



**DRAKENSTEIN**

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# Monthly Budget Monitoring Report (Section 71 of MFMA)

**Period ending: 31 January 2018**

## **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 January 2018.

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.



**CONRAD POOLE**  
**EXECUTIVE MAYOR**  
14 February 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 January 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).

  
DR JH LEIBBRANDT  
CITY MANAGER

14 February 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 (R 1,440,214,700) compares favourably with the pro rata budgeted figure (R 1,411,691,555) – a positive variance of R 28,523,145 or 2.02% 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 38,689,659 or 52.85%) – no separate votes for Free Basic Services, like refuse, sewerage, rentals, rates , etc. were created. Therefore income goes directly to the income vote numbers automated on the system, thus understating income on Free Basic Services and overstating other relevant income vote items;
- Transfers and Subsidies: Operational (R 43,125,895 or 89.29%) – under spending on the housing projects, is resulting in less revenue being recognised as specified for the various operational conditional grants;
- Operational Revenue (R 2,263,101 or 16.57%) – revenue (i.e. Planning fees income) is less than the pro-rata budget based on historical trends;
- Service Charges: Property Rates (R 5,968,901 or 1.69%) – 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 2,044 or 7.59%) – revenue is less than envisioned at this stage and based on historical trends;
- Sale of Goods and Rendering of Services (R 204,617 or 98.70%) – 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 9,080,403 or 72.01%) - 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 7,604,866 or 7.17%) - pro-rata budget based on historical trends from previous years however, the 1<sup>st</sup> supplementary valuation was implemented during January and influenced this amount considerably. Another supplementary valuation will still be finalised and implemented before 30 June 2018. This will also influence this line item further.

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

- Fines (R 2,843,268 or 9.59%) – revenue more than envisaged. This line item was reviewed and will be adjusted in the Adjustment Budget process;
- Interest, dividends and rent on land (R 2,078,564 or 10.17%) – revenue more than envisaged due to effective investment of surplus funds available;
- Rental from fixed assets (R 2,275,249 or 14.50%) – pro-rata budget based on historical trends and therefore may differ one month to another.
- Service Charges: Cleansing (R 6,316,640 or 5.45%) – revenue is levied annually and therefore can decrease in order to align with the budget trends;
- Service Charges: Electricity (R 21,879,859 or 3.71%) – revenue is more than the projected budget, calculated from prior financial period actuals;
- Service Charges: Sanitation (R 7,580,910 or 7.24%) – revenue is levied annually and therefore can decrease in order to align with the budget trends;
- Service Charges: Water (R 36,437,301 or 34.69%) – 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 1,440,214,700) and the pro rata budgeted operating revenue (R 1,411,691,555) has a positive variance of R 28,523,145 or 2.02%.***

**TABLE 1: ACTUAL REVENUE PER REVENUE SOURCE FOR JANUARY 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	59,309,968	0	10,917	29,654,984	32,498,252	2,843,268	9.59%	26,811,716
2	Free Basic Services	120,821,000	120,821,000	9,523,469	5,222,425	73,203,654	34,513,995	(38,689,659)	-52.85%	86,307,005
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	3,150,818	2,703,543	20,436,549	22,515,113	2,078,564	10.17%	13,675,526
5	Licences and Permits	16,971,823	16,971,823	1,414,319	1,672,615	9,900,230	9,941,020	40,791	0.41%	7,030,803
6	Ner: Transfers and Subsidies : Operational	98,441,034	98,762,034	6,900,003	285,621	48,300,020	5,174,124	(43,125,895)	-89.29%	93,587,910
7	Operational Revenue	23,152,265	23,152,265	2,083,704	1,829,652	13,659,836	11,396,736	(2,263,101)	-16.57%	11,755,529
8	Rental from Fixed Assets	27,767,923	27,767,923	2,360,274	2,595,052	15,688,877	17,964,126	2,275,249	14.50%	9,803,797
9	Service Charges : Cleansing	120,940,260	120,940,260	1,150,045	965,781	115,845,120	122,161,759	6,316,640	5.45%	(1,221,499)
10	Service Charges : Electricity	1,041,773,629	1,041,773,629	75,821,887	84,646,536	590,167,016	612,046,874	21,879,859	3.71%	429,726,755
11	Service Charges : Property Rates	352,262,061	352,262,061	8,469,301	6,735,431	353,131,545	347,162,644	(5,968,901)	-1.69%	5,099,417
12	Service Charges : Sanitation	108,066,192	108,066,192	1,481,630	1,944,028	104,690,855	112,271,766	7,580,910	7.24%	(4,205,574)
13	Service Charges : Water	228,193,650	228,193,650	15,029,925	19,004,563	105,042,753	141,480,054	36,437,301	34.69%	86,713,596
14	Service Charges : Other	46,173	46,173	3,848	3,556	26,934	24,890	(2,044)	-7.59%	21,283
15	Sale Of Goods And Rendering Of Services	351,385	351,385	31,625	0	207,317	2,700	(204,617)	-98.70%	348,685
<b>16</b>	<b>Subtotal A : Operating Revenue</b>	<b>2,234,538,002</b>	<b>2,234,859,002</b>	<b>127,420,846</b>	<b>127,619,718</b>	<b>1,479,955,689</b>	<b>1,469,154,053</b>	<b>(10,801,636)</b>	<b>-0.73%</b>	<b>765,704,949</b>
17	Contra Account : Water Foregone	(21,615,830)	(21,615,830)	(1,801,319)	(478,340)	(12,609,234)	(3,528,832)	9,080,403	-72.01%	(18,086,998)
18	Contra Account : Property Rates	(105,815,325)	(105,815,325)	(2,544,077)	(1,454,206)	(106,076,508)	(98,471,642)	7,604,866	-7.17%	(7,343,683)
<b>19</b>	<b>Subtotal B : Operating Revenue Foregone</b>	<b>(127,431,155)</b>	<b>(127,431,155)</b>	<b>(4,345,396)</b>	<b>(1,932,546)</b>	<b>(118,685,742)</b>	<b>(102,000,474)</b>	<b>16,685,268</b>	<b>-14.06%</b>	<b>(25,430,681)</b>
<b>20</b>	<b>Total Operating Revenue</b>	<b>2,107,106,847</b>	<b>2,107,427,847</b>	<b>123,075,450</b>	<b>125,687,172</b>	<b>1,361,269,948</b>	<b>1,367,153,579</b>	<b>5,883,632</b>	<b>0.43%</b>	<b>740,274,268</b>
21	Ner : Transfers and Subsidies : Capital	94,756,000	113,193,305	2,617,560	4,302,547	50,421,607	73,061,120	22,639,513	44.90%	40,132,185
<b>22</b>	<b>Total Operating Revenue (Capital Grants Included)</b>	<b>2,201,862,847</b>	<b>2,220,621,152</b>	<b>125,693,010</b>	<b>129,989,720</b>	<b>1,411,691,555</b>	<b>1,440,214,700</b>	<b>28,523,145</b>	<b>2.02%</b>	<b>780,406,452</b>

Actual Revenue to date **1,440,214,700**  
 Projected Revenue for 2017/2018 **2,220,621,152**



### 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 1,131,873,414 compares favourably with the pro rata budgeted expenditure of R 1,183,374,713 – a variance of R 51,501,299 or 4.35%.

