



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

Period ending: 30 June 2018

To the Municipal Council

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 June 2018. Section 52(d) of the Municipal Finance Management Act (MFMA) determines that the Executive Mayor must within 30 days of the end of each quarter submit a report to the Council on the implementation of the budget and the financial state of affairs of the Municipality.

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 July 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 June 2018.

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 April 2018 to 30 June 2018.

Please note that this document was compiled inclusive of the capital roll-over budget that was approved by Council during August 2017 as well as the mid-year adjustments budget approved during February 2018. Please also note that due to the compilation of the 2017/2018 Annual Financial Statements the revenue and expenditure amounts may still change.


D. J. H. LEIBBRANDT

CITY MANAGER

13 July 2018

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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 (R2,033,731,773) compares unfavourably with the budgeted revenue (R2,208,912,691) – a negative variance of R175,180,918 or 7.93% at month end. However, it needs to be noted that all year-end transactions have not been processed and that will still influence the results significantly.

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

- Fines (R37,174,687 or 53.26%) – The information on all traffic fines issued has not been received from the service provider as yet and therefore the final amount to account for traffic fines in terms of the iGRAP 1 accounting standard still needs to be journalised;
- Gains and Losses (R250,000 or 100.00%) – The asset register for the financial year has not been finalised as yet and any gains on disposal of assets still needs to be accounted for;
- Transfers and Subsidies: Operational (R64,253,768 or 71.44%) – The biggest contributor to the negative variance is underspending on the Housing allocation (R60.3 million) as the income can only be recognised after expenditure has been occurred. The only active housing project for 2017/2018 is Vlakkeland which was confirmed as a flagship project by Provincial Government. They are directly involved with project management and the appointment and paying of contractors and cash outflows is not accounted for by the municipality. The EPWP grant of R2.3 million still needs to be accounted for through an year-end journal;
- Service Charges: Electricity (R18,908,579 or 1.95%) – An overall under collection is noted but should be analysed in conjunction with the estimated underspending on the bulk electricity purchases (R10.9 million) as well as for a year-end journal still to be processed to account for an estimated electricity revenue (R7.2 million) due to electricity usage in June 2018 only to be billed in July 2018;
- Service Charges: Water (R18,485,339 or 7.89%) – Due to the higher tariffs being levied as a result of the drought currently experienced in the Drakenstein Municipal area, less water was consumed than anticipated. Year-end journals also still needs to be processed to account for usage in June 2018 to be billed in July 2018. Note should be taken that bulk water purchases projects a saving of R18.8 million that will cancel the water revenue losses;
- Service Charges: Other (R3,504 or 7.59%) – Income is less than anticipated and will be reviewed for 2018/2019;

- Sale of Goods And Rendering of Services (R346,885 or 98.72%) – Income is less than anticipated for sundry income linked to fire services. Tariffs are approved annually with the budget and applied where appropriate; and
- Transfers and Subsidies: Capital (R51,983,903 or 29.34%) – Negative variance due to underspending (29.6 million) on the Drought Relieve Funds received from National and Provincial Government during their adjustments budget process in March 2018. Application to roll-over the grant funding is in progress as it is linked to ongoing projects. An estimated R8 million in VAT claimed must still be recorded as operational revenue through a year-end journal after all capital expenditure transactions have been recorded. Other grants affecting performance of this revenue source is the capital expenditure portion of the Vlakkeland project. This project is multi-year and will continue in the new financial year.

Journals referred to above will still be processed and will have an impact on the final information that will be disclosed in the annual financial statements.

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

- Interest Dividend and Rent on land (R4,467,526 or 12.38%) – Interest on investments are more than envisaged due to all surplus funds being invested at an optimal interest rate;
- Licences and Permits (R570,182 or 15.47%) – Revenue is more than envisaged due to the increase in volume of renewal of vehicle licenses and registrations;
- Operational Revenue (R4,756,621 or 5.66%) – Over collection on lost bins and therefore the overall over collection is noted on this revenue source; and
- Rental from Fixed Assets (R6,277,689 or 149.21%) – Billing of the rental stock and other leases are more than anticipated.

Recommendation

- (1) That it be noted that the variance between the actual operating revenue (R2,033,731,773) and the budgeted operating revenue (R2,208,912,691) has a negative variance of R175,180,918 or 7.93% at this stage before all year-end transactions still to be journalised.***

TABLE 1: ACTUAL REVENUE PER REVENUE SOURCE FOR JUNE 2018

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	69,801,756	37,259,836	32,268	69,801,756	32,627,069	(37,174,687)	-53.26%	37,174,687
2	Free Basic Services	120,821,000	120,821,000	8,438,495	7,308,392	120,821,000	120,610,311	(210,689)	-0.17%	210,689
3	Gains and Losses	250,000	250,000	250,000	0	250,000	0	(250,000)	-100.00%	250,000
4	Interest Dividend and Rent on land	36,185,757	36,085,175	(243,516)	4,479,342	36,085,175	40,552,701	4,467,526	12.38%	(4,467,526)
5	Licences and Permits	3,686,508	3,686,508	(50,764)	418,476	3,686,508	4,256,690	570,182	15.47%	(570,182)
6	Ner: Transfers and Subsidies : Operational	98,441,034	89,936,034	84,665,590	17,363,686	89,936,034	25,682,266	(64,253,768)	-71.44%	64,253,768
7	Operational Revenue	86,455,496	84,112,546	6,467,506	9,569,224	84,112,546	88,869,167	4,756,621	5.66%	(4,756,621)
8	Rental from Fixed Assets	11,300,262	4,207,148	(3,845,520)	2,553,902	4,207,148	10,484,837	6,277,689	149.21%	(6,277,689)
9	Service Charges : Cleansing	94,895,281	92,499,256	2,449,577	(2,290,922)	92,499,256	90,559,468	(1,939,788)	-2.10%	1,939,788
10	Service Charges : Electricity	965,303,802	969,309,098	119,637,666	81,734,483	969,309,098	950,400,519	(18,908,579)	-1.95%	18,908,579
11	Service Charges : Property Rates	246,446,736	246,446,736	(350,440)	(629,431)	246,446,736	247,371,631	924,895	0.38%	(924,895)
12	Service Charges : Sanitation	94,913,748	90,511,826	(840,177)	145,588	90,511,826	91,589,465	1,077,639	1.19%	(1,077,639)
13	Service Charges : Water	217,180,687	234,141,356	30,913,180	12,771,741	234,141,356	215,656,017	(18,485,339)	-7.89%	18,485,339
14	Service Charges : Other	46,173	46,173	7,060	3,556	46,173	42,669	(3,504)	-7.59%	3,504
15	Sale Of Goods And Rendering Of Services	351,385	351,385	347,185	300	351,385	4,500	(346,885)	-98.72%	346,885
16	Subtotal A : Operating Revenue	2,035,587,837	2,042,205,997	285,105,678	133,460,605	2,042,205,997	1,918,707,310	(123,498,687)	-6.05%	123,498,687
17	Contra Account : Water Foregone	(21,615,830)	(10,500,000)	(5,057,810)	(532,079)	(10,500,000)	(10,198,329)	301,671	-2.87%	(301,671)
18	Subtotal B : Operating Revenue Foregone	(21,615,830)	(10,500,000)	(5,057,810)	(532,079)	(10,500,000)	(10,198,329)	301,671	-2.87%	(301,671)
19	Total Operating Revenue	2,013,972,007	2,031,705,997	280,047,869	132,928,526	2,031,705,997	1,908,508,981	(123,197,016)	-6.06%	123,197,016
20	Ner : Transfers and Subsidies : Capital	94,756,000	177,206,694	91,612,241	5,766,152	177,206,694	125,222,791	(51,983,903)	-29.34%	51,983,903
21	Total Operating Revenue (Capital Grants Included)	2,108,728,007	2,208,912,691	371,660,110	138,694,678	2,208,912,691	2,033,731,773	(175,180,918)	-7.93%	175,180,918

