



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

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Date: 07 September 2010

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Attention: Mr. J. Hattingh

MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)(MFMA): IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: July 2010

1. In terms of section 71(6) of the MFMA the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.
2. Attached please find the Limpopo Provincial Treasury's MFMA section 71(6) consolidated statements and a related narrative report as at 31st July 2010.

**HEAD OF DEPARTMENT
PROVINCIAL TREASURY**

LIMPOPO PROVINCIAL TREASURY
Municipal Budget Performance
Report on Municipal Consolidated Statements as at 31 July 2010

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1. PURPOSE

The purpose of this report is to seek the Head of Department's (HoD) approval to submit the consolidated monthly budget statements of all 30 municipalities to the National Treasury and to publish these statements on the Limpopo Provincial Treasury's website. The consolidated report is compiled in terms of Section 71(6) of the Municipal Finance Management Act (MFMA 56 of 2003). The consolidated report assesses the budget performance of municipalities against their Integrated Development Plans (IDPs) and Service Delivery and Budget Implementation Plans (SDBIPs) to determine the credibility, sustainability and responsiveness of those municipal budgets. This consolidated report covers spending in municipalities for the first month of the 2010/11 financial year, which is the month of July 2010.

The information in this consolidated report is sourced from the Municipal Finance Management Act (MFMA 56 of 2003) Section 71 reports signed by each Municipal Manager to their Mayors and the Provincial Treasury, and submitted to the National Treasury. The accuracy of the assessment is limited to the timeliness and credibility of the information submitted by the municipalities.

With effect from 1 July 2010, municipalities were required to submit the section 71 reports in the format of Schedule C prescribed in the MFMA: Municipal Budget and Reporting Regulations. All except two municipalities (Makhado and Ba-Phalaborwa) in the province did not submit their monthly budget statements in the Schedule C formats. Instead, they submitted in the old formats and this will be the one of the focal points of support by the Municipal Finance Unit to municipalities in the coming months.

2. SUMMARY

In terms of section 71(1) of the MFMA, the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the

prescribed format 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 borrowings;
- c) Actual operating expenditure, per vote;
- d) Actual capital expenditure, per vote;
- e) The amount of any allocation received;
- f) Actual expenditure on those allocations, excluding expenditure on –
 - i. Its share of the local government equitable share; and
 - ii. Allocations exempted by the annual Division of Revenue Act from compliance with this paragraph and;
- g) When necessary, an explanation of –
 - i. Any material variance from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - ii. Any material variance from the service delivery and budget implementation plan; and
 - iii. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remains within the municipality's approved budget.

Furthermore, according to section 71(6), the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budget, per municipality and per municipal entity.

Finally section 71(7) stipulates that the Provincial Treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of the municipalities' budgets per municipality and per municipal entity. The MEC for Finance must submit such consolidated statement to the provincial legislature not later than 45 days after the end of each quarter.

3. DISCUSSION

3.1 COMPLIANCE WITH SUBMISSION OF MONTHLY BUDGET STATEMENTS AND TIMEFRAMES)

Table 1 below shows the submission of the S71 reports for the first month of the 2010/11 financial, namely July 2010. Section 71(4) of the MFMA requires that the monthly budget statements be submitted in both electronic and signed hard copy no later than 10 working days after closure of the relevant month.

Table 1: Monthly budget statements (Section 71 reports) submitted by municipalities