**TABLE 2: ACTUAL OPERATIONAL EXPENDITURE PER VOTE FOR JANUARY 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	1,072,752	101,912	357,920	(351,270)	(702,129)	350,859	-99.88%	1,774,880.52
2	Department of Internal Audit	3,601,344	3,602,424	277,137	504,677	2,226,885	2,039,920	186,965	8.40%	1,562,504.50
3	Department of Risk And Fraud	2,072,263	2,072,743	170,461	145,460	1,224,353	1,152,140	72,213	5.90%	920,603.08
4	Department of Communication	1,242,152	1,242,152	101,172	0	740,306	192,920	547,386	73.94%	1,049,232.20
5	Department of IDP/PMS	1,426,234	1,426,834	101,606	268,613	887,391	911,759	(24,368)	-2.75%	515,074.97
6	Corporate Services	107,191,997	107,676,337	5,900,463	10,875,640	61,172,897	56,308,989	4,863,908	7.95%	51,367,348
7	Community Services	572,357,339	277,189,701	17,817,749	18,263,016	156,900,134	155,147,820	1,752,314	1.12%	122,041,881
8	Financial Services	72,759,720	73,633,715	5,666,849	6,880,002	41,865,647	31,779,150	10,086,498	24.09%	41,854,565
9	Planning and Development	44,429,023	195,462,970	15,354,745	9,401,058	112,688,848	74,850,287	37,838,561	33.58%	120,612,683
10	Engineering Services	1,376,141,150	1,519,634,746	101,947,088	91,937,164	806,019,521	810,192,558	(4,173,037)	-0.52%	709,442,188
<b>11</b>	<b>Totals</b>	<b>2,182,693,374</b>	<b>2,183,014,374</b>	<b>147,439,182</b>	<b>138,633,549</b>	<b>1,183,374,713</b>	<b>1,131,873,414</b>	<b>51,501,299</b>	<b>4.35%</b>	<b>1,051,140,960</b>
Actual Expenditure to date										<b>1,131,873,414</b>
Projected Expenditure for 2017/2018										<b>2,183,014,374</b>

#### Recommendation

**(2) That it be noted that the variance between the actual operating expenditure (R 1,131,873,414) and the pro rata budgeted operating expenditure (R 1,183,374,713) has a positive variance of R 51,501,299 or 4.35%.**

#### 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 1,131,873,414) do compare favourably with the pro rata budgeted figures (R 1,183,374,713) – a positive variance of R 51,501,299 or 4.35% at month end.

**TABLE 3: ACTUAL OPERATIONAL EXPENDITURE PER EXPENDITURE CATEGORY FOR JANUARY 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	539,266,748	539,266,748	44,164,542	40,903,431	308,530,925	302,822,244	5,708,680	1.85%	236,444,504
2	Councillor Related Costs	29,091,494	29,091,494	2,569,074	3,073,082	16,246,125	16,373,947	(127,822)	-0.79%	12,717,547
3	Provision for Bad Debts	28,762,971	28,762,971	2,396,914	2,396,914	16,778,400	16,778,400	(0)	0.00%	11,984,571
4	Depreciation and Amortisation	188,506,431	188,506,431	0	0	94,253,216	94,226,906	26,310	0.03%	94,279,526
5	Impairment Losses	49,375,323	49,375,323	0	0	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	10,797,701	69,787,584	75,583,901	(5,796,317)	-8.31%	44,051,958
7	Bulk Purchases Water	43,168,974	43,168,974	(651,997)	229,302	2,677,089	1,918,962	758,127	28.32%	41,250,012
8	Bulk Purchases: Electricity	631,669,439	631,669,439	43,129,308	46,463,927	324,472,003	329,846,405	(5,374,402)	-1.66%	301,823,034
9	Contra Accounts: Revenue Cost of Free Basic Services	93,134,840	93,134,840	7,761,237	6,287,853	54,328,657	40,908,506	13,420,151	24.70%	52,226,334
10	Contracted Services	155,086,672	155,086,672	12,958,017	10,107,724	87,920,514	73,375,634	14,544,879	16.54%	81,711,038
11	Operational : Monetary	739,925	739,925	61,660	0	431,623	0	431,623	100.00%	739,925
12	Inventory	47,831,034	47,831,034	3,390,995	1,979,031	25,463,676	18,504,837	6,958,840	27.33%	29,326,197
13	Operating Leases	15,476,691	15,476,691	1,680,620	1,139,694	10,059,742	8,483,396	1,576,346	15.67%	6,993,295
14	Operational Cost	102,203,691	102,203,691	8,792,507	11,067,392	69,438,978	83,457,657	(14,018,679)	-20.19%	18,746,034
15	OC: Municipal Services	53,181,576	53,181,576	4,431,798	3,087,793	31,022,583	35,427,754	(4,405,171)	-14.20%	17,753,822
16	Transfers and Subsidies: Operational	81,561,706	81,882,706	6,784,853	1,099,704	47,275,938	7,268,245	40,007,693	84.63%	74,614,461
17	Loss On Sale of Assets	4,000,000	4,000,000	0	0	0	0	0	0.00%	4,000,000
<b>18</b>	<b>TOTALS</b>	<b>2,182,693,374</b>	<b>2,183,014,374</b>	<b>147,439,182</b>	<b>138,633,549</b>	<b>1,183,374,713</b>	<b>1,131,873,414</b>	<b>51,501,299</b>	<b>4.35%</b>	<b>1,051,140,960</b>
<b>Actual Expenditure to date</b>										<b>1,131,873,414</b>
<b>Projected Expenditure for 2017/2018</b>										<b>2,183,014,374</b>

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

- Employee related costs (R 5,708,680 or 1.85%) – actual expenditure was less than anticipated;
- Bulk Purchases Water (R 758,127 or 28.32%) – 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 13,420,151 or 24.70%) – due to certain items (like Basic Electricity and Water) not being budgeted for, it resulting in these items not being allocated to Income and Expenditure line items. This will be reviewed during the adjustment budget process;
- Contracted services (R 14,544,879 or 16.54%) – contracted services (Research and Development, Resealing of streets and Maintenance on Unspecified Assets and Equipment) are underspend for the month;
- Operational Monetary (R 431,623 or 100.00%) – budgeted donations still to be expensed to approved beneficiaries;
- Inventory (R 6,958,840 or 27.33%) – inventory expenditure (i.e. Petrol and Diesel; Housing Inventory, Tyres, Chemicals, etc.) underspend for the month;
- Operating Leases (R 1,576,346 or 15.67%) – leasing of machinery and equipment expenditure was less than anticipated; and
- Transfers and subsidies: operational (R 40,007,693 or 84.63%) – underspending on the Housing allocation.

