

FINANCE



DIRECTORATE EXECUTIVE SUMMARIES AND SCORECARDS FOR 2017/2018

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Website:

<http://www.capetown.gov.za/Family%20and%20home/meet-the-city/our-vision-for-the-city/cape-towns-integrated-development-plan>

(for detailed SDBIP)



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.

VISION OF THE CITY:

- To be an opportunity city that creates an enabling environment for economic growth and job creation, and to provide assistance to those who need it most.
- To deliver quality services to all residents.
- To serve the citizens of Cape Town as a well-governed and corruption free administration.

In pursuit of this vision the City's mission is as follows:

- To contribute actively to the development of its environment, human and social capital
- To offer high-quality services to all who live in, do business in or visit Cape Town as a tourist
- To be known for its efficient, effective and caring governance.'

This is a one year plan giving effect to the IDP and the budget. It sets out the strategies in quantifiable outcomes that will be implemented over the 2017/2018 financial year.

It considers what was set out in the IDP and the Directorate Executive Summary

It indicates what the Department needs to do to deliver on the IDP objectives, how this will be done, what the outcomes will be, what processes it will follow and what inputs will be used.



**CITY OF CAPE TOWN
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1. EXECUTIVE SUMMARY

The Finance Directorate promotes sound and sustainable management of the City's financial resources, in compliance with the Municipal Finance Management Act, together with other related legislation, policies and procedures.

The Directorate's core functions are mainly led by Strategic Focus Area 5 – Well-Run City, and give validity to the City's objectives:

- “1.1 Positioning Cape Town as a forward looking Globally Competitive City; and
- 5.1 Operational sustainability”

The Directorate's main priorities include among others the following:

- Clean audit for the City
- Maintaining a good credit rating for the City
- City's Revenue Collection
- Supplementary and General Valuations Projects

The Directorate's strategy on achieving these priorities is contained in the Directorate's Scorecard in line with the City's IDP and Scorecard.

2. PURPOSE AND SERVICE MANDATE OF THE DEPARTMENT

In supporting the City's Priority 11 – Operational Sustainability, the Directorate's intention and purpose is, *inter alia*:

- Provision and maintenance of meaningful, accurate and coherent financial records to facilitate the management and control of expenditure activities against the objectives set by the budget and all forms of financial and statutory accountability finally embraced in the audited financial statements.
- Building a credible standing with the Auditor-General for the promotion of confidence in the financial records of the City.
- Managing the City's banking, investments, borrowings and cash flow (including municipal bond issues) in the most cost effective and efficient manner possible.
- Giving financial effect to the strategic focus of the City in the form of a short, medium and long term financial plan which is credible, viable and sustainable.
- Ensuring timeous and accurate payment of City creditors, councillors and officials.

- Management of all City of Cape Town key strategic development targeted conditional Grant and related funds (including USDG; HSDG; PTNG; ICDG; Health).
- Controlling the creation and annual reviewing of all budget related policies, coordinating the annual miscellaneous and consumptive tariff setting processes, evaluation and reporting on the distribution of all billed municipal charges on an affordable and collectable basis at the proposed tariffs, providing financial control and support for the establishment.
- Providing a sustainable and credible revenue management service which supports the City, taking into account an affordable and appropriate user-pays strategy, whilst acknowledging the severe economic challenges faced by many of the City's poorer residents.
- Providing on-going support to the City's Directorates and Departments in the acquisition of goods, services and construction works.
- Producing and maintaining Valuation Rolls in terms of prescribed legislation.
- Developing and reviewing financial and finance-related policies.
- Ensuring compliance to legislation, and the implementation and maintenance of good governance.

The Finance Directorate's intention is achieved through each of its six Departments:

<u>Budgets</u>	To give financial effect to the strategic focus of the City in the form of a short, medium and long term financial plan which is credible, viable and sustainable.
<u>Expenditure</u>	To provide a financially controlled environment using the limited resources and internal controls by ensuring timeous and accurate payment of City Creditors, Councillors and Officials in compliance with relevant legislation. Furthermore, the Department ensures that all Payroll accounts are reconciled and that the City has a well-managed Travel Management system.
<u>Grant Funding</u>	Establishment and management of standardised grant fund governance protocols aimed of ensuring corporate financial and reporting (financial/non-financial) visibility coupled with legislative and policy compliance whilst maximising the City's grant fund receipts.
<u>Revenue</u>	The Revenue Department is a customer focused Department, comprising competent and dedicated staff, providing accountable revenue management services and informing citizens through council structures as to their responsibility in creating a solvent and prosperous City.
<u>Supply Chain Management</u>	SCM supports and manages procurement policy, systems and processes for the acquisition and disposal of goods, works and services. Promotes compliance to a procurement system which is fair, equitable, transparent, cost-effective and competitive. Promotes black economic empowerment and local economic development and also encourages the promotions of small businesses in order to create sustainability and economic opportunities for the residents of the City.