Actual Revenue to date **2,033,731,773**Projected Revenue for 2017/2018 **2,208,912,691**

3. Actual operating expenditure per vote

The actual operating expenditure per vote is set out in Table 2 below. Total actual operating expenditure of R1,794,795,730 compares favourably with the budgeted expenditure of R2,171,826,031 with a positive variance of R377,030,301 or 17.36%. However, it needs to be noted that all year-end transactions have not been processed and that will still influence the results significantly.

TABLE 2: ACTUAL OPERATIONAL EXPENDITURE PER VOTE FOR JUNE 2018

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	3,307,313	(750,421)	400,765	(600,454)	1,843,334	(2,443,788)	406.99%	1,463,979.15	
2	Department of Internal Audit	3,601,344	1,518,667	(263,732)	710,626	3,787,579	4,875,239	(1,087,660)	-28.72%	(3,356,571.99)	
3	Department of Risk And Fraud	2,072,263	1,535,222	771,985	155,171	2,505,964	1,905,374	600,590	23.97%	(370,151.70)	
4	Department of Communication	1,242,152	254,796	61,876	0	254,796	192,920	61,876	24.28%	61,876.20	
5	Department of IDP/PMS	1,426,234	937,156	(1,137,287)	328,336	1,605,269	3,220,121	(1,614,852)	-100.60%	(2,282,965.18)	
6	Corporate Services	107,191,997	133,101,884	36,313,495	5,519,988	133,101,884	105,572,603	27,529,281	20.68%	27,529,281	
7	Community Services	277,193,141	294,687,665	66,075,082	20,093,545	294,687,665	246,794,136	47,893,529	16.25%	47,893,529	
8	Financial Services	56,331,834	55,836,614	(1,856,497)	11,202,304	55,836,614	68,553,850	(12,717,236)	-22.78%	(12,717,236)	
9	Planning and Development	194,115,210	192,377,145	81,818,942	12,293,603	192,377,145	120,991,189	71,385,956	37.11%	71,385,956	
10	Engineering Services	1,444,912,207	1,488,269,569	369,441,392	101,230,247	1,488,269,569	1,240,846,965	247,422,604	16.62%	247,422,604	
11	Totals	2,089,558,534	2,171,826,031	550,474,835	151,934,584	2,171,826,031	1,794,795,730	377,030,301	17.36%	377,030,301	
							Actual Expenditure to date				1,794,795,730
							Projected Expenditure for 2017/2018				2,171,826,031

Recommendation

- (2) *That it be noted that the variance between the actual operating expenditure (R1,794,795,730) and the budgeted operating expenditure (R2,171,826,031) has a positive variance of R377,030,301 or 17.36% at this stage before all year-end transactions still to be journalised.*

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 (R1,794,795,730) do compare favourably with the budgeted expenditure (R2,171,826,031) – a positive variance of R377,030,301 or 17.36% at month end. However, it needs to be noted that all year-end transactions have not been processed and that will still influence the results significantly.

TABLE 3: ACTUAL OPERATIONAL EXPENDITURE PER EXPENDITURE CATEGORY FOR JUNE 2018

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	537,088,776	531,751,040	49,616,832	36,714,328	531,751,040	529,368,890	2,382,150	0.45%	2,382,150
2	Councillor Related Costs	29,091,494	29,461,662	3,386,833	2,335,977	29,461,662	28,063,069	1,398,593	4.75%	1,398,593
3	Provision for Bad Debts	28,762,971	36,861,006	10,494,949	2,396,914	36,861,006	28,762,971	8,098,035	21.97%	8,098,035
4	Depreciation and Amortisation	190,506,431	190,506,431	96,279,526	(8,062)	190,506,431	94,226,906	96,279,526	50.54%	96,279,526
5	Impairment Losses	49,375,323	57,558,771	30,662,149	12,634	57,558,771	27,048,083	30,510,688	53.01%	30,510,688
6	Interest Paid	119,635,859	125,733,235	6,958,532	6,753,011	125,733,235	125,982,877	(249,642)	-0.20%	(249,642)
7	Bulk Purchases Water	43,168,974	21,738,445	20,455,184	1,651,677	21,738,445	2,895,112	18,843,333	86.68%	18,843,333
8	Bulk Purchases: Electricity	631,669,439	642,735,791	128,523,830	45,523,188	642,735,791	558,703,536	84,032,255	13.07%	84,032,255
9	Contracted Services	155,707,074	251,978,846	114,123,519	31,083,979	251,978,846	168,698,394	83,280,452	33.05%	83,280,452
10	Transfers and Subsidies	82,654,531	11,443,262	1,724,443	888,856	11,443,262	10,528,374	914,888	7.99%	914,888
11	Inventory	47,831,034	40,139,191	9,231,351	4,436,718	40,139,191	36,522,025	3,617,166	9.01%	3,617,166
12	Operating Leases	15,476,691	22,646,773	9,888,314	4,236,242	22,646,773	16,400,971	6,245,802	27.58%	6,245,802
13	Operational Cost	156,589,937	192,271,578	52,129,374	15,909,121	192,271,578	167,594,523	24,677,055	12.83%	24,677,055
14	Loss On Sale of Assets	2,000,000	17,000,000	17,000,000	0	17,000,000	0	17,000,000	100.00%	17,000,000
15	TOTALS	2,089,558,534	2,171,826,031	550,474,835	151,934,584	2,171,826,031	1,794,795,730	377,030,301	17.36%	377,030,301