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

- Impairment Losses (R 2,208,960 or 8.95%) - overspending envisaged at the moment, this will be reviewed during the adjustment budget process;
- Interest Paid (R 5,796,317 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. With the compilation and final approval of the budget in May 2017, the tendered rates were used to project expenditure and included in the budget. No provision for interest accrued but not yet payable at year- end was made and should be taken into consideration, resulting in increased expenditure;
- Bulk Electricity (R 5,374,402 or 1.66%) – overspending envisaged at the moment, this will be reviewed during the adjustment budget process;
- Operational Cost (R 14,018,679 or 20.19%) – due to unforeseen contribution to provision for landfill site, this will be reviewed during the adjustment budget process; and
- Municipal Services (R 4,405,171 or 14.20%) – 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.

## 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 317,912,068 compares unfavourably with the pro rata budgeted capital expenditure of R 336,233,651 as per the cash flow projections of the SDBIP with a variance or under spending of R 18,321,582 or 5.45%. 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 38.18% of the total capital budget of R 832,635,300 after seven months of the financial year. Actual and recorded committed capital expenditure (R 585,625,139) represents 70.33% of the total capital budget of R 832,635,300 after seven months of the financial year.

**TABLE 4: ACTUAL CAPITAL EXPENDITURE PER VOTE FOR JANUARY 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	5,876,892	9,816	4,007	36,516	0	18,812	18,812	(17,704)	-48.48%	5,858,080
2	Department of Internal Audit	0	12,000	0	0	12,000	0	10,068	10,068	(1,932)	-16.10%	1,932
3	Department of Risk And Fraud	0	29,324	1,804	0	20,305	0	4,115	4,115	(16,190)	-79.73%	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	1,684,354	1,546,382	10,995,440	6,959,309	3,792,993	10,752,302	(7,202,446)	-65.50%	16,807,379
7	Community Services	34,424,004	52,018,705	1,741,795	1,387,717	20,861,209	12,567,110	12,688,677	25,255,787	(8,172,532)	-39.18%	39,330,028
8	Financial Services	1,500,000	2,337,151	106,914	155,386	1,304,573	484,744	1,608,543	2,093,287	303,970	23.30%	728,608
9	Planning and Development	26,727,812	37,404,190	1,918,744	588,926	14,324,335	390,447	11,979,729	12,370,177	(2,344,605)	-16.37%	25,424,461
10	Engineering Services	546,851,348	714,356,666	31,270,234	33,706,600	288,679,273	247,311,460	287,809,131	535,120,591	(870,142)	-0.30%	426,547,535
11	<b>TOTALS</b>	<b>633,141,543</b>	<b>832,635,300</b>	<b>36,733,662</b>	<b>37,389,018</b>	<b>336,233,651</b>	<b>267,713,071</b>	<b>317,912,068</b>	<b>585,625,139</b>	<b>(18,321,582)</b>	<b>-5.45%</b>	<b>514,723,232</b>

% of Approved Budget = 32.15%      38.18%      70.33% Actual Expenditure to date      317,912,068

Actual Capex as a % of Pro Rata Budget = 94.55% Projected Expenditure for 2017/2018      832,635,300

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

**TABLE 5: ACTUAL CAPITAL EXPENDITURE PER FUNDING SOURCE FOR JANUARY 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	67,081,782	5,542,614	1,516,774	41,601,143	11,595,686	29,527,722	41,123,408	(12,073,422)	-29.02%	37,554,060
2	GRANTS	84,347,367	102,784,672	5,482,366	4,497,614	71,669,626	2,112,207	73,256,187	75,368,393	1,586,561	2.21%	29,528,485
3	EXTERNAL LOANS	508,794,176	662,768,846	25,708,682	31,374,630	222,962,881	254,005,178	215,128,160	469,133,337	(7,834,721)	-3.51%	447,640,686
4	<b>TOTALS</b>	<b>633,141,543</b>	<b>832,635,300</b>	<b>36,733,662</b>	<b>37,389,018</b>	<b>336,233,651</b>	<b>267,713,071</b>	<b>317,912,068</b>	<b>585,625,139</b>	<b>(18,321,582)</b>	<b>-5.45%</b>	<b>514,723,232</b>

Actual Expenditure to date 317,912,068

Projected Expenditure for 2017/2018 832,635,300

**Recommendation**

- (3) That it be noted that the actual capital expenditure of R 317,912,068 and the pro rata budgeted capital expenditure of R 336,233,651 realised under spending of R 18,321,582 or 5.45%.**
- (4) That it be noted that actual capital expenditure of R 317,912,068 represents 38.18% of the total capital budget of R 832,635,300 after seven months of the financial year.**
- (5) That it be noted that the actual and committed capital expenditure of R 585,625,139 compared with the capital expenditure budget of R 832,635,300 represent a spending percentage of 70.33% after seven 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 January 2018 with borrowing debt of R 1,197,072,897 and after repayments (R 0) were made and additional loans (R 0) were taken up, the total borrowings outstanding as at 31 January 2018 amounts to R 1,197,072,897. This borrowing debt represents 56.80% of our total operating budgeted revenue of R 2,107,427,847 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 January 2018 and that it represents 56.80% of Drakenstein's total budgeted operating revenue of R 2,107,427,847 for the 2017/2018 financial year.***