Municipality	new version/ Schedule C	Jul-10		Documents sent
		Date of submission		
		Electronic	Hard copy	
DC 35 - CAPRICORN	New	16.08.2010	16.8.10	AC,AD,CFA,OSA,CAA
LIM 351 - BLOUBERG	New	12.08.2010		AD
LIM 352 - AGANANG	New	16.08.2010		AC,AD,CFA,OSA,CAA
LIM 353 - MOLEMOLE	New	13.08.2010	13.8.10	AC,AD,CFA,OSA,CAA
LIM 354 - POLOKWANE	New	12.08.2010		AC,AD,CFA,OSA,CAA
LIM 355 - LEPELLE-NKUMPI	New	10.08.2010		AC,AD,CFA,OSA,CAA
DC - 47 - GREATER SEKHUKHUNE				NO SUBMISSION
LIM 471 - EPHRAIM MOGALE	New	13.08.2010	13.8.10	AC,AD,CFA,OSA,CAA
LIM 472 - ELIAS MOTSOLEDI	New	16.08.2010		AD,AC,OSA,CFA
LIM 473 - MAKHUDUTHAMAGA	New	16.08.2010	17.8.10	AC,AD,CFA,OSA,CAA
LIM 474 - FETAKGOMO	New	16.08.2010		AC,AD,CFA,OSA,CAA
LIM 475 - GREATER TUBATSE	New	11.08.2010		AC,AD,CFA,OSA,CAA
DC 33 - MOPANI	New	13.08.2010		AC,AD,CFA,OSA,CAA
LIM 331 - GREATER GIYANI				NO SUBMISSION
LIM 332 - GREATER LETABA	New	24.08.2010		AC,AD,CFA,OSA,CAA
LIM 333 - GREATER TZANEEN	New	16.8.2010	16.8.10	AC,AD,CFA,OSA,CAA
LIM 334 - BA- PHALABORWA	New	12.08.2010		AC,AD,CFA,OSA,CAA & SCHEDULE C
LIM 335 - MARULENG				NO SUBMISSION
DC 36 - WATERBERG	New	14.08.2010		AC,AD,CFA,OSA,CAA
LIM 361 - THABAZIMBI	New	13.08.2010		AD,CAA,OSA,CFA
LIM 362 - LEPHALALE	New	16.08.2010		AC,AD,CAA,OSA
LIM 364 - MOOKGOPONG	New	16.08.2010		OSA,AC,AD,CAA
LIM 365 - MODIMOLLE	New	16.08.2010	13.8.10	AC,AD,CFA,OSA,CAA
LIM 366 - BELA-BELA	New	20.08.2010		AC,AD,CFA,OSA,CAA

Source: In-Year Monitoring Reports Database

Legend: AC – Aged Creditors; AD – Aged Debtors; CFA – Cash Flows Actual; CAA – Capital Acquisition Actual; OSA – Operating Statement Actual

It can be noticed from table 1 above that four municipalities (Greater Sekhukhune, Greater Giyani, Maruleng and Mutale) did not submit both the electronic and hard copies of the budget statements. Reminders were sent to these municipalities. The due date for submission of the monthly budget statements for July 2010 (10 working days after the end of the month) was 13th August 2010. Table 1 shows that eleven (11) municipalities complied with this due date for submission of electronic copies, while only three (3) municipalities submitted the signed hard copies within the due date. Table 1 also shows that nineteen (19) municipalities submitted all the required five (5) components of the budget statements, while only two, Makhado District and Ba-Phalaborwa Municipality, submitted budget statements in the new Schedule C format as required by the MFMA: Municipal Budget and Reporting Regulations with effect from 1 July 2010.

3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS

Financial Performance

This section of the report focuses on the financial performance of the municipality as reflected in the July 2010 monthly budget statements submitted. Information regarding revenue collection and expenditure is detailed in this section.

3.2.1 Operating Revenue

Table 2 below shows the actual operating revenue collected for the first month of the 2010/11 financial year against the full year budget.