Actual Expenditure to date **1,794,795,730**

Projected Expenditure for 2017/2018 **2,171,826,031**

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

- Employee Related Cost (R2,382,150 or 0.45 %) – Underspending at this stage. However, overtime for June 2018 and other employee related expenditure still to be recorded through year-end journals and procedures to be followed;
- Provision for Bad Debts (R8,098,035 or 21.97%) – Provision for bad debt still needs to be calculated on the final amount of debtors at year end and then journalised to disclose the position as at year-end. The remaining budgeted amount will be utilised;
- Depreciation and Amortisation (R96,279,526 or 50.54%) – Various financial year-end procedures on assets still needs to be finalised before final depreciation run can be done. The remaining budgeted amount should be utilised;
- Impairment Losses (R30,510,688 or 53.01%) – The information from the traffic fines service provider has not been received as yet and therefore the final amount to account for fines impairment in terms of the iGRAP 1 accounting standard still needs to be journalised;
- Bulk Purchases Water (R18,843,333 or 86.68%) – Due to the drought, the community is utilising less water which implies less water being purchased from the City of Cape Town;
- Bulk Purchases: Electricity (R84,032,255 or 13.07%) – The account for June 2018 (R73.1 million) still needs to be journalised accordingly. Even taking that expenditure into consideration an underspending is still envisaged at this stage (R10.1 million), which correlates with the decrease in usage and subsequent billing reported under revenue;
- Contracted Services (R83,280,452 or 33.05%) - Underspending on this line item relates largely to underspending on the Housing allocation (R60.3 million). Overall maintenance expenditure projects a saving of R8.2 million at this stage. Security services at an estimated R2.4 million for the month of June 2018 still needs to be paid;
- Inventory (R3,617,166 or 9.01%) – Various inventory expenditure line items (i.e. petrol and diesel; housing inventory, tyres; chemicals, etc.) of various departments are underspent for the month and year-to-date;
- Operating Leases (R6,245,802 or 27.58%) – Leasing of machinery and equipment expenditure was less than anticipated, due to lease “smoothing” according to GRAP 12. However, there is still operating lease transactions to be journalised;
- Operational Cost (R24,677,055 or 12.83%) – Approximately R21.7 million towards a provision for the rehabilitation of landfill sites still needs to be processed. The journal will be finalised as soon as the final reports from the specialists are received; and
- Loss on Sale of Assets (R17,000,000 or 100.00%) - The final GRAP adjustments have not yet been journalised as it is dependent on year-end processes that is still in progress to finalise the assets register.

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 R650,052,163 compares unfavourably with the budgeted capital expenditure of R838,699,081 as per the cash flow projections of the SDBIP with a negative variance or under spending of R188,616,918 or 22.49% at month end. 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 77.51% of the total capital budget of R838,669,081 after twelve months of the financial year. After recording all 2017/2018 invoices received, this figure will still change but it would certainly not be significantly. At this stage committed roll-over funds of approximately R180 million is envisaged.

The actual capital expenditure of **R650,052,163** is a new “record” for capital expenditure in a financial year and compares favourably with the actual capital expenditure of **R544 million** of the 2016/2017 financial year

TABLE 4: ACTUAL CAPITAL EXPENDITURE PER VOTE FOR JUNE 2018

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	110,585	9,773	8,879	110,585	0	109,960	109,960	(625)	-0.57%	625
2	Department of Internal Audit	0	10,068	0	0	10,068	0	10,068	10,068	(0)	0.00%	0
3	Department of Risk And Fraud	0	30,195	0	0	30,195	0	30,194	30,194	(1)	0.00%	1
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	18,083,543	7,971,779	3,338,420	18,083,543	0	13,171,747	13,171,747	(4,911,796)	-27.16%	4,911,796
7	Community Services	34,424,004	46,271,030	21,162,712	4,030,067	46,271,030	0	28,912,166	28,912,166	(17,358,864)	-37.52%	17,358,864
8	Financial Services	1,500,000	3,896,367	2,128,624	1,730,361	3,896,367	0	3,518,489	3,518,489	(377,878)	-9.70%	377,878
9	Planning and Development	26,727,812	45,713,558	23,549,026	10,659,641	45,713,558	0	32,274,342	32,274,342	(13,439,216)	-29.40%	13,439,216
10	Engineering Services	546,851,348	724,553,735	246,785,794	107,265,002	724,553,735	0	572,025,197	572,025,197	(152,528,538)	-21.05%	152,528,538
11	TOTALS	633,141,543	838,669,081	301,607,709	127,032,370	838,669,081	0.00	650,052,163	650,052,163	(188,616,918)	-22.49%	188,616,918

% of Approved Budget = **0.00%** **77.51%** **77.51%** Actual Expenditure to date **650,052,163**

Actual Capex as a % of Pro Rata Budget = **77.51%** Projected Expenditure for 2017/2018 **838,669,081**

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

TABLE 5: ACTUAL CAPITAL EXPENDITURE PER FUNDING SOURCE FOR JUNE 2018

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	81,103,806	38,769,140	11,531,666	81,103,806	0	57,313,375	57,313,375	(23,790,431)	-29.33%	23,790,431
2	GRANTS	84,347,367	160,320,061	53,725,022	6,212,007	160,320,061	0	115,372,711	115,372,711	(44,947,350)	-28.04%	44,947,350
3	EXTERNAL LOANS	508,794,176	597,245,214	209,113,548	109,288,697	597,245,214	0	477,366,077	477,366,077	(119,879,137)	-20.07%	119,879,137
4	TOTALS	633,141,543	838,669,081	301,607,709	127,032,370	838,669,081	0.00	650,052,163	650,052,163	(188,616,918)	-22.49%	188,616,918

Actual Expenditure to date 650,052,163

Projected Expenditure for 2017/2018 838,669,081

Recommendation

- (3) *That it be noted that the actual capital expenditure of R650,052,163 and the budgeted capital expenditure of R838,669,081 realised under spending of R188,616,918 or 22.49%.*
- (4) *That it be noted that actual capital expenditure of R650,052,163 represents 77.51% of the total capital budget of R838,669,081 after twelve 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 year with borrowing debt of R1,190,488,364 and after repayments (R160,839,692) were made and additional loans (R474,982,034) were taken up, the total borrowings outstanding as at 30 June 2018 amounts to R1,504,630,706. This borrowing debt represents 68.12% of our total operating budgeted revenue of R2,208,912,691 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 R1,504,630,706 as at 30 June 2018 and that it represents 68.12% of Drakenstein's total budgeted operating revenue of R2,208,912,691 for the 2017/2018 financial year.