**TABLE 6: ACTUAL BORROWINGS FOR JANUARY 2018**

SERIAL NUMBER	EXTERNAL LOANS PROVIDERS	INTEREST RATES	TERM ENDING	OPENING BALANCE 01/01/2018	CAPITAL REDEEMED	NEW LOANS TAKEN UP	CLOSING BALANCE 31/01/2018
1	NEDBANK	12.65%	2018	8,272,724	0	0	8,272,724
2	NEDBANK	8.79%	2018	4,659,422	0	0	4,659,422
3	NEDBANK	8.74%	2018	377,151	0	0	377,151
4	INCA	10.03%	2018	1,755,825	0	0	1,755,825
5	DBSA	11.47%	2019	11,333,664	0	0	11,333,664
6	DBSA	6.75%	2019	2,384,826	0	0	2,384,826
7	NEDBANK	8.63%	2019	7,050,139	0	0	7,050,139
8	ABSA BANK	9.15%	2019	5,991,676	0	0	5,991,676
9	STANDARD BANK	9.94%	2019	3,585,352	0	0	3,585,352
10	ABSA BANK	9.40%	2020	2,900,841	0	0	2,900,841
11	ABSA BANK	9.21%	2020	7,329,915	0	0	7,329,915
12	STANDARD BANK	10.40%	2020	17,113,596	0	0	17,113,596
13	STANDARD BANK	9.36%	2020	3,549,730	0	0	3,549,730
14	NEDBANK	10.64%	2021	34,616,327	0	0	34,616,327
15	STANDARD BANK	10.26%	2021	4,782,242	0	0	4,782,242
16	NEDBANK	9.14%	2022	69,447,640	0	0	69,447,640
17	STANDARD BANK	9.68%	2022	4,204,854	0	0	4,204,854
18	STANDARD BANK	10.08%	2023	38,748,952	0	0	38,748,952
19	DBSA	10.03%	2024	68,061,140	0	0	68,061,140
20	DBSA	10.82%	2025	253,348,702	0	0	253,348,702
21	NEDBANK	9.93%	2025	164,694,710	0	0	164,694,710
22	STANDARD BANK	10.12%	2027	482,863,470	0	0	482,863,470
<b>23</b>	<b>TOTALS</b>			<b>1,197,072,897</b>	<b>0</b>	<b>0</b>	<b>1,197,072,897</b>



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

The municipality's position with regard to grant allocations received and the actual expenditure on the grant allocations received are set out in Table 7 below. Unconditional grants (equitable share) and conditional grants (FMG; MSIG; housing grants; INEP, library grant, MIG, etcetera) to the value of R 142,442,489 were received to date. Operating grants expenditure to the amount of R 82,600,415 and capital grants expenditure to the amount of R 73,061,120 was spent and recorded as utilised at the end of January 2018. 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 January 2018 is R 37,382,209.

### Recommendation

**(7) That it be noted that unspent conditional and unconditional grants amounted to R 37,382,209 at the end of January 2018.**

**TABLE 7: CONDITIONAL GRANTS**

SERIAL NUMBER	DESCRIPTION	OPENING BALANCE 1 JANUARY 2018	OTHER INCOME	OPERATIONAL EXPENDITURE DURING THE YEAR	CAPITAL EXPENDITURE DURING THE YEAR	BALANCE AS ON 31 JANUARY 2018
<b>1</b>	<b>CONDITIONAL GRANTS</b>					
<b>2</b>	<b>NATIONAL: EQUITABLE SHARE</b>					
<b>3</b>	TRUST FUND : INDIGENT POLICY FUNDS	0	(90,298,000)	68,216,557	0	(22,081,443)
<b>4</b>	<b>SUB - TOTAL</b>	<b>0</b>	<b>(90,298,000)</b>	<b>68,216,557</b>	<b>0</b>	<b>(22,081,443)</b>
<b>5</b>	<b>NATIONAL TREASURY</b>					
<b>6</b>	MUNICIPAL INFRASTRUCTURE GRANT (MIG)	0	(28,582,000)	0	21,625,747	(6,956,253)
<b>7</b>	MUNICIPAL FINANCE MANAGEMENT GRANT (FMG)	(5)	(1,550,000)	429,177	0	(1,120,828)
<b>8</b>	TRUST FUND:ELECTRICITY DEMAND SIDE GRANT	(318,155)	0	316,404	0	(1,751)
<b>9</b>	TRUST FUND :COMMUNITY DEV WORKER (CDW)	(473,931)	(111,000)	39,037	0	(545,894)
<b>10</b>	TRUST FUND : ELECTRIFICATION FUNDING	(1,011,231)	(1,000,000)	0	3,594,817	1,583,586
<b>11</b>	<b>SUB - TOTAL</b>	<b>(1,803,322)</b>	<b>(31,243,000)</b>	<b>784,617</b>	<b>25,220,564</b>	<b>(7,041,140)</b>
<b>12</b>	<b>PROVINCIAL TREASURY</b>					
<b>13</b>	TRUST FUND : HEALTH SUBSIDIES					
<b>14</b>	N-GOV: REGION BULK INFRA GRT SCHEDULE 6B	(17,700,000)	0	0	0	(17,700,000)
<b>15</b>	N-GOV: HUMAN SETTLEM CAPACITY GRT SCH 5B	(2,000)	0	0	0	(2,000)
<b>16</b>	PD WC - HOUSING: HUMAN SETTLEMENT DEVEL	(90,000)	0	0	0	(90,000)
<b>17</b>	SILVERTOWN OPENING BALANCE	(60,000)	0	0	0	(60,000)
<b>18</b>	TRUST FUND : CARTERVILLE HOUSING PROJECT	(956,503)	0	0	0	(956,503)
<b>19</b>	TRUST FUND : 1068 HUISE WDR SKENKING	(738,659)	0	0	0	(738,659)
<b>20</b>	TRUST FUND: DROMMEDARIS	(429,143)	0	4,384,316	0	3,955,173

