



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Director-General: National Treasury
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Attention: Mr. J. Hattingh

MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)(MFMA): IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: QUARTER 1 (JULY – SEPTEMBER) 2008/09

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 statement and a related narrative report as at 30 September (quarter 1) 2008.

HEAD OFFICIAL: PROVINCIAL TREASURY

DATE: 03/11/2008

LIMPOPO PROVINCIAL TREASURY
Municipal Budget Performance
Consolidated Statement as at 30 September 2008

Introduction

1. This consolidated budget statement and report covers the financial performance of municipalities for the quarter ending 30 September 2008.

The consolidated statement assesses the in-year financial performance of municipalities' against their budgeted revenue and expenditure. Credibility of this report depends to a large extent on the reasonability of the municipal budget and the consistent submission of compliant statements and reports. The assessment of the capital and operating budgets as well as debtors, creditors and cash flow gives effect to the in-year financial performance of municipalities. The assessments of the reporting tools is not limited to budgets, but also provides an update on related areas of the MFMA that impacts on the sustainability and effectiveness of a municipality e.g. compilation of Annual Financial Statements, internal audits and risk management.

Legislative Framework

2. In terms of section 71(1) of the Municipal Finance Management Act (Act 56 of 2003)(MFMA) the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to, amongst others, the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget. Section 74 of the MFMA requires accounting officers to submit such information, returns, documents and motivations as may be required.
3. 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.

MFMA IMPLEMENTATION RELATED MATTERS

Annual Financial Statements 2007/2008

4. In terms of Section 126(1) of the MFMA: - The accounting officer of a municipality
- (a) Must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

Out of thirty municipalities twenty five have submitted the Annual Financial Statements (AFS) on time (31 August 2008) to the Auditor – General (AG). Limpopo Provincial Treasury (LPT) provided hands on support to seven municipalities in compilation of the AFS.

In terms of Section 133 (1) of MFMA: - If the accounting officer of a municipality fails to submit AFS to the Auditor-General in accordance with section 126(1)

- (a) The mayor must promptly table in the council a written explanation setting out the reasons for the failure;
- (b) The Auditor-General, in the case of any failure to submit financial statements for auditing, must promptly—
- (i) Inform the speaker of the council, the National Treasury and the MEC for local government and the MEC for finance in the province of such failure;

Four municipalities that were unable to compile the AFS were advised to write letters to Mayor to table before council, the AG and LPT to explain their reasons for failure to submit the AFS to AG on time. All municipalities have since written letters to LPT to explain their failure, and what assistance do municipalities require to ensure that the statements are submitted. Two municipalities submitted the AFS after the prescribed timeframe and three municipalities' AFS were still outstanding as at 30 September 2008.

The Audit File

5. LPT in close consultation with the Chief Financial Officer (CFO) of Waterberg District Municipality has come-up with a comprehensive template for municipalities' audit file. The guide was sent to all thirty municipalities as a guideline for the CFOs to the Compilation of the audit file.

Steering Committee meetings

6. The LPT has so far attended steering committee meetings in ten municipalities with the AG, CFOs and municipal managers to ensure that the current audits are executed without any hindrances.

Asset Register

7. Three municipalities were assisted with the compilation of GRAP compliant asset registers. Four municipalities were only given advice on the compilation of a fixed asset register; this however excluded the infrastructure assets. The LPT will monitor the asset register in all municipalities on quarterly basis for acquisitions, transfers and disposals to ensure that the asset register is updated on frequently and accounted for appropriately.

The Bank Account

8. In terms of section 9 of the MFMA: - The accounting officer of a municipality must submit to the relevant provincial treasury and the Auditor-General, in writing—
(b) Annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

A reminder has been sent to municipalities for the submission of bank accounts to the Limpopo Provincial Treasury and the AG. All municipalities have submitted the bank accounts to the LPT.

The municipalities are to submit the bank reconciliation statement on monthly basis to LPT. The purpose of this is to verify whether that reconciliations are performed regularly and reviewed promptly to ensure proper accountability and completeness of transactions. Currently only four municipalities are submitting the bank reconciliation statements.