TABLE 6: ACTUAL BORROWINGS FOR JUNE 2018

SERIAL NUMBER	EXTERNAL LOANS PROVIDERS	INTEREST RATES	TERM ENDING	OPENING BALANCE 01/07/2017	CAPITAL REDEEMED	NEW LOANS TAKEN UP	CLOSING BALANCE 30/06/2018
1	NEDBANK	12.65%	2018	16,049,361	16,049,361	0	0
2	NEDBANK	8.79%	2018	9,119,996	9,119,996	0	0
3	NEDBANK	8.74%	2018	738,136	738,136	0	0
4	INCA	10.03%	2018	3,427,524	3,427,524	0	0
5	DBSA	11.47%	2019	14,703,321	6,942,185	0	7,761,136
6	DBSA	6.75%	2019	3,127,657	1,511,948	0	1,615,709
7	NEDBANK	8.63%	2019	9,200,101	4,402,809	0	4,797,292
8	ABSA BANK	9.15%	2019	7,815,651	3,733,128	0	4,082,523
9	STANDARD BANK	9.94%	2019	4,669,415	2,221,855	0	2,447,560
10	ABSA BANK	9.40%	2020	3,403,559	1,032,247	0	2,371,312
11	ABSA BANK	9.21%	2020	8,607,090	2,615,146	0	5,991,944
13	STANDARD BANK	10.40%	2020	20,037,018	6,014,741	0	14,022,276
14	STANDARD BANK	9.36%	2020	4,157,770	1,255,121	0	2,902,649
15	STANDARD BANK	9.63%	2021	0	0	5,250,000	5,250,000
16	STANDARD BANK	9.87%	2023	0	0	13,806,715	13,806,715
17	NEDBANK	10.64%	2021	38,608,022	8,206,631	0	30,401,391
18	STANDARD BANK	10.26%	2021	5,339,511	1,143,048	0	4,196,464
19	NEDBANK	9.14%	2022	75,509,843	12,493,713	0	63,016,130
20	STANDARD BANK	9.68%	2022	4,560,171	739,878	0	3,820,293
21	STANDARD BANK	10.08%	2023	41,323,441	5,311,902	0	36,011,538
22	DBSA	10.03%	2024	71,728,832	7,518,741	0	64,210,091
23	DBSA	9.79%	2028	0	0	455,925,319	455,925,319
24	DBSA	10.82%	2025	263,221,588	20,278,433	0	242,943,155
25	NEDBANK	9.93%	2025	171,918,595	14,943,555	0	156,975,040
26	STANDARD BANK	10.12%	2027	413,221,763	31,139,596	0	382,082,167
27	TOTALS			1,190,488,364	160,839,692	474,982,034	1,504,630,706

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 R307,679,556 were received to date. Operating grants expenditure to the amount of R163,566,984 and capital grants expenditure to the amount of R137,297,248 was spent and recorded as utilised at the end of June 2018. Taking the opening balance of R50,601,256 as well as the aforementioned into consideration, the unspent conditional grants as at the end of June 2018 is R57,416,580.

Recommendation

(6) That it be noted that unspent conditional and unconditional grants amounted to R57,416,580 at the end of June 2018.

TABLE 7: CONDITIONAL GRANTS

SERIAL NUMBER	DESCRIPTION	OPENING BALANCE 1 JUNE 2018	OTHER INCOME	OPERATIONAL EXPENDITURE DURING THE YEAR	CAPITAL EXPENDITURE DURING THE YEAR	BALANCE AS ON 30 JUNE 2018
1	CONDITIONAL GRANTS					
2	NATIONAL: EQUITABLE SHARE					
3	TRUST FUND : INDIGENT POLICY FUNDS	0	(120,503,000)	123,361,222	0	2,858,222
4	SUB - TOTAL	0	(120,503,000)	123,361,222	0	2,858,222
5	NATIONAL TREASURY					
6	MUNICIPAL INFRASTRUCTURE GRANT (MIG)	0	(48,709,000)	0	48,709,000	0
7	MUNICIPAL FINANCE MANAGEMENT GRANT (FMG)	(5)	(1,550,000)	1,550,000	0	(5)
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)	68,719	0	(516,212)
10	TRUST FUND : ELECTRIFICATION FUNDING	(1,011,231)	(4,000,000)	0	5,011,180	(51)
11	SUB - TOTAL	(1,803,322)	(54,370,000)	1,935,123	53,720,180	(518,018)
12	PROVINCIAL TREASURY					
13	TRUST FUND : HEALTH SUBSIDIES					
14	N-GOV: REGION BULK INFRA GRT SCHEDULE 6B	(17,700,000)	(19,800,000)	0	36,732,620	(767,380)
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	5,405,362	0	4,976,219