Table 2: First month consolidated operating revenue as at 31 July 2010

Code	Municipality	Financial Performance			
		Total Revenue			
R million		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
NP03a2	Makhuduthamaga	146	49	49	34%
NP03a3	Fetakgomo	44	14	14	32%
NP03a4	Greater marble Hall	128	26	26	20%
NP03a5	Greater Tubatse	-	-	-	
NP03a6	Elias Motsoaledi	234	8	8	3%
DC47	Greater Sekhukhune	771	-	-	
Sekhukhune		1,322	97	97	7%
NP331	Greater Giyani	131	-	-	
NP332	Greater Letaba	163	6	6	4%
NP333	Greater Tzaneen	591	104	104	18%
NP334	Ba-Phalaborwa	297	35	35	12%
NP335	Maruleng	64	-	-	
DC33	Mopani District	487	182	182	37%
Mopani District		1,732	328	328	19%
NP341	Musina	135	24	24	18%
NP342	Mutale	66	-	-	
NP343	Thulamela	402	107	107	27%
NP344	Makhado	608	-	-	
DC34	Vhembe District	449	227	227	51%
Vhembe		1,660	358	358	22%
NP351	Blouberg	88	-	-	
NP352	Aganang	55	24	24	44%
NP353	Molemole	87	25	25	29%
NP354	Polokwane	1,236	8	8	1%
NP355	Lepelle-Nkumpi	175	53	53	30%
DC35	Capricorn District	326	137	137	42%
Capricorn		1,966	247	247	13%
NP361	Thabazimbi	179	22	22	12%
NP362	Lephalale	293	79	79	27%
NP363	Mookgophong	92	6	6	6%
NP364	Modimolle	169	11	11	6%
NP365	Bela-Bela	140	9	9	7%
NP366	Mogalakwena	430	107	107	25%
DC36	Waterberg District	106	36	36	34%
Waterberg		1,409	268	268	19%
Total		8,089	1,299	1,299	16%

Source: In-Year Monitoring Reports Database

The table above shows that from the total budgeted operating revenue of approximately R8.1 billion for 2010/11, municipalities collectively realised revenue of R1.3 billion (or 16.0 per cent). Municipalities in Vhembe District realised the highest budgeted revenue, 22.0 per cent, followed by municipalities in Mopani and Waterberg at 19.0 per cent. Municipalities in Sekhukhune realised the lowest actual revenue at 7.0 per cent of budget. Vhembe District Municipality itself realised the highest actual revenue at 51.0 per cent of budgeted revenue amounting to R449 million. It is interesting to note that from the R227 million actual revenue realised by Vhembe District Municipality, R155 million of it (or 68.3 per cent) was from national government transfers. This district municipality does not have significant revenue raising powers and functions and therefore relies largely on government grants.

Other salient features of table 2 are as follows:

- Greater Tubatse municipality did not submit the budget return forms. Hence zero budget amounts are reflected in the report.
- Six (6) municipalities show nil (zero) realisation of budgeted revenue. The reasons are that as was reflected in table 1 above, Greater Sekhukhune, Greater Giyani, Maruleng and Mutale did not submit either electronic or hard copies of their budget statements (or returns). Mutale submitted the new Schedule C return which was not yet uploaded at the time of writing this report while Blouberg submitted only one return (the Aged Debtors). Thus, the nil revenue realised does not mean that the affected municipalities did not collect any revenue. Rather, it means that the information was not submitted for consolidation to the provincial treasury.

Table 3 below shows the performance of individual sources of revenue for all municipalities compared to budget.

Table 3: Consolidated revenue sources as at 31 July 2010

Description	Budget Year 2010/11				
	Original	Adjusted	Monthly	Year TD	Revenue realised
	Budget	Budget	Actual	Actual	%
R million					
Financial Performance					
Transfers recognised	3,797	3,797	866	866	23%
Other own revenue	1,253	1,253	234	234	19%
Investment revenue	214	214	28	28	13%
Property rates	581	581	71	71	12%
Service charges	2,244	2,244	101	101	4%
Total Revenue	8,089	8,089	1,299	1,299	16%

Source: In-Year Monitoring Reports Database

The performance of the individual revenue sources is as follows:

