



LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

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PROVINCIAL TREASURY

Enq: Mulenga S

Date: 05 August 2010

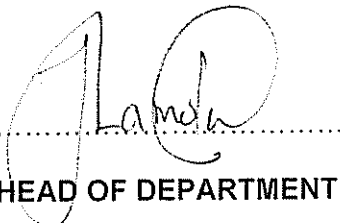
Director-General: National Treasury  
Private Bag x115  
**PRETORIA**  
0001

Fax: (012) 315 5230

Attention: Mr. J. Hattingh

**MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)(MFMA): IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: June 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 30<sup>th</sup> June 2010.



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^ **HEAD OF DEPARTMENT**  
**PROVINCIAL TREASURY**

**LIMPOPO PROVINCIAL TREASURY**  
**Municipal Budget Performance**  
**Consolidated Statement as at 30<sup>th</sup> June 2010**

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## 1. INTRODUCTION

This consolidated budget statement and report covers the financial performance of municipalities in Limpopo Province for the period ending 30th June 2010. This consolidated statement assesses the in-year actual financial performance of municipalities against their budgeted revenue and expenditure. The assessment of the in-year financial performance is based on the MFMA Section 71 (S71) returns which include operating and capital budgets as well as debtors, creditors and cash flow that were submitted by the municipalities. The focus of this assessment is on the credible implementation of municipal budgets in relation to the Integrated Development Plans (IDPs) and Service Delivery and Budget Implementation Plans (SDBIPs).

The accuracy of the assessment is limited to the credibility of the information submitted by the municipalities. Also, at the time of compiling this consolidated statement as at 30 June 2010, six municipalities had not yet submitted both the electronic and hard copies of their budget statements (S71 returns) as indicated by the blank brown-shaded cells in table 1 below. The submission of these statements will impact on the conclusions that are drawn from this report.

## 2. LEGISLATIVE FRAMEWORK

In terms of section 71(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, 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, make public, 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. OVERVIEW OF THE PROVINCE**

#### **3.1 COMPLIANCE WITH SUBMISSION OF RETURNS AND TO TIMEFRAMES**

Table 1 below shows the submission trend of the s71 reports for the fourth quarter ending 30 June 2010. The MFMA requires that the S71 reports be submitted in both electronic and hard copy no later than 10 working days after closure of the relevant month. It can be noticed from this table that in June 2010, the overall electronic submissions is positive (only six out of the 32 municipalities did not submit), while the trend for submission of hardcopy the is very poor as compared to the previous month submissions (25 out of the 30 municipalities did not submit). The white colored cells in means that a municipality submitted copies of the S71 reports as required by MFMA S71 (4). The six municipalities that failed to submit both electronic and hard copies are Blouberg, Greater Sekhukhune, Mopani, Bela-Bela Maruleng and Mutale. According to the NT's prescribed S71 reporting formats, municipalities are required to send five returns on a monthly basis, being the Capital Acquisition Actual revenue and expenditure (CAA), Operating Statement Actual operating revenue and expenditure (OSA), Ageing Debtors (AD), Ageing Creditors (AC) and Cash Flows Actual (CFA).

It is expected that these submissions will improve in July 2010, although we are aware that municipalities are busy with the preparation of Annual Financial Statements (AFS). However, this is not an excuse since the MFMA is clear in terms of section 71(1) that the accounting officer of a municipality must by no later than 10 working days after the end of each month submit the monthly budget statements. Letters of non compliance with submission deadlines were sent to all municipalities that did not submit their reports, while letters of non-compliance due to incomplete returns were sent to those that submitted less than five return forms.

Table 1 below indicates the returns submitted by each municipality.

Table 1 Summary of returns submitted for 4<sup>th</sup> quarter ended 30 June 2010