ANNEXURE A

SERIAL NUMBER	DESCRIPTION	OPENING BALANCE 1 JUNE 2018	OTHER INCOME	OPERATIONAL EXPENDITURE DURING THE YEAR	CAPITAL EXPENDITURE DURING THE YEAR	BALANCE AS ON 30 JUNE 2018
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	CHICARGO	0	(8,500)	0	0	(8,500)
30	LANTANA	0	(2,320,419)	0	0	(2,320,419)
31	GOUDA INCOME	(971,063)	0	0	0	(971,063)
32	GOUDA EXPENDITURE	491	0	0	0	491
33	ACCELERATED HOUSING PROJECTS	0	0	0	0	0
34	DALJOSAPHAT TRANSFERS	(453,180)	0	0	0	(453,180)
35	TRUST FUND : KINGSTON INCOME	(10,982,731)	0	0	0	(10,982,731)
36	TRUST FUND : KINGSTON EXPENDITURE	10,982,731	0	0	0	10,982,731
37	TRUST FUND : AMSTELHOF PROJECT 35	(10,348)	0	0	0	(10,348)
38	TRUST FUND : LIBRARY GRANT (PROV)	(97,638)	(19,041,000)	15,641,000	3,017,844	(479,794)
39	CAPACITY BUILDING	0	(240,000)	60,249	0	(179,751)
40	TRUST FUND : SOCCERFIELD	(6,237)	0	0	0	(6,237)
41	T/F:INV LAND FOR PROV OF IND&RES PURPOSE	(13)	0	0	0	(13)
42	ROADS	0	(42,646,800)	0	38,597,564	(4,049,236)
43	DROUGHT RELIEF	0	(14,780,000)	0	5,229,040	(9,550,960)
44	DISASTER RELIEF	0	(24,862,724)	0	0	(24,862,724)
45	DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	829	(2,456,000)	2,456,000	0	829
46	TRUST FUND : BULK SERVICES ROADS	0	0	0	0	0
47	TRUST FUND : TRAINING LEVY	(1,961,867)	(783,150)	1,911,259	0	(833,758)
48	SUB - TOTAL	(32,025,727)	(127,017,793)	25,473,871	83,577,068	(49,992,581)
49	GRANTS: OTHER INSTITUTIONS					
50	TRUST FUND : ERF 2220:STROMWATER UPGRADE	(383,312)	0	0	0	(383,312)
51	WATER&SEWER MASTERPLANS	(300,000)	0	0	0	(300,000)
52	T/F:EMERGENCY KITS:O R THAMBO INF SETTLE	(1,191,615)	0	0	0	(1,191,615)
53	TRUST FUND : BULK SERVICES WATER	(7,670,341)	(1,740,689)	4,172,325	0	(5,238,705)
54	TRUST FUND : BULK SERVICES ELECTRICAL	(4,810,822)	0	8,440,483	0	3,629,661
55	TRUST FUND : BULK SERVICES ROADS	0	(1,009,132)	0	0	(1,009,132)
56	TRUST FUND : BULK SERVICES SEWERAGE	0	(392,969)	0	0	(392,969)
57	TRUST FUND : BULK SERVICE REFUSE	0	0	0	0	0
58	MANDELA ROUTE	0	(100,000)	85,000	0	(15,000)
59	NUMARKT	(12,033)	(549,008)	0	0	(561,041)
60	SUB - TOTAL	(14,368,123)	(3,791,798)	12,697,808	0	(5,462,113)
61	OTHER: CONDITIONAL GRANTS					
62	COLIN D BROWN GUARANTEE PIPELINE BUILD	(1,300,000)	0	0	0	(1,300,000)
63	UNSPENT MONEY PRECT 59	(623,636)	0	0	0	(623,636)
64	TRUST FUND : MUN WEDUWEE & WESE PENSIOEN	(363,572)	0	0	0	(363,572)
65	T/FUND :GUARANTEE:D V RENSBURG(BURGERSDR	(38,488)	0	0	0	(38,488)
66	DONATIONS WATER WEEK	(78,388)	(1,996,966)	98,960	0	(1,976,393)
67	SUB - TOTAL	(2,404,084)	(1,996,966)	98,960	0	(4,302,089)
68	TOTAL - CONDITIONAL GRANTS	(50,601,256)	(307,679,556)	163,566,984	137,297,248	(57,416,580)

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 R529,368,890 compared with the budgeted amount of R531,751,040 – an underspending of R2,382,150 or 0.45%.

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

- Long Services Awards (R6,230,038 or 99.85%) – The expenditure should be allocated to the relevant provision liability vote, but for control measures are only journalised at the end of the financial year ; and
- Ex Gratia Allowances – Pensioners (R16,059,064 or 95.39%) – The expenditure should be allocated to the relevant provision liability vote, but for control measures are only journalised at the end of the financial year.

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

Overspending on various line items due to the following:

- Appointment of critical positions and still need to transfer the funds from the critical vacancy vote number to the various appropriate line items;
- Payment of back pay due to TASK or benchmarking processes; and
- Allocation of EPWP salaries to the correct vote numbers.

Recommendation

(7) That it be noted that the actual employee related cost expenditure of R529,368,890 compared with the budgeted expenditure of R531,751,040 relates to a positive variance of R2,382,150 or 0.45%.

TABLE 8 : EMPLOYEE RELATED COST AS AT 30 JUNE 2018

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	328,767,136	21,789,044	29,707,618	328,767,136	341,589,982	(12,822,846)	-3.90%	(12,822,846)
2	Bonusses	21,736,829	23,185,704	0	61,846	23,185,704	23,865,718	(680,014)	-2.93%	(680,014)
3	Leave Pay	0	4,038,379	336,532	336,532	4,038,379	4,038,379	0	0.00%	0
4	Performance Bonusses	892,029	892,029	892,029	0	892,029	628,458	263,571	29.55%	263,571
5	Long Services Awards	6,246,510	6,239,597	6,230,834	797	6,239,597	9,559	6,230,038	99.85%	6,230,038
6	Ex Gratia Allowances - Pensioners	16,835,000	16,835,000	9,123,215	(7,048,362)	16,835,000	775,936	16,059,064	95.39%	16,059,064
7	Overtime Payments	30,879,699	34,241,402	1,242,983	3,242,353	34,241,402	36,120,853	(1,879,451)	-5.49%	(1,879,451)
8	Subsidy House Loans	8,743,940	4,871,824	456,258	390,389	4,871,824	4,809,219	62,605	1.29%	62,605
9	Travel Allowances	13,009,135	17,102,172	1,186,246	1,592,679	17,102,172	19,454,474	(2,352,302)	-13.75%	(2,352,302)
10	Housing Allowance	1,598,347	892,852	84,002	84,549	892,852	975,095	(82,243)	-9.21%	(82,243)
11	Acting Allowance	1,324,502	1,685,838	370,089	129,137	1,685,838	1,800,087	(114,249)	-6.78%	(114,249)
12	Standby Allowance	6,619,536	8,920,438	(48,044)	867,208	8,920,438	9,786,264	(865,826)	-9.71%	(865,826)
13	Night Shift Allowance	3,957,704	4,081,702	454,625	374,898	4,081,702	4,036,430	45,272	1.11%	45,272
14	Cell Allowance	1,102,189	1,299,223	112,455	152,735	1,299,223	1,482,027	(182,804)	-14.07%	(182,804)
15	Group Insurance	3,494,370	3,655,770	287,346	332,615	3,655,770	3,741,776	(86,006)	-2.35%	(86,006)
16	Medical Aid Fund Contr	19,026,487	19,779,971	2,492,150	1,695,787	19,779,971	19,178,133	601,838	3.04%	601,838
17	Pension Fund Contr	47,262,669	49,944,394	4,162,655	4,328,124	49,944,394	51,640,828	(1,696,434)	-3.40%	(1,696,434)
18	Provident Fund Contr	2,416,645	2,396,134	223,317	225,949	2,396,134	2,483,213	(87,079)	-3.63%	(87,079)
19	Unemployment Insurance Fund Contr	2,938,260	2,921,475	221,095	239,476	2,921,475	2,952,458	(30,983)	-1.06%	(30,983)
20	TOTALS	537,088,776	531,751,040	49,616,832	36,714,328	531,751,040	529,368,890	2,382,150	0.45%	2,382,150