<u>Treasury</u>	<p>Provision and maintenance of meaningful, accurate and coherent financial records to facilitate the management and control of expenditure activities against the objectives set by the budget and all forms of financial and statutory accountability finally embraced in the audited financial statements.</p> <p>To build a credible standing with the Auditor-General for the promotion of confidence in the financial records of the City.</p> <p>To ensure asset management is pro-active for accountability over an extensive array of assets.</p> <p>To manage the City's banking, investments, borrowings and cash flow (including municipal bond issues) in the most cost effective and efficient manner possible.</p> <p>To ensure the continuous viability of the General Insurance Fund and the City's Exempt Status under the Compensation for Occupational Injuries and Diseases Act (130 of 1993) and management of the Fund's core functions inherent in the provision of a self-insurance concept facility to the City.</p> <p>Increase the city's "resilience" in its service delivery process and targets.</p> <p>Responsible for regulating, managing and monitoring Municipal Entities for maximum shareholding returns, financial performance, legislative and policy compliance. Municipal entities operate openly and transparently and that the community and City receives a return on the service provided.</p>
<u>Valuations</u>	<p>Deliver a high quality and impartial valuation service to customers to sustain a cost effective, just, and accurate valuation roll in the provision of fair and equitable rates for the City by ensuring an effective revenue stream.</p> <p>Enhance the business processes internal and external to the department in preparation for the next General Valuation in 2018/2019, including the following :</p> <ul style="list-style-type: none"> - Data integrity - Efficient and effective IS&T infrastructure, software and systems - Valuation methodology - Workflow and processes - Rates policy and modelling

Finance Directorate customers are both internal and external, including:

External Customers – Citizens and ratepayers, Different spheres of government (National, Provincial, Local); the Auditor-General; Parastatals; the Business Sector; Municipal Entities; Regulatory and ad hoc stakeholders; financial institutions, commercial banks/investors; private sector; institutions (e.g. IMFO, SALGA, NGO's); MPAC; Development and Social Community; Service providers and contractors; Vendors/suppliers; the Audit Committee; Unions; the media.

Internal Customers – City of Cape Town Political and Oversight: Leadership (Mayoral Committee and Members, Council, Councillors, Transversal Committees, Mayor's Office, Risk Committee, Sub-councils and ward committees, etc.; City's Directorates and Line Departments (officials).

The Finance Directorate aims to ensure that excellent and sustainable financial governance is instilled throughout the organisation, with clear internal controls, policies and standardised procedures that will ensure legislative compliance and minimise fraud and corruption. The Directorate hopes, over time to ensure that the

MFMA is fully implemented in every area and that there is true value for money achieved through the use of the public funds entrusted to local government and these funds are always utilised for the provision of service delivery in a way that is fair, equitable and transparent.

3. STRATEGIC ALIGNMENT TO THE IDP LINKAGE TO IDP AND CHANGE IN INDICATORS AND TARGETS

A municipality's financial plan integrates the financial relationships of various revenue and expenditure streams giving effect to the IDP as a whole. The City is funded by public money, and it therefore is expected to exercise the highest levels of corporate governance, promoting The Well-Run City, and ensuring ongoing operational sustainability.

The Finance Directorate supports the City's Integrated Development Plan in its entirety, providing financial resources and services which enable the City to be an efficient, effective and development-oriented public service for Cape Town.