- Transfers recognised:** The total budget amounts to R3.7 billion, while the first month revenue recognised amounts R866.0 million (or 23.0 per cent of budget). It appears a large proportion of this revenue is equitable share transfers as the national government usually transfers the first installment in early July each year. This is an unconditional grant that funds the institutional operations of municipalities. The equitable share is unlike the transfer of conditional grants, such as Municipal Infrastructure Grant (MIG), which would normally take place later in the year once the conditions have been fulfilled;
- Other Revenue:** The total budget amounts to approximately R1.3 billion while the receipts amount to R234 million (or 19.0 per cent of the budget). Other revenue comprises of revenue sources such as traffic fines, cemetery charges and rental of municipal facilities. Although the revenue sources may be individually small, collectively they comprise a fairly significant portion of the budget, in this case 15.5 per cent. These sources of revenue are realised faster as they are largely paid over the counter, like bookings and deposits;
- Investment revenue:** The third largest operating revenue source in percentage terms is investment income at 13.0 per cent with a budget of R214 million. There is a dichotomy here in that this revenue realised is actually investment income from previous year's investments. The

reason is that municipal short term investments usually mature at the end of the financial year. The redeemed investments and the capitalised interest will thus be disclosed as actual income in the books of account at the beginning of the following financial year;

- **Property Rates:** The total operating revenue from this source amounts to R581 million, while the July 2010 actual revenue generated amounts to R71 million (or 12.0 per cent of the total budget). Property rates are levied yearly but payable on a monthly basis. Thus, some property owners are able to pay the property rates for the whole year in advance, while others pay the whole levy in monthly installments; and
- **Service Charges:** Service charges comprise of amounts billed for consumption of municipal services such as water, electricity, sanitation and refuse collection. Interestingly, while service charges comprise a significant amount of municipal operating revenue at R2.2 billion (or 27.8 per cent of total budget amounting to R8.1 billion), the actual revenue realised from this source in the first month of the financial year is fairly small at R101.0 million or 4.0 per cent of budget. This is attributable to a number of factors such as late or non-payment of billed amounts.

The management of this revenue source poses a challenge to municipalities. Firstly, municipalities must adopt appropriate policies such as tariff, credit control and debt collection to make the budget responsive and credible. Coupled to this is the adoption of indigent policies, as well as compilation and updating of the indigent registers, to ensure that the poorest of the poor receive relief from the government. Secondly, municipalities must implement these policies effectively to achieve the desired outcomes. Where policies are inappropriate, their implementation becomes ineffective.

3.2.2 Operating Expenditure

This section looks at the operating expenditure performance for the month of July 2010 against budget. Table 4 below consolidates this performance.

Table 4: First month consolidated operating revenue as at 31 July 2010

Code	Municipality	Financial Performance			
		Total Expenditure			
R million		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	76	3	3	4%
NP03a3	Fetakgomo	13	0	0	0%
NP03a4	Greater marble Hall	20	1	1	6%
NP03a5	Greater Tubalse	-	-	-	-
NP03a6	Elias Motsoaledi	232	16	16	7%
DC47	Greater Sekhukhune	355	-	-	-
Sekhukhune		899	29	29	3%
NP331	Greater Giyani	135	-	-	-
NP332	Greater Letaba	125	11	10	8%
NP333	Greater Tzaneen	584	22	22	4%
NP334	Ba-Phalaborwa	297	21	21	7%
NP335	Maruleng	60	-	-	-
DC33	Mopani District	391	18	18	5%
Mopani District		1,590	72	71	4%
NP341	Musina	139	24	24	17%
NP342	Mutale	66	-	-	-
NP343	Thulamela	371	18	18	5%
NP344	Makhado	608	-	-	-
DC34	Vhembe District	442	30	30	7%
Vhembe		1,627	72	72	4%
NP351	Blouberg	88	-	-	-
NP352	Aganang	99	2	2	2%
NP353	Molemole	88	4	4	5%
NP354	Polokwane	1,225	9	9	1%
NP355	Lepelle-Nkumpi	131	4	4	3%
DC35	Capricorn District	326	13	13	4%
Capricorn		1,956	33	33	2%
NP361	Thabazimbi	175	7	7	4%
NP362	Lephalale	322	10	10	3%
NP363	Mookgophong	92	4	4	4%
NP364	Modimolle	169	13	13	7%
NP365	Bela-Bela	135	6	6	5%
NP366	Mogalakwena	415	18	18	4%
DC36	Waterberg District	108	4	4	4%
Waterberg		1,416	61	61	4%
Total		7,489	266	266	4%

Source: In-Year Monitoring Reports Database

Table 4 shows that the total budgeted operating expenditure for all municipalities for 2010/11 amounts to approximately R7.5 billion. For the first month of the financial year, the consolidated actual expenditure amounts to R266.0 million (or 4.0 per cent of budget). The average spending for all the districts is around 3.0 per cent and this is mostly on personnel (salaries, benefits and allowances) as indicated in table 5.