Conditional Grants – Financial Management Grant

11. The municipalities receive the Financial Management Grant for the purpose of improving financial management within the municipalities. The municipalities must on a monthly basis submit a return to the provincial and national treasuries with regards to the spending on the grant.

The Limpopo municipalities have been allocated R18, 5 million for the financial year ending 30 June 2008. The municipalities have allocated R5, 8 million of the allocation to the internship programme with approximately 74 interns available across the municipalities

Twenty six out thirty municipalities are submitting the FMG reports.

The following table shows the spending of municipalities on the grant per district:

District	Allocated in the current year ending 30 June 2008	Balances from prior year	Total available	Spending to date - 30 September 2008	Outstanding balance
Greater Sekhukhune District	2,750,000	1,363,791	4,113,791	443,403	3,670,388
Mopani District	2,750,000	928,153	3,678,153	495,650	3,182,503
Vhembe District	3,250,000	127,779	3,377,779	394,740	2,983,039
Capricorn District	4,000,000	5,645,437	9,645,437	706,446	8,938,991
Waterberg District	5,750,000	1,502,813	7,252,813	802,196	6,450,617

Challenges still faced on the grant information which may distort the information provide on the table

- Credibility of the information submitted by the municipalities
- Lack of submission by some of the municipalities

Compliance with section 75 of MFMA

12. In terms of sec 75 of the MFMA the accounting officer of a municipality must place on the website referred to in section 21A of the Municipal Systems Act the prescribed documents.

It was identified that municipalities have websites but not all information as required in terms of sec 75 of the MFMA were published on these websites.

Budget management:**2008/09 Service Delivery Budget Implementation Plans (SDBIPs)**

13. The SDBIPs should be approved 28 days after approval of the budget. Most municipalities did not submit the SDBIP except for six that submitted after the due date.

2008/09 Integrated Development Plans (IDPs)

14. IDPs were received at almost the same time as the budgets. A high level assessment was performed on the IDPs in the process of analysing budgets. It was highlighted to some municipalities that the credibility was questionable since most if not all IDPs were aligned to the budgets.

2008/09 Budget

15. Provincial Treasury received approved budgets from most of the municipalities by the due date. The Provincial Treasury assessed the budgets of various municipalities. During the process of assessing the budgets, fourteen municipalities were involved in the discussions on their budget documentation. This provided process provided the both the Provincial Treasury and the municipalities of the weaknesses in the budget process carried out. Recommendations made are expected to be incorporated in the adjustment budget.

Adjusted Budget: NERSA

16. The implementation of the Electricity Tariffs impacted a lot on the municipal budgets that provide a service of Bulk Electricity. This new change prompted all the 5 municipalities providing this service to adjust their budgets to include the revised tariffs. The National Treasury issued a circular mandating all affected municipalities to adjust their budgets by end October 2008 to take cognizance of the revision. This was done deliberately so that there would be no confusion when the regulated adjustment is performed in January.

To date 3 of the 5 affected municipalities managed to adjust the budgets and submit same to both National and Provincial Treasuries. Provincial Treasury is in the process of following up on the ones that did not comply, and once they have complied the revised document will be submitted to National Treasury despite being late, because the objective is to isolate the two processes of adjustments.

17. The municipal budget process plans for the 2009/10 MTREF should be submitted by the 31 August 2008. The Budget Evaluation Checklists assist the municipalities to review the prior year budget process to improve on the future process plan. Currently 12 out of 30 municipalities have submitted the BEC after the prescribed timeframe, and 18 have not yet submitted. These process plans assist both Provincial Treasury and municipalities review the prior year budget process for the purpose future improvement.

Process Planning – 2009/10 MTREF Municipal Budgets

18. The municipal budget process plans for the 2009/10 MTREF should be submitted by the 31 August 2008. The Budget Evaluation Checklists assist the municipalities to review the prior year budget process to improve on the future process plan. Currently 12 out of 30 municipalities have submitted the BEC after the prescribed timeframe, and 18 have not yet submitted. These process plans assist both Provincial Treasury and municipalities review the prior year budget process for the purpose future improvement.