STRATEGIC FOCUS AREA 1 – OPPORTUNITY CITY:

Objective 1.1: Positioning Cape Town as a forward looking Globally Competitive City

- 1.B Average number of days to issue rates clearance certificate

STRATEGIC FOCUS AREA 5 – WELL-RUN CITY:

Objective 5.1: Operational sustainability Programme 5.1.a “Efficient, responsible and sustainable programme”

- 5.A Opinion of independent rating agency
- 5.B Opinion of the Auditor-General
- 5.C Percentage spend of capital budget (NKPI)
- 5.D Percentage spend on Repairs and Maintenance
- 5.E Cash/Cost coverage ratio (excluding unspent conditional grants) (NKPI)
- 5.F Net Debtors to Annual Income (NKPI)
- 5.G Debt (total borrowings)/Total Operating Revenue (NKPI)

4. PERFORMANCE PROGRESS AND OUTCOMES

4.1 Past year's performance

The Finance Directorate's performance for the past years has been extremely positive, demonstrated by the ongoing high credit ratings received, as well as the achievement of numerous clean audits, bringing credibility and financial sustainability to the City.

- 4.1.1** The Budget Department has met all its goals and objectives, on both corporate, directorate and departmental indicators over the past years. Actual positive results, inter alia, are the:
- Submission of 2017/2018 Budget to Council for adoption by 31 May 2017
 - Ongoing compliance by the submission of regular monthly Financial Monitoring Reports, indicating regular monitoring, assessment and reporting of relevant in-year financial results
 - Progress against milestones to SCOA implementation
- 4.1.2** Within Expenditure - Compliance with legislation in payment of suppliers within 30 days (the City pays on average 97% of invoices within 30 days); an achievement of 87% of invoices submitted electronically against 13% manual; consistent and accurate payment of salaries to Officials, Councillors, Ward Forum Members and EPWP Workers; and management of the City's Travel and Accommodation Services in a cost effective manner.
- 4.1.3** Revenue Department has continued to reach its high target of 95% for the collection/payment ratio, in spite of difficult economic times. A further target which was regularly met was the '95% of Rates Clearance Certificates (RCCs) issued within 10 working days'.
- 4.1.4** Supply Chain Management - The number B-BBEE service providers who have conducted business with the City in last financial year (1 July 2015 to 30 June 2016) were 2971 and this equates to 84.07 % of the overall number of service providers used. A total of 219 464 purchase orders were issued to the B-BBEE vendors which equates to 94.25% of the total number of orders with a total value R13 963 662 290 which is equivalent to 92.17% of our total purchase orders for this period.
- 4.1.5** Treasury Department has a number of achievements which should be noted, including:
- The continuous, positive contributions to the City's clean audit
 - Ensuring that the department as well as our Municipal Entities process are in line with that of the City and compliant with the MFMA.
 - High investment rating from Moody's still applicable for the City.
 - Effective cash management
 - Managing a successful CA Academy programme to mitigate any loss of skills.
- 4.1.6** The focus of the Valuations Department for 2016/17 was the implementation of GV2015 with effect 1 July 2016, including the consideration of objections and appeals. GV2015 resulted in a total property value of approximately R1,156 trillion for 845 764 properties, with a modest 2.41% objections involving 20 385 properties. These objections were dealt with within the financial year, together with approximately 1 300 appeals being heard by the independent Valuation Appeal Boards.

The past year's information is available in the Annual Reports located on the site:
<http://www.capetown.gov.za/en/IDP/Pages/default.aspx>

4.2 Areas of Business Improvement

4.2.1 Budgets:

- Progress on successful mSCOA pilot implementation and integration with budget actions
- Specification of user requirements for development of an automated virement process via integrated ERP tool
- Investigative document on seamless costing / ABC support service changes in SAP ERP or alternative integrated system.

4.2.2 Expenditure:

- Improvement of statistics on payments of creditors within 30 days.
- The development and implementation of Electronic Data Interchange (EDI), that will allow quick upload of data from Suppliers invoice system directly into the City's SAP system.
- Training and development of GRNer's.
- Continuing with our drive towards the complete set of supporting (purchase related) documents to be viewable in SAP by starting the process of the development of attaching of the goods receipting documentation in conjunction with Treasury.
- Monthly and/or Quarterly submission of statistical reports of all outstanding invoices older than 30 days to Line Departments, Finance Management Meetings and the Finance Transversal Committee
- In-house EPWP payment system.
- Payment of maintenance orders directly to the beneficiaries account.

4.2.3 Grant Funding:

- The primary 2017/2018 objectives of the Department, as a consequence of the primary departmental objectives, will be the establishment of structured standardised corporate operating procedures addressing conditional grant fund internal application/ governance/ reporting (internal/external) protocols as well as the development of external strategic conditional grant fund national and provincial relationships wherein the City establishes itself as a major contributor to the conditional grant fund legislative development and implementation environment.