Actual Expenditure to date **529,368,890**
Projected Expenditure for 2017/2018 **531,751,040**

9. Debtors age analysis and payment rates

9.1 Debtors age analysis per service

The municipality's total outstanding debtors amounted to R342,568,042 as at 30 June 2018 compared with the R334,342,310 as at 31 May 2018. As reflected in Table 9 below, current debt represent 32.13% of the total outstanding debt compared with the 31.97% of May 2018; 30 days and older debt 6.07% compared with the 6.21% for May 2018; 60 days and older debt 4.43% compared with the 5.89% of May 2018; and 90 days and older debt 57.38% compared with the 55.93% of May 2018.

The debtors test ratio (before bad debt provision) shows a decrease of 3.20 days from 80.6 days in April 2018 to 77.4 days in May 2018 and an increase of 1.90 days to 79.30 days in June 2018. The debtors test ratio (after bad debt provision) shows a decrease of 3.70 days from 57.6 days in April 2018 to 53.9 days in May 2018 and an increase of 1.30 days to 55.2 days in June 2018. **The latter result will still change after the final journal for bad debt provision has been processed.** The acceptable norm is 45 days.

Current debt increased with R3,537,685 to R109,597,094 compared with the R106,059,409 as at 31 May 2018; 30 days + debt increased with R9,135 to R20,777,108; 60 days + debt decreased with R4,506,512 to R15,180,947 and 90 days and older debt as at 31 May 2018 has increased with R9,544,232 to R196,553,230 compared with the R187,008,998 as at 31 May 2018.

The highest contributor to the outstanding debtors' amount is water services of R122.2 million or 35.68% of total outstanding debtors as at 30 June 2018. Punitive water tariffs certainly played a major role.

TABLE 9 : DEBTORS AGE ANALYSIS PER SERVICE AS AT 30 JUNE 2018

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	15,607	16,821,141	2,778,981	1,409,216	17,623,586	38,648,531	11.28%
2	Water	25,468	18,259,021	10,769,817	8,618,445	84,569,198	122,241,949	35.68%
3	Electricity	275,599	60,357,450	3,329,875	1,788,408	18,367,785	84,119,117	24.56%
4	Sewerage	19,370	5,939,817	1,331,870	968,371	18,805,106	27,064,534	7.90%
5	Refuse	8,847	6,161,272	1,872,669	1,489,677	31,863,440	41,395,906	12.08%
6	Housing	-	461,410	311,105	285,546	8,134,599	9,192,660	2.68%
7	Others	114,773	1,596,983	382,790	621,283	17,189,515	19,905,345	5.81%
8	TOTAL	459,663	109,597,094	20,777,108	15,180,947	196,553,230	342,568,042	100.00%
	2018/06 % =	32.13%		6.07%	4.43%	57.38%	100.00%	
	2018/05 % =	31.97%		6.21%	5.89%	55.93%	100.00%	

Debtors owe the municipality property rates (11.28%); water (35.68%); electricity (24.56%); sewerage (7.90%); refuse (12.08%); housing (2.68%), and sundry debt (5.81%).

9.2 Debtors age analysis per debtor type

Agricultural debtors owes the municipality R16,927,629 (4.9%); business debtors R55,418,142 (16.2%); domestic debtors R247,584,388 (72.3%); government accounts R7,837,027 (2.3%); Sundry Accounts R14,800,856 (4.3%) of the total outstanding debt of R342,568,042 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 JUNE 2018

SERIAL NUMBER	DEBTOR TYPE	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	Agriculture	13,648	10,835,890	693,662	300,388	5,084,042	16,927,629	4.9%
2	Bussiness	131,921	44,619,095	1,547,238	737,982	8,381,907	55,418,142	16.2%
3	Domestic	287,069	48,295,394	17,623,079	13,663,731	167,715,115	247,584,388	72.3%
4	Government	881	4,621,179	555,262	251,400	2,408,304	7,837,027	2.3%
5	Sundry Accounts	26,144	1,225,536	357,867	227,447	12,963,862	14,800,856	4.3%
6	TOTAL	459,663	109,597,094	20,777,108	15,180,947	196,553,230	342,568,042	100.0%

9.3 Debtors age analysis per ward

In Table 11 below the total outstanding debt of R342,568,042 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 25 of the 33 wards is above 50%. Notably is the percentages of ward 5 (83.0%); ward 6 (87.1%); ward 7 (81.0%); ward 8 (91.0%); ward 9 (85.2%); ward 10 (71.9%); ward 11 (83.0%); ward 12 (91.1%); ward 13 (82.2%); ward 14 (90.0%); ward 16 (68.1%); ward 18 (60.5%); ward 20 (86.0%); ward 21 (87.6%); ward 22 (63.6%); ward 23 (68.5%); ward 24 (88.7%); ward 25 (72.3%); ward 26 (78.3%); ward 27 (83.4%); ward 29 (50.1%); ward 30 (96.0%); ward 31 (92.6%); ward 32 (88.0%) and ward 33 (66.7%).

Wards that owes the municipality more than R 10,000,000 monetary wise are ward 4 (R13,989,134); ward 6 (10,529,534); ward 9 (R12,304,970); ward 11 (R10,935,100); ward 12 (R12,055,889); ward 15 (R13,339,588); ward 16 (R13,593,287); ward 17 (R11,803,141); ward 18 (R24,475,700); ward 19 (R17,063,981); ward 22 (R10,355,484); ward 28 (R16,005,860); ward 30 (R62,497,475); and ward 31 (R15,444,817).