SUSTAINABILITY OF MUNICIPAL BUDGETS

Capital and Operating Revenue Budgets

Table 1 shows the performance of operating revenue for the five districts t for quarter ending 30 September 2008.

Table 1: Summary of Municipal Budgets for quarter 1 (July to September 2008): Budget vs Actuals

Code	Municipality	Operating revenue						% variance
		Original Budget	Adjustments	Adjusted revenue budget	Actual for the month	Actual to date	Variance Budget Actual	
NP03a2	Makhuduthamaga	62,616,706		62,616,706	-	-	62,616,706	0%
NP03a3	Fetakgomo	28,384,704		28,384,704	-	6,526,604	21,858,100	23%
NP03a4	Greater marble Hall	106,780,660		106,780,660	3,578,672	52,694,051	54,086,609	49%
NP03a5	Greater Tubatse	142,392,117		142,392,117	-	-	142,392,117	0%
NP03a6	Elias Motsoaledi	191,691,000		191,691,000	7,853,708	33,507,492	158,183,508	17%
DC47	Greater Sekhukhune	803,043,642		803,043,642	-	-	803,043,642	0%
	Total	1,334,908,829		1,334,908,829	11,432,380	92,728,147	1,242,180,682	7%
NP331	Greater Giyani	108,670,000		108,670,000	-	18,827,325	89,842,675	17%
NP332	Greater Letaba	125,739,327	2,525,580	128,264,907	31,171,743	31,171,743	97,093,164	24%
NP333	Greater Tzaneen	444,750,986	14,341,260	459,092,246	41,864,903	41,864,903	417,227,343	9%
NP334	Ba-Phalaborwa	208,065,060		208,065,060	-	-	208,065,060	0%
NP335	Maruleng	59,847,300		59,847,300	-	-	59,847,300	0%
DC33	Mopani District	511,189,000		511,189,000	-	-	511,189,000	0%
	Total	1,458,261,673		1,458,261,673	73,036,646	91,863,971	1,383,264,542	6%
NP341	Musina	109,907,000	5,880,000	115,787,000	8,478,491	8,478,491	107,308,509	7%
NP342	Mutale	68,866,971		68,866,971	-	-	68,866,971	0%
NP343	Thulamela	472,258,560		472,258,560	-	-	472,258,560	0%
NP344	Makhado	339,997,819		339,997,819	20,683,862	75,791,050	264,206,769	22%
DC34	Vhembe District	428,109,722		428,109,722	-	-	428,109,722	0%
	Total	1,419,140,072		1,419,140,072	29,162,353	84,269,541	1,340,750,531	6%
NP351	Blouberg	90,740,500		90,740,500	18,269,764	18,269,764	72,470,736	20%
NP352	Aganang	38,172,630		38,172,630	2,572,052	2,572,052	35,600,578	7%
NP353	Molemole	6,500,000		6,500,000	677,070	677,070	5,822,930	10%
NP354	Polokwane	1,448,744,600		1,448,744,600	-	-	1,448,744,600	0%
NP355	Lepelle-Nkumpi	140,303,015		140,303,015	1,656,534	34,530,902	105,772,113	25%
DC35	Capricorn District	162,065,492		162,065,492	-	-	162,065,492	0%
	Total	1,886,526,237		1,886,526,237	23,175,420	56,049,788	1,830,476,449	3%
NP361	Thabazimbi	137,655,619		137,655,619	-	-	137,655,619	0%
NP362	Lephalale	162,942,461		162,942,461	12,479,981	38,902,463	124,039,998	24%
NP363	Mookgophong	64,641,000		64,641,000	-	-	64,641,000	0%
NP364	Modimolle	148,328,000		148,328,000	20,337,910	26,708,368	121,619,632	18%
NP365	Bela-Bela	122,583,297		122,583,297	-	-	122,583,297	0%
NP366	Mogalakwena	439,279,000	13,819,000	453,098,000	-	55,304,556	397,793,444	12%
DC36	Waterberg District	75,280,800		75,280,800	1,187,215	27,345,283	47,935,517	36%
	Total	1,150,710,177		1,150,710,177	34,005,106	148,260,670	1,016,268,507	13%