The salient features of table 4 are as follows:

- Consistent with table 1, table 4 shows those municipalities that did not submit their monthly budget statements. These are denoted by nil (zero) amounts in the actual expenditure for the month and the YTD expenditure columns;
- Municipalities in Capricorn District have a higher proportion of the total operating budget at 26.1 per cent, followed by municipalities in Mopani and Vhembe averaging 21.5 per cent. Polokwane municipality has the highest proportion of the total operating budget. This is over R1.0 billion and accounts for 16.4 per cent of the total municipal operating budget in the province. This is not surprising as the city is the capital of the province with the most intense economic activity.

Table 5 disaggregates the operating expenditure into individual items.

Table 5: Consolidated operating expenditure items as at 31 July 2010

Description	Budget Year 2010/11				
	Original	Adjusted	Monthly	Year TD	Spent of budget
R million	Budget	Budget	Actual	Actual	%
Financial Performance					
Remuneration of Councillors	267	267	15	15	6%
Employee costs	2,538	2,538	132	132	5%
Other expenditure	2,530	2,530	81	81	3%
Materials and bulk purchases	1,666	1,666	37	37	2%
Depreciation and amortisation	318	318	1	1	0%
Debt impairment	129	129	-	-	-
Finance charges	41	41	0	-	-
Total Expenditure	7,489	7,489	266	266	4%

Source: In-Year Monitoring Reports Database

An analysis of the individual expenditure items is conducted below.

- **Remuneration of Councilors:** This constitutes 3.6 per cent of the total operating budget and actual spending in the first month of the financial year is 6.0 per cent;
- **Employee Related Costs:** Personnel related costs constitute a significant portion of the budget at 33.9 per cent, with actual spending at 5 per cent. Employee related costs include salaries, benefits and allowances;
- **Other expenditure:** This includes general expenses such as telephones, repairs and maintenance and purchase of office supplies. It accounts for 33.8 per cent of the budget with actual spending at 3.0 per cent;
- **Materials and bulk Purchases:** Includes purchases of bulk services such as water from the Water Boards and electricity from Eskom. Bulk purchases constitute 22.2 per cent of the budget with actual spending at 2.0 per cent;
- **Depreciation or amortisation:** Refers to provision for diminution in value of assets due to usage. It accounts for 4.2 per cent of the operating budget, with actual provision of 0.3 per cent in the first month of the 2010/11 financial year;
- **Debt impairment:** This refers to provision of bad or irrecoverable debt. It accounts for 1.7 per cent of the budget with no provision made in the first month; and
- **Finance charges:** Refers to charges such as finance lease charges and interest on borrowings, and accounts for 0.5 per cent of the budget. There was no expenditure incurred for the period under review.

3.2.3 Capital Revenue: Sources of Finance

Table 6 below shows the amounts of capital funding per district and per municipality.

Table 6: Consolidated capital funding per district per municipality as at 31 July 2010

Code	Municipality	Total sources of Funding				
		R million	Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
NP03a2	Makhuduthamaga	-	-	3	3	-
NP03a3	Fetakgomo	-	-	0	0	-
NP03a4	Greater marble Hall	-	-	1	1	-
NP03a5	Greater Tubatse	-	-	-	-	-
NP03a6	Elias Motsoaledi	-	-	-	-	-
DC47	Greater Sekhukhune	-	-	-	-	-
Sekhukhune		-	-	4	4	-
NP331	Greater Giyani	67	-	-	-	-
NP332	Greater Letaba	72	4	4	4	5%
NP333	Greater Tzaneen	125	0	0	0	0%
NP334	Ba-Phalaborwa	80	-	-	-	-
NP335	Maruleng	25	-	-	-	-
DC33	Mopani District	219	5	5	5	2%
Mopani District		588	9	9	9	2%
NP341	Musina	17	-	-	-	-
NP342	Mutale	13	-	-	-	-
NP343	Thulamela	101	8	8	8	8%
NP344	Makhado	166	-	-	-	-
DC34	Vhembe District	590	20	20	20	3%
Vhembe		887	28	28	28	3%
NP351	Blouberg	38	-	-	-	-
NP352	Aganang	-	-	-	-	-
NP353	Molemole	-	-	-	-	-
NP354	Polokwane	-	-	-	-	-
NP355	Lepelle-Nkumpi	-	1	1	1	-
DC35	Capricorn District	246	-	-	-	-
Capricorn		284	1	1	1	0%
NP361	Thabazimbi	-	-	-	-	-
NP362	Lephalale	-	-	-	-	-
NP363	Mookgophong	26	-	-	-	-
NP364	Modimolle	41	-	-	-	-
NP365	Bela-Bela	20	-	-	-	-
NP366	Mogalakwena	171	(7)	(7)	(7)	-4%
DC36	Waterberg District	20	-	-	-	-
Waterberg		277	(7)	(7)	(7)	-2%
Total		2,036	36	36	36	2%

Source: In-Year Monitoring Reports Database

Table 6 above shows that the budgeted funding for the capital budget for all municipalities amounts to R2.0 billion for 2010/11 and R36.0 million thereof has been utilised. The provincial treasury is of the view that not much inferences can be made from these amounts due to the following factors:

- A sizeable number of municipalities (12) have not submitted their budget returns hence the budget amounts appear blank in their monthly budget statements (denoted by nil in the table); and
- Twenty municipalities did not submit the Capital Acquisition Actual (CAA) returns to indicate how much funds were utilised for capital expenditure.

Given the factors mentioned above, the amounts provided in table 6 above should be interpreted with caution.

Table 7 shows the individual sources of finance for the capital budget:

Table 7: Consolidated capital funding per item as at 31 July 2010

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Revenue realised %
Funds sources					
Other	45	45	6	6	14%
Public contributions/ donations	567	567	20	20	4%
Government Grants and Subsidies	1,081	1,081	10	10	1%
External Loans	76	76	0	0	0%
Surplus Cash	213	213	-	-	-
Leases	-	-	-	-	-
Other Ad-Hoc Financing Sources	28	28	-	-	-
Asset Financing Reserve	27	27	(1)	(1)	-2%
Total sources	2,036	2,036	36	36	2%

Source: In-Year Monitoring Reports Database

The main characteristics of table 7 are as follows:

- Government grants and subsidies constitute a significant portion (53.1 per cent) of funding the capital budget. This means that municipalities are largely dependent on grants, such as Municipal Infrastructure Grant and the Electrification Grant, to fund infrastructure. This could be a result of municipalities not exercising adequate fiscal effort to collect

their own revenues. Another reason could be that some municipalities, especially those in rural areas, do not have sufficient revenue bases to fund infrastructure development;

- Municipalities do not have big appetite for risk. This is reflected by the amount of external loans budgeted to fund the budget, namely 3.7 per cent;
- Only 2.0 per cent of the budgeted funds were utilised on the capital budget. The provincial treasury is always advising municipalities to plan months ahead during their strategic planning sessions, particularly for infrastructure projects, so that at the beginning of the financial year these projects could also start. This is important for, amongst others, the following reasons:-

- i. These projects are funded largely from government grants. The grants are gazetted multi-year and municipalities have a good indication of how much will be received over the next three years. This practice facilitates multi-year budgeting and appropriations;
- ii. If the grants are not utilised, the annual Division of Revenue Act (DoRA) require that they be reverted back into the National Revenue Fund; and
- iii. Projects that are started early in the financial year typically get completed on time. The DoRA allows for the shifting of funds from municipalities that do not spend to those that show high levels of spending and timely project completion

As with table 6, the amounts shown in table 7 should be interpreted with caution as most municipalities either did not submit the returns or submitted incorrect returns.