Municipality	Apr-10				May-10				Jun-10			
	Old/New version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
DC 35 - CAPRICORN	New	10.05.2010		OSA, AC, AD, CAA, CFA	NEW	10.06.2010	10.06.2010	CFA, AC, AD, CAA, OSA	New	19.7.2010	14.7.2010	CFA
LIM 351 - BLOUBERG	New	13.05.2010		OSA, AC, AD, CAA, CFA	NEW	18.06.2010		AC,AD,CAA				
LIM 352 - AGANANG	New	14.05.2010		OSA, AC, AD, CAA, CFA	NEW	14.05.2010		CFA, AC, AD, CAA, OSA	New	14.7.2010		OSA,CAA,CFA,AD,AC
LIM 353 - MOLEMOLE	New	14.05.2010	14.05.2010	OSA, AC, AD, CAA, CFA	NEW	14.06.2010		CFA, AC, AD, CAA, OSA	New	27.7.2010		OSA,CAA,CFA,AD,AC
LIM 354 - POLOKWANE	New	13.05.2010		OSA, AC, AD, CAA, CFA	NEW	08.06.2010		CFA, AC, AD, CAA, OSA	New	15.7.2010		OSA,CAA,CFA,AD
LIM 355 - LEPELLE-NKUMPI	New	13.05.2010		AD, AC, CAA	NEW	15.06.2010		CFA, AC, AD, CAA, OSA	New	14.7.2010		OSA,CAA,CFA,AD,AC
DC 47 - GREATER SEKHUKHUNE	New	12.05.2010		AD, AC, CAA, OSA	NEW	15.06.2010		CFA, AC, AD, CAA, OSA				
LIM 471 - EPHRAIM MOGALE	New	11.05.2010		OSA, AC, AD, CAA, CFA	NEW	09.06.2010		CFA, AC, AD, CAA, OSA	New	28.7.2010		OSA,CAA,CFA,AD,AC
LIM 472 - ELIAS MOTSOALEDI	New	13.05.2010		AD, AC, OSA	NEW	14.06.2010		CFA, AC, AD, CAA, OSA	New	9.7.2010		AD,AC,CAA,CFA
LIM 473 - MAKHUDUTHAMAGA	New	14.05.2010	14.05.2010	OSA, AC, AD, CAA, CFA	NEW	14.06.2010	14.05.2010	CFA, AC, AD, CAA, OSA	New	14.7.2010		OSA,CFA,CAA,AD,AC
LIM 474 - FETAKGOMO	New	14.05.2010	13.05.201	AD,AC, CAA, CFA	NEW	14.06.2010	14.05.2010	CFA, AC, AD, CAA, OSA	New	20.7.2010		OSA,CFA,CAA,AD,AC
LIM 475 - GREATER TUBATSE	New	04.05.2010		OSA, AC, AD, CAA, CFA	NEW	07.06.201		CFA, AC, AD, CAA, OSA	New	01.07.2010		CFA,CAA,OSA
DC 33 - MOPANI	New	13.05.2010		OSA, AC, AD, CAA, CFA	NEW	08.06.2010		CFA, AC, AD, CAA, OSA				
LIM 331 - GREATER GIYANI	New	20.05.2010		OSA, AC, AD, CFA, CAA	NEW	16.06.2010		CFA, AC, AD, CAA, OSA	New	18.7.2010		OSA,CFA,CAA,AD,AC
LIM 332 - GREATER LETABA	New	18.05.2010	20.05.2010	OSA, AC, AD, CFA, CAA	NEW	14.06.2010	14.6.2010	CFA, AC, AD, CAA, OSA	New	14.7.2010	14.7.2010	OSA,CFA,CAA,AD,AC
LIM 333 - GREATER TZANEEN	New	14.05.2010		OSA, AC, AD, CFA, CAA	NEW	11.05.2010		CFA, AC, AD, CAA, OSA	New	14.7.2010		OSA,CFA,CAA,AD,AC
LIM 334 - BA-PHALABORWA	New	07.05.2010		OSA, AC, AD, CFA, CAA	NEW	09.06.2010		CFA, AC, AD, CAA, OSA	New	8.7.2010		OSA,CFA,CAA,AD,AC
LIM 335 - MARULENG	New	14.05.2010		OSA, AC, AD, CFA, CAA								
DC 36 - WATERBERG	New	13.05.2010	12.05.2010	OSA, AC, AD, CFA, CAA	NEW	11.06.2010	11.06.210	CFA, AC, AD, CAA, OSA	New	14.7.2010	14.7.2010	OSA,CFA,CAA,AD,AC
LIM 361 - THABAZIMBI	New	14.05.2010		CAA, AC, OSA, CFA,AD	NEW	02.06.2010		OSA, CAA,AD,AC,CFA	New	9.7.2010		AD,CFA
LIM 362 - LEPHALALE	New	14.05.2010	14.05.2010	OSA, AC, AD, CFA, CAA	NEW	14.06.2010	14.05.2010	CFA, AC, AD, CAA, OSA	New	15.7.2010	14.7.2010	CFA,CAA,AD,AC
LIM 364 - MOOKGOPONG	New	14.05.2010		AD, AC, OSA, CAA	NEW	14.06.2010		OSA, CAA, AD, AC	New	14.7.2010		OSA,CAA,AD,AC
LIM 365 - MODIMOLLE	New	14.05.2010	14.05.2010	OSA, AC, AD, CFA, CAA	NEW	14.06.2010	14.6.2010	CFA, AC, AD, CAA, OSA	New	14.7.2010	14.7.2010	OSA,CFA,CAA,AD,AC
LIM 366 - BELA-BELA	New	12.05.2010		OSA, AC, AD, CFA, CAA	NEW	15.06.2010		CFA, AC, AD, CAA, OSA				
LIM 367 - MOGALAKHVENA	New	14.05.2010		OSA, AC, AD, CFA, CAA	NEW	14.06.2010		AC, AD, CAA, OSA, CFA	New	15.7.2010		OSA,CFA,CAA,AD,AC
DC 34 - VHEMBE	New	10.05.2010		OSA, AC, AD, CFA, CAA	NEW	09.06.2010		CFA, AC, AD, CAA, OSA	New	15.7.2010		OSA,CFA,CAA,AD,AC
LIM 341 - MUSINA	New	13.05.2010		OSA, AC, AD, CFA, CAA	NEW	14.06.2010		CFA, AC, AD, CAA, OSA	New	14.7.2010		OSA,CFA,CAA,AD,AC
LIM 342 - MUTALE	New	11.05.2010		CAA, CFA, OSA								
LIM 343 - THULAMELA	New	13.05.2010		OSA, AC, AD, CFA, CAA	NEW	24.06.2010		AC,AD	New	19.7.2010		AC
LIM 344 - MAKHADO	New	15.05.2010		OSA, AC, AD, CFA, CAA	NEW	07.06.2010		CFA, AC, AD, CAA, OSA	New	8.7.2010		OSA,CFA,CAA,AD,AC

Source: Section 71 returns submitted by the municipalities

## 3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS

### Financial Performance

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

#### 3.2.1 Operating Revenue

The operating revenue performance for the month of June reflects that municipalities generated an amount of R917 million and an accumulated year-to-date amount of R10.446 billion (or 121 per cent) of the total adjusted operating revenue budget of R8.629 billion

The revenue assessment shows the performance of the five districts and indicates that municipalities in the Sekhukhune District have performed the worst, collecting 38 per cent of budgeted revenue. Within this district, good performance is from Makhuduthamaga and Greater Tubatse, which collected 107 per cent and 102 per cent of their budgeted revenue respectively. This good performance is overshadowed by the poor performance of the other municipalities within the Sekhukhune District; especially the district municipality itself; which has not made any collection thus far. The non collection of revenue by the district municipality itself is attributable to the fact that it has no revenue raising assigned functions and, as a result, its budget may not be credible.

On the other hand, the highest performing district is Vhembe (collected 260 per cent of budgeted revenue) whereby the district itself has to date collected 405 per cent of the budgeted revenue. This performance suggests that there may have been serious under budgeting or over allocation by the district municipality and its locals; which as per expectation, should have been rectified during the adjustment budget processes.

Table 2: Operating revenue as at 30 June 2010

Code	Municipality	Financial Performance			
		Total Revenue			
		Original/ad justed budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million					
NP03a2	Makhuduthamaga	112	2	120	107%
NP03a3	Fetakgomo	43	3	29	69%
NP03a4	Greater marble Hall	108	-	52	48%
NP03a5	Greater Tubatse	145	8	148	102%
NP03a6	Elias Motsoaledi	236	-	94	40%
DC47	Greater Sekhukhune	536	-	0	0%
<b>Sekhukhune</b>		<b>1,174</b>	<b>13</b>	<b>443</b>	<b>38%</b>
NP331	Greater Giyani	117	3	132	113%
NP332	Greater Letaba	119	6	152	128%
NP333	Greater Tzaneen	587	26	534	91%
NP334	Ba-Phalaborwa	273	16	210	77%
NP335	Maruleng	65	-	52	80%
DC33	Mopani District	589	1	354	60%
<b>Mopani District</b>		<b>1,751</b>	<b>52</b>	<b>1,435</b>	<b>82%</b>
NP341	Musina	93	-	123	132%
NP342	Mutale	62	10	72	117%
NP343	Thulamela	320	11	426	133%
NP344	Makhado	481	-	362	75%
DC34	Vhembe District	1,036	736	4,202	405%
<b>Vhembe</b>		<b>1,993</b>	<b>757</b>	<b>5,186</b>	<b>260%</b>
NP351	Blouberg	107	-	186	174%
NP352	Aganang	47	0	52	110%
NP353	Molemole	58	12	98	169%
NP354	Polokwane	1,652	-	1,044	63%
NP355	Lepelle-Nkumpi	261	12	211	81%
DC35	Capricorn District	190	-	566	298%
<b>Capricorn</b>		<b>2,316</b>	<b>24</b>	<b>2,157</b>	<b>93%</b>
NP361	Thabazimbi	167	-	96	57%
NP362	Lephalale	205	0	358	174%
NP363	Mookgophong	80	6	73	92%
NP364	Modimolle	138	10	119	86%
NP365	Bela-Bela	140	-	132	94%
NP366	Mogalakwena	566	55	372	66%
DC36	Waterberg District	99	-	75	76%
<b>Waterberg</b>		<b>1,396</b>	<b>70</b>	<b>1,226</b>	<b>88%</b>
<b>Total</b>		<b>8,629</b>	<b>917</b>	<b>10,446</b>	<b>121%</b>

Source: Section 71 returns submitted by the municipalities

District performance shows that of the R 917 million generated for the month of June, Sekhukhune collected 1.4 percent, Mopani 5.7 per cent, Vhembe 82.6 per cent, Capricorn 2.6 per cent and Waterberg 7.6 per cent. Mopani, Capricorn and Waterberg show good and acceptable performance and there is an increase in their performance as compared to the month of May 2010.

**The performance of the individual revenue sources is as follows:**

- **Property Rates:** The total adjusted budget amounts to R567 million, while the year to date revenue generated amounts to R495 million or 87.3 per cent of the total adjusted budget. The monthly collection is 3.5 per cent or R20 million of the total adjusted budget.
- **Service Charges:** The total adjusted budget amounts to R2.010 billion, the year to date revenue generated amounts to R1.656 billion or 82.3 per cent of the adjusted budget. The monthly collection is R 104 million or 5.2 per cent of the total adjusted line budget.
- **Investment revenue:** The total adjusted budget amounts to R241 million, the year to date receipts stands at R204 million or 84.6 per cent of the adjusted budget. The monthly collection is R 10 million or 4.1 per cent of the total adjusted line budget.
- **Transfers recognised:** The total adjusted budget amounts to R4.907 billion, while the current revenue received to date amounts to R6.409 billion or 130.6 per cent of the adjusted budget. The monthly collection is R52 million or 1.1 per cent of the total adjusted line budget.
- **Other Revenue:** The total adjusted budget amounts to R911 million, while the year to date receipts amounts to R1.683 million or 185 per cent of the adjusted budget. The monthly collection is R 730 million or 80.1 per cent of the total adjusted line budget. Other revenue comprises of revenue sources such as traffic fines, cemetery charges and rental of municipal facilities.

Table 3: Consolidated revenue sources as at 30 June 2010

Description	Budget Year 2009/10							
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	YearTD Budget	YTD	YTD %	Spent of %
<b>Financial Performance</b>								
Property rates	620	567	20	495	(72)	466	-648%	87%
Service charges	2,024	2,010	104	1,656	(353)	35	-10%	82%
Investment revenue	270	241	10	204	(38)	341	-900%	84%
Transfers recognised	4,950	4,907	52	6,409	1,502	172	11%	131%
Other own revenue	991	911	730	1,683	772	35	5%	185%

Source: Section 71 returns submitted by the municipalities

### 3.2.2 Operating Expenditure

The operating expenditure performance for the month of June 2010 reflects that municipalities expended an amount of R463 million and expended an accumulated year-to-date expenditure of R5.618 billion or 87 per cent of the total adjusted operating revenue budget of R6.480 billion.



Table 4 Operating Expenditure 30 June 2010

Code	Municipality	Financial Performance			
		Total Expenditure			
		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million					
NP03a2	Makhuduthamaga	93	4	43	46%
NP03a3	Fetakgomo	16	2	11	69%
NP03a4	Greater Marble Hall	182	–	13	7%
NP03a5	Greater Tubatse	48	–	50	102%
NP03a6	Elias Motsoaledi	154	–	76	49%
DC47	Greater Sekhukhune	453	–	359	79%
<b>Sekhukhune</b>		<b>1,067</b>	<b>22</b>	<b>413</b>	<b>39%</b>
NP331	Greater Giyani	126	7	101	81%
NP332	Greater Letaba	114	6	89	78%
NP333	Greater Tzaneen	495	1	451	91%
NP334	Ba-Phalaborwa	288	23	240	83%
NP335	Maruleng	49	2	55	111%
DC33	Mopani District	308	33	350	114%
<b>Mopani District</b>		<b>1,380</b>	<b>72</b>	<b>1,287</b>	<b>93%</b>
NP341	Musina	93	–	124	134%
NP342	Mutale	53	4	52	98%
NP343	Thulamela	278	27	195	70%
NP344	Makhado	481	–	221	46%
DC34	Vhembe District	355	327	1,692	477%
<b>Vhembe</b>		<b>1,260</b>	<b>358</b>	<b>2,284</b>	<b>181%</b>
NP351	Blouberg	83	–	51	62%
NP352	Aganang	37	4	42	113%
NP353	Molemole	57	5	42	73%
NP354	Polokwane	1,086	–	670	62%
NP355	Lepelle-Nkumpi	136	9	64	47%
DC35	Capricorn District	190	–	204	107%
<b>Capricorn</b>		<b>1,591</b>	<b>17</b>	<b>1,073</b>	<b>67%</b>
NP361	Thabazimbi	133	–	129	98%
NP362	Lephalale	205	0	209	102%
NP363	Mookgophong	80	4	72	90%
NP364	Modimolle	146	14	117	80%
NP365	Bela-Bela	135	–	109	81%
NP366	Mogalakwena	413	(24)	(259)	-63%
DC36	Waterberg District	71	–	185	261%
<b>Waterberg</b>		<b>1,182</b>	<b>(6)</b>	<b>561</b>	<b>47%</b>
<b>Total</b>		<b>6,480</b>	<b>463</b>	<b>5,618</b>	<b>87%</b>

Source: Section 71 returns submitted by the municipalities

## Performance per District:

**Sekhukhune District:** Overall actual operating expenditure stands at R413 million or 38.7 per cent of the total adjusted budget of R1.067 billion. Fetakgomo, Greater Marble Hall and Elias Motsoaledi are showing serious under spending. Greater Marble Hall is the worst of them all with a year to date percentage of 7 per cent. This under spending is a reflection of budgets that are not credible. Moreover, the municipality did not revise its budget downwards in an adjustment budget.

**Mopani District:** The district has reflected a year to date spending of 93.2 per cent or R1.287 million of the total adjusted budgets of R1.380 billion. Maruleng and Mopani are overspending at 111% and 114% respectively.

**Vhembe District:** Expenditure for the year to date stands at 181.3 per cent or R2.284 billion of the total adjusted budget of R1.260 billion. The district reflects a R327 million or 92.1 per cent spending for the month. Just like the operating revenue performance, Vhembe District municipalities are overspending their expenditure budget. The district, Musina and Thulamela have over spent their annual budgets.

**Capricorn District:** Expenditure for the year to date stands at 67.7 per cent or R1.073 million of the total adjusted budget of R1.591 billion. The monthly spending stands at R17 million or 1.1 per cent resulting in under spending. All municipalities in the district are under spending their operating expenditure budget.

**Waterberg District:** The district's operating expenditure for the year to date stands at 47.5 per cent or R5.61 million of the total adjusted budget of R1.182 billion. Monthly spending stands at negative R6 million or 1 per cent of the total budget. This is attributable to the incorrect completion of the return forms by the municipality.

## The performances of the individual items are as follows:

- **Employee Related Costs:** The adjusted budget amounts to R2.226 billion, while the expenditure to date amounts to R2, 456 billion or 111.6 per cent of the adjusted budget. The monthly expenditure is R250 million or 11.2 per cent of the total adjusted line budget.
- **Remuneration of Councilors:** The adjusted budget amounts to R286 million, while the expenditure to date amounts to R191 million or 66.8 per cent of the adjusted budget. The monthly expenditure is R 14 million or 4.9 per cent of the total adjusted line budget.
- **Debt impairment:** The adjusted budget amounts to R82 million, while the year to date expenditure amounts to minus five. The monthly expenditure is R10 million or 12.2 per cent of the total adjusted line budget.
- **Depreciation or amortisation:** The adjusted budget amounts to R310 million, while the year to date expenditure amounts to R35 million or 11 per cent of the adjusted budget. The monthly expenditure is nil.
- **Finance charges:** The adjusted budget amounts to R52 million, while the year to date expenditure and monthly expenditure is nil.

- **Materials and bulk Purchases:** The adjusted budget amounts to R1.447 billion, while the expenditure to date amounts to R1.201 million or 83 per cent of the budget. The monthly expenditure is R 24 million or 1.7 per cent.
- **Other expenditure:** The adjusted budget amounts to R2.076 billion, while the year to date expenditure amounts to R1.723 billion or 83 per cent of the budget. The monthly expenditure is R 166 million or 8 per cent of the total adjusted line budget

Table 5: Operating Expenditure per type as at 30 June 2010

Description R million	Budget Year 2009/10							
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	YearTD Budget	YTD	YTD %	Spent of %
Employee costs	2,242	2,226	250	2,456	406	2,050	505%	110%
Remuneration of Councillors	267	286	14	191	(88)	279	-316%	67%
Debt impairment	78	82	10	(5)	(58)	52	-91%	-7%
Depreciation and amortisation	286	310	0	35	(99)	134	-136%	11%
Finance charges	59	52	0	17	5	12	268%	33%
Materials and bulk purchases	1,536	1,447	24	1,201	10	1,191	11826%	83%
Other expenditure	2,112	2,076	166	1,723	(205)	1,929	-939%	83%
<b>Total Expenditure</b>	<b>6,580</b>	<b>6,480</b>	<b>463</b>	<b>5,618</b>	<b>(29)</b>	<b>5,647</b>	<b>-19266%</b>	<b>87%</b>

Source: Section 71 returns submitted by the municipalities

### Capital Funding Source and Expenditure

This section of the report focuses on the capital base of the municipality as reflected in the monthly budget statements submitted. Information regarding capital funding and expenditure is detailed in this section.

#### 3.2.3 Capital Revenue: Sources of Finance

Capital revenue represents the sources of finances utilised to fund capital expenditure. There are a number of sources from which capital revenue is sourced. The major source of capital financing is from Government Grants and Subsidies since most municipalities have very small own revenue bases or sources. Table 6 below shows the sources of funding per district per municipality.

Table 6: Capital revenue as at 30 June 2010

Code	Municipality	Capital expenditure			
		Total sources of Funding			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million					
NP03a2	Makhuduthamaga	50	–	26	53%
NP03a3	Fetakgomo	16	–	4	22%
NP03a4	Greater marble Hall	16	–	–	
NP03a5	Greater Tubatse	49	–	48	100%
NP03a6	Elias Motsoaledi	82	–	9	11%
DC47	Greater Sekhukhune	329	–	356	108%
<b>Sekhukhune</b>		<b>542</b>	<b>–</b>	<b>443</b>	<b>82%</b>
NP331	Greater Giyani	32	9	31	97%
NP332	Greater Letaba	50	6	47	94%
NP333	Greater Tzaneen	155	15	96	62%
NP334	Ba-Phalaborwa	41	–	–	
NP335	Maruleng	34	–	–	
DC33	Mopani District	286	15	156	54%
<b>Mopani District</b>		<b>598</b>	<b>45</b>	<b>331</b>	<b>55%</b>
NP341	Musina	32	–	8	23%
NP342	Mutale	27	0	11	41%
NP343	Thulamela	155	10	103	66%
NP344	Makhado	111	–	35	32%
DC34	Vhembe District	789	434	1,895	240%
<b>Vhembe</b>		<b>1,114</b>	<b>445</b>	<b>2,051</b>	<b>184%</b>
NP351	Blouberg	38	–	–	
NP352	Aganang	38	4	16	44%
NP353	Molemole	20	–	6	32%
NP354	Polokwane	1,322	143	861	65%
NP355	Lepelle-Nkumpi	124	–	–	
DC35	Capricorn District	406	23	409	101%
<b>Capricorn</b>		<b>1,948</b>	<b>170</b>	<b>1,293</b>	<b>66%</b>
NP361	Thabazimbi	49	–	–	
NP362	Lephalale	32	4	26	82%
NP363	Mookgophong	40	3	25	61%
NP364	Modimolle	56	7	21	38%
NP365	Bela-Bela	20	–	7	36%
NP366	Mogalakwena	149	(17)	(132)	-89%
DC36	Waterberg District	29	–	2	8%
<b>Waterberg</b>		<b>374</b>	<b>(2)</b>	<b>(51)</b>	<b>-14%</b>
<b>Total</b>		<b>4,576</b>	<b>659</b>	<b>4,067</b>	<b>89%</b>

Source: Section 71 returns submitted by the municipalities

The overall year-to-date performance for all the districts stands at 88.9 per cent or R4.067 billion in monetary terms against a budget of R4.576 billion. This appears to be a true reflection of the performance made by the municipalities.

**For the period to date, the performance per district was;**

**Sekhukhune District:** R443 million or 81.7 per cent of the total district adjusted budget of R542 million was received by the district municipalities for the twelve months ending 30 June 2010.

