



PROVINCIAL TREASURY

Enq: Ntuli P S

Date: 15 October 2010

Director-General: National Treasury
Private Bag x115
PRETORIA
0001

Fax: (012) 315 5230

Attention: Mr. J. Hattingh

MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003: IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: AUGUST 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 31 August 2010.



HEAD OF DEPARTMENT
PROVINCIAL TREASURY

DATE: 22/10/2010

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

Table of Contents

1. PURPOSE.....	2
2. SUMMARY.....	3
3. DISCUSSION.....	4
3.1 COMPLIANCE WITH SUBMISSION OF MONTHLY BUDGET STATEMENTS AND TIMEFRAMES.....	4
3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS.....	6
3.2.1 Operating Revenue.....	6
3.2.2 Operating Expenditure.....	10
3.2.3 Capital Revenue: Sources of Finance.....	13
3.2.4 Capital Expenditure.....	15
3.2.5 Debtors and Creditors.....	18
3.2.6 Cash Flows.....	19
4. LEGAL IMPLICATIONS.....	19
5. FINANCIAL IMPLICATIONS.....	19
6. RECOMMENDATIONS.....	20

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 (No. 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 the financial performance in municipalities for the second month of the 2010/11 financial year, the month of August 2010.

The information in this consolidated report is sourced from the Municipal Finance Management Act (No. 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 as prescribed in the MFMA: Municipal Budget and Reporting Regulations. For July 2010, two (2) municipalities, namely Makhado and Ba-Phalaborwa, submitted the information in the new format at the time of publication of the July 2010 report. For August 2010, this number has increased to thirteen (13). This is a significant improvement in terms of compliance. The provincial Treasury aims to roll out a training program across all municipalities in order to ensure the correct completion and credibility of the Schedule C reports.

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 second month of the 2010/11 financial, namely August 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. The table shows the types of formats used by municipalities, the date of actual submission of electronic and hard copies; as well as those municipalities that did not comply at all.

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

Submission of Section 71 reports					
Municipality	Aug-10				
	Appendix B	Schedule C	Date of submission		Documents sent
			Electronic	Hard copy	
DC 35 - CAPRICORN					NON SUBMISSION
LIM 351 - BLOUBERG	Yes		27.09.2010		AC,CAA,CFA,OSA
LIM 352 - AGANANG		Yes	13.09.2010		Schedule C Format
LIM 353 - MOLEMOLE		Yes	14.09.2010		Schedule C Format
LIM 354 - POLOKWANE		Yes	10.09.2010		Schedule C Format
LIM 355 - LEPELLE-NKUMPI	Yes		10.09.2010		AC,AD,CFA.CAA,OSA
DC - 47 - GREATER SEKHUKHUNE	Yes		09.09.2010		OSA,CFA,CAA,AC
LIM 471 - EPHRAIM MOGALE		Yes	14.9.2010		Schedule C Format
LIM 472 - ELIAS MOTSOLEDI		Yes	15.09.2010		Schedule C Format
LIM 473 - MAKHUDUTHAMAGA	Yes		14.09.2010	14.09.2010	AC,CFA,AD,OSA,CAA
LIM 474 - FETAKGOMO	Yes		14.09.2010		AC,CFA,AD,OSA,CAA
LIM 475 - GREATER TUBATSE	Yes				AC,CFA,AD,OSA,CAA
DC 33 - MOPANI		Yes	28.09.2010		Schedule C Format
LIM 331 - GREATER GIYANI					NON SUBMISSION
LIM 332 - GREATER LETABA		Yes	14.09.2010		Schedule C Format
LIM 333 - GREATER TZANEEN		Yes	14.09.2010		Schedule C Format
LIM 334 - BA- PHALABORWA		Yes	13.09.2010		Schedule C Format
LIM 335 - MARULENG	Yes		20.09.2010		CFA,OSA,AD,AC,CAA
DC 36 - WATERBERG		Yes	14.09.2010	14.09.2010	Schedule C Format
LIM 361 - THABAZIMBI	Yes		13.09.2010		CFA,OSA,AC,CAA,AD
LIM 362 - LEPHALALE					NON SUBMISSION
LIM 364 - MOOKGOPONG	Yes		28.09.2010		AC,OSA,AD,CAA
LIM 365 - MODIMOLLE		Yes	14.09.2010		Schedule C Format
LIM 366 - BELA-BELA	Yes		14.09.2010		CFA,OSA,AC,CAA,AD
LIM 367 - MOGALAKWENA	Yes		14.09.2010		CFA,OSA,AC,CAA,AD
DC 34 - VHEMBE	Yes		13.09.2010		CFA,OSA,AC,CAA,AD
LIM 341- MUSINA	Yes		14.09.2010		CFA,OSA,AC,CAA,AD
LIM 342 - MUTALE					NON SUBMISSION
LIM 343 - THULAMELA		Yes	22.09.2010		Schedule C Format
LIM 344 - MAKHADO		Yes	14.09.2010		Schedule C Format