3.2.4 Capital Expenditure

For the month under review, actual capital expenditure amounts to R54.0 million (or 1.7 per cent) against the full year total capital budget of R3.2 billion.

Table 8 below shows the amounts of the capital budget and actual spending per municipality per district.

Table 8: Consolidated capital expenditure per district per municipality as at 31 July 2010

Code	Municipality	Capital expenditure			
		Total Capital Expenditure			
R million		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	76	3	3	4%
NP03a3	Fetakgomo	13	0	0	0%
NP03a4	Greater marble Hall	20	1	1	6%
NP03a5	Greater Tubatse	-	-	-	0%
NP03a6	Elias Motsoaledi	80	6	6	8%
DC47	Greater Sekhukhune	355	-	-	0%
Sekhukhune		544	11	11	2%
NP331	Greater Giyani	67	-	-	0%
NP332	Greater Letaba	72	4	4	5%
NP333	Greater Tzaneen	125	0	0	0%
NP334	Ba-Phalaborwa	80	1	1	1%
NP335	Maruleng	25	-	-	0%
DC33	Mopani District	110	5	5	4%
Mopani District		478	10	10	2%
NP341	Musina	35	1	1	2%
NP342	Mutale	-	-	-	0%
NP343	Thulamela	101	8	8	8%
NP344	Makhado	166	-	-	0%
DC34	Vhembe District	590	20	20	3%
Vhembe		891	29	29	3%
NP351	Blouberg	-	-	-	0%
NP352	Aganang	34	2	2	7%
NP353	Molemole	15	2	2	17%
NP354	Polokwane	342	6	6	2%
NP355	Lepelle-Nkumpi	92	1	1	1%
DC35	Capricorn District	246	-	-	0%
Capricorn		729	11	11	2%
NP361	Thabazimbi	47	0	0	0%
NP362	Lephalale	96	-	-	0%
NP363	Mookgophong	26	0	0	0%
NP364	Modimolle	41	0	0	1%
NP365	Bela-Bela	19	-	-	0%
NP366	Mogalakwena	271	(7)	(7)	-3%
DC36	Waterberg District	69	-	-	0%
Waterberg		568	(7)	(7)	-1%
Total		3,210	54	54	2%

Source: In-Year Monitoring Reports Database

The main characteristics of table 8 are the following:

- Municipalities in Vhembe District have the highest proportion of the capital budget at 27.8 per cent while those in Mopani District have the lowest proportion at 14.9 per cent of the total capital budget;
- The average actual capital expenditure across all the districts is 2.0 per cent;
- Grater Sekhukhune District Municipality has the highest proportion of capital budget of R355.0 million, followed by Polokwane at R342.0 million, Mogalakwena at R271.0 million and Capricorn District Municipality at R246.0 million; and
- The R3.2 billion budgeted capital expenditure is not a true reflection of the situation as some municipalities did not complete the budget return forms, for example Greater Tubatse and Mutale. Similarly the R54.0 million actual expenditure is not a true reflection of spending as some municipalities did not submit the Capital Acquisition Actual (CAA) return, for example Greater Tubatse, Greater Sekhukhune and Greater Giyani.

Table 9 below depicts the individual items of capital expenditure.

Table 9: Consolidated capital expenditure per item as at 31 July 2010

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Spent of budget %
Capital expenditure					
Infrastructure	2,400	2,400	47	47	2%
Community	268	268	6	6	2%
Other assets	521	521	1	1	0%
Heritage assets	1	1	-	-	-
Investment properties	1	1	-	-	-
Agricultural assets	-	-	-	-	-
Biological assets	-	-	-	-	-
Intangibles	26	26	-	-	-
Total Capital expenditure	3,217	3,216	54	54	2%

Source: In-Year Monitoring Reports Database (amount rounded off)

Table 9 shows the following:

- Only 2.0 per cent (R54.0 million) of the total capital budget of R3.2 billion was spent in the first month of the 2010/11 financial year; and
- Infrastructure¹ constitutes a significant portion of the capital budget at 74.6 per cent. This is funded largely from grants and subsidies from national and provincial governments.

As with the previous two tables, the information in this table should be interpreted with caution due to non submission of the returns as well as incorrect information submitted by municipalities.

3.2.5 Debtors and Creditors

The analysis in table 10 below shows the status of debtors and creditors as at 31 July 2010.

Table 10: Consolidated debtors and creditors as at 31 July 2010

Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dys-1 Yr	Total
Financial Performance								
Total Debtors	399	149	80	339	626	202	281	2,076
Financial Performance								
Total Creditors	242	88	1	1	9	3	-	342

Source: In-Year Monitoring Reports Database

The key characteristics of table 10 are as follows:

- As at 31 July 2010, municipalities report to have approximately R2.1 billion in outstanding debtors. In terms of the June 2010 report, the total outstanding debtors were approximately R1.6 billion. Thus, municipalities report an increase of 31.3 per cent in outstanding debtors between June and July 2010. The bad debt provision (or debt impairment) increased from R82 million as at 30 June 2010 to R129.0 million as at July 2010 (see table 5 above), an increase of 57.3 per cent. This implies municipalities are making enough provision for doubtful debts.

- A key concern regarding outstanding debtors is that a significant portion is over the 91 days bracket, totaling approximately R1.5 billion (or 69.7 per cent of the total outstanding debtors); and
- With regard to creditors, twenty seven municipalities are complying with Section 65(2)(e) by paying their trade creditors within 30 days of receiving invoices or statements. This is reflected by projected outstanding creditors of R342.0 million as at 31 July 2010, of which R242.0 million (or 70.7 per cent) is reported to be current.

3.2.6 Cash Flows

Strong cash flows show the extent to which municipalities manage their cash to meet their regular commitments as well as fund the provision of municipal services. Table 11 below shows the projected consolidated cash flows of municipalities as at 31 July 2010 and over the 2010/11 financial year.

Table 11: Consolidated cash flows as at 31 July 2010

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	161	781	688	631	577	694	671	637	611	704	667	631
Sub-Total (Receipts)	1,709	43	51	59	225	95	72	62	201	62	65	59
Sub-Total (Payments)	1,089	135	109	113	108	118	106	87	108	100	101	109
Closing Balance	781	688	631	577	694	671	637	611	704	667	631	581

Source: In-Year Monitoring Reports Database

Municipalities report to have started the July 2010 month with a consolidated positive cash balance of R161.0 million and closed with a positive balance of R781.0 million. By the end of the 2010/11 financial year, the consolidated cash balance is projected to be positive at R581.0 million. As with the other four budget statements and returns, not all municipalities have submitted or correctly completed the Cash Flow Actual (CFA) return. This implies that the analysis of cash flows should be conducted with caution.

4. LEGAL IMPLICATIONS

None.

5. FINANCIAL IMPLICATIONS

None.

6. RECOMMENDATIONS

It is recommended that the Head of Department:

- 6.1. Notes the submission of the monthly budget statements by municipalities in terms of Section 71(1) of the MFMA for the first month of the 2010/11 municipal financial year;
- 6.2. Notes that 28 municipalities did not submit the monthly budget statements in the formats required by Schedule C of the MFMA: Municipal Budget and Reporting Regulations with effect from 1 July 2010. This will be one of the focal areas of support to municipalities by the Municipal Finance Unit staff for the coming periods;
- 6.3. Notes that some municipalities are still struggling to correctly complete and timeously submit their monthly budget statements;
- 6.4. Approves the consolidated report and that it be submitted to National Treasury in terms of Section 71(6) of the MFMA; and
- 6.5. Approves that the consolidated report be made public on the Limpopo Provincial Treasury website.

Recommended by:

S Mulenga

Senior Manager: Financial Planning and Budgets

Date 07.09.2010

Approved by:

N Ramdharie

Head of Department

Date: 07.09.2010