Operating Revenue

19. The total operating revenue budget of municipalities stands at R7, 827 billion for the year 2008/09. The total budget is calculated per district being; Sekhukhune District R1, 250 billion, Mopani District R1, 127 billion, Vhembe District R1, 137 billion, Capricorn District R1, 840 billion and Waterberg District R1, 023 billion.

For the quarter under review the operating revenue performance was R114,5 million or 1,5 per cent of the total operating revenue budget of R7,827 billion. The operating revenue performance for quarter 1 increased emanating from the increase of budgets to accommodate NERSA tariffs.

The following municipalities have adjusted their budgets upward to accommodate the NERSA tariff increase: Greater Letaba, Greater Tzaneen, Musina, Mogalakwena and Bela-Bela.

The year-to-date operating revenue performance reflects that municipalities generated an amount of R473 million or 8.1 per cent of the total adjusted operating revenue budget of R5, 849 billion. Overall performance on operating revenue is very low and poses a challenge that most of the municipalities will under perform on generating revenue.

Code	Municipality	Operating Expenditure						
		Original Budget	adjustments	Adjusted budget	Actual for the month	Actual expenditure to date	Variance Budget - Expenditure	% Variance
NP03a2	Makhuduthamaga	62,619,706		62,619,706		-	62,619,706	0%
NP03a3	Fetakgomo	28,123,149		28,123,149	-	1,764,665	26,358,484	6%
NP03a4	Greater marble Hall	106,764,430		106,764,430	(10,251,687)	(10,360,583)	117,125,013	-10%
NP03a5	Greater Tubatse	142,392,110		142,392,110	-	-	142,392,110	0%
NP03a6	Elias Motsoaledi	109,170,000		109,170,000	9,240,088	15,034,561	94,135,439	14%
DC47	Greater Sekhukhune	801,352,682		801,352,682	-	-	801,352,682	0%
	Total	1,250,422,077		1,250,422,077	(1,011,599)	6,438,643	1,243,983,434	1%
NP331	Greater Giyani	108,670,000		108,670,000	-	5,514,568	103,155,432	5%
NP332	Greater Letaba	124,555,755	2,525,580	127,081,335	15,435,986	15,435,986	111,645,349	12%
NP333	Greater Tzaneen	413,717,098	14,341,260	428,058,358	38,846,897	38,846,897	389,211,461	9%
NP334	Ba-Phalaborwa	201,820,180		201,820,180	-	-	201,820,180	0%
NP335	Maruleng	43,796,300		43,796,300	-	-	43,796,300	0%
DC33	Mopani District	234,447,076		234,447,076	-	-	234,447,076	0%
	Total	1,127,006,409		1,143,873,249	54,282,883	59,797,451	1,084,075,798	5%
NP341	Musina	104,907,000	10,880,000	115,787,000	9,519,395	9,519,395	106,267,605	8%
NP342	Mutale	42,178,794		42,178,794	-	-	42,178,794	0%
NP343	Thulamela	222,134,235		222,134,235	-	-	222,134,235	0%
NP344	Makhado	339,965,989		339,965,989	19,696,285	43,158,870	296,807,119	13%
DC34	Vhembe District	428,109,722		428,109,722	(50,781,246)	(50,781,246)	478,890,968	-12%
	Total	1,137,295,740		1,137,295,740	(21,565,566)	1,897,019	1,146,278,721	0%
NP351	Blouberg	58,253,500		58,253,500	(3,989,289)	(3,989,289)	62,242,789	-7%
NP352	Aganang	38,172,630		38,172,630	2,615,129	2,615,129	35,557,501	7%
NP353	Molemole	52,912,694		52,912,694	(3,730,158)	(2,151,049)	55,063,743	-4%
NP354	Polokwane	1,448,744,600		1,448,744,600	-	-	1,448,744,600	0%
NP355	Lepelle-Nkumpi	80,008,781		80,008,781	4,500,281	7,796,413	72,212,368	10%
DC35	Capricorn District	162,065,492		162,065,492	-	-	162,065,492	0%
	Total	1,840,157,697		1,840,157,697	(604,037)	4,271,204	1,835,886,493	0%
NP361	Thabazimbi	142,229,236		142,229,236	-	-	142,229,236	0%
NP362	Lephalale	162,929,040		162,929,040	12,045,675	19,659,370	143,269,670	12%
NP363	Mookgophong	64,641,000		64,641,000	-	-	64,641,000	0%
NP364	Modimolle	148,255,000		148,255,000	22,106,830	26,703,555	121,551,445	18%
NP365	Bela-Bela	122,401,685		122,401,685	-	-	122,401,685	0%
NP366	Mogalakwena	322,476,000	14,338,000	336,814,000	-	(11,986,440)	348,800,440	-4%
DC36	Waterberg District	60,822,479		60,822,479	4,369,381	7,683,001	53,139,478	13%
	Total	1,023,754,440		1,038,092,440	38,521,886	42,059,486	996,032,954	4%