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 (Capricorn District, Greater Giyani, Lephalale and Mutale) did not submit both the electronic and hard copies of the budget statements. It is also disappointing to note that Greater Giyani has not submitted S71 returns for the two months under review. A letter will be sent to the Mayor and Municipal Manager in this regard. Only Makhuduthamaga and Waterberg District submitted both hard and electronic copies of the budget statements. Reminders were sent to these municipalities as a matter of routine.

Finally, for July 2010, two (2) municipalities, namely Makhado and Ba-Phalaborwa, submitted the information in the new format timeously. For August 2010, this number has increased to thirteen (13). This is a significant improvement in terms of compliance. As indicated afore, Provincial Treasury will put more effort to assist all the municipalities to comply.

3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS

Financial Performance

This section focuses on the financial performance of the municipality as reflected in the August 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 second month of the 2010/11 financial year against the full year budget.

Table 2: Second month consolidated operating revenue as at 31 August 2010

Code	Municipality	Financial Performance			
		Total Revenue			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million					
-					
NP03a2	Makhuduthamaga	146	18	67	46%
NP03a3	Fetakgomo	44	0	28	65%
NP03a4	Greater marble Hall	128	5	31	24%
NP03a5	Greater Tubalse	175	7	7	4%
NP03a6	Elias Motsoaledi	234	6	14	6%
DC47	Greater Sekhukhune	771	101	216	28%
Sekhukhune		1,497	137	363	24%
NP331	Greater Giyani	131	-	-	
NP332	Greater Letaba	163	4	11	7%
NP333	Greater Tzaneen	591	49	153	26%
NP334	Ba-Phalaborwa	297	20	56	19%
NP335	Maruleng	64	2	2	3%
DC33	Mopani District	487	1	183	38%
Mopani District		1,732	77	405	23%
NP341	Musina	135	8	33	24%
NP342	Mutale	66	-	-	
NP343	Thulamela	402	15	122	30%
NP344	Makhado	608	99	99	16%
DC34	Vhembe District	449	164	391	87%
Vhembe		1,660	286	644	39%
NP351	Blouberg	88	-	-	
NP352	Aganang	55	4	28	51%
NP353	Molemole	87	-	25	29%
NP354	Polokwane	1,236	127	138	11%
NP355	Lepelle-Nkumpi	175	8	61	35%
DC35	Capricorn District	326	-	137	42%
Capricorn		1,966	138	388	20%
NP361	Thabazimbi	179	2	23	13%
NP362	Lephalale	205	36	36	18%
NP363	Mookgophong	92	15	21	23%
NP364	Modimolle	169	29	39	23%
NP365	Bela-Bela	173	9	25	15%
NP366	Mogalakwena	430	22	129	30%
DC36	Waterberg District	106	2	37	35%
Waterberg		1,354	115	312	23%
Total		8,209	753	2,111	26%

Source: In-Year Monitoring Reports Database

The table above shows that from the total budgeted operating revenue of approximately R8.2 billion for 2010/11, municipalities realised revenue of R753.0 million for the month of August 2010. The year-to-date cumulative revenue for the first two months of the year amounted to R2.1 billion (or 25.7 per cent). Municipalities in Vhembe District realised the highest budgeted revenue, 39.0 per cent, followed by municipalities in Sekhukhune at 24.0 per cent. Municipalities in Capricorn realised the lowest year-to-date actual revenue at 20.0 per cent of budget. At a municipal level, Vhembe District Municipality itself realised the highest actual year-to-date revenue at 87.0 per cent of budgeted revenue amounting to R449 million.