**Mopani District:** The district received a total of R331 million or 55.4 per cent of the total capital revenue of R598 million. The month receipts amount to R45 million or 0.56 per cent. With the correct signage of the revenue amounts, performance of this district is above 54 percent.

**Vhembe District:** Received R2.051 million of the total adjusted capital budget of R1.114 million. The monthly receipt amounts to R445 million or 39.9 per cent.

**Capricorn Districts:** The district shows a 66.4 per cent or R1.293 million receipt. The month receipts amount to R170 million or 9 per cent.

**Waterberg District:** Received shows negative R51 million or negative 14 percent of the total budget of R374 million. The moth receipts amount to negative R2 million or 0.53 per cent. This result from the funds that were reallocated (withheld) from Mogalakwena and the Waterberg District during the December 2009 national adjustment budget.

The individual sources of finance reflected the following current month performance:

- External loans reflect that 10.7 per cent or R12 million from a budget of R112 million has been received in total. The monthly receipts amount reflects nil.
- Asset Financing Reserve reflect that 76.4 per cent or R443 million from a budget of R580 million has been received for the year-t0-date. The amount utilised for the month of June is R97 million.
- Surplus cash utilised was 32.9 per cent or R140 million against a budget of R425 million. The June month receipts amount to R11 million.
- Grants and Subsidies reflect 103.6 per cent or R3.370 billion against adjusted budget of R3.252 billion, and month to date reflects 16.7 per cent or R544 million of adjusted budget.

### 3.2.4 Capital Expenditure

For the period under review, the year-to-date accumulated capital expenditure is R4.412 billion, translating into 103.1 per cent of the total adjusted capital budget of R4.278 billion as shown in table 7 below.

Table 7: Capital Expenditure as at 30 June 2010

#### I Consolidated Summary

Code	Municipality	Capital expenditure			
		Total Capital Expenditure			
R million		Original/adju sted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	93	4	43	46%
NP03a3	Fetakgomo	16	2	11	69%
NP03a4	Greater marble Hall	182	–	13	7%
NP03a5	Greater Tubatse	48	–	50	102%
NP03a6	Elias Motsoaledi	65	19	45	70%
DC47	Greater Sekhukhune	453	–	359	79%
<b>Sekhukhune</b>		<b>857</b>	<b>25</b>	<b>521</b>	<b>61%</b>
NP331	Greater Giyani	39	9	31	79%
NP332	Greater Letaba	68	6	49	72%
NP333	Greater Tzaneen	155	15	96	62%
NP334	Ba-Phalaborwa	56	1	38	69%
NP335	Maruleng	37	–	21	57%
DC33	Mopani District	305	15	166	54%
<b>Mopani District</b>		<b>659</b>	<b>45</b>	<b>401</b>	<b>61%</b>
NP341	Musina	13	–	9	67%
NP342	Mutale	13	0	11	85%
NP343	Thulamela	139	10	103	74%
NP344	Makhado	143	–	35	25%
DC34	Vhembe District	63	434	1,852	2941%
<b>Vhembe</b>		<b>370</b>	<b>445</b>	<b>2,010</b>	<b>543%</b>
NP351	Blouberg	38	–	27	71%
NP352	Aganang	38	4	23	60%
NP353	Molemole	20	2	17	86%
NP354	Polokwane	1,322	141	921	70%
NP355	Lepelle-Nkumpi	124	8	248	199%
DC35	Capricorn District	479	23	264	55%
<b>Capricorn</b>		<b>2,021</b>	<b>179</b>	<b>1,499</b>	<b>74%</b>
NP361	Thabazimbi	33	–	29	0
NP362	Lephalale	32	4	28	89%
NP363	Mookgophong	40	3	25	61%
NP364	Modimolle	35	7	21	61%
NP365	Bela-Bela	19	–	8	44%
NP366	Mogalakwena	183	(2)	(133)	-72%
DC36	Waterberg District	29	–	2	8%
<b>Waterberg</b>		<b>371</b>	<b>13</b>	<b>(19)</b>	<b>-5%</b>

Source: Section 71 returns submitted by the municipalities

## Performance per District:

**Sekhukhune District:** Overall year-to-date expenditure stands at R521 million or 60.8 per cent of the total adjusted budget of R857 million. The June 2010 expenditure stands at R25 million or 2.9 per cent of the total adjusted budget.

**Mopani District:** Overall accumulated expenditure stands at R401 million or 60.8 per cent of the total adjusted budget of R659 million. The month expenditure stands at R45 million or 6.8 per cent of the total adjusted budget.