Recommendation

- (8) That it be noted that total outstanding debtors as at 30 June amounted to R342,568,042 and that 30 days and older debt constitutes 67.9% of total outstanding debtors.***
- (9) That it be noted that domestic consumers owe the municipality R247,584,388 or 72.3% of the municipality's total debtor's book.***

TABLE 11: OUTSTANDING DEBTORS PER WARD AS AT 30 JUNE 2018

WARD	CURRENT 1 (Levied but not billed as yet)	CURRENT 2 (Levied and billed)	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL OUTSTANDING DEBT 30/06/2018	30 DAYS AND OLDER AS A % OF TOTAL DEBT	TOTAL OUTSTANDING DEBT 31/05/2018	INCREASE / (DECREASE)	WARD COUNCILLOR
1	7,433	5,765,696	232,428	79,470	1,392,666	7,477,692	22.8%	7,553,765	(76,072)	C KROUTZ
2	6,233	3,392,629	252,419	129,561	1,033,133	4,813,975	29.4%	4,527,891	286,084	HJ KOTZE
3	3,137	3,911,554	123,285	64,935	986,882	5,089,792	23.1%	4,733,605	356,188	WE SMIT
4	19,523	9,827,134	622,533	325,814	3,194,130	13,989,134	29.6%	13,880,539	108,595	J MILLER
5	8,547	1,086,847	478,636	439,419	4,432,680	6,446,129	83.0%	6,106,716	339,413	NP MBENENE
6	1,002	1,358,095	545,371	534,321	8,090,745	10,529,534	87.1%	9,571,887	957,647	TZ NQORO / NOMANA
7	5,609	841,060	404,365	329,576	2,885,346	4,465,956	81.0%	4,390,817	75,140	RB ARNOLDS
8	1,616	365,443	710,774	265,451	2,726,723	4,070,006	91.0%	3,933,332	136,675	N.ZIKHALI
9	8,143	1,809,786	675,545	640,981	9,170,516	12,304,970	85.2%	12,591,083	(286,113)	TC MANGENA
10	2,938	572,807	210,826	177,474	1,085,643	2,049,687	71.9%	2,168,568	(118,881)	C KEARNS
11	8,493	1,850,402	876,662	635,026	7,564,516	10,935,100	83.0%	11,185,439	(250,340)	AC STOWMAN
12	2,388	1,071,770	690,971	767,195	9,523,566	12,055,889	91.1%	12,555,397	(499,508)	MD NOBULA
13	3,085	506,192	244,551	168,004	1,936,176	2,858,008	82.2%	2,890,200	(32,192)	S ROSS
14	20,509	645,621	538,077	445,883	5,038,304	6,688,395	90.0%	6,538,130	150,264	J DE WET
15	31,274	10,752,622	502,346	269,037	1,784,309	13,339,588	19.2%	13,125,016	214,571	LW NIEHAUS
16	570	4,341,244	786,136	830,508	7,634,829	13,593,287	68.1%	13,231,807	361,480	DS BLANCKENBERG
17	42,653	8,193,833	604,692	345,110	2,616,853	11,803,141	30.2%	11,267,634	535,507	HJN MATTHEE
18	52,462	9,611,015	1,019,949	746,726	13,045,549	24,475,700	60.5%	23,645,165	830,536	AML BUCKLE
19	53,336	12,524,555	637,729	267,728	3,580,633	17,063,981	26.3%	16,836,482	227,499	TE BESTER
20	13,170	820,676	305,345	209,720	4,608,517	5,957,428	86.0%	5,986,492	(29,064)	PBA CUPIDO
21	11,448	671,423	336,504	258,694	4,244,839	5,522,907	87.6%	5,353,704	169,203	E GOUWS
22	67,601	3,698,614	783,863	442,625	5,362,781	10,355,484	63.6%	10,625,935	(270,452)	FP CUPIDO
23	8,903	1,559,547	350,026	169,049	2,887,881	4,975,406	68.5%	4,935,969	39,437	F JACOBS
24	8,990	471,830	221,705	149,796	3,406,354	4,258,674	88.7%	4,418,872	(160,198)	MM ADRIAANSE
25	7,990	1,642,945	366,890	363,413	3,584,423	5,965,661	72.3%	5,828,446	137,215	LT VAN NIEKERK
26	10,591	1,118,898	360,213	244,070	3,482,638	5,216,410	78.3%	5,301,810	(85,400)	JV ANDERSON
27	2,464	603,891	263,791	265,855	2,514,704	3,650,705	83.4%	3,413,861	236,843	VC BOOYSEN
28	31,668	10,256,927	1,732,373	710,960	3,273,933	16,005,860	35.7%	13,867,316	2,138,544	RH VAN NIEWENHUYZEN
29	8,362	2,823,073	321,905	197,901	2,323,586	5,674,827	50.1%	5,712,037	(37,210)	L WILLEMSE
30	325	2,528,420	3,404,124	3,386,561	53,178,046	62,497,475	96.0%	60,346,547	2,150,928	J SMIT
31	3,573	1,143,410	1,063,295	517,280	12,717,258	15,444,817	92.6%	15,246,282	198,534	GH FORD
32	788	755,277	546,540	479,545	4,537,709	6,319,859	88.0%	6,099,810	220,049	LV NZELE
33	2,785	1,211,849	279,406	188,971	1,963,691	3,646,702	66.7%	3,654,330	(7,628)	SE SEPTEMBER
SUNDRIES	2,057	1,862,009	283,834	134,289	743,674	3,025,863	38.4%	2,817,426	208,437	SUNDRIES
TOTAL	459,663	109,597,094	20,777,108	15,180,947	196,553,230	342,568,042	67.9%	334,342,310	8,225,732	

10. Creditors age analysis

The municipality's creditor's age analysis amounted to R0 as at 30 June 2018 as set out in Table 12 below. Creditors 30 days and older amount to R0.

Recommendation

(10) That it be noted that outstanding creditors amounted to R0 as at 30 June 2018.