4.2.4 Revenue:

The Department is implementing and improving the following business improvement initiatives and projects:

- Ongoing increasing of E-services and E-billing users
- Automated Debt Management Processes
- Automated Rates Clearance Processes
- Automated the Move-in and Move-out process
- Automated Refund process
- Automated Low Bulk Cost Housing process.
- Online Motor Vehicle renewal of licence process

- Ongoing and increasing the number of other municipal debts collected via blocking/limiting of pre-paid electricity purchases

4.2.5 Supply Chain Management:

- Finalisation of recruitment of key positions.
- Establishment of the procurement excellence and governance unit.
- Revision of the SCM Policy.
- E-Procurement and E-Tendering.
- Training of staff.
- Completeness of the Demand Plan.
- Optimisation of the structure.
- Review of certain job functions.
- Appointment of SCM Practitioners to Support Executive Directors

4.2.6 Treasury:

- Staff training and development.
- Improvement of communication to line departments.
- Refinement of business processes to meet full implementation of ODTP process.
- Full implementation support of mSCOA.

4.2.7 Valuations:

- Special attention will be given to improve on optimising City revenue by improving the consistency of property data. This will be achieved by close co-operation across departments, directorates and systems, e.g. Planning, Revenue, IS&T, Property Management and Valuations.

5. PARTNERS AND STAKEHOLDERS IN THE STRATEGY PLAN

Partners/ Stakeholders	Roles and Responsibilities
Council directorates, departments and branches	Finance is a support service to the City and its Directorates and Departments
City of Cape Town Political and Oversight Leadership (Mayoral Committee and Members, Council, Councillors, Portfolio Committees, Mayor's Office, Risk Committee, Politicians and Political Leadership, Audit Committee, Sub-councils and ward committees etc.)	Perform an oversight role. Monitor progress of the Directorate in achieving its objectives. Give guidance and support
Other tiers of government	Republic of South Africa (R.S.A) - National government Provincial government of the Western Cape (PAWC) Local Government
Auditor-General	Conduct annual audit and issue audit report

National Department of Cooperative Governance and Traditional Affairs	This department is the custodian of the MPRA and any Bills or proposed amendments are being discussed with them by the IMFO Valuation and Rating Forum to seek consensus prior to it being submitted to Parliament. However, where consensus cannot be reached, the Forum will seek to present its views to the relevant Committee of Parliament.
External Audit Firms	Assist Auditor-General
Counterparty banks / Investors	Facilitate loans, investments and banking transactions
JSE	Facilitate Bond issues
Cluster working groups: Energy and Climate Change committee Broadband Working Group Standard Chart of Accounts (SCOA) NT Working group on review of metros' revenue streams and sources	Representing Finance Department at this committee Plays instrumental role in implementation of mSCOA NT pilot project at the City. Member of national working group to review sustainability and levels of metros' revenue
Credit Rating agencies	Facilitate an credit assessment of the City
SRAs	Responsible and accountable for implementing the approved Business Plan and budget to improve and upgrade their geographical area.
Organisations or bodies	They apply to the line departments or Sub-councils for grant funding and are then responsible and accountable for utilising the grant funds in accordance with Council's decisions.
Institute of Municipal Finance Officers (IMFO). This includes the Metro CFO Forum and the Valuation and Rating Forum.	Provide guidance on matters submitted by the City and other municipalities on technical matters affecting municipal finance. This includes requests to seek amendments to legislation which will be allocated to a committee or forum to drive on behalf of IMFO. The Valuation and Rating Forum consults wide on matters affecting valuation and rating.
Payment of municipal accounts via Third Parties, e.g. Pick n Pay, Shoprite, Checkers, SA Post Office, etc.	Responsible for the payments made at all Third Party Stores and paying funds over to the City.
Project developers	Specific linkage relates to financial control and payments
External Providers	Responsible for Development of Staff.
Internal: All departments External: Suppliers vendors/tenderers	To plan their respective departmental future needs with regards to goods and services and to communicate this to SCM An inter-dependant relationship which is mutually beneficial should exist with suppliers
Citizens	The community Customers, account holders and property owners Voters Residents
CTICC	The official lines of communication are between the Executive Mayor and