**Vhembe District:** Overall expenditure stands at R2.010 million or 543 per cent of the total adjusted budget of R370 million. The June 2010 expenditure is R445 million or 120 per cent of adjusted budget.

**Waterberg District:** Overall expenditure stands negative at R19 million or negative 5 per cent of the total adjusted budget of R371 billion. The month expenditure stands at R13 million or 3.5 per cent.

**Capricorn District:** Overall accumulated expenditure is R1.500 million or 74.2 per cent of the total adjusted budget of R2.021 million. The month to date expenditure stands at negative R179 million.

The incorrect capturing of the CAA return form by Greater Giyani and Mogalakwena leads to the distortion of overall performance of the capital revenue and expenditure. The overall performance of 103.1 per cent as reflected may therefore be incorrect due to the lack of credibility of data submitted by these municipalities.

## 4. DEBTORS

The total outstanding debtor's book, for the municipalities in the Province as at 30 June 2010 amounts to R1.601 billion.

Table 8: Debtor age analysis as at 30 June 2010

Debtors per district	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
<b>Debtors Age analysis</b>								
Sekhukhune	10	5	3	3	34	10	0	65
Mopani	48	23	18	16	266	48	130	548
Vhembe	11	21	16	(0)	54	105	57	265
Capricorn	70	22	21	46	276	5	19	458
Waterberg	11	21	16	(0)	54	105	57	265
	150	93	73	64	684	273	264	1,601

Source: Section 71 returns submitted by the municipalities

Debtors owing between 0-30 days amount to R150 million and between 31-60 days amount to R93 million. Debtors owing between 121-150 days are the most significant with R684 million or 43 per cent, while the debt owed falling into the category over 151 and 180 days to a year amount to R273 and R264 million respectively.

## 5. CREDITORS

The total accounts payable as at 30 June 2010 by municipalities' amount to R172 million. A significant portion of this amount, R121 million or 70.3 per cent, is current as it falls within the 0 to 30 days. Therefore municipalities are generally complying with section 65(2)(e) by paying their trade creditors within 30 days of receiving invoices or statements.

Table 9: Creditor age analysis as at 30 June 2010

Creditors per district	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
<b>Creditors Age analysis</b>								
Sekhukhune	0	0	-	0	1	-	-	1
Mopani	44	11	1	6	9	-	-	71
Vhembe	5	3	4	10	0	3	3	28
Capricorn	39	-	-	0	-	-	-	39
Waterberg	33	-	-	-	-	-	-	33
	121	14	5	16	10	3	3	172

Source: Section 71 returns submitted by the municipalities

Table 9 above shows that two districts namely Mopani and Vhembe reflect amounts owing in the category above 0-30 days.

## 6. CASH FLOWS

Table 10: Monthly cash flows to 30 June 2010

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	538	1,336	1,227	1,045	789	656	603	303	42	393	245	263
Sub-Total (Receipts)	1,710	849	601	639	771	1,283	605	708	1,767	1,082	1,552	1,094
Sub-Total (Payments)	913	958	782	895	905	1,335	871	970	1,415	1,230	1,535	1,284
Closing Balance	1,336	1,227	1,045	789	656	603	303	42	393	245	263	57

Source: Section 71 returns submitted by the municipalities

Not all municipalities in the province completed the cash flow statement. Analysis of the cash flow returns in table 10 above reveals that municipalities are not completing this document correctly and therefore it distorts the analysis. Municipalities seem not to be ready to engage in the exercise of projecting their revenue and expenditure; they rather prefer to capture the actual performance on a month to month basis, thereby defeating the purpose of the CFA return form and therefore the management of cash and cash equivalents.

## 7. CONCLUSION

Though there was a general improvement in submissions, the June 2010 submissions reveals deterioration in that regard. However, it is noted that there is improved performance when it comes to the collection of own revenue in the operating budget, though the same cannot be said about the operating expenditure which shows under spending. A general observation again is that Vhembe District as a whole seems to be over performing in all areas, which can be translated to poor/under budgeting. The quality of reports submitted has improved considerably, though we have noted a challenge in the completion of the CAA return and CFA return forms. Performance on



the capital budget is not satisfactory, proper analysis of this performance is hindered by the incredibility of the CAA return forms submitted.

As mentioned in the introduction section of this report, the quality of the analysis is limited by the credibility of the data provided as well as the non submission of the budget return forms by some of the municipalities. Provincial Treasury will continuously engage municipalities further regarding the correct completion of the CAA and CFA return forms as well as the importance of compliance to MFMA S71.