TABLE 12: CREDITORS AGE ANALYSIS AS AT 30 JUNE 2018

SERIAL NUMBER	CREDITOR	CURRENT	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL AS AT 30/06/2018
1		0	0	0	0	0
2		0	0	0	0	0
3		0	0	0	0	0
4	TOTAL	0	0	0	0	0

11. Bank, cash, overdraft balances and investments

The municipality's primary and secondary bank accounts reconciles as at 30 June 2018 as can be seen in table 13 below. The primary bank account showed a positive cashbook balance of R17,787,620 at the end of June 2018 whilst the actual bank balance was a positive R60,134,803.

TABLE 13: BANK RECONCILIATION AS AT 30 JUNE 2018

SERIAL NUMBER	Description	FNB Primary Acc 62702310385	FNB Billing & Sundry Receipt Account 62702312349	FNB Traffic Account 62071526514	TOTALS
1	Cashbook Balance as per 30/06/2018	17,819,331	-31,711	0	17,787,620
2	In CB not in GL : Direct Deposit Transfers	879,846	39,316	0	919,162
3	In GL not in CB : Cancel ACB's	-2,751	0	0	-2,751
4	In GL not in CB : ACB's	51,800,251	0	0	51,800,251
5	Direct-Deposito-Transfer-in-Cashook	-10,945,039	-7,605	0	-10,952,644
6	Less : Amount receipted but not yet banked	-1,719,685	0	0	-1,719,685
7	Plus : Cheques issued but not yet cashed	1,886,398	0	0	1,886,398
8	Plus : ACB'S issued but not yet cashed	392,972	0	0	392,972
9	Balance as per bank statement 30/06/2018	60,134,803	0	0	60,134,803

Surplus cash is invested on a daily basis. The municipality's investments as at 30 June 2018 is as set out in Table 14 below. The municipality started the beginning of the month with total investments of R321,843,859 and after investments made (R0), withdrawn (R100,000,000) and interest capitalised (R3,395,274) closed with an investments balance of R225,239,133 at the five listed local banks and at Eskom where we do have some shares.

TABLE 14 : INVESTMENTS AS AT 30 JUNE 2018

BANK	BALANCE AT 31 MAY 2018	INVESTMENTS MADE	INVESTMENTS WITHDRAWN	INTEREST CAPITALISED	BALANCE AT 30 JUNE 2018	INTEREST ACCRUED	INTEREST EARNED YEAR-TO-DATE	INTEREST RATE
ABSA BANK	21,921,585	0	0	121,019	22,042,604	117,762	1,060,291	6.500%
ABSA BANK	22,317,113	0	0	123,203	22,440,316	119,887	1,064,455	6.500%
ABSA BANK	22,076,300	0	0	121,873	22,198,173	118,593	1,088,908	6.500%
ABSA BANK	22,147,913	0	0	122,269	22,270,182	118,978	1,054,383	6.500%
ABSA BANK	22,164,064	0	0	122,358	22,286,422	119,064	1,062,426	6.500%
SUB-TOTAL	110,626,976	0	0	610,722	111,237,697	594,283	5,330,463	6.500%
FNB	1,170,049	0	0	19,593	1,189,642	0	3,101,222	6.500%
FNB	243,562	0	0	516,741	760,302	0	760,302	6.500%
SUB-TOTAL	1,413,611	0	0	536,334	1,949,945	0	3,861,525	6.500%
STANDARD BANK	109,050,415	0	0	1,187,832	110,238,247	0	2,238,247	6.500%
STANDARD BANK	388,360	0	0	4,230	392,591	0	4,306,906	6.500%
STANDARD BANK	100,231,507	0	(100,000,000)	1,056,156	1,287,663	0	1,287,663	6.500%
SUB-TOTAL	209,670,282	0	(100,000,000)	2,248,219	111,918,501	0	7,832,816	6.500%
INVESTEC BANK	0	0	0	0	0	0	0	
SUB-TOTAL	0	0	0	0	0	0	0	
NEDBANK	(0)	0	0	0	(0)	0	513,615	6.300%
SUB-TOTAL	(0)	0	0	0	(0)	0	513,615	6.300%
ESKOM	132,990	0	0	0	132,990	0	0	13.500%
SUB-TOTAL	132,990	0	0	0	132,990	0	0	13.500%
GRAND TOTAL	321,843,859	0	(100,000,000)	3,395,274	225,239,133	594,283	17,538,419	7.860%

Recommendation

(11) That it be noted that the primary bank account had a positive bank balance at 30 June 2018 which amounted to R60,134,803.

(12) That it be noted that total investments in cash and shares amounted to R225,239,133 as at 30 June 2018 at the five local banks and Eskom.

12. RECOMMENDATIONS

Based on the contents of this report it is recommended to the Mayoral Committee and Council that:

- (1) That it be noted that the variance between the actual operating revenue (R2,033,731,773) and the budgeted operating revenue (R2,208,912,691) has a negative variance of R175,180,918 or 7.93% at this stage before all year-end transactions still to be journalised;
- (2) That it be noted that the variance between the actual operating expenditure (R1,794,795,730) and the budgeted operating expenditure (R2,171,826,031) has a positive variance of R377,030,301 or 17.36% at this stage before all year-end transactions still to be journalised;
- (3) That it be noted that the actual capital expenditure of R650,052,163 and the budgeted capital expenditure of R838,669,081 realised under spending of R188,616,918 or 22.49%;
- (4) That it be noted that actual capital expenditure of R650,052,163 represents 77.51% of the total capital budget of R838,669,081 after twelve months of the financial year;
- (5) That it be noted that external borrowings amounted to R1,504,630,706 as at 30 June 2018 and that it represents 68.12% of Drakenstein's total budgeted operating revenue of R2,208,912,691 for the 2017/2018 financial year;
- (6) That it be noted that unspent conditional and unconditional grants amounted to R57,416,580 at the end of June 2018;
- (7) That it be noted that the actual employee related cost expenditure of R529,368,890 compared with the budgeted expenditure of R531,751,040 relates to a positive variance of R2,382,150 or 0.45%;

- (8) That it be noted that total outstanding debtors as at 30 June amounted to R342,568,042 and that 30 days and older debt constitutes 67.9% of total outstanding debtors;
 - (9) That it be noted that domestic consumers owe the municipality R247,584,388 or 72.3% of the municipality's total debtor's book;
 - (10) That it be noted that outstanding creditors amounted to R0 as at 30 June 2018;
 - (11) That it be noted that the primary bank account had a positive bank balance at 30 June 2018 which amounted to R60,134,803; and
 - (12) That it be noted that total investments in cash and shares amounted to R225,239,133 as at 30 June 2018 at the five local banks and Eskom.
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