SERIAL NUMBER	DESCRIPTION	OPENING BALANCE 1 JANUARY 2018	OTHER INCOME	OPERATIONAL EXPENDITURE DURING THE YEAR	CAPITAL EXPENDITURE DURING THE YEAR	BALANCE AS ON 31 JANUARY 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	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	DALJOSAPHAT 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	CAPACITY BUILDING	0	(240,000)	0	0	(240,000)
39	TRUST FUND : SOCCERFIELD	(6,237)	0	0	0	(6,237)
40	T/F:INV LAND FOR PROV OF IND&RES PURPOSE	(13)	0	0	0	(13)
41	DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	829	(1,105,000)	94,461	0	(1,009,710)
42	TRUST FUND : BULK SERVICES ROADS	0	0	0	37,950,564	37,950,564
43	TRUST FUND : TRAINING LEVY	(1,961,867)	(388,481)	624,371	0	(1,725,977)
44	<b>SUB - TOTAL</b>	<b>(32,025,727)</b>	<b>(17,461,503)</b>	<b>5,103,147</b>	<b>47,840,556</b>	<b>3,456,474</b>
45	<b>GRANTS: OTHER INSTITUTIONS</b>					
46	TRUST FUND : ERF 2220:STROMWATER UPGRADE	(383,312)	0	0	0	(383,312)
47	WATER&SEWER MASTERPLANS	(300,000)	0	0	0	(300,000)
48	T/F:EMERGENCY KITS:O R THAMBO INF SETTLE	(1,191,615)	0	0	0	(1,191,615)
49	TRUST FUND : BULK SERVICES WATER & SEWER	(7,670,341)	(1,740,689.40)	4,145,391	0	(5,265,639)
50	TRUST FUND : BULK SERVICES ELECTRICAL	(4,810,822)	0	4,350,702	0	(460,120)
51	TRUST FUND : BULK SERVICES SEWERAGE	0	(1,050,289)	0	0	(1,050,289)
52	MANDELA ROUTE	0	(100,000)	0	0	(100,000)
53	NUMARKT	(12,033)	(549,008)	0	0	(561,041)
54	<b>SUB - TOTAL</b>	<b>(14,368,123)</b>	<b>(3,439,986)</b>	<b>8,496,093</b>	<b>0</b>	<b>(9,312,016)</b>
55	<b>OTHER: CONDITIONAL GRANTS</b>					
56	COLIN D BROWN GUARANTEE PIPELINE BUILD	(1,300,000)	0	0	0	(1,300,000)
57	UNSPENT MONEY PRECT 59	(623,636)	0	0	0	(623,636)
58	TRUST FUND : MUN WEDUWEE & WESE PENSIOEN	(363,572)	0	0	0	(363,572)
59	T/FUND :GUARANTEE:D V RENSBURG(BURGERSDR	(38,488)	0	0	0	(38,488)
60	DONATIONS WATER WEEK	(78,388)	0	0	0	(78,388)
61	<b>SUB - TOTAL</b>	<b>(2,404,084)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,404,084)</b>
62	<b>TOTAL - CONDITIONAL GRANTS</b>	<b>(50,601,256)</b>	<b>(142,442,489)</b>	<b>82,600,415</b>	<b>73,061,120</b>	<b>(37,382,209)</b>

## 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 302,822,244 compared with the pro rata budgeted amount of R 308,530,925 – an underspending of R 5,708,680 or 1.85%.

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

- Salaries (R 4,464,420 or 2.32%) – expenditure is less than envisaged;
- Long Services Awards (R 3,119,051 or 99.82%) – provision journals not yet processed for Long Services expenses;
- Ex Gratia Allowances – Pensioners (R 3,831,554 or 45.52%) - due to TASK implementation adjustments;
- Subsidy House Loans (R 2,257,818 or 44.27%) – expenditure is less than envisaged;
- Housing allowance (R 406,824 or 43.63%) – expenditure is less than envisaged; and
- Workmen’s compensation fund (R 1,269,708 or 99.78%) – 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 1,340,096 or 6.32%) – due to TASK implementation adjustments;
- Overtime payments (R 2,631,223 or 15.17%) – due to TASK implementation adjustments;
- Travel Allowance (R 1,780,103 or 23.44%) – due to TASK implementation adjustments;
- Acting Allowance (R 195,395 or 25.29%) – due to TASK implementation adjustments.
- Standby Allowance (R 1,734,458 or 44.92%) – expenditure is more than envisaged;
- Cell allowance (R 114,636 or 17.89%) – expenditure is more than envisaged
- Provident Fund Contribution (R 104,962 or 7.45%) – due to TASK implementation adjustments; and
- Pension Fund Contribution (R 1,943,847 or 7.05%) - 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 302,822,244 compared with the pro rata budgeted expenditure of R 308,530,925 relates to a positive variance of R 5,708,680 or 1.85%.***

**TABLE 8 : EMPLOYEE RELATED COST AS AT 31 JANUARY 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	348,988,925	31,362,263	26,993,018	192,177,604	187,713,184	4,464,420	2.32%	161,275,741
2	Bonusses	21,736,829	21,736,829	543,421	8,673	21,193,409	22,533,505	(1,340,096)	-6.32%	(796,676)
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	1,373	797	3,124,628	5,576	3,119,051	99.82%	6,240,934
5	Ex Gratia Allowances - Pensioners	16,835,000	16,835,000	0	781,460	8,417,500	4,585,946	3,831,554	45.52%	12,249,054
6	Overtime Payments	30,879,699	30,879,699	2,769,400	3,467,173	17,348,502	19,979,725	(2,631,223)	-15.17%	10,899,974
7	Subsidy House Loans	8,743,940	8,743,940	728,661	393,189	5,100,628	2,842,809	2,257,818	44.27%	5,901,131
8	Travel Allowances	13,009,135	13,025,135	1,085,872	1,264,900	7,595,772	9,375,875	(1,780,103)	-23.44%	3,649,260
9	Housing Allowance	1,598,347	1,598,347	133,195	70,826	932,368	525,544	406,824	43.63%	1,072,803
10	Acting Allowance	1,324,502	1,324,502	110,375	61,430	772,625	968,020	(195,395)	-25.29%	356,482
11	Standby Allowance	6,619,536	6,619,536	551,628	959,378	3,861,394	5,595,853	(1,734,458)	-44.92%	1,023,683
12	Night Shift Allowance	3,957,704	3,957,704	343,475	332,344	2,262,340	2,297,701	(35,361)	-1.56%	1,660,003
13	Cell Allowance	1,098,719	1,098,719	91,560	107,053	640,917	755,554	(114,636)	-17.89%	343,165
14	Group Insurance	3,494,370	3,494,370	291,197	311,664	2,038,378	2,121,764	(83,386)	-4.09%	1,372,606
15	Medical Aid Fund Contr	19,026,487	19,026,487	1,585,540	1,625,064	11,098,780	10,787,564	311,217	2.80%	8,238,923
16	Pension Fund Contr	47,262,669	47,262,669	3,938,555	4,067,002	27,569,886	29,513,733	(1,943,847)	-7.05%	17,748,936
17	Workmens Compensation Fund	2,181,442	2,181,442	181,786	0	1,272,505	2,798	1,269,708	99.78%	2178644.3
18	Provident Fund Contr	2,416,645	2,416,645	201,387	209,970	1,409,709	1,514,671	(104,962)	-7.45%	901,974
19	Unemployment Insurance Fund Contr	2,938,260	2,938,260	244,854	249,489	1,713,979	1,702,424	11,555	0.67%	1,235,836
<b>20</b>	<b>TOTALS</b>	<b>539,266,748</b>	<b>539,266,748</b>	<b>44,164,542</b>	<b>40,903,431</b>	<b>308,530,925</b>	<b>302,822,244</b>	<b>5,708,680</b>	<b>1.85%</b>	<b>236,444,504</b>

Actual Expenditure to date **302,822,244**

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 315,457,945 as at 31 January 2018 compared with the R 305,302,526 as at 31 December 2017. As reflected in Table 9 below, current debt represent 37.36% of the total outstanding debt compared with the 36.70% of December 2017; 30 days and older debt 7.39% compared with the 9.43% for December 2017; 60 days and older debt 6.22% compared with the 5.84% of December 2017; and 90 days and older debt 49.03% compared with the 48.03% of December 2017.

The debtors test ratio (before bad debt provision) shows a increase of 1.5 days from 64.7 days in November 2017 to 66.2 days in December 2017 and an increase of 2.3 days to 68.5 days in January 2018. The debtors test ratio (after bad debt provision) shows an increase of 1.5 days from 44.1 days in November 2017 to 45.6 days in December 2017 and an increase of 2.2 days to 47.8 days in January 2018. The acceptable norm is 45 days.

Current debt increased with R 5,815,303 to R 117,729,130 compared with the R 111,913,827 as at 31 December 2017; 30 days + debt decreased with R 5,474,354; 60 days + increased with R 1,788,047 and 90 days and older debt as at 31 January 2018 has increased with R 8,038,989 to R 154,682,219 compared with the R 146,643,230 as at 31 December 2017.

**TABLE 9 : DEBTORS AGE ANALYSIS PER SERVICE AS AT 31 JANUARY 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	23,309	16,440,373	2,534,155	1,333,794	18,061,085	<b>38,392,716</b>	<b>12.17%</b>
2	Water	6,087	22,987,256	10,872,491	11,148,213	50,626,153	<b>95,640,200</b>	<b>30.32%</b>
3	Electricity	30,879	61,728,316	5,094,184	2,142,500	18,986,094	<b>87,981,973</b>	<b>27.89%</b>
4	Sewerage	2,917	6,095,163	1,514,385	1,060,622	17,357,453	<b>26,030,539</b>	<b>8.25%</b>
5	Refuse	1,516	6,404,509	2,124,619	1,614,221	29,892,432	<b>40,037,297</b>	<b>12.69%</b>
6	Housing	-	540,579	524,889	325,278	8,068,889	<b>9,459,634</b>	<b>3.00%</b>
7	Others	52,833	3,532,933	636,081	2,003,625	11,690,115	<b>17,915,586</b>	<b>5.68%</b>
8	<b>TOTAL</b>	<b>117,541</b>	<b>117,729,130</b>	<b>23,300,804</b>	<b>19,628,253</b>	<b>154,682,219</b>	<b>315,457,945</b>	<b>100.00%</b>
	<b>2018/01 % =</b>	<b>37.36%</b>		<b>7.39%</b>	<b>6.22%</b>	<b>49.03%</b>	<b>100.00%</b>	
	<b>2017/12 % =</b>	<b>36.70%</b>		<b>9.43%</b>	<b>5.84%</b>	<b>48.03%</b>	<b>100.00%</b>	

Debtors owe the municipality property rates (12.17%); water (30.32%); electricity (27.89%); sewerage (8.25%); refuse (12.69%); housing (3.00%), and sundry debt (5.68%).

## 9.2 Debtors age analysis per debtor type

Agricultural debtors owes the municipality R 18,944,045 (6.0%); business debtors R 57,601,212 (18.3%); domestic debtors R 215,764,766 (68.4%); Government accounts R 10,335,725 (3.3%); Municipal accounts R 1,423,816 (0.5%) and other debtors R 11,368,382 (3.6%) of the total outstanding debt of R 315,457,946 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 JANUARY 2018**

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	320.40	10,424,939.48	1,086,302.30	502,682.08	5,243,448.77	17,257,693	1,686,351.70	<b>18,944,045</b>	6.0%
2	Bussiness	14,206.69	41,005,077.37	2,232,992.40	645,509.21	7,672,976.15	51,570,762	6,030,450.58	<b>57,601,212</b>	18.3%
3	Domestic	95,104.60	47,328,196.14	16,400,435.85	14,540,527.26	117,111,365.47	195,475,629	20,289,136.72	<b>215,764,766</b>	68.4%
4	Government	0.00	4,077,969.79	922,550.93	396,559.57	4,064,492.03	9,461,572	894,152.63	<b>10,355,725</b>	3.3%
5	Municipal	0.00	77,081.55	96,287.32	101,416.89	1,068,494.86	1,343,281	80,535.29	<b>1,423,816</b>	0.5%
6	Sundry Accounts	0.00	2,711,526.21	239,880.19	1,349,718.14	6,110,805.75	10,411,930	956,451.77	<b>11,368,382</b>	3.6%
<b>7</b>	<b>TOTAL</b>	<b>109,632</b>	<b>105,624,791</b>	<b>20,978,449</b>	<b>17,536,413</b>	<b>141,271,583</b>	<b>285,520,867</b>	<b>29,937,079</b>	<b>315,457,946</b>	<b>100.0%</b>



### 9.3 Debtors age analysis per ward

In Table 11 below the total outstanding debt of R 315,457,946 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 (77.9%); ward 6 (88.7%); ward 7 (75.2%); ward 8 (81.6%); ward 9 (84.2%); ward 10 (62.3%); ward 11 (79.2%); ward 12 (89.2%); ward 13 (77.5%); ward 14 (86.8%); ward 16 (63.2%); ward 18 (53.2%); ward 20 (81.9%); ward 21 (84.0%); ward 22 (62.6%); ward 23 (68.3%); ward 24 (87.5%); ward 25 (64.4%); ward 26 (74.4%); ward 27 (81.5%); ward 30 (93.1%); ward 31 (90.1%); ward 32 (80.3%) and ward 33 (64.0%).

Wards that owes the municipality more than R 10,000,000 monetary wise are ward 4 (R 15,249,739); ward 9 (R 11,719,680); ward 12 (R 10,872,076); ward 15 (R 15,407,091); ward 16 (R 13,758,083); ward 17 (R 11,766,287); ward 18 (R 22,718,072); ward 19 (R 18,357,989); ward 22 (R 11,134,434); ward 28 (R 13,575,682); ward 30 (R 45,250,265); and ward 31 (R 14,336,343).

#### ***Recommendation***

***(9) That it be noted that total outstanding debtors as at 31 January 2018 amounted to R 315,457,946 and that 30 days and older debt constitutes 62.6% of total outstanding debtors.***

***(10) That it be noted that domestic consumers owe the municipality R 215,764,766 or 68.4% of the municipality's total debtor's book.***

**TABLE 11: OUTSTANDING DEBTORS PER WARD AS AT 31 JANUARY 2018**

WARD	CURRENT 1 (Levied but not billed as yet)	CURRENT 2 (Levied and billed)	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL OUTSTANDING DEBT 31/01/2018	30 DAYS AND OLDER AS A % OF TOTAL DEBT	TOTAL OUTSTANDING DEBT 31/12/2017	INCREASE / (DECREASE)	WARD COUNCILLOR
1	0.00	6,218,292.39	706,083.47	187,850.18	1,509,647.48	8,621,874	27.9%	8,730,332	(108,458)	C KROUTZ
2	8,761.98	3,482,883.79	370,000.32	155,405.00	1,010,799.73	5,027,851	30.6%	4,871,650	156,201	HJ KOTZE
3	863.90	3,881,777.66	171,620.60	76,820.33	1,077,720.05	5,208,803	25.5%	5,112,755	96,047	WE SMIT
4	26,450.87	10,079,272.15	1,164,343.95	406,871.15	3,572,801.28	15,249,739	33.7%	15,146,441	103,298	J MILLER
5	0.00	1,149,424.87	648,586.00	492,156.14	2,911,366.10	5,201,533	77.9%	4,951,892	249,642	NP MBENENE
6	0.00	746,048.40	478,937.13	1,130,737.83	4,221,923.62	6,577,647	88.7%	6,206,607	371,040	TZ NQORO / NOMANA
7	1,027.57	1,027,824.51	388,730.14	331,147.78	2,405,430.95	4,154,161	75.2%	3,845,388	308,773	RB ARNOLDS
8	0.00	491,152.49	259,245.02	176,438.10	1,747,349.24	2,674,185	81.6%	2,517,942	156,243	N.ZIKHALI
9	908.00	1,853,059.86	820,558.89	937,171.00	8,107,982.62	11,719,680	84.2%	11,333,101	386,579	TC MANGENA
10	787.00	753,182.97	290,413.98	131,053.22	822,869.41	1,998,307	62.3%	1,885,254	113,052	C KEARNS
11	3,745.49	1,984,353.02	920,447.22	604,374.25	6,025,937.23	9,538,857	79.2%	8,976,757	562,101	AC STOWMAN
12	3,019.24	1,169,748.65	842,965.66	1,001,563.53	7,854,778.48	10,872,076	89.2%	10,996,605	(124,529)	MD NOBULA
13	0.00	638,083.45	255,011.01	180,040.06	1,766,548.19	2,839,683	77.5%	2,755,225	84,458	S ROSS
14	48.05	787,860.72	574,856.12	412,002.39	4,190,165.75	5,964,933	86.8%	5,797,530	167,403	J DE WET
15	11,536.76	12,274,000.03	927,877.76	306,413.24	1,887,262.93	15,407,091	20.3%	14,730,902	676,189	LW NIEHAUS
16	0.00	5,060,216.05	1,086,331.78	1,801,318.24	5,810,216.56	13,758,083	63.2%	13,259,162	498,921	DS BLANCKENBERG
17	7,051.20	8,191,686.78	806,570.54	313,432.45	2,447,546.26	11,766,287	30.3%	11,658,599	107,688	HJN MATTHEE
18	18,017.13	10,624,118.63	1,041,063.40	1,967,693.86	9,067,179.04	22,718,072	53.2%	21,814,966	903,106	AML BUCKLE
19	4,986.80	13,298,256.41	891,773.83	365,256.04	3,797,715.54	18,357,989	27.5%	18,121,033	236,955	TE BESTER
20	2,360.98	1,116,317.65	514,343.56	399,403.89	4,139,652.65	6,172,079	81.9%	5,880,527	291,552	PBA CUPIDO
21	357.89	813,961.17	331,138.67	286,615.05	3,660,098.60	5,092,171	84.0%	4,795,965	296,206	E GOUWS
22	771.38	4,166,419.67	960,493.85	729,487.90	5,277,260.97	11,134,434	62.6%	10,602,508	531,926	FP CUPIDO
23	0.00	1,581,878.23	341,238.49	804,261.61	2,262,103.85	4,989,482	68.3%	5,039,905	(50,423)	F JACOBS
24	0.00	559,110.45	279,494.69	232,026.78	3,399,096.54	4,469,728	87.5%	4,477,499	(7,770)	MM ADRIAANSE
25	0.00	2,203,198.07	560,016.84	413,436.94	3,008,215.89	6,184,868	64.4%	7,047,528	(862,660)	LT VAN NIEKERK
26	2,303.40	1,304,314.46	504,088.65	331,392.94	2,958,427.32	5,100,527	74.4%	5,011,946	88,581	JV ANDERSON
27	0.00	573,282.95	280,409.92	210,282.35	2,036,647.24	3,100,622	81.5%	2,999,707	100,916	VC BOOYSEN
28	12,257.85	9,432,950.89	1,071,540.55	619,810.18	2,439,122.84	13,575,682	30.4%	13,498,334	77,348	RH VAN NIEWENHUYZEN
29	7,562.05	3,201,665.36	470,142.34	224,471.56	1,984,791.51	5,888,633	45.5%	5,455,793	432,840	L WILLEMSE
30	4,082.59	3,109,733.94	3,250,522.79	2,827,795.36	36,058,129.93	45,250,265	93.1%	42,680,908	2,569,356	J SMIT
31	0.00	1,426,031.66	736,293.65	738,385.17	11,435,632.64	14,336,343	90.1%	13,571,854	764,489	GH FORD
32	0.00	1,051,486.33	695,140.14	454,340.88	3,134,464.26	5,335,432	80.3%	4,892,752	442,679	LV NZELE
33	320.40	1,386,072.38	418,929.97	230,521.02	1,818,757.72	3,854,601	64.0%	3,556,447	298,155	SE SEPTEMBER
SUNDRIES	320.40	2,091,460.48	241,595.61	148,276.27	834,576.99	3,316,230	36.9%	3,078,714	237,516	SUNDRIES
<b>TOTAL</b>	<b>117,541</b>	<b>117,729,127</b>	<b>23,300,807</b>	<b>19,628,253</b>	<b>154,682,219</b>	<b>315,457,946</b>	<b>62.6%</b>	<b>305,302,527</b>	<b>10,155,419</b>	

## 10. Creditors age analysis

The municipality's creditor's age analysis amounted to R 0 as at 31 January 2018 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 January 2018.*

**TABLE 12: CREDITORS AGE ANALYSIS AS AT 31 JANUARY 2018**

SERIAL NUMBER	CREDITOR	CURRENT	30 DAYS +	60 DAYS +	90 DAYS +	TOTAL AS AT 31/01/2018
1	None	0	0	0	0	0
2	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

The municipality's primary and secondary bank accounts reconciles as at 31 January 2018 as can be seen in table 13 below. The primary bank account showed a negative cashbook balance of R 76,244,897 at the end of January 2018 whilst the actual bank balance was a positive R 32,704,265.