Operating Expenditure

20. Municipalities spent R114 million or 2.1 per cent of the total adjusted operating expenditure budget of R5, 3 billion to date.

The operating expenditure performance is extremely low generally although some municipalities are showing signs of relatively better spending; none of the 30 municipalities has managed to spend 25 per cent of the operating budget.

The low overall performance is attributed to the low spending on "Repairs and Maintenance" and "Other Expenses".

"Employee related costs" spending amounts to R12,3 million for the quarter ending 30 September 2008.

"Repairs and maintenance" amounts to R461 million, this does not reflect the true spending for the 30 municipalities considering that some municipalities did not submit the s71 report.

Code	Municipality	Source of financing					
		External loans	Asset financing reserve	Surplus cash	Public contributions/donations	Government Grants and Subsidies	Other
NP03a2	Makhuduthamaga	-	-	1,753,278	-	-	-
NP03a3	Fetakgomo	-	-	-	-	-	-
NP03a4	Greater marble Hall	-	-	-	-	-	-
NP03a5	Greater Tubatse	-	-	-	-	-	-
NP03a6	Elias Motsoaledi	-	-	2,257,106	28,482	3,545,816	1,669,916
DC47	Greater Sekhukhune	-	-	-	-	-	-
	Sekhukhune	-	-	4,010,384	28,482	3,545,816	1,669,916
NP331	Greater Giyani	-	-	-	-	2,657,966	1,008,254
NP332	Greater Letaba	-	-	-	-	4,702,111	2,207,773
NP333	Greater Tzaneen	-	-	-	-	-	-
NP334	Ba-Phalaborwa	-	-	-	-	-	-
NP335	Maruleng	-	-	-	-	-	-
DC33	Mopani District	-	-	-	-	-	-
	Mopani District	-	-	-	-	7,360,077	3,216,027
NP341	Musina	-	-	-	-	-	-
NP342	Mutale	-	-	-	-	-	-
NP343	Thulamela	-	-	-	-	-	-
NP344	Makhado	272,497	-	-	125,064	1,920,736	-
DC34	Vhembe District	-	-	3,858,791	-	57,541,353	25,000,278
	Vhembe	272,497	-	3,858,791	125,064	59,462,089	25,000,278
NP351	Blouberg	-	-	-	-	-	-
NP352	Aganang	-	-	-	-	-	-
NP353	Molemole	-	-	-	-	24,186	82,576
NP354	Polokwane	-	-	-	-	59,957,766	-
NP355	Lepelle-Nkumpi	-	-	-	-	-	-
DC35	Capricorn District	-	-	-	-	-	-
	Capricorn	-	-	-	-	59,981,952	59,981,952
NP361	Thabazimbi	-	-	-	-	-	-
NP362	Lephalale	-	-	24,536	24,536	-	-
NP363	Mookgophong	-	-	-	-	-	-
NP364	Modimolle	-	-	-	-	4,831,000	3,581,000
NP365	Bela-Bela	-	-	-	-	-	-
NP366	Mogalakwena	-	(16,545)	-	-	(521,527)	(886,232)
DC36	Waterberg District	-	-	790,991	65,068	-	856,059
	Waterberg	-	(16,545)	815,527	89,604	4,309,473	3,550,827
	Total	272,497	(16,545)	8,684,702	243,150	134,659,407	93,419,000