On a linear projections basis, the average collection rate of 26% looks satisfactory, however, in terms of MFMA S18, municipalities are required to ensure that they approve realistic revenues and expenditure. The high collection rate evident in municipalities, especially the 65.0 per cent for Fetakgomo and 87.0 per cent for Vhembe District Municipality imply that compliance to this section of the MFMA was not met. Municipalities will be assisted to ensure that their adjustment budgets in February 2011 reflect their collection muscles accordingly.

Other salient features of table 2 are as follows:

- Greater Giyani, Mutale and Blouberg did not submit the August 2010 expenditure reports hence it appears as if the municipalities did not collect any revenue;
- Maruleng Municipality shows the lowest collection rate of 3.0 percent while Greater Tubatse follows at 4.0 per cent.

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 August 2010

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Spent of %
Financial Performance					
Property rates	623	623	51	87	14%
Service charges	2,243	2,243	169	269	12%
Investment revenue	221	221	14	42	19%
Transfers recognised	3,927	3,926	488	1,438	37%
Other own revenue	1,195	1,195	31	276	23%
Total Revenue	8,209	8,209	753	2,111	26%

Source: In-Year Monitoring Reports Database

The performance of the individual revenue sources is as follows:

- **Property rates:** The implementation of the Municipal Property Rates Act (MPRA) by municipalities resulted in the collection rate of 14.0 percent for the first two months of the financial year. In rand value, the collection rate stands at R87 million against a budget of R623 million.
- **Service Charges:** The collection rate on service charges is the lowest for all operating revenue sources. The total annual budget is R2.2 billion, out of which only R269 million (12.0 percent) was collected.
- **Investment revenue:** performance of this revenue items stands at 19.0 per cent. The rand value is R42 million against a total budget of R221 million.
- **Transfers recognised:** revenue earned from provincial and national grants represents the highest amongst all municipal revenue sources. This is the case due to the high dependency rate of many of our municipalities in the province. The total transfers to be earned by municipalities' amounts to R3.9 billion. For the second month under review, municipalities earned R1.4 billion or 37.0 per cent.
- **Other revenue:** revenue earned form minor sources represent the second highest rate amongst items aforementioned. The collection rate currently stands at R276 million (23.0 per cent) out of a total budget of R1.1 billion.

3.2.2 Operating Expenditure

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

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

Code	Municipality	Financial Performance			
		Total Expenditure			
		Original/adju sted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million					
NP03a2	Makhuduthamaga	-	-	-	
NP03a3	Fetakgomo	13	0	0	2%
NP03a4	Greater marble Hall	20	3	4	22%
NP03a5	Greater Tubatse	53	1	1	-
NP03a6	Elias Motsoaledi	232	12	27	12%
DC47	Greater Sekhukhune	355	6	6	2%
Sekhukhune		1,074	60	105	10%
NP331	Greater Giyani	135	-	-	
NP332	Greater Letaba	125	9	19	15%
NP333	Greater Tzaneen	584	123	152	26%
NP334	Ba-Phalaborwa	297	24	45	15%
NP335	Maruleng	60	5	5	8%
DC33	Mopani District	391	11	33	8%
Mopani District		1,590	172	254	16%
NP341	Musina	139	10	34	24%
NP342	Mutale	66	-	-	
NP343	Thulamela	371	18	36	10%
NP344	Makhado	608	17	17	3%
DC34	Vhembe District	283	99	129	45%
Vhembe		1,468	144	216	15%
NP351	Blouberg	88	-	-	
NP352	Aganang	99	4	7	7%
NP353	Molemole	88	-	4	5%
NP354	Polokwane	1,225	102	117	10%
NP355	Lepelle-Nkumpi	131	3	9	7%
DC35	Capricorn District	326	-	13	4%
Capricorn		1,956	110	151	8%
NP361	Thabazimbi	175	(2)	5	3%
NP362	Lephalale	205	13	13	6%
NP363	Mookgophong	92	7	14	15%
NP364	Modimolle	169	14	26	16%
NP365	Bela-Bela	156	13	23	15%
NP366	Mogalakwena	415	38	60	14%
DC36	Waterberg District	108	4	10	9%
Waterberg		1,321	86	151	11%
Total		7,410	571	876	12%

Source: In-Year Monitoring Reports Database

Table 4 shows that the total budgeted operating expenditure for all municipalities for 2010/11 amounts to approximately R7.4 billion. For the first two months of the financial year, the consolidated actual expenditure amounts to R876.0 million (or 12.0 per cent of budget).