**TABLE 13: BANK RECONCILIATION AS AT 31 JANUARY 2018**

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
<b>1</b>	<b>Cashbook balance as per 01/01/2018</b>	<b>226,633,813</b>	<b>(429,928,987)</b>	<b>0</b>	<b>112,328,682</b>	<b>14,721,595</b>	<b>(76,244,897)</b>
2	In CB not in GL : Direct Deposit Transfers	22,410	11,553	0	0	1,742	35,705
3	In GL not in CB : ACB's	66,933,680	0	0	0	0	66,933,680
4	In GL not in CB : Cheques	(219,711)	0	0	0	0	(219,711)
5	In CB not in GL : Canceled Cheques	1,110	0	0	0	0	1,110
6	Direct-Deposito-Transfer-in-Cashook	(263,680,365)	429,917,434	0	(112,594,483)	(14,723,337)	38,919,249
7	Less : Amount receipted but not yet banked	(2,351,138)	0	0	0	0	(2,351,138)
8	Partially Process - ACB's	(5,865)	0	0	0	0	(5,865)
9	Plus : Cheques issued but not yet cashed	807,071	0	0	198,460	0	1,005,531
10	Plus : ACB's issued but not yet cashed	4,563,031	0	0	67,341	0	4,630,372
11	Plus: Unreconciled on Statement Deposito	229	0	0	0	0	229
<b>12</b>	<b>Bank statement balance as per 31/01/2018</b>	<b>32,704,265</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,704,265</b>

During the month-end procedures it was discovered that duplicate transactions were journalised by the system, when funds were transferred from the one bank account to the other. These transactions were reversed and corrected accordingly. Due to the journals only being processed after month-end process has been finalised, these adjustments will only be disclosed in next month's report.

Surplus cash is invested on a daily basis. The municipality's investments as at 31 January 2018 is as set out in Table 15 below. The municipality started the beginning of the month with total investments of R 134,572,221 and after investments made R (0), withdrawn (R 0) and interest capitalised (R 1,148,471) closed with an investments balance of R 135,720,692 at the five listed local banks and at Eskom where we do have some shares.

**TABLE 15 : INVESTMENTS AS AT 31 JANUARY 2018**

SERIAL NUMBER	BANK	BALANCE AT 1 JANUARY 2018	INVESTMENTS MADE	INVESTMENTS WITHDRAWN	INTEREST CAPITALISED	BALANCE AT 31 JANUARY 2017	INTEREST EARNED YEAR-TO-DATE	INTEREST RATE
1	ABSA BANK	7,968,440	0	0	91,293	8,059,734	677,420	6.750%
2	ABSA BANK	7,858,927	0	0	90,672	7,949,599	673,737	6.750%
3	ABSA BANK	8,613,421	0	0	94,956	8,708,376	699,112	6.750%
4	ABSA BANK	7,694,262	0	0	89,737	7,783,998	668,200	6.750%
5	ABSA BANK	8,702,695	0	0	91,579	8,794,274	670,278	6.750%
6	FNB	93,319,972	0	0	591,608	93,911,580	1,911,580	7.090%
7	STANDARD BANK	281,514	0	0	98,626	380,140	4,380,140	6.700%
8	NEDBANK	(0)	0	0	0	(0)	513,615	6.550%
9	ESKOM	132,990	0	0	0	132,990	0	13.500%
<b>10</b>	<b>GRAND TOTAL</b>	<b>134,572,221</b>	<b>0</b>	<b>0</b>	<b>1,148,471</b>	<b>135,720,692</b>	<b>10,194,083</b>	<b>8.118%</b>

**Recommendation**

**(12) That it be noted that the primary bank account had a positive bank balance at 31 January 2018 which amounted to R 32,704,265.**

**(13) That it be noted that total investments in cash and shares amounted to R 135,720,692 as at 31 January 2018 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 1,440,214,700) and the pro rata budgeted operating revenue (R 1,411,691,555) has a positive variance of R 28,523,145 or 2.02%.
- (2) That it be noted that the variance between the actual operating expenditure (R 1,131,873,414) and the pro rata budgeted operating expenditure (R 1,183,374,713) has a positive variance of R 51,501,299 or 4.35%.
- (3) That it be noted that the actual capital expenditure of R 317,912,068 and the pro rata budgeted capital expenditure of R 336,233,651 realised under spending of R 18,321,582 or 5.45%.
- (4) That it be noted that actual capital expenditure of R 317,912,068 represents 38.18% of the total capital budget of R 832,635,300 after seven months of the financial year.
- (5) That it be noted that the actual and committed capital expenditure of R 585,625,139 compared with the capital expenditure budget of R 832,635,300 represent a spending percentage of 70.33% after seven months of the financial year.
- (6) That it be noted that external borrowings amounted to R 1,197,072,897 as at 31 January 2018 and that it represents 56.80% of Drakenstein's total budgeted operating revenue of R 2,107,427,847 for the 2017/2018 financial year.
- (7) That it be noted that unspent conditional and unconditional grants amounted to R 37,382,209 at the end of January 2018.

- (8) That it be noted that the actual employee related cost expenditure of R 302,822,244 compared with the pro rata budgeted expenditure of R 308,530,925 relates to a positive variance of R 5,708,680 or 1.85%.
  - (9) That it be noted that total outstanding debtors as at 31 January 2018 amounted to R 315,457,946 and that 30 days and older debt constitutes 62.6% of total outstanding debtors.
  - (10) That it be noted that domestic consumers owe the municipality R 215,764,766 or 68.4% of the municipality's total debtor's book.
  - (11) That it be noted that outstanding creditors amounted to R 0 as at 31 January 2018.
  - (12) That it be noted that the primary bank account had a positive bank balance at 31 January 2018 which amounted to R 32,704,265.
  - (13) That it be noted that total investments in cash and shares amounted to R 135,720,692 as at 31 January 2018 at the five local banks and Eskom.
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