	the Chairperson of the Board, as outlined in legislation, but facilitate through Shareholding Management within the Finance Directorate. The CTICC complies with the legislative requirements as outlined in local government legislation; the majority of these are contained in the Municipal Finance Management Act. All roles and responsibilities are outlined in the Service Delivery Agreement between the City and the CTICC.
Khayelitsha Community Trust (KCT)	This relationship is governed by the Funding Agreement entered into between the City and KCT. This agreement is aligned to the legislative requirements in section 67 of the Municipal Finance Management Act.
Internal fora e.g. BSC/BSM/BOC, Finance Managers Forum (FMF), GPRC	Sundry financial / budgetary direction, support and guidance
MPAC	Investigate matters referred by Council
Budget Committee	Provide guidance for amendments to budget related policies, By-laws and tariffs as well as reviewing the TMA modelling results to determine whether the TMA would be affordable to all the residents.
Revenue Management Task Team (RMTT) (Previously known as Multi-Disciplinary Debt Management Task Team (MDDMTT))	Responsible to streamline Debt Collection.
Budget Committee	Responsible to finalise tariffs and amendments to Credit Control and Debt Collection Policy
Audit Committee	Responsible to perform an oversight role to monitor organization wide activities
ERP	Provision of reliable and efficient systems

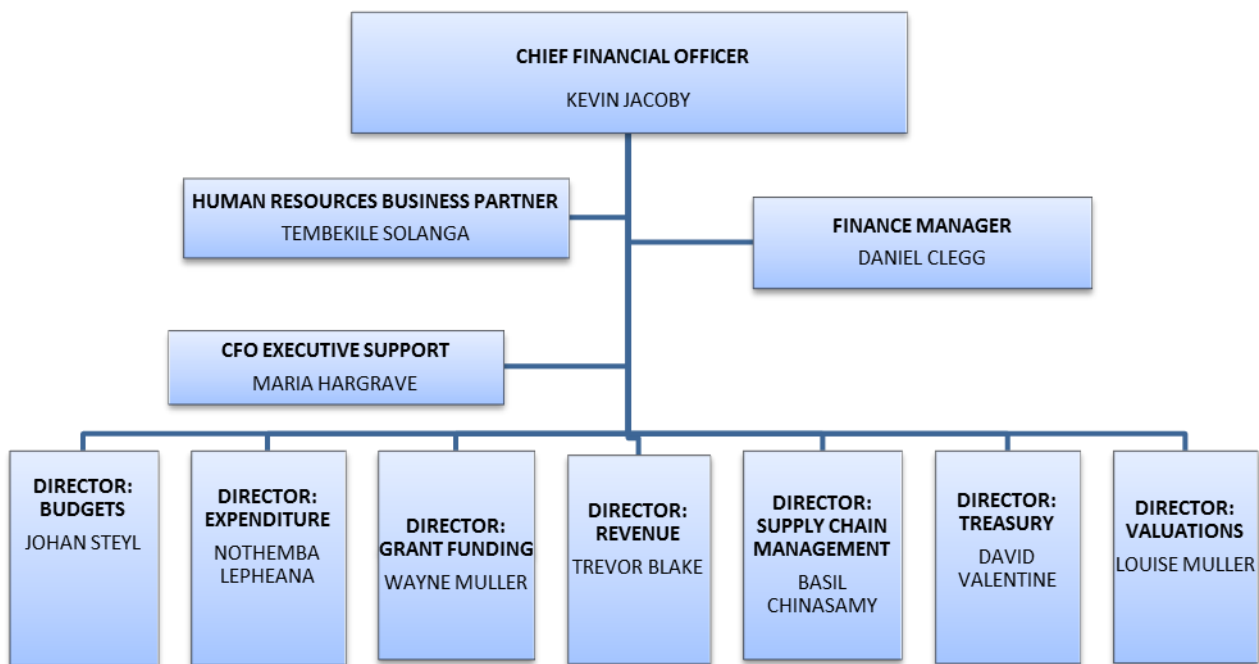
6. RESOURCES

6.1 Senior management capability and structure

Finance Directorate's senior management team consists of the Chief Finance Officer and seven Directors.

Legislated Competency Levels: The Executive Director (CFO) and all the Directors have been through the MFMA Minimum Competency Training and have completed the course.