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;
- Unlike the operating revenue budget which achieved a collection rate of 26.0 per cent during the first two months of the financial year, the operating expenditure budget is taking a snail pace. Another important feature to note is that the majority of the 12.0 percent total expenditure mainly comprise of salaries, wages, allowances and materials & bulk purchases.

Table 5 disaggregates the operating expenditure into individual items.

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

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Spent of %
R million					
Employee costs	2,440	2,440	184	325	13%
Remuneration of Councillors	280	280	17	32	11%
Debt impairment	135	135	0	0	0%
Depreciation and amortisation	323	323	5	6	2%
Finance charges	40	40	-	0	0%
Materials and bulk purchases	1,647	1,647	206	269	16%
Other expenditure	2,546	2,546	159	245	10%
Total Expenditure	7,410	7,410	571	876	12%

Source: In-Year Monitoring Reports Database

An analysis of the individual expenditure items is conducted below.

- **Employee Related Costs:** Personnel related costs constitute a significant portion of the budget at 32.9 per cent, with actual spending at 13 per cent. Employee related costs include salaries, benefits and allowances;

- **Remuneration of Councilors:** This constitutes 3.8 per cent of the total operating budget and actual spending in the first two months of the financial year is 11.0 per cent;
- **Debt impairment:** This refers to provision of bad or irrecoverable debt. It accounts for 1.8 per cent of the budget with no provision made in the first two months;
- **Depreciation or amortisation:** Refers to provision for diminution in value of tangible and intangible assets due to usage. It accounts for 4.4 per cent of the operating budget, with actual provision of 2.0 per cent in the first two months of the 2010/11 financial year;
- **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.
- **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 the highest actual spending of 16.0 per cent;
- **Other expenditure:** This includes general expenses such as telephones, repairs and maintenance and purchase of office supplies. It accounts for 34.4 per cent of the budget with actual spending at 10.0 per cent;

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 August 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	-	-	-	
NP03a3	Fetakgomo	13	0	0	-
NP03a4	Greater marble Hall	20	3	4	-
NP03a5	Greater Tubatse	53	-	-	
NP03a6	Elias Motsoaledi	81	-	6	-
DC47	Greater Sekhukhune	-	(6)	6	-
Sekhukhune		243	(2)	17	7%
NP331	Greater Giyani	67	-	-	
NP332	Greater Letaba	72	1	5	7%
NP333	Greater Tzaneen	125	1	1	1%
NP334	Ba-Phalaborwa	80	-	-	
NP335	Maruleng	25	0	0	1%
DC33	Mopani District	219	5	42	19%
Mopani District		588	7	49	8%
NP341	Musina	17	0	1	5%
NP342	Mutale	13	-	-	
NP343	Thulamela	101	-	8	8%
NP344	Makhado	166	4	4	2%
DC34	Vhembe District	590	45	45	8%
Vhembe		887	49	58	6%
NP351	Blouberg	38	-	-	
NP352	Aganang	40	-	-	
NP353	Molemole	-	-	-	
NP354	Polokwane	-	22	22	-
NP355	Lepelle-Nkumpi	-	-	-	
DC35	Capricorn District	246	-	246	100%
Capricorn		324	22	269	83%
NP361	Thabazimbi				
NP362	Lephalale	32			
NP363	Mookgophong	26			1%
NP364	Modimolle	41			1%
NP365	Bela-Bela	25			-
NP366	Mogalakwena	171	(11)	(18)	-11%
DC36	Waterberg District	20	1	1	5%
Waterberg		315	(9)	(16)	-5%
Total		2,357	67	375	16%

Source: In-Year Monitoring Reports Database

Table 6 above shows that the budgeted funding for the capital budget for all municipalities amount to R2.4 billion for 2010/11 and R375.0 million thereof has been earned. The provincial treasury is of the view that not much inferences can be made from these amounts due to the following factors:

- Four (4) municipalities have not submitted their budget returns; hence the budget amounts appear blank in their monthly budget statements (denoted by nil in the tables); and
- Seventeen municipalities did not submit the Capital Acquisition Actual (CAA) returns to indicate how much funds were utilised for capital expenditure or incorrectly captured the CAA return form. Submissions made on Schedule C in this regard are also not credible.

Given the factors mentioned above, the amounts provided in table 6 above should be interpreted with caution. As mentioned earlier, the training to be rolled out by Provincial Treasury will also address the issue of incorrect or incomplete completion of return forms.

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

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

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Spent of %
Funds sources					
External Loans	48	48	0	0	1%
Asset Financing Reserve	–	–	15	15	–
Surplus Cash	137	137	2	21	15%
Public contributions/ donations	33	33	–	0	1%
Government Grants and Subsidies	1,735	1,735	49	326	19%
Leases	80	80	–	–	–
Other Ad-Hoc Financing Sources	123	123	0	7	6%
Other	202	202	(1)	6	3%
Total sources	2,357	2,357	67	375	16%

Source: In-Year Monitoring Reports Database

The main characteristics of table 7 are as follows:

- The capital revenue earned from provincial and national government constitutes the highest amongst all capital revenue sources. This is due to the fact that many municipalities in the province are 100 per cent reliant on grant funding for capital projects. The government grants and subsidies constitute 74.0 per cent (R1.7 billion) of the R2.4 billion total budget. The year to date capital revenue earned is 19.0 per cent.
- Following the government grants is surplus cash which has a collection rate of 15.0 per cent (R21 million) against a budget of R137 million. Part of this surplus cash is from unspent conditional grants from prior years.

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 months under review, actual capital expenditure amounts to R391.0 million (or 12.0 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 August 2010

Code	Municipality	Total Capital 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	-	-	-	
NP03a3	Fetakgomo	13	0	0	2%
NP03a4	Greater marble Hall	20	3	4	22%
NP03a5	Greater Tubatse	53	1	1	2%
NP03a6	Elias Motsoaledi	80	8	14	18%
DC47	Greater Sekhukhune	355	6	6	2%
Sekhukhune		521	19	26	5%
NP331	Greater Giyani	67	-	-	
NP332	Greater Letaba	72	1	5	7%
NP333	Greater Tzaneen	125	1	2	1%
NP334	Ba-Phalaborwa	80	1	2	3%
NP335	Maruleng	25	0	0	1%
DC33	Mopani District	110	21	26	24%
Mopani District		478	25	35	7%
NP341	Musina	35	0	1	3%
NP342	Mutale	-	-	-	
NP343	Thulamela	101	1	9	9%
NP344	Makhado	166	4	4	2%
DC34	Vhembe District	590	39	59	10%
Vhembe		891	44	73	8%
NP351	Blouberg	-	-	-	
NP352	Aganang	40	1	3	8%
NP353	Molemole	15	2	2	17%
NP354	Polokwane	342	22	22	6%
NP355	Lepelle-Nkumpi	92	3	3	3%
DC35	Capricorn District	246	-	-	
Capricorn		735	22	269	37%
NP361	Thabazimbi	47	0	0	1%
NP362	Lephalale	178	2	2	1%
NP363	Mookgophong	26	0	0	1%
NP364	Modimolle	41	3	4	10%
NP365	Bela-Bela	25	0	0	0%
NP366	Mogalakwena	271	(11)	(18)	-7%
DC36	Waterberg District	69	0	0	0%
Waterberg		657	(5)	(12)	-2%
Total		3,282	105	391	12%

Source: In-Year Monitoring Reports Database

The main characteristics of table 8 are the following:

- Municipalities in Capricorn District have the highest proportion of the capital expenditure budget at 37.0 per cent while those in Waterberg District have the lowest proportion at -2.0 per cent of the total capital expenditure budget;
- Polokwane Municipality is the major contributor to the higher ratio of capital expenditure in Capricorn District. The total capital expenditure for the city stands at R22 million which is 6.0 per cent of its capital budget.
- On the other hand, the negative capital expenditure in Waterberg District is caused by Mogalakwena Municipality which records its expenditure amounts as negatives, thereby offsetting the expenditure totals of the other municipalities within the district.
- Seven Municipalities, being Makhuduthamaga, Greater Giyani, Mutale, Blouberg, Capricorn, Bela-Bela and Waterberg have not spent a cent of their capital budget within a period of two months. In our engagements with municipalities as a Provincial Treasury, advice is provided to municipalities to ensure that capital projects are rolled out as per plans in order to avoid reverting unspent conditional grant monies to the national revenue fund. Despite awareness of MFMA Circular 48 which provides adequate information in this regard, municipalities continue to spend their capital budget at a snail's pace.

3.2.5 Debtors and Creditors

The analysis in table 9 below shows the status of debtors and creditors as at 31 August 2010.

Table 9: Consolidated debtors and creditors as at 31 August 2010

Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
<u>Debtors Age Analysis</u>								
Total By Revenue Source	227	151	78	372	532	396	203	1,958
<u>Creditors Age Analysis</u>								
Total Creditors	220	3	5	0	20	6	-	253

Source: In-Year Monitoring Reports Database

The key characteristics of table 9 are as follows:

- As at 31 August 2010, municipalities report to have approximately R2.0 billion in outstanding debtors. This total debt represents a decrease by just R0.1 million when compared to the July report and an increase by R0.4 million when compared with the June 2010 report.
- This suggests that the ability of municipalities to reduce outstanding debtors is uneven, hence the fluctuation in the trend. It is worrying though to note that an increase is by a huge margin (R0.4 million) while the decrease is insignificant (R0.1 million).
- A key concern regarding outstanding debtors is that a significant portion is over the 91 days bracket, totaling approximately R1.5 billion (or 77.0 per cent of the total outstanding debtors); and
- With regard to creditors, 87.0 per cent of the amount outstanding is current (within the thirty days bracket), this is encouraging since MFMA Circular 49 and MFMA Section 65(2)(e) requires that creditors owed by the municipality should be paid within 30 days of receiving invoices or statements. However, it is imperative for the remainder of the 13.0 per cent of amounts owed by municipalities to be cleared in order to achieve 100 per cent compliance with legislation.

3.2.6 Cash Flows

From table ten (10) below, it is evident that municipalities in Limpopo have sufficient liquid funds. This is reflected by the positive opening balance of R145 million in July 2010 with a projected positive closing balance of R667 million in June 2011. The high liquidity position of municipalities should assist in eliminating the 13.0 per cent of creditors owed for more than thirty days.

The payment of creditors earlier has, in addition to complying with legislation, added benefits, amongst others good relations with suppliers, cash discounts and elimination of unnecessary interests being charged on outstanding debts. On the contrary, a huge cash balance may suggest that the municipality is not spending its conditional grants; hence, huge cash balances should be carefully analyzed.

Table 10: Consolidated cash flows as at 31 August 2010

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	145	921	1,182	1,104	1,125	1,284	1,221	1,184	989	1,006	1,008	936
Sub-Total Receipts	1,785	766	66	81	271	84	66	137	313	325	225	229
Sub-Total Payments	1,009	699	124	126	124	148	125	112	255	284	497	449
Closing Balance	921	1,084	1,104	1,080	1,271	1,221	1,183	1,209	1,006	1,008	936	667

Source: In-Year Monitoring Reports Database

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 second month of the 2010/11 municipal financial year;
- 6.2. Notes that 13 municipalities submitted the monthly budget statements in the formats required (Schedule C of the MFMA: Municipal Budget and Reporting Regulations with effect from 1 July 2010). It is believed that the planned training to be rolled out will increase this number in the next month(s).
- 6.3. Notes that most 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:



Ntuli P. S.

Acting Senior Manager: Financial Planning and Budgets

Date: 22/10/2010

Approved by:



Ramdharie N

Head of Department

Date: 22/10/2010