Capital Revenue: Sources of Finance¹

21. It should be noted that capital revenue represents the sources of finances utilised to fund capital expenditure.

For the quarter under review, the performance per source item was External Loans R0,272 million, Surplus cash R8, 7 million, Public Contribution R0, 243 million, Government grants and subsidies R134,7 million and other R93 million

Government Grants and Subsidies are the biggest source of revenue for almost all the municipalities as shown from the table above. Generation of own revenue is still a major challenge in the municipalities whilst non collection of debt also affects the going concern.

The source item "other" is a combination of all other finance sources that are not repetitive. Mostly these are once off funding sources that a municipality may source in a particular period.

Surplus cash comes from funds not utilized from the budget of a municipality and it is brought forward from the prior period.

The performance per table above is not representative of all the municipalities since some municipalities did not submit or submitted the report late resulting in those reports not being included in the consolidated report.

Capital Expenditure

22. Table 5 shows the spending of the capital budget for the districts for the quarter ended 30 September 2008

Table 5: Summary of Municipal Capital Budgets and Expenditure for quarter 1 (July to September 2008): Budget vs Actuals - Districts

Code	Municipality	Capital Budget			Expenditure		Variance	
		Original budget	Adjustments	Adjusted Capital budget	Actual for the month	Actual to date	Adjusted budget vs Actual to date	% Variance
NP03a2	Makhuduthamaga	39,625,000		39,625,000	-	-	39,625,000	0%
NP03a3	Fetakgomo	9,273,077		9,273,077	-	-	9,273,077	0%
NP03a4	Greater marble Hall	23,712,520		23,712,520	462,555	934,877	22,777,643	4%
NP03a5	Greater Tubatse	30,887,000		30,887,000	-	-	30,887,000	0%
NP03a6	Elias Motsoaledi	82,425,000		82,425,000	4,836,287	4,836,287	77,588,713	6%
DC47	Greater Sekhukhune	513,771,797		513,771,797	-	-	513,771,797	0%
	Sekhukhune	699,694,394		699,694,394	5,298,842	5,771,164	693,923,230	1%
NP331	Greater Giyani	33,696,000		33,696,000	-	-	33,696,000	0%
NP332	Greater Letaba	41,765,100		41,765,100	6,909,884	6,909,884	34,855,216	17%
NP333	Greater Tzaneen	69,605,000		69,605,000	-	-	69,605,000	0%
NP334	Ba-Phalaborwa	20,123,000		20,123,000	-	-	20,123,000	0%
NP335	Maruleng	38,362,000		38,362,000	-	-	38,362,000	0%
DC33	Mopani District	488,299,000		488,299,000	-	-	488,299,000	0%
	Mopani District	691,850,100		691,850,100	6,909,884	6,909,884	684,940,216	1%
NP341	Musina	13,870,000		13,870,000	-	239,128	13,630,872	2%
NP342	Mutale	10,258,707		10,258,707	-	-	10,258,707	0%
NP343	Thulamela	250,124,000		250,124,000	-	-	250,124,000	0%
NP344	Makhado	107,539,600		107,539,600	2,141,571	4,417,775	103,121,825	4%
DC34	Vhembe District	885,461,159		885,461,159	18,255,103	38,033,763	847,427,396	4%
	Vhembe	1,267,253,466		1,267,253,466	20,396,674	42,690,666	1,224,562,800	3%
NP351	Blouberg	32,487,000		32,487,000	196,428	196,428	32,290,572	1%
NP352	Aganang	39,686,737		39,686,737	-	-	39,686,737	0%
NP353	Molemole	84,579,684		84,579,684	94,313	94,313	84,485,371	0%
NP354	Polokwane	708,322,600		708,322,600	75,592,207	129,291,865	579,030,735	18%
NP355	Lepelle-Nkumpi	92,929,186		92,929,186	1,032,241	1,923,952	91,005,234	2%
DC35	Capricorn District	537,791,802		537,791,802	-	-	537,791,802	0%
	Capricorn	1,495,797,009		1,495,797,009	76,915,189	131,310,130	1,364,486,879	9%
NP361	Thabazimbi	56,696,000		56,696,000	-	-	56,696,000	0%
NP362	Lephalale	25,504,400		25,504,400	72,932	97,468	25,406,932	0%
NP363	Mookgophong	31,565,000		31,565,000	-	-	31,565,000	0%
NP364	Modimolle	52,768,000		52,768,000	6,807,926	12,579,824	40,188,176	24%
NP365	Bela-Bela	12,478,000		12,478,000	-	-	12,478,000	0%
NP366	Mogalakwena	160,120,000		160,120,000	-	(886,232)	161,006,232	-1%
DC36	Waterberg District	24,737,000		24,737,000	65,068	725,343	24,011,657	3%
	Waterberg	363,868,400		363,868,400	6,945,926	12,418,935	351,449,465	3%
	Total	4,518,463,369		4,518,463,369	116,466,515	199,100,779	4,319,362,590	4%

