944	19,137,102	1,595,920	2,235,457	9,561,579	6,728,201	2,833,379	29.63%	12,408,901
Inventory	681,375	681,375	56,781	77,803	340,686	333,405	7,282	2.14%	347,970
Operational Cost	27,679,878	30,628,480	2,617,419	3,004,316	14,923,960	17,101,308	-2,177,348	-14.59%	13,527,172
	48,570,197	50,446,957	4,270,120	5,317,575	24,826,226	24,162,913	663,313	2.67%	26,284,044
ENGINEERING SERVICES									
Contracted Services	95,854,422	93,979,663	7,816,840	6,777,612	47,078,615	41,865,493	5,213,121	11.07%	52,114,170
Inventory	31,484,783	30,772,376	2,543,417	2,169,524	15,511,868	12,058,956	3,452,912	22.26%	18,713,420
Operational Cost	570,224	4,193,450	465,142	19,311,084	1,402,588	21,684,562	-20,281,974	-1446.04%	-17,491,112
	127,909,429	128,945,489	10,825,399	28,258,220	63,993,071	75,609,012	-11,615,941	-18.15%	53,336,477
TOTALS	305,121,397	307,687,807	25,010,361	43,415,248	157,625,558	152,182,421	5,443,137	3.45%	155,505,386

Actual Expenditure to date 152,182,421
Projected Expenditure for 2017/2018 307,687,807

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 993,239,865) do compare favourably with the pro rata budgeted figures (R 1,035,929,439) – a positive variance of R 42,689,573 or 4.12% at month end.

TABLE 3: ACTUAL OPERATIONAL EXPENDITURE PER EXPENDITURE CATEGORY FOR DECEMBER 2017

SERIAL NUMBER	EXPENDITURE CATEGORY	ANNUAL		MONTHLY		YEAR-TO-DATE				PROJECTED EXPENDITURE FOR THE YEAR
		APPROVED BUDGET	ADJUSTED BUDGET	BUDGET	ACTUAL EXPENDITURE	PRO RATA BUDGET	ACTUALS EXPENDITURE	POSITIVE / (NEGATIVE) VARIANCES	POSITIVE / (NEGATIVE) VARIANCES %	
1	Employee Related Cost	539,266,748	539,266,748	54,869,337	43,649,326	264,366,382	261,918,814	2,447,569	0.93%	277,347,934
2	Councillor Related Costs	29,091,494	29,091,494	2,279,508	2,216,139	13,677,051	13,300,865	376,186	2.75%	15,790,629
3	Provision for Bad Debts	28,762,971	28,762,971	2,396,914	2,396,914	14,381,485	14,381,486	(0)	0.00%	14,381,485
4	Depreciation and Amortisation	188,506,431	188,506,431	94,253,216	94,226,906	94,253,216	94,226,906	26,310	0.03%	94,279,526
5	Impairment Losses	49,375,323	49,375,323	24,687,662	26,896,622	24,687,662	26,896,622	(2,208,960)	-8.95%	22,478,701
6	Interest Paid	119,635,859	119,635,859	9,969,655	15,023,558	59,817,929	64,786,200	(4,968,271)	-8.31%	54,849,659
7	Bulk Purchases Water	43,168,974	43,168,974	182,016	168,284	3,329,086	1,689,660	1,639,425	49.25%	41,479,314
8	Bulk Purchases: Electricity	631,669,439	631,669,439	45,339,565	44,436,663	281,342,695	283,382,478	(2,039,783)	-0.73%	348,286,961
9	Contra Accounts: Revenue Cost of Free Basic Services	93,134,840	93,134,840	7,761,237	6,284,517	46,567,420	34,620,652	11,946,768	25.65%	58,514,188
10	Contracted Services	155,086,672	155,086,672	12,481,747	12,407,953	74,962,497	63,267,910	11,694,587	15.60%	91,818,762
11	Operational : Monetary	739,925	739,925	61,660	0	369,962	0	369,962	100.00%	739,925
12	Inventory	47,831,034	47,831,034	3,371,238	2,947,087	22,072,682	16,525,805	5,546,877	25.13%	31,305,229
13	Operating Leases	15,476,691	15,476,691	1,448,022	1,374,462	8,379,122	7,343,701	1,035,421	12.36%	8,132,990
14	Operational Cost	102,203,691	102,203,691	9,207,376	28,061,767	60,640,379	72,390,265	(11,749,885)	-19.38%	29,813,426
15	OC: Municipal Services	53,181,576	53,181,576	4,431,798	2,958,324	26,590,785	32,339,962	(5,749,176)	-21.62%	20,841,614
16	Transfers and Subsidies: Operational	81,561,706	81,561,706	6,784,853	649,420	40,491,085	6,168,540	34,322,544	84.77%	75,393,166
17	Loss On Sale of Assets	4,000,000	4,000,000	0	0	0	0	0	0.00%	4,000,000
18	TOTALS	2,182,693,374	2,182,693,374	279,525,803	283,697,942	1,035,929,439	993,239,865	42,689,573	4.12%	1,189,453,509
							Actual Expenditure to date			993,239,865
							Projected Expenditure for 2017/2018			2,182,693,374

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

- Bulk Purchases Water (R 1,639,425 or 49,25%) – 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;
- Contra Accounts: Revenue Cost of Free Basic Services (R 11,946,768 or 25.65%) – journals not processed yet, will be done in the next month;
- Contracted services (R 11,694,587 or 15.60%) – contracted services (research and development, resealing of streets and maintenance on unspecified assets and equipment) are underspend for the month;
- Operational Monetary (R 369,962 or 100.00%) – budgeted donations still to be expensed to approved beneficiaries;
- Inventory (R 5,546,877 or 25.13%) – inventory expenditure (i.e. petrol and diesel; housing inventory, tyres; chemicals, etc.) underspend for the month;
- Operating Leases (R 1,035,421 or 12.36%) – leasing of machinery and equipment expenditure was less than anticipated; and
- Transfers and subsidies: operational (R 34,322,544 or 84.77%) – 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 –