6.1.1 Finance Directorate organogram



6.1.2 Give an indication of possible outsource services

- Expenditure:
 - The City is anticipating to pay a significant amount of its EPWP projects, which is currently being paid by a service provider, in-house by June 2017.
- Revenue:
 - Printing of monthly invoices.
 - Electricity vendors.
 - Third parties for payment of municipal accounts, e.g. Pick 'n Pay, SA Post Office, Shoprite Checkers, etc.
 - Panel of Attorneys for Legal Actions in Debt Management.
 - The TransUnion Credit Bureau (Pty) Ltd – provision of electronic function for tracing, adverse credit listing and related services.
 - Armed-Carrier Services for the collection of all monies taken in at all the City's offices.
- Valuations:

Due to the lack of internal resources, the following functions will be done with the assistance of short term labour broker contracts:

 - Sales data review
 - Residential and non-residential data verification

6.1.3 Lead and Contributing Directorate (Link to the City's Transversal Management System)

Finance is the lead directorate for the City pertaining to all finance management related deliverables.

6.2 Financial Information

The intent and purpose of the Finance Directorate is, *inter alia*:

- The maintenance of accurate and complete financial records to enhance decision-making
- Compilation and Implementation of affordable balanced operating and capital budgets aligned to the IDP
- The sustaining of confidence in the financial records of the City
- Managing the City's banking, investments, borrowings and cash flow in the most effective, economical and efficient manner.
- Timeous and accurate collection of monies and funds due to the City
- Monitoring and controlling all expenditure in order to embed sound financial discipline and ensuring accountability for the use of public funds
- Fair property valuations in order to equitably levy rates on all properties for the provision of non-tariff funded services
- Implementation of sound supply chain management policies and procedures
- Development and reviewing of financial and finance-related policies
- Ensuring compliance to relevant legislation, and the implementation and maintenance of good governance
- Modelling the impact of the Total Municipal Account (TMA) on residents to ensure a fair financial distribution of the burden.

6.2.1 Summary of revenue by source – currently not available yet

6.2.2 Summary of operating expenditure by type – currently not available yet

6.2.3 Summary of capital expenditure by type - currently not available yet

6.2.4 Major Projects Aligned To PPM (IDP Linkage)

IDP Extract: Paragraph 4.3.h Cross-subsidisation Programme:

“4.3.h.1 Rebates and Indigent Project

Cross-Subsidisation: As part of the City's role in caring for the vulnerable and poor, the Cross-Subsidisation initiative serves to enhance cross subsidization of the poor, and buttress the sustainability of the system, the Rebates and Indigent Projects which have been identified. The project will include modelling as part of the City's Budget Process, tariffs and rebates based on the current policies to determine the impact of proposed tariff increases on residential clients, with specific reference to the poor and vulnerable to maximize such relief and ensuring tariffs are affordable

and sustainable. The cost and extent of providing relief to the indigent, vulnerable and rebates to the elderly will be determined during the annual budget process.”

6.2.5 Narrative on Directorate capital programme – currently not available yet

7. RISK ASSESSMENT

Management, with the assistance of the Integrated Risk Management (IRM) Department, has applied their minds and due care taken to ensure that risks which could impact on them not achieving the Directorate's objectives are identified, addressed and managed on a day to day basis in accordance with the City's approved IRM Policy and IRM Framework.

Risk Registers are utilised as a management tool in order to manage identified risks of the Directorate. The risks identified and rated equal to or above the Council approved risk acceptance level will be reported to the Executive Management Team (EMT). The Executive Director to inform / discuss the Directorate's risks with the relevant Mayoral Committee member on a six monthly basis.

7.1 Revenue risks


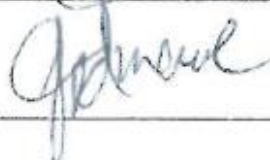
Any risks to achieving revenue projections, any expected major shifts in revenue patterns and planned alternative sources of revenue, are available in the Finance Directorate Risk Register.

8. OBJECTIVES AND INDICATORS OF THE DIRECTORATE SCORECARD

The Finance Directorate's objectives and indicators are contained on the Finance Directorate 2017/2018 Scorecard which is attached as ANNEXURE A.

9. AUTHORISATION

The undersigned do hereby indicate their agreement with the contents of this document and the outcomes.

	Name	Signature	Date
Executive Director – Chief Financial Officer	Kevin Jacoby		22/02/2017
Mayco Member: Finance	Cllr Johan van der Merwe		23/02/2017

APPENDICES:

Annexure A 2017/2018 Finance Directorate Scorecard