Capital Expenditure²

23. For the quarter under review, the performance is R199, 1 million spent or 4, 0 per cent of the total adjusted capital budget of R4,52 billion.

A straight line analysis of the spending performance for the quarter indicates that there is under performance on capital projects. 4 per cent spending in relation to the size of the budget of R4,52 billion appears to be too low considering the available

backlogs in municipality and the fact that this the spending for the first quarter of the year.

Debtors

24. The total outstanding debtors, which include current debtors for the municipalities in the Province as at 30 September 2008, amounts to R840 million.

The overall debt owed to municipalities is specified in the table below of which four districts are balances above R100 million just in three months.

Table 2: Overall debt owed to municipalities

	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Sekhukhune District	5,599,778	2,204,871	978,596	626,266	420,298	10,150,073	-	-	19,979,882
Mopani District	10,258,765	41,817,056	16,912,152	10,849,351	159,349,390	67,061,179	-	-	306,247,893
Vhembe District	16,346,189	7,362,200	4,363,337	2,018,022	21,680,641	57,705,676	-	-	109,476,065
Capricorn District	52,172,942	34,728,997	15,863,820	67,948,309	6,028,630	97,754,676	16	24,369,126	298,866,516
Waterberg District	9,420,106	3,918,969	2,883,963	2,291,764	86,673,018	-	-	628,133	105,815,953
Total	93,797,780	90,032,093	41,001,868	83,733,712	274,151,977	232,671,604	16	24,997,259	840,386,309

25. The above age analysis indicates that debt collection remains an area of concern to municipalities since R93 million is outstanding for a period over 30 days and this accumulated within the first month of the current spending year. According to section 96 of the Municipal Systems Act, Act 32 of 2000 as amended, municipalities must collect all money due to them.

Debt Management

Sector Departmental Debt

26. Currently the sector departments jointly owe the municipalities an amount of approximately R55 million rand.

With regard to the ostensible debt owed by the national and provincial departments, the table below illustrates the amounts due to Municipalities broken down per department;

Table 4: Outstanding Government Debt due to the Municipalities as at 30 September 2008