- Employee related costs (2,447,569 or 0.93%) – due to TASK implementation and the back pay thereof; and
- Municipal Services (R 5,749,176 or 21.62%) – overspending on internal use of electricity. Pro-rata budget of refuse is incorrect as it was appropriated monthly whilst refuse is a service that is billed annually. This will be reviewed during the adjustment budget process.
- Interest Paid (4,968,271 or 8.31%) – budgeted calculations was based on tendered rates and the actual interest payable was fixed on date of signing, therefore the negative year-to-date variance. This will be reviewed during the adjustment budget process;
- Operational Cost (11,749,885 or 19.38%) – due to unforeseen contribution to provision for landfill site, this will be reviewed during the adjustment budget process; and
- Bulk Electricity (2,039,783 or 0.73%) – overspending envisaged at the moment, this will be reviewed during the adjustment budget process.

5 Actual capital expenditure per vote and funding source

The actual capital expenditure per vote is set out in Table 4 below. The actual capital expenditure of R 280,523,050 compares unfavourably with the pro rata budgeted capital expenditure of R 293,807,749 as per the cash flow projections of the SDBIP with a variance or under spending of R 13,284,699 or 4.52%. 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 capital expenditure amounts to 34.41% of the total capital budget of R 815,135,300 after six months of the financial year. Actual and recorded committed capital expenditure (R 583,195,164) represents 71.55% of the total capital budget of R 815,135,300 after six months of the financial year.

TABLE 4: ACTUAL CAPITAL EXPENDITURE PER VOTE FOR DECEMBER 2017

SERIAL NUMBER	VOTE	ANNUAL		MONTHLY		YEAR-TO-DATE					PROJECTED EXPENDITURE FOR THE YEAR	
		APPROVED BUDGET	ADJUSTED BUDGET	BUDGET	ACTUAL EXPENDITURE	PRO RATA BUDGET	COMMITMENTS	ACTUALS YEAR TO DATE	COMMITMENTS + ACTUALS	POSITIVE / (NEGATIVE) VARIANCES ON ACTUALS		POSITIVE / (NEGATIVE) VARIANCES % ON ACTUALS
1	City Manager	10,218,379	5,876,892	9,816	0	26,699	0	14,805	14,805	(11,894)	-44.55%	5,862,087
2	Department of Internal Audit	0	12,000	0	0	12,000	0	10,068	10,068	(1,932)	0.00%	1,932
3	Department of Risk And Fraud	0	29,324	1,804	0	18,501	0	4,115	4,115	(14,386)	0.00%	25,209
4	Department of Communication	0	0	0	0	0	0	0	0	0	0.00%	0
5	Department of IDP/PMS	0	0	0	0	0	0	0	0	0	0.00%	0
6	Corporate Services	13,420,000	20,600,372	2,719,975	508,721	9,311,085	7,553,288	2,246,611	9,799,899	(7,064,474)	-75.87%	18,353,761
7	Community Services	34,424,004	52,018,705	5,966,281	3,403,864	19,911,341	5,387,909	11,300,959	16,688,868	(8,610,382)	-43.24%	40,717,746
8	Financial Services	1,500,000	2,337,151	106,915	766,603	1,197,659	631,744	1,453,158	2,084,902	255,499	0.00%	883,993
9	Planning and Development	26,727,812	19,904,190	486,564	3,643,674	2,686,050	89,436	11,390,803	11,480,240	8,704,754	324.07%	8,513,387
10	Engineering Services	546,851,348	714,356,666	49,188,258	45,710,649	260,644,414	289,009,737	254,102,531	543,112,268	(6,541,883)	-2.51%	460,254,135
11	TOTALS	633,141,543	815,135,300	58,479,613	54,033,511	293,807,749	302,672,114	280,523,050	583,195,164	(13,284,699)	-4.52%	534,612,250
						% of Approved Budget =	37.13%	34.41%	71.55%	Actual Expenditure to date		280,523,050
						Actual Capex as a % of Pro Rata Budget =	95.48%		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 FOR DECEMBER 2017

SERIAL NUMBER	FUNDING SOURCES	ANNUAL		MONTHLY		YEAR-TO-DATE					PROJECTED EXPENDITURE FOR THE YEAR	
		APPROVED BUDGET	ADJUSTED BUDGET	BUDGET	ACTUAL EXPENDITURE	PRO RATA BUDGET	COMMITMENTS	ACTUALS YEAR TO DATE	COMMITMENTS + ACTUALS	POSITIVE / (NEGATIVE) VARIANCES ON ACTUALS		POSITIVE / (NEGATIVE) VARIANCES % ON ACTUALS
1	CRR	40,000,000	67,081,782	11,938,338	5,974,165	39,315,791	12,344,314	28,010,948	40,355,262	(11,304,843)	-28.75%	39,070,834
2	GRANTS	84,347,367	85,284,672	4,635,000	11,174,397	50,487,260	8,642,709	68,758,573	77,401,282	18,271,313	36.19%	16,526,099
3	EXTERNAL LOANS	508,794,176	662,768,846	41,906,276	36,884,949	204,004,698	281,685,091	183,753,529	465,438,620	(20,251,169)	-9.93%	479,015,317
4	TOTALS	633,141,543	815,135,300	58,479,613	54,033,511	293,807,749	302,672,114	280,523,050	583,195,164	(13,284,699)	-4.52%	534,612,250
Actual Expenditure to date											280,523,050	
Projected Expenditure for 2017/2018											815,135,300	

Recommendation

- (3) That it be noted that actual capital expenditure of R 280,523,050 represents 34.41% of the total capital budget of R 815,135,300 after six months of the financial year.**
- (4) That it be noted that the actual capital expenditure of R 280,523,050 and the pro rata budgeted capital expenditure of R 293,807,749 realised under spending of R 13,284,699 or 4.52%.**
- (5) That it be noted that the actual and committed capital expenditure of R 583,195,164 compared with the capital expenditure budget of R 815,135,300 represent a spending percentage of 71.55% after six 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 1,190,488,365 and after repayments (R 78,397,501) were made and additional loans (R 84,982,034) were taken up, the total borrowings outstanding as at 31 December 2017 amounts to R 1,197,072,897. This borrowing debt represents 56.81% of our total operating budgeted revenue of R 2,107,106,847 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

(6) That it be noted that external borrowings amounted to R 1,197,072,897 as at 31 December 2017 and that it represents 56.81% of Drakenstein's total budgeted operating revenue of R 2,107,106,847 for the 2017/2018 financial year.

TABLE 6: ACTUAL BORROWINGS FOR DECEMBER 2017

SERIAL NUMBER	EXTERNAL LOANS PROVIDERS	INTEREST RATES	TERM ENDING	OPENING BALANCE 01/12/2017	CAPITAL REDEEMED	NEW LOANS TAKEN UP	CLOSING BALANCE 31/12/2017
1	NEDBANK	12.65%	2018	16,049,361	7,776,637	0	8,272,724
2	NEDBANK	8.79%	2018	9,119,996	4,460,575	0	4,659,422
3	NEDBANK	8.74%	2018	738,136	360,985	0	377,151
4	INCA	10.03%	2018	3,427,524	1,671,699	0	1,755,825
5	DBSA	11.47%	2019	14,703,321	3,369,657	0	11,333,664
6	DBSA	6.75%	2019	3,127,657	742,831	0	2,384,826
7	NEDBANK	8.63%	2019	9,200,101	2,149,962	0	7,050,139
8	ABSA BANK	9.15%	2019	7,815,651	1,823,975	0	5,991,676
9	STANDARD BANK	9.94%	2019	4,669,415	1,084,062	0	3,585,352
10	ABSA BANK	9.40%	2020	3,403,559	502,718	0	2,900,841
11	ABSA BANK	9.21%	2020	8,607,090	1,277,175	0	7,329,915
12	STANDARD BANK	10.40%	2020	20,037,019	2,923,423	0	17,113,596
13	STANDARD BANK	9.36%	2020	4,157,770	608,040	0	3,549,730
14	NEDBANK	10.64%	2021	38,608,022	3,991,695	0	34,616,327
15	STANDARD BANK	10.26%	2021	5,339,511	557,269	0	4,782,242
16	NEDBANK	9.14%	2022	75,509,843	6,062,202	0	69,447,640
17	STANDARD BANK	9.68%	2022	4,560,171	355,317	0	4,204,854
18	STANDARD BANK	10.08%	2023	41,323,441	2,574,489	0	38,748,952
19	DBSA	10.03%	2024	71,728,832	3,667,692	0	68,061,140
20	DBSA	10.82%	2025	263,221,588	9,872,886	0	253,348,702
21	NEDBANK	9.93%	2025	171,918,595	7,223,884	0	164,694,710
22	STANDARD BANK	10.12%	2027	413,221,763	15,340,327	84,982,034	482,863,470
23	TOTALS			1,190,488,365	78,397,501	84,982,034	1,197,072,897

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 142,167,279 were received to date. Operating grants expenditure to the amount of R 71,543,323 and capital grants expenditure to the amount of R 68,758,573 was spent and recorded as utilised at the end of December 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 December 2017 is R 52,466,638.

Recommendation

(7) That it be noted that unspent conditional and unconditional grants amounted to R 52,466,638 at the end of December 2017.

TABLE 7: CONDITIONAL GRANTS

SERIAL NUMBER	DESCRIPTION	OPENING BALANCE 1 DECEMBER 2017	OTHER INCOME	OPERATIONAL EXPENDITURE DURING THE YEAR	CAPITAL EXPENDITURE DURING THE YEAR	BALANCE AS ON 31 DECEMBER 2017
1	CONDITIONAL GRANTS					
2	NATIONAL: EQUITABLE SHARE					
3	TRUST FUND : INDIGENT POLICY FUNDS	0	(90,298,000)	57,780,172	0	(32,517,828)
4	SUB - TOTAL	0	(90,298,000)	57,780,172	0	(32,517,828)
5	NATIONAL TREASURY					
6	MUNICIPAL INFRASTRUCTURE GRANT (MIG)	0	(28,582,000)	0	21,625,747	(6,956,253)
7	MUNICIPAL FINANCE MANAGEMENT GRANT (FMG)	(5)	(1,550,000)	411,627	0	(1,138,378)
8	TRUST FUND: ELECTRICITY DEMAND SIDE GRANT	(318,155)	0	316,404	0	(1,751)
9	TRUST FUND : COMMUNITY DEV WORKER (CDW)	(473,931)	(111,000)	39,037	0	(545,894)
10	TRUST FUND : ELECTRIFICATION FUNDING	(1,011,231)	(1,000,000)	0	2,663,892	652,661
11	SUB - TOTAL	(1,803,322)	(31,243,000)	767,067	24,289,639	(7,989,615)
12	PROVINCIAL TREASURY					
13	TRUST FUND : HEALTH SUBSIDIES					
14	N-GOV: REGION BULK INFRA GRT SCHEDULE 6B	(17,700,000)	0	0	0	(17,700,000)
15	N-GOV: HUMAN SETTLEM CAPACITY GRT SCH 5B	(2,000)	0	0	0	(2,000)

16	PD WC - HOUSING: HUMAN SETTLEMENT DEVEL	(90,000)	0	0	0	(90,000)
17	SILVERTOWN OPENING BALANCE	(60,000)	0	0	0	(60,000)
18	TRUST FUND : CARTERVILLE HOUSING PROJECT	(956,503)	0	0	0	(956,503)
19	TRUST FUND : 1068 HUISE WDR SKENKING	(738,659)	0	0	0	(738,659)
20	TRUST FUND: DROMMEDARIS	(429,143)	0	4,122,775	0	3,693,632
21	TRUST FUND : DROMMEDARIS STREET EHP	429,143	0	0	0	429,143
22	SCHEME 49 OPERATING EXPENDITURE	(130,183)	0	0	0	(130,183)
23	FMG WESTERN CAPE	(60,000)	0	0	0	(60,000)
24	P59 FAIRYLANDS OPERATING INCOME	(8,116,015)	0	0	0	(8,116,015)
25	P59 FAIRYLANDS OPERATING EXPENDITURE	129,312	0	0	0	129,312
26	NEW SIYAZAMA INCOME	(4,890,102)	(79,200)	0	0	(4,969,302)
27	NEW SIYAZAMA EXPENDITURE	4,890,102	0	0	0	4,890,102
28	ERF 2220	(802,653)	0	0	0	(802,653)
29	LANTANA	0	(1,821,488)	0	0	(1,821,488)
30	GOUDA INCOME	(971,063)	0	0	0	(971,063)
31	GOUDA EXPENDITURE	491	0	0	0	491
32	ACCELERATED HOUSING PROJECTS	0	0	0	9,805,020	9,805,020
33	DALIOSAPHAT TRANSFERS	(453,180)	0	0	0	(453,180)
34	TRUST FUND : KINGSTON INCOME	(10,982,731)	0	0	0	(10,982,731)
35	TRUST FUND : KINGSTON EXPENDITURE	10,982,731	0	0	0	10,982,731
36	TRUST FUND : AMSTELHOF PROJECT 35	(10,348)	0	0	0	(10,348)
37	TRUST FUND : LIBRARY GRANT (PROV)	(97,638)	(13,827,334)	0	84,972	(13,840,001)
38	TRUST FUND : SOCCERFIELD	(6,237)	0	0	0	(6,237)
39	T/F:INV LAND FOR PROV OF IND&RES PURPOSE	(13)	0	0	0	(13)
40	DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	829	(1,105,000)	94,461	0	(1,009,710)
41	TRUST FUND : BULK SERVICES ROADS	0	0	0	34,578,942	34,578,942
42	TRUST FUND : TRAINING LEVY	(1,961,867)	(388,481)	617,841	0	(1,732,507)
43	SUB - TOTAL	(32,025,727)	(17,221,503)	4,835,077	44,468,934	56,780
44	GRANTS: OTHER INSTITUTIONS					
45	TRUST FUND : ERF 2220:STROMWATER UPGRADE	(383,312)	0	0	0	(383,312)
46	WATER&SEWER MASTERPLANS	(300,000)	0	0	0	(300,000)
47	T/F:EMERGENCY KITS:O R THAMBO INF SETTLE	(1,191,615)	0	0	0	(1,191,615)
48	TRUST FUND : BULK SERVICES WATER & SEWER	(7,670,341)	(1,740,689.40)	4,145,391	0	(5,265,639)
49	TRUST FUND : BULK SERVICES ELECTRICAL	(4,810,822)	0	4,015,615	0	(795,207)
50	TRUST FUND : BULK SERVICES SEWERAGE	0	(1,015,079)	0	0	(1,015,079)
51	MANDELA ROUTE	0	(100,000)	0	0	(100,000)
52	NUMARKT	(12,033)	(549,008)	0	0	(561,041)
53	SUB - TOTAL	(14,368,123)	(3,404,776)	8,161,007	0	(9,611,892)
54	OTHER: CONDITIONAL GRANTS					
55	COLIN D BROWN GUARANTEE PIPELINE BUILD	(1,300,000)	0	0	0	(1,300,000)
56	UNSPENT MONEY PRECT 59	(623,636)	0	0	0	(623,636)
57	TRUST FUND : MUN WEDUWEE & WESE PENSIOEN	(363,572)	0	0	0	(363,572)
58	T/FUND :GUARANTEE:D V RENSBURG(BURGERSDR	(38,488)	0	0	0	(38,488)
59	DONATIONS WATER WEEK	(78,388)	0	0	0	(78,388)
60	SUB - TOTAL	(2,404,084)	0	0	0	(2,404,084)
61	TOTAL - CONDITIONAL GRANTS	(50,601,256)	(142,167,279)	71,543,323	68,758,573	(52,466,638)

8. Employee related costs

Employee related costs for the month of the financial year is set out in Table 8 below. Actual employee related costs as a whole amounts to R 261,918,814 compared with the pro rata budgeted amount of R 264,366,382 – an underspending of R 2,447,569 or 0.93%.

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

- Long Services Awards (R 3,118,475 or 99.85%) – provision journals not yet processed for Long Services expenses;
- Ex Gratia Allowances – Pensioners (R 4,613,014 or 54.80%) - due to TASK implementation adjustments;
- Subsidy House Loans (R 1,922,346 or 43.97%) – expenditure is less than envisaged;
- Housing allowance (R 344,455 or 43.10%) – expenditure is less than envisaged; and
- Workmen’s compensation fund (R 1,087,921 or 99.74%) – 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 –

- Bonuses (R 1,874,844 or 9.08%) – due to TASK implementation adjustment;
- Overtime payments (R 1,933,450 or 13.26%) – due to TASK implementation adjustments;
- Travel Allowance (R 1,601,075 or 24.59%) – due to TASK implementation adjustments;
- Acting Allowance (R 225,512 or 40.86%) – due to TASK implementation adjustments.
- Standby Allowance (R 1,326,708 or 40.08%) – expenditure is more than envisaged;
- Cell allowance (R 99,143 or 18.05%) – expenditure is more than envisaged
- Provident Fund Contribution (R 96,379 or 7.98%) – expenditure is more than envisaged; and
- Pension Fund Contribution (R 1,815,401 or 7.68%) - due to TASK implementation adjustments.

All employee related line items will be reviewed during the adjustment budget process.

Recommendation

(8) That it be noted that the actual employee related cost expenditure of R 261,918,814 compared with the pro rata budgeted expenditure of R 264,366,382 relates to a positive variance of R 2,447,569 or 0.93%.

TABLE 8 : EMPLOYEE RELATED COST AS AT 31 DECEMBER 2017

SERIAL NUMBER	CATEGORY OF EXPENDITURE	ANNUAL		MONTHLY		YEAR-TO-DATE				PROJECTED EXPENDITURE FOR THE YEAR
		APPROVED BUDGET	ADJUSTED BUDGET	BUDGET	ACTUAL EXPENDITURE	PRO RATA BUDGET	ACTUALS EXPENDITURE	POSITIVE / (NEGATIVE) VARIANCES	POSITIVE / (NEGATIVE) VARIANCES %	
1	Salaries	349,004,925	348,988,925	31,362,263	28,840,946	160,815,341	160,720,165	95,176	0.06%	188,268,760
2	Bonusses	21,736,829	21,736,829	0	813,625	20,649,988	22,524,832	(1,874,844)	-9.08%	(788,003)
3	Performance Bonusses	892,029	892,029	0	0	0	0	0	0.00%	892,029
4	Long Services Awards	6,246,510	6,246,510	3,116,392	797	3,123,255	4,780	3,118,475	99.85%	6,241,730
5	Ex Gratia Allowances - Pensioners	16,835,000	16,835,000	8,417,500	759,552	8,417,500	3,804,486	4,613,014	54.80%	13,030,514
6	Overtime Payments	30,879,699	30,879,699	2,503,620	2,954,808	14,579,102	16,512,552	(1,933,450)	-13.26%	14,367,147
7	Subsidy House Loans	8,743,940	8,743,940	728,661	403,702	4,371,967	2,449,620	1,922,346	43.97%	6,294,320
8	Travel Allowances	13,009,135	13,025,135	1,085,872	1,655,849	6,509,899	8,110,975	(1,601,075)	-24.59%	4,914,160
9	Housing Allowance	1,598,347	1,598,347	133,195	73,023	799,173	454,718	344,455	43.10%	1,143,629
10	Acting Allowance	1,324,502	1,324,502	110,375	129,202	662,250	906,590	(244,340)	-36.90%	417,912
11	Standby Allowance	6,619,536	6,619,536	551,628	711,263	3,309,767	4,636,474	(1,326,708)	-40.08%	1,983,062
12	Night Shift Allowance	3,957,704	3,957,704	324,952	350,097	1,918,865	1,965,356	(46,491)	-2.42%	1,992,348
13	Cell Allowance	1,098,719	1,098,719	91,560	107,907	549,358	648,500	(99,143)	-18.05%	450,219
14	Group Insurance	3,494,370	3,494,370	291,197	307,611	1,747,182	1,810,101	(62,919)	-3.60%	1,684,269
15	Medical Aid Fund Contr	19,026,487	19,026,487	1,585,540	1,538,202	9,513,240	9,162,500	350,741	3.69%	9,863,987
16	Pension Fund Contr	47,262,669	47,262,669	3,938,555	4,534,485	23,631,331	25,446,732	(1,815,401)	-7.68%	21,815,937
17	Workmens Compensation Fund	2,181,442	2,181,442	181,786	0	1,090,719	2,798	1,087,921	99.74%	2178644.3
18	Provident Fund Contr	2,416,645	2,416,645	201,387	224,604	1,208,322	1,304,701	(96,379)	-7.98%	1,111,944
19	Unemployment Insurance Fund Contr	2,938,260	2,938,260	244,854	243,654	1,469,125	1,452,935	16,190	1.10%	1,485,325
20	TOTALS	539,266,748	539,266,748	54,869,337	43,649,326	264,366,382	261,918,814	2,447,569	0.93%	277,347,934

Actual Expenditure to date **261,918,814**

Projected Expenditure for 2017/2018 **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 305,302,526 as at 31 December 2017 compared with the R 298,288,134 as at 30 November 2017. As reflected in Table 9 below, current debt represent 36.70% of the total outstanding debt compared with the 39.10% of November 2017; 30 days and older debt 9.43% compared with the 8.53% for November 2017; 60 days and older debt 5.84% compared with the 7.28% of November 2017; and 90 days and older debt 48.03% compared with the 45.09% of November 2017.

The debtors test ratio (before bad debt provision) shows a decrease of 0.3 days from 65.0 days in October 2017 to 64.7 days in November 2017 and an increase of 1.5 days to 66.2 days in December 2017. The debtors test ratio (after bad debt provision) shows a increase of 0.3 days from 44.4 days in October 2017 to 44.1 days in November 2017 and an increase of 1.5 days to 45.6 days in December 2017. The acceptable norm is 45 days.

Current debt decreased with R 4,402,302 to R 111,913,827 compared with the R 116,316,129 as at 30 November 2017; 30 days + debt increased with R 3,323,200; 60 days + decreased with R 3,871,867 and 90 days and older debt as at 30 November 2017 has increased with R 12,137,836 to R 146,643,230 compared with the R 134,505,394 as at 30 November 2017.

TABLE 9 : DEBTORS AGE ANALYSIS PER SERVICE AS AT 31 DECEMBER 2017

SERIAL NUMBER	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
1	Rates	6,179	15,324,904	2,367,707	1,319,514	18,261,485	37,279,788	12.21%
2	Water	70,072	21,796,080	13,977,811	9,885,512	44,933,236	90,662,711	29.70%
3	Electricity	3,763	60,332,226	6,368,361	2,319,900	18,593,875	87,618,124	28.70%
4	Sewerage	4,301	6,052,176	1,411,674	1,045,536	16,974,833	25,488,521	8.35%
5	Refuse	8,355	6,349,221	2,044,559	1,683,257	29,221,022	39,306,416	12.87%
6	Housing	-	683,384	356,501	328,607	7,821,156	9,189,648	3.01%
7	Others	37,434	1,375,837	2,248,546	1,257,879	10,837,623	15,757,319	5.16%
8	TOTAL	130,105	111,913,827	28,775,158	17,840,206	146,643,230	305,302,526	100.00%
	2017/11 % =	36.70%		9.43%	5.84%	48.03%	100.00%	
	2017/10 % =	39.10%		8.53%	7.28%	45.09%	100.00%	

Debtors owe the municipality property rates (12.21%); water (29.70%); electricity (28.70%); sewerage (8.35%); refuse (12.87%); housing (3.01%), and sundry debt (5.16%).

9.2 Debtors age analysis per debtor type

Agricultural debtors owes the municipality R 18,113,810 (5.9%); business debtors R 57,856,333 (19.0%); domestic debtors R 205,819,649 (67.4%); Government accounts R 12,831,582 (4.2%); Municipal accounts R 1,411,507 (0.5%) and other debtors R 9,269,647 (3.0%) of the total outstanding debt of R 305,302,527 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 31 DECEMBER 2017

SERIAL NUMBER	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
1	Agriculture	1,030.88	9,605,391.13	1,339,261.83	456,653.57	5,104,369.93	16,506,707	1,607,102	18,113,810	5.9%
2	Bussiness	67,019.99	40,879,687.06	2,118,243.61	654,390.45	8,026,218.87	51,745,560	6,110,773	57,856,333	19.0%
3	Domestic	49,372.20	44,459,385.62	18,704,987.77	13,476,073.64	109,884,775.12	186,574,594	19,245,055	205,819,649	67.4%
4	Government	0.00	4,564,693.44	2,078,062.10	1,053,467.51	3,936,691.01	11,632,914	1,198,667	12,831,582	4.2%
5	Municipal	0.00	105,053.61	102,222.72	99,735.28	1,031,180.68	1,338,192	73,315	1,411,507	0.5%
6	Sundry Accounts	960.58	758,519.88	1,389,289.27	252,617.89	6,166,791.12	8,568,179	701,468	9,269,647	3.0%
7	TOTAL	118,384	100,372,731	25,732,067	15,992,938	134,150,027	276,366,147	28,936,380	305,302,527	100.0%

9.3 Debtors age analysis per ward

In Table 11 below the total outstanding debt of R 298,288,134 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 24 of the 33 wards is above 50%. Notably is the percentages of ward 5 (74.4%); ward 6 (89.8%); ward 7 (79.1%); ward 8 (83.7%); ward 9 (85.5%); ward 10 (62.4%); ward 11 (80.2%); ward 12 (89.8%); ward 13 (77.3%); ward 14 (85.8%); ward 16 (62.0%); ward 18 (57.3%); ward 20 (83.2%); ward 21 (86.7%); ward 22 (63.1%); ward 23 (71.0%); ward 24 (85.8%); ward 25 (70.6%); ward 26 (74.0%); ward 27 (83.5%); ward 30 (92.0%); ward 31 (91.3%); ward 32 (80.3%) and ward 33 (65.4%).

Wards that owes the municipality more than R 10,000,000 monetary wise are ward 4 (R 15,146,441); ward 9 (R 11,333,101); ward 12 (R 10,996,605); ward 15 (R 14,730,902); ward 16 (R 13,259,162); ward 17 (R 11,658,599); ward 18 (R 21,814,966); ward 19 (R 18,121,033); ward 22 (R 10,602,508); ward 28 (R 13,498,334); ward 30 (R 42,680,908); and ward 31 (R 13,571,854).

Recommendation

(9) That it be noted that total outstanding debtors as at 31 December 2017 amounted to R 305,302,527 and that 30 days and older debt constitutes 63.3% of total outstanding debtors.

(10) That it be noted that domestic consumers owe the municipality R 205,819,649 or 67.4% of the municipality's total debtor's book.

TABLE 11: OUTSTANDING DEBTORS PER WARD AS AT 31 DECEMBER 2017

WARD	CURRENT 1 (Levied but not billed as yet)	CURRENT 2 (Levied and billed)	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL OUTSTANDING DEBT 30/11/2017	30 DAYS AND OLDER AS A % OF TOTAL DEBT	TOTAL OUTSTANDING DEBT 31/10/2017	INCREASE / (DECREASE)	WARD COUNCILLOR
1	587.60	6,308,662.37	769,261.45	169,291.99	1,482,528.32	8,730,332	27.7%	8,322,730	407,602	C KROUTZ
2	8,586.48	3,344,565.26	343,224.23	151,865.08	1,023,408.64	4,871,650	31.2%	4,732,797	138,852	HJ KOTZE
3	146.90	3,515,114.84	406,268.22	97,868.92	1,093,356.49	5,112,755	31.2%	5,010,881	101,875	WE SMIT
4	0.00	10,291,632.27	891,103.90	400,794.41	3,562,910.68	15,146,441	32.1%	14,409,378	737,063	J MILLER
5	9,043.83	1,260,685.61	582,332.65	403,622.71	2,696,206.79	4,951,892	74.4%	4,594,385	357,507	NP MBENENE
6	0.00	630,270.32	1,179,686.04	474,191.97	3,922,459.12	6,206,607	89.8%	5,944,736	261,872	TZ NQORO / NOMANA
7	125.35	804,471.68	440,451.02	309,451.02	2,290,888.91	3,845,388	79.1%	4,003,054	(157,666)	RB ARNOLDS
8	3,511.84	406,609.19	218,920.42	193,468.29	1,695,432.43	2,517,942	83.7%	2,372,079	145,863	N.ZIKHALI
9	6,626.98	1,632,279.63	1,062,336.22	967,647.86	7,664,210.33	11,333,101	85.5%	11,178,851	154,250	TC MANGENA
10	276.30	707,655.47	214,237.94	154,274.39	808,810.24	1,885,254	62.4%	1,844,988	40,266	C KEARNS
11	940.20	1,777,703.64	772,083.38	756,859.99	5,669,169.43	8,976,757	80.2%	8,950,902	25,855	AC STOWMAN
12	67.66	1,125,605.97	1,791,161.12	1,006,661.83	7,073,108.45	10,996,605	89.8%	10,862,981	133,624	MD NOBULA
13	0.00	626,139.58	243,035.67	295,619.14	1,590,430.79	2,755,225	77.3%	2,601,746	153,479	S ROSS
14	94.37	824,642.83	532,535.54	456,408.45	3,983,848.76	5,797,530	85.8%	5,628,870	168,660	J DE WET
15	0.00	11,702,263.49	752,880.84	385,410.56	1,890,346.63	14,730,902	20.6%	14,290,193	440,708	LW NIEHAUS
16	0.00	5,034,148.80	2,009,091.88	952,501.63	5,263,419.23	13,259,162	62.0%	13,485,262	(226,101)	DS BLANCKENBERG
17	146.90	8,005,700.06	834,501.93	417,579.08	2,400,671.01	11,658,599	31.3%	11,523,015	135,584	HJN MATTHEE
18	28,922.29	9,282,650.09	2,730,990.05	763,086.39	9,009,317.03	21,814,966	57.3%	21,399,336	415,630	AML BUCKLE
19	5,316.75	13,110,922.94	718,235.65	506,847.69	3,779,710.43	18,121,033	27.6%	17,540,416	580,618	TE BESTER
20	512.20	987,560.55	481,920.89	483,329.19	3,927,203.92	5,880,527	83.2%	5,932,297	(51,770)	PBA CUPIDO
21	0.00	638,968.60	363,767.98	382,700.86	3,410,527.80	4,795,965	86.7%	4,709,718	86,248	E GOUWS
22	309.68	3,909,648.35	1,006,439.86	520,320.89	5,165,789.41	10,602,508	63.1%	10,715,346	(112,837)	FP CUPIDO
23	440.70	1,458,747.96	942,937.88	214,927.60	2,422,851.25	5,039,905	71.0%	5,292,141	(252,235)	F JACOBS
24	0.00	636,645.13	289,008.17	279,560.07	3,272,285.22	4,477,499	85.8%	4,439,203	38,295	MM ADRIAANSE
25	0.00	2,072,805.07	1,125,335.76	956,056.33	2,893,330.35	7,047,528	70.6%	6,530,175	517,352	LT VAN NIEKERK
26	0.00	1,305,600.79	482,606.42	363,238.36	2,860,500.28	5,011,946	74.0%	5,004,324	7,622	JV ANDERSON
27	0.00	494,804.99	301,019.76	257,293.00	1,946,588.79	2,999,707	83.5%	2,946,314	53,393	VC BOOYSEN
28	9,835.16	8,415,194.68	2,016,732.60	567,121.62	2,489,449.98	13,498,334	37.6%	13,602,241	(103,907)	RH VAN NIEWENHUYZEN
29	54,173.33	2,849,664.41	380,012.94	237,871.21	1,934,071.12	5,455,793	46.8%	5,441,496	14,297	L WILLEMSE
30	0.00	3,416,928.73	2,871,269.56	2,854,649.50	33,538,060.35	42,680,908	92.0%	39,949,691	2,731,217	J SMIT
31	146.90	1,183,778.31	838,010.85	1,025,575.54	10,524,342.21	13,571,854	91.3%	13,578,339	(6,485)	GH FORD
32	0.00	965,014.57	559,535.72	431,094.58	2,937,107.34	4,892,752	80.3%	4,495,583	397,169	LV NZELE
33	146.90	1,231,663.52	364,429.41	261,844.89	1,698,362.14	3,556,447	65.4%	3,580,346	(23,899)	SE SEPTEMBER
SUNDRIES	146.90	1,955,076.98	259,792.49	141,170.93	722,526.50	3,078,714	36.5%	3,374,321	(295,608)	SUNDRIES
TOTAL	130,105	111,913,827	28,775,158	17,840,206	146,643,230	305,302,527	63.3%	298,288,134	7,014,393	

10. Creditors age analysis

The municipality's creditor's age analysis amounted to R 0 as at 31 December 2017 as set out in Table 12 below. Creditors 30 days and older amount to R 0.

Recommendation

(11) That it be noted that outstanding creditors amounted to R 0 as at 31 December 2017.

TABLE 12: CREDITORS AGE ANALYSIS AS AT 31 DECEMBER 2017

SERIAL NUMBER	CREDITOR	CURRENT	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL AS AT 31/12/2017
1	None	0	0	0	0	0
2	TOTAL	0	0	0	0	0

11. Bank, cash, overdraft balances and investments

The municipality's primary and secondary bank accounts reconciles as at 31 December 2017 as can be seen in table 13 below. The primary bank account showed a negative cashbook balance of R 119,448,964 at the end of December whilst the actual bank balance was a positive R 20,536,650.

TABLE 13: BANK RECONCILIATION AS AT 31 DECEMBER 2017

SERIAL NUMBER	DESCRIPTION	FNB Primary Account 62702310385	FNB Billing & Sundry Receipt 62702312349	FNB Traffic Account 62071526514	Nedbank Primary Account 1498121861	Nedbank Secondary Account 1498121853	TOTALS
1	Cashbook balance as per 31/12/2017	(38,678,892)	(195,100,082)	0	73,448,206	40,881,804	(119,448,964)
2	In CB not in GL : Direct Deposit Transfers	32,706	343,103	0	4,916,723	67,104	5,359,636
3	In GL not in CB : ACB's	12,347,275	0	0	0	0	12,347,275
4	In GL not in CB : Cheques	(5,249)	0	0	0	0	(5,249)
5	Direct-Deposito-Transfer-in-Cashook	40,961,801	194,756,979	0	(76,518,791)	(40,850,507)	118,349,482
6	Less : Amount receipted but not yet banked	(900,670)	0	0	0	0	(900,670)
7	Plus : Cheques issued but not yet cashed	306,817	0	0	198,460	0	505,277
8	Plus : ACB's issued but not yet cashed	4,110,937	0	0	67,342	0	4,178,279
9	Plus: Unreconciled on Statement Deposito	151,584	0	0	0	0	151,584
10	Bank statement balance as per 31/12/2017	18,326,309	0	0	2,111,940	98,401	20,536,650

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 1,672,288,642 for the three month period ending 31 December 2017.

TABLE 14: BANK WITHDRAWALS AS AT 31 DECEMBER 2017

	AMOUNT	REASON FOR WITHDRAW
MFMA section 11. (1) Only the <i>accounting officer</i> or the <i>chief financial officer</i> of a <i>municipality</i> , or any other senior financial <i>official</i> 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's</i> 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	R1,672,288,642	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 31 December 2017 is as set out in Table 15 below. The municipality started the beginning of the month with total investments of R 244,647,062 and after investments made R (0), withdrawn (R 112,000,000) and interest capitalised (R 1,925,158) closed with an investments balance of R 134,572,221 at the five listed local banks and at Eskom where we do have some shares.

TABLE 15 : INVESTMENTS AS AT 31 DECEMBER 2017

SERIAL NUMBER	BANK	BALANCE AT 30 NOVEMBER 2017	INVESTMENTS MADE	INVESTMENTS WITHDRAWN	INTEREST CAPITALISED	BALANCE AT 31 DECEMBER 2017	INTEREST EARNED YEAR-TO-DATE	INTEREST RATE
1	ABSA BANK	20,852,750	0	(13,000,000)	115,690	7,968,440	91,293	6.750%
2	ABSA BANK	20,743,841	0	(13,000,000)	115,086	7,858,927	90,672	6.750%
3	ABSA BANK	21,494,172	0	(13,000,000)	119,248	8,613,421	94,956	6.750%
4	ABSA BANK	20,580,085	0	(13,000,000)	114,177	7,694,262	89,737	6.750%
5	ABSA BANK	20,588,471	0	(12,000,000)	114,224	8,702,695	91,579	6.750%
6	FNB	92,759,225	0	0	560,747	93,319,972	591,608	7.090%
7	STANDARD BANK	47,495,528	0	(48,000,000)	785,986	281,514	98,626	6.700%
8	NEDBANK	(0)	0	0	0	(0)	0	6.550%
9	ESKOM	132,990	0	0	0	132,990	0	13.500%
10	GRAND TOTAL	244,647,062	0	(112,000,000)	1,925,158	134,572,221	1,148,471	8.118%

Recommendation

(12) That it be noted that the primary bank account had a positive bank balance at 31 December 2017 which amounted to R 20,536,650.

(13) That it be noted that total investments in cash and shares amounted to R 134,572,221 as at 31 December 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 1,310,224,980) and the pro rata budgeted operating revenue (R 1,285,998,545) has a positive variance of R 24,226,435 or 1.88%.
- (2) That it be noted that the variance between the actual operating expenditure (R 993,239,865) and the pro rata budgeted operating expenditure (R 1,035,929,439) has a positive variance of R 42,689,573 or 4.12%.
- (3) That it be noted that actual capital expenditure of R 280,523,050 represents 34.41% of the total capital budget of R 815,135,300 after six months of the financial year.
- (4) That it be noted that the actual capital expenditure of R 280,523,050 and the pro rata budgeted capital expenditure of R 293,807,749 realised under spending of R 13,284,699 or 4.52%.
- (5) That it be noted that the actual and committed capital expenditure of R 583,195,164 compared with the capital expenditure budget of R 815,135,300 represent a spending percentage of 71.55% after six months of the financial year.
- (6) That it be noted that external borrowings amounted to R 1,197,072,897 as at 31 December 2017 and that it represents 56.81% of Drakenstein's total budgeted operating revenue of R 2,107,106,847 for the 2017/2018 financial year.
- (7) That it be noted that unspent conditional and unconditional grants amounted to R 52,466,638 at the end of December 2017.
- (8) That it be noted that the actual employee related cost expenditure of R 216,918,814 compared with the pro rata budgeted expenditure of R 264,336,382 relates to a positive variance of R 2,447,569 or 0.93%.

- (9) That it be noted that total outstanding debtors as at 31 December 2017 amounted to R 305,302,527 and that 30 days and older debt constitutes 63.3% of total outstanding debtors.
 - (10) That it be noted that domestic consumers owe the municipality R 205,819,649 or 67.4% of the municipality's total debtor's book.
 - (11) That it be noted that outstanding creditors amounted to R 0 as at 31 December 2017
 - (12) That it be noted that the primary bank account had a positive bank balance at 31 December 2017 which amounted to R 20,536,650.
 - (13) That it be noted that total investments in cash and shares amounted to R 134,572,221 as at 31 December 2017 at the five local banks and Eskom.
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