Outstanding Governmental Debts as at 30 September 2008						
Provincial Debts						
	Current	30 Days	60 Days	90 Days	120+ Days	Balance
Agriculture	13,761.82	40,308.61	22,152.26	32,328.46	126,077.78	234,628.93
Economic Development	1,756.87	58.90	57.00	-	-	1,872.77
Education	1,918,582.32	9,988,002.85	9,890,315.00	2,647,058.36	10,301,754.93	34,745,713.46
Environmental Affairs	9,414.17	9,036.38	7,300.32	9,689.78	26,062.03	61,502.68
Treasury	2,990.57	4,640.98	-	-	-	7,631.55
Health and Social Development	177,172.70	95,374.64	60,795.59	125,096.78	179,773.86	638,213.57
Local Government & Housing	5,115.24	18,483.92	16,181.25	16,653.11	323,170.60	379,604.12
Premier	2,662.58	341.02	2,680.37	2,622.00	20,414.32	28,720.29
Public Works	446,117.13	479,259.78	530,416.67	2,984,754.02	3,352,846.46	7,793,394.06
Roads and Transport	99,407.42	181,227.85	107,090.68	101,661.69	839,377.26	1,328,764.90
Safety and Security	-64,942.41	55,543.09	8,696.64	8,020.08	417,957.21	425,274.61
Sub Total	2,612,038.41	10,872,278.02	10,645,685.78	5,927,884.28	15,587,434.45	45,645,320.94
National Debts						
Public Works (National)	168,286.28	478,928.19	572,642.93	136,933.60	1,460,021.76	2,816,812.76
SA Development Trust	325,242.14	59,109.89	110,839.01	81,146.14	4,537,195.84	5,113,533.02
Water Affairs	5,181.60	5,411.67	5,411.67	5,411.67	966,909.04	988,325.65
Justice	-20,918.09	55,541.33	47,134.06	47,630.73	233,816.71	363,204.74
Correctional Services	-	41,577.02	39,766.17	38,006.31	-	119,349.50
Sub-Total	477,792	640,568	775,794	309,128	7,197,943	9,401,226
Grant Total	3,089,830	11,512,846	11,421,480	6,237,013	22,785,378	55,046,547

Financial Asset Management: Quarter 1 2008**Cash Flow**

27. The overall cash flow position of municipalities shows fairly positive closing cash flow balances of R1 billion at end of September 2008. However, it still remains a challenge for municipalities to report on the actual income and expenditure in the cash flow (CFA). The credibility of the cash flow is doubtful emanating from the premise that cash flow projections were not provided by most municipalities.

External Loans

28. According to the data available outstanding long-term liabilities for municipalities' amounts to R0, 272 million. This amount has not been corroborated to external confirmation.

Creditors

29. The current IYM format allows municipalities to report on total accounts payable at the end of each month or to list the top ten creditors at the end of the month. In order to give effect to the monitoring function of the Provincial Treasury, municipalities are encouraged to report on total accounts payable instead of top ten creditors.

The total accounts payable as at the end of September by Limpopo municipalities' amount to R79 million and exclude the amounts from all the municipalities that did not report within the prescribed timeframe. Polokwane and Tzaneen are contributing about R61 million to the total creditor amount. This amount falls within the 30 days bracket and there are minimal amounts in the 30 to 60 bracket. This is an indication that most municipalities pay accounts within 30 days after receiving the relevant invoice or statement.

General

30. There is a huge challenge of late submission or none-submission by some municipalities. This is a result of problems ranging from systems that are not compatible, lack of relevant skills to management challenges including political involvement in administration.

Whilst it is acknowledged that most municipalities have challenges, the MFMA is clear on issues of reporting on public funds and therefore, regardless of the challenges faced, municipalities are required to report accordingly.

In order to improve the municipal financial governance and reporting by municipalities the Provincial Treasury in conjunction with Provincial Department of Local Government are working together to assist the municipalities.

Conclusion

31. Spending performance generally on both capital and operating budgets has been slow. This situation has to be improved otherwise municipalities as municipalities may be requested to return unspent funds to the National Treasury and this will also affect service delivery.

32. In smaller municipalities, revenue generation is a cause for concern as it impacts on the future sustainability of budgets and ultimately service delivery. Assistance will be provided to municipalities on revenue enhancement strategies, debt cleansing processes and debt management.

HEAD OFFICIAL: PROVINCIAL TREASURY

DATE: