

677



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ntuli P S

Date: 06 December 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: OCTOBER 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 narratives as at 31 October 2010.



**HEAD OF DEPARTMENT
PROVINCIAL TREASURY**

DATE: 08/12/2010

LIMPOPO PROVINCIAL TREASURY
Monthly Budget Statement
Report on Municipal Consolidated Financial Performance Statements
as at 31 October 2010

Table of Contents

1. PURPOSE.....	2
2. BACKGROUND	2
3. DISCUSSION.....	3
3.1 COMPLIANCE WITH SUBMISSION OF MONTHLY BUDGET STATEMENTS AND TIMEFRAMES	3
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	14
3.2.4 Capital Expenditure	19
3.2.5 Debtors and Creditors	24
3.2.6 Cash Flows.....	25
4. LEGAL IMPLICATIONS	25
5. FINANCIAL IMPLICATIONS.....	26
6. RECOMMENDATIONS.....	26

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. These consolidated monthly budget statements are compiled in terms of Section 71(6) of the Municipal Finance Management Act (No. 56 of 2003). The amounts reflected in the statements are compared with the corresponding amounts budgeted for in the municipality's approved budget. This consolidated report covers the financial performance in municipalities for the first four months of the 2010/11 financial year, the month ending October 2010.

2. BACKGROUND

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.

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.

3. DISCUSSION

3.1 COMPLIANCE WITH SUBMISSION OF MONTHLY BUDGET STATEMENTS AND TIMEFRAMES

Table 1 below shows the submission of the Monthly Budget Statement (MBS) reports for the month ended 31 October 2010. Compliance with section 71(1 & 4) of the MFMA will also be depicted in this table. The table shows the types of formats used by municipalities, the date of actual submission of both electronic and hard copies; as well as those municipalities that did not comply with the MFMA s71 at all for the period under review.

Table 1 Monthly Budget Statement Submission Schedule

Municipality	Aug-10				Sep-10				Oct-10				
	Appendix B	Schedule C	Date of submission		Documents sent	Sch C / App B	Date of submission		Documents sent	Sch C / App B	Date of submission		Documents sent
			Electronic	Hard copy			Electronic	Hard copy			Electronic	Hard copy	
DC 35 - CAPRICORN								14.10.2010		B	3.12.2010	01.12.2010	CAA,OSA,AC,AD,CFA
UM 351 - BLOUBERG	Yes		27.09.2010		AC,CAA,CFA,OSA	B	19.10.2010		CFA,CAA,OSA,AC	B	11.11.2010		OSA,CAA,CFA,AD,AC
UM 352 - AGANANG		Yes	13.09.2010		Schedule C Format	B	14.10.2010		OSA,CAA,CFA,AD,AC	B	12.11.2010		OSA,CAA,CFA,AD,AC
UM 353 - MOLEMOLE		Yes	14.09.2010		Schedule C Format	C	14.10.2010		Schedule C	C	12.11.2010	12.11.2010	Schedule C
UM 354 - POLOKVAHE		Yes	10.09.2010		Schedule C Format	C, B	7.10.2010		OSA,CAA,CFA,AD,AC	B	10.11.2010		OSA,AD,CFA
UM 355 - LEPALLE-NKUMPI	Yes		10.09.2010		AC,AD,CFA,CAA,OSA	B	14.10.2010		OSA,CAA,CFA,AD,AC	B	11.11.2010		AC,CAA,CFA,OSA
DC - 47 - GREATER SEKHUKHUNE	Yes		09.09.2010		OSA,CFA,CAA,AC	B	13.10.2010		OSA,CAA,CFA,AD,AC	B	15.11.2010	15.11.2010	OSA,CAA,CFA,AD,AC
UM 471 - EPHRAIM MOGALE		Yes	14.9.2010		Schedule C Format					B	12.11.2010		OSA,CAA,CFA,AD,AC
UM 472 - ELLAS MOTSOLEDI		Yes	15.09.2010		Schedule C Format	B	14.10.2010		AC,AD,CAA,OSA	B	11.11.2010		OSA,CAA,CFA,AD,AC
UM 473 - MAKHUDUTHAMAGA	Yes		14.09.2010	14.09.2010	AC,CFA,AD,OSA,CAA	C	14.1.2010	14.10.2010	Schedule C	B	12.11.2010		AC,CAA,OSA
UM 474 - FETAKGOMO	Yes		14.09.2010		AC,CFA,AD,OSA,CAA	B	8.10.2010	11.10.2010	OSA,CAA,CFA,AD,AC	B	11.11.2010	11.11.2010	AC,AD,CAA,CFA
UM 475 - GREATER TUBATSE	Yes				AC,CFA,AD,OSA,CAA	B	18.10.2010		OSA,CAA,CFA,AD,AC	B	7.12.2010		CAA,OSA,AC,AD,CFA
DC 33 - MOPANI		Yes	28.09.2010		Schedule C Format	B	13.10.2010		OSA,CAA,CFA,AD,AC	B	9.11.2010		CAA,OSA,AC,AD,CFA
UM 331 - GREATER GYANI	Yes		22.10.2010		OSA,CFA,AD,AC	B	22.10.2010		OSA,CFA,AD,AC	B	29.11.2010		OSA,CAA,CFA,AD,AC
UM 332 - GREATER LETABA		Yes	14.09.2010		Schedule C Format	C,B	14.10.2010		Schedule C	B	14.11.2010	12.11.2010	OSA,CAA,CFA,AD,AC
UM 333 - GREATER TZANEEN		Yes	14.09.2010		Schedule C Format	B	14.10.2010		OSA,CAA,CFA,AD,AC	B	12.11.2010		OSA,CAA,CFA,AD,AC
UM 334 - BA- PHALABORWA		Yes	13.09.2010		Schedule C Format	C, B	9.10.2010		OSA,CAA,CFA,AD,AC	C,B	11.11.2010		OSA,CAA,CFA,AD,AC
UM 335 - MARULENG	Yes		20.09.2010		CFA,OSA,AD,AC,CAA	B	14.10.2010		OSA,CAA,CFA,AD,AC	B	11.11.2010		OSA,CAA,CFA,AD,AC
DC 36 - WATERBERG		Yes	14.09.2010	14.09.2010	Schedule C Format	C, B	14.10.2010	14.10.2010	OSA,CAA,CFA,AD,AC	C,B	12.11.2010	12.11.2010	OSA,CAA,CFA,AD,AC
UM 361 - THABAZIMBI	Yes		13.09.2010		CFA,OSA,AC,CAA,AD	B	7.10.2010		AD,CAA,OSA,CFA	B	4.11.2010		AD,AC,OSA,CFA,CAA
UM 362 - LEPHALLE						B	14.10.2010		CFA,CAA,OSA,AD,AC	B	10.11.2010		OSA,CAA,CFA,AD,AC
UM 364 - MOOKGOPONG	Yes		28.09.2010		AC,OSA,AD,CAA	B	14.10.2010		AC,AD,CAA,OSA	B	15.11.2010		AC,OSA,AD,CAA
UM 365 - MODIMOLLE		Yes	14.09.2010		Schedule C Format	C	14.10.2010		Schedule C	C	11.11.2010	11.11.2010	Schedule C
UM 366 - BELA-BELA	Yes		14.09.2010		CFA,OSA,AC,CAA,AD	C	15.10.2010	14.10.20	Schedule C	B	11.11.2010	15.11.2010	OSA,CAA,CFA,AD,AC
UM 367 - MOGALAKVERIA	Yes		14.09.2010		CFA,OSA,AC,CAA,AD	B	14.10.2010		CFA,CAA,OSA,AD,AC	B	15.11.2010		AD,AC,OSA,CFA,CAA
DC 34 - VHEMBE	Yes		13.09.2010		CFA,OSA,AC,CAA,AD	B	12.10.2010		OSA,CAA,CFA,AD,AC	B	10.11.2010		OSA,CAA,CFA,AD,AC
UM 341 - MUSINA	Yes		14.09.2010		CFA,OSA,AC,CAA,AD	B	14.10.2010		CFA,CAA,OSA,AD,AC	B	15.11.2010		AD,AC,OSA,CFA,CAA
UM 342 - MUTALE										B	11.11.2010		AD,CFA,OSA,AC
UM 343 - THULAMELA		Yes	22.09.2010		Schedule C Format	C	19.10.2010		Schedule C	C	10.11.2010		Schedule C
UM 344 - MAKHADO		Yes	14.09.2010		Schedule C Format	C	14.10.2010		Schedule C	C,B	10.11.2010		OSA,CAA,CFA,AD,AC

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

As reported in the first quarter MFMA S71 publication, the planned training project on the Municipal Budget & Reporting Regulations (MBRR) Schedule C has been rolled out to fifteen (15) municipalities during the month of November 2010. The training project for the fifteen (15) municipalities will be continued in January 2011. Priority was given to those municipalities currently experiencing challenges with the accurate completion of the reports as well as those who have not been submitting the schedule C reports at all.

MFMA S 71 (4) requires that a hard copy of the monthly budget statement must be submitted to the Provincial Treasury (PT). The MBRR provides a sample of the quality certificate that must be signed by the Municipal Manager certifying the report to be correct and compliant with the MFMA. As seen from this report, only eight (8) municipalities submitted the hard copies to PT, in the previous month (September 2010), only five (5) municipalities complied in this regard. PT will continue to issue non-compliance letters to those municipalities who are not complying with this sub-section of the MFMA.

In the September 2010 S71 publication report, it was reported that only two municipalities did not submit either format of the MFMA S71 report, for this month (October 2010), all municipalities submitted the reports, however, three municipalities namely, Greater Giyani, Greater Tubatse and Capricorn District submitted the reports late.

The October financial performance results for Greater Tubatse and Capricorn District have not been included for this publication because the reports were not available at the time of preparing this report. The submission history of Capricorn District municipality reveals that only in July 2010 did the municipality submit both the hard and electronic copies of the S71 report, in September 2010, only a hard copy of the returns were submitted. No submissions were made for the August month; and for October, the reports were submitted late. Hence, only the July 2010 performance is consolidated for the purpose of this publication.

3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS

Financial Performance

This section of the report focuses on the financial performance of the municipality as reflected in the October 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 month ended 31 October 2010.

Table 2: Consolidated operating revenue as at 31 October 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	146	2	72	50%
NP03a3	Fetakgomo	44	2	29	67%
NP03a4	Greater marble Hall	128	4	39	30%
NP03a5	Greater Tubatse	175	–	13	7%
NP03a6	Elias Motsoaledi	234	19	37	16%
DC47	Greater Sekhukhune	771	–	220	29%
Sekhukhune		1,497	26	411	27%
NP331	Greater Giyani	131	3	56	43%
NP332	Greater Letaba	163	3	19	12%
NP333	Greater Tzaneen	591	23	176	30%
NP334	Ba-Phalaborwa	297	14	83	28%
NP335	Maruleng	64	2	7	12%
DC33	Mopani District	487	78	264	54%
Mopani District		1,732	122	606	35%
NP341	Musina	135	9	54	40%
NP342	Mutale	66	–	29	43%
NP343	Thulamela	402	12	167	42%
NP344	Makhado	608	21	220	36%
DC34	Vhembe District	449	313	897	200%
Vhembe		1,660	356	1,367	82%
NP351	Blouberg	88	1	4	4%
NP352	Aganang	55	9	38	69%
NP353	Molemole	87	1	27	31%
NP354	Polokwane	1,236	83	296	24%
NP355	Lepelle-Nkumpi	175	8	78	45%
DC35	Capricorn District	327	0	137	42%
Capricorn		1,831	102	682	37%
NP361	Thabazimbi	179	47	72	40%
NP362	Lephalale	293	8	114	39%
NP363	Mookgophong	92	5	32	35%
NP364	Modimolle	169	12	60	36%
NP365	Bela-Bela	173	13	44	25%
NP366	Mogalakwena	430	24	176	41%
DC36	Waterberg District	106	1	42	40%
Waterberg		1,442	110	540	37%
Total		8,162	716	3,605	44%

Source: In-Year Monitoring Reports Database

The table above indicates that the municipalities collected R3.6 billion as at the end of October 2010 against the total operating revenue budget of approximately R8.2 billion. The total operating revenue collected as at the end of the month under review stands at 44.0 per cent.

Operating revenue per district

- **Vhembe District** :- At a district level, municipalities in Vhembe District collected the highest budgeted revenue of 82.0 per cent, followed by municipalities in Waterberg and Capricorn at 37.0 per cent each, while municipalities in Sekhukhune realized the lowest year to date actual revenue at 27.0 per cent of the budget. At a municipal level, Vhembe District's collection rate stands at 200.0 per cent, which is the highest.
- **Capricorn District**:- Municipalities in Capricorn have an average year to date ratio of 37.0 per cent. The municipality with the highest collection rate on operating revenue is Aganang (69.0 per cent), Lepelle-Nkumpi (45.0 per cent) and Capricorn District (42.0 per cent). Blouberg municipality collected the lowest budgeted revenue of 4.0 per cent.
- **Waterberg District**: - Municipalities like Mogalakwena, Waterberg District and Thabazimbi have an average collection ratio of 40.0 per cent. The municipality with the lowest in the district is Bela-Bela with 25.0 per cent.
- **Mopani District**: - Mopani has an average collection rate of 35.0 per cent, which is the second lowest amongst other districts. The poor performers in this district are Maruleng and Greater Letaba at 12.0 per cent each. The collection rate of the district municipality is the highest at 54.0 percent, followed by Greater Giyani with 43.0 per cent. The good performance of Mopani District and Greater Giyani has been overshadowed by the poor performance of Greater Letaba and Maruleng.
- **Sekhukhune District**: - Sekhukhune District municipalities' performance is the lowest at 27.0 per cent. Fetakgomo is still leading in revenue collection at 67.0 percent followed by Makhuduthamaga at 50.0 per cent. The poor performers in this district are Elias Motsoaledi at 16.0 per cent and Greater Tubatse at 7.0 per cent.

It can be seen from the table and the narrations afore that municipalities in the Province have different revenue collection muscles, and the majority is not able to depict realistic projections. Over performers in the Province are Vhembe District at 200.0 per cent, Aganang at 69.0 per cent, Fetakgomo at 67.0 per cent and Mopani at 54.0 per cent. On the contrary, poor performers are Blouberg with the lowest collection rate of 4.0 per cent, with Tubatse being the second lowest at 7.0 per cent followed by Letaba and Maruleng at 12.0 per cent each. These municipalities' over/under performance implies that MFMA S18 was not complied with, in terms of realistically anticipated revenues.

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

Table 3: Consolidated revenue sources as at 31 October 2010

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
Financial Performance					
Property rates	626	626	58	234	37%
Service charges	2,262	2,262	172	602	27%
Investment revenue	243	243	19	81	34%
Transfers recognised	3,725	3,725	418	2,398	64%
Other own revenue	1,305	1,305	50	289	22%
Total Revenue	8,162	8,162	716	3,605	44%

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 37.0 per cent (R234 million) at the end of October 2010 against a budget of R626 million.
- **Service Charges:** The generated revenue on service charges stands at 27.0 per cent (R602 million) of its annual budget of R2.3 billion.
- **Investment revenue:** Actual performance on this revenue item stands at 34.0 per cent (R81 million) against a total budget of R243 million.

- **Transfers recognised:** The total transfers earned by municipalities as at the end of October 2010 stands at 64.0 per cent (R2.4 billion) of a total budget of R3.73 billion.
- **Other revenue:** Income generated from minor sources stands at 22.0 per cent (R289 million) out of a budget of R1.33 billion.

Though some municipalities reflected high operating revenue collection ratios, the majority of this revenue is from transfers and grants. Out of a total year to date receipts of R3.6 billion, R2.4 billion (66.0 per cent) represents revenues earned from grants and subsidies. This continues to prove that municipalities in Limpopo are extremely dependent on grants for their operating activities.

3.2.2 Operating Expenditure

This section deals with the operating expenditure performance for the month ended 31 October 2010, against the annual budget. Table 4 below consolidates this performance.

Table 4: Consolidated operating expenditure as at 31 October 2010

Code	Municipality	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	97	7	22	23%
NP03a3	Fetakgomo	43	4	14	33%
NP03a4	Greater marble Hall	127	11	44	35%
NP03a5	Greater Tubatse	175	–	27	15%
NP03a6	Elias Motsoaledi	232	10	58	25%
DC47	Greater Sekhukhune	399	–	61	15%
Sekhukhune		1,074	32	226	21%
NP331	Greater Giyani	135	9	33	25%
NP332	Greater Letaba	125	7	35	28%
NP333	Greater Tzaneen	584	53	149	26%
NP334	Ba-Phalaborwa	297	22	89	30%
NP335	Maruleng	60	5	14	24%
DC33	Mopani District	391	24	101	26%
Mopani District		1,590	119	422	27%
NP341	Musina	139	10	54	39%
NP342	Mutale	66	–	21	32%
NP343	Thulamela	371	20	75	20%
NP344	Makhado	608	31	115	19%
DC34	Vhembe District	442	232	542	122%
Vhembe		1,627	292	806	50%
NP351	Blouberg	88	8	14	16%
NP352	Aganang	99	4	15	15%
NP353	Molemole	88	4	11	12%
NP354	Polokwane	1,225	84	276	23%
NP355	Lepelle-Nkumpi	131	6	21	16%
DC35	Capricorn District	190	–	16	8%
Capricorn		1,821	106	354	19%
NP361	Thabazimbi	175	27	47	27%
NP362	Lephalale	322	6	50	15%
NP363	Mookgophong	92	7	31	33%
NP364	Modimolle	169	7	45	27%
NP365	Bela-Bela	156	12	54	34%
NP366	Mogalakwena	415	39	124	30%
DC36	Waterberg District	108	7	21	20%
Waterberg		1,438	105	372	26%
Total		7,550	655	2,179	29%

Source: In-Year Monitoring Reports Database

Table 4 above reflects the status of all municipalities in terms of the total operating expenditure budget amounting to R7.5 billion. For the month under review, 31 October 2010, the consolidated actual expenditure amounts to R2.1 billion (29.0 per cent).

Performance per District:

- **Sekhukhune District:** The total original budget for operating expenditure stands at R1.0 billion. The actual expenditure for the month is at R32 million, resulting in an expenditure to date of R226 million or 21.0 per cent. Greater Tubatse and Greater Sekhukhune are the lowest in terms of performance as they both reflect 15.0 per cent each.
- **Mopani District:** The total original budget for operating expenditure stands at R1.5 billion. The actual expenditure for the month is at R119 million resulting in an expenditure to date of R422 million or 27.0 per cent.
- **Vhembe District:** The District took a lead in terms of operating expenditure as compared to the other four districts. Its operating expenditure performance is at 50.0 per cent with the total original budget of R1.6 billion. The actual operating expenditure for the month is at R292 million and the expenditure to date stands at R806 million. The high ratio achieved by Vhembe District is due to the high expenditure ratio by the district itself. Vhembe District Municipality reflects the following financial background, annual budget of R442 million, the expenditure to date is at R542 million (122.0 per cent).
- **Capricorn District:** The overall annual budget of the district stands at R1.8 billion, the expenditure to date is R354 million (19.0 per cent). Capricorn District itself is not performing well as its ratio stands at 8.0 per cent. For the month under review, the district municipality did not manage to comply with MFMA section 71 in terms of time provisions.

- **Waterberg District:** The overall annual budget of the district stands at R1.4 billion, the expenditure to date is R372 million which results to 26.0 per cent. Lephalale is reported to be the lowest in operating expenditure with the original budget of R322 million, expenditure to date of R50 million; which results in 15.0 per cent.

The total average expenditure ratio for the month is low at 29.0 per cent. Another major contributing factor to this low expenditure ratio is the late and/or non-submission of the OSA return forms by municipalities.

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

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
Employee costs	2,590	2,590	201	766	30%
Remuneration of Councillors	283	283	18	74	26%
Debt impairment	135	135	0	0	0%
Depreciation and amortisation	324	324	4	12	4%
Finance charges	41	41	0	1	3%
Materials and bulk purchases	1,652	1,652	129	488	30%
Other expenditure	2,526	2,526	303	837	33%
Total Expenditure	7,550	7,550	655	2,179	29%

Source: In-Year Monitoring Reports Database

Analysis of the individual expenditure items is reflected as follows:

- **Employee Related Costs:** This line item is made up of salaries, benefits and allowance. For the month under review, the total expenditure stands at R766 million (30.0 per cent) of R2.5 billion.
- **Remuneration of Councilors:** The percentage of the budget spent on the original budget is 26.0 per cent, which in rand value stands at R74 million.
- **Debt impairment:** This refers to provision of bad or irrecoverable debt. The line item has an original budget of R135 million, while the monthly actual, the year to date (YTD) actual and percent of the budget spent are all reflecting a nil amount. This indicates that there was no movement on this line item for the months under review.

- **Depreciation or amortisation:** This refers to provision for diminution in value of tangible and intangible assets due to usage. It reflects 4.0 per cent of the original budget, with YTD of R12 million and monthly actual of R4 million.
- **Finance charges:** This refers to levies such as finance lease charges and interest on borrowings, and it accounts for 0.5 per cent of the original budget. The YTD actual is R1 million (3.0 per cent) and the monthly actual reflects a nil balance (less than five hundred thousand).
- **Materials and bulk Purchases:** Included in this item are purchases of bulk services such as water from the Water Boards and electricity from Eskom. The YTD actual of Bulk Purchases constitute 30.0 per cent of the original budget of R488 million.
- **Other expenditure:** This includes general expenses such as telephones, repairs and maintenance and purchase of office supplies. Out of the original budget of R2.5 billion, the YTD actual spending stands at R837 million (33.0 per cent).

3.2.3 Capital Revenue: Sources of Finance

This section provides an update on the actual sources of capital funding as submitted to Provincial Treasury. Furthermore, it presents the original budgets, actual receipts to date and the percentage of actual receipts thereof. The original capital funding budget is R3.7 billion, while actual receipts amounts to R586 million or 16.0 per cent.

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

Code	Municipality	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	152	1	16	11%
NP03a3	Fetakgomo	13	2	4	29%
NP03a4	Greater marble Hall	20	0	13	63%
NP03a5	Greater Tubatse	53	-	-	
NP03a6	Elias Motsoaledi	81	4	20	25%
DC47	Greater Sekhukhune	355	16	77	22%
Sekhukhune		674	22	122	18%
NP331	Greater Giyani	67	0	1	1%
NP332	Greater Letaba	72	2	9	13%
NP333	Greater Tzaneen	125	4	6	5%
NP334	Ba-Phalaborwa	80	-	-	
NP335	Maruleng	25	0	4	18%
DC33	Mopani District	219	39	91	42%
Mopani District		588	46	111	19%
NP341	Musina	17	4	5	27%
NP342	Mutale	13	-	-	
NP343	Thulamela	101	2	26	26%
NP344	Makhado	166	4	29	18%
DC34	Vhembe District	590	107	265	45%
Vhembe		887	116	325	37%
NP351	Blouberg	38	-	-	
NP352	Aganang	40	-	-	
NP353	Molemole	-	-	-	
NP354	Polokwane	910	10	34	4%
NP355	Lepelle-Nkumpi	152	2	6	4%
DC35	Capricorn District	0	-	-	
Capricorn		1,140	12	40	4%
NP361	Thabazimbi	49			
NP362	Lephalale	96	5	10	10%
NP363	Mookgophong	26	3	3	11%
NP364	Modimolle	41	1	7	18%
NP365	Bela-Bela	25	1	1	4%
NP366	Mogalakwena	171	(16)	(34)	-20%
DC36	Waterberg District	20		1	6%
Waterberg		428	(6)	(12)	-3%
Total		3,718	189	586	16%

Source: In-Year Monitoring Reports Database

This section signifies the sources of finances utilized to fund capital expenditure per district.

- **Vhembe District:-** The total revenue collection for the four months under review for Vhembe District is R325 million or 37.0 per cent of the projected budget of R887 million. The highest collection is contributed by the district municipality itself with R265 million (81.5 percent of the total district collection to date). The district projected to collect R590 million for this current year, to date; the collection is at 45.0 percent. On the other hand, the table above reveals zero sources of revenue for Mutale municipality; this is due to late submission of the CAA return form.
- **Mopani District:-** Mopani District comes second in capital revenue collection, with R111 million or 19.0 per cent of the projected budget of R588 million. Municipalities that contributed a bigger portion in this regards are the district itself with R91 million or 42.0 percent, followed by Greater Letaba with R9 million or 13.0 percent. In this district, the table reveals that Ba-Phalaborwa did not indicate their sources of revenue in the CAA return form. The municipality has been advised to correctly complete this return forms; however, the same error is repeated.
- **Sekhukhune District:-** This district reveals the total revenue collection of R122 or 18.0 percent of the projected budget of R674 million. The major contributor is the district itself with R77 million or 22.0 percent, followed by Elias Motsoaledi at an average of R20 million or 25.0 percent. Greater Tubatse submitted their reports late; hence no indication of the sources of revenue for the current month.
- **Capricorn District:-** For the period under review, the district collected R40 million or 4.0 percent of R1.1 billion. Polokwane and Lepelle-Nkumpi are the only two municipalities that contributed to the above mentioned revenue, each of them contributed R34 million or 85.0 per cent and R6 million or 15.0 per cent respectively. The other three local municipalities and the district itself did not indicate their sources of revenue in the CAA return forms.

- **Waterberg District:-** Performance for the district stands at negative R12 million (or 3.0 per cent). The main revenue contributor in this district is Lephalale with R10 million or 10.0 per cent, followed by Modimolle with R7 million or 18.0 per cent. It must be noted that Mogalakwena is responsible for the distortion of both the District and Provincial performance. Its monthly reports are submitted with negative amounts which offset the performance of other municipalities, resulting in negative performance for the district.

Provincial Treasury performs analysis of the MFMA S71 reports submitted by municipalities, and feedback sessions are held with municipalities. The challenge is the unavailability of key personnel (Chief Financial Officers) in the Budget & Treasury Office. During these sessions, municipalities are encouraged and trained to correctly complete the monthly returns, however, these feedback reports are not considered by municipalities, hence the repetition of errors. The interpretation of these results should therefore be done with caution.

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

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

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
Funds sources					
External Loans	612	612	1	3	0%
Asset Financing Reserve	-	-	1	34	#DIV/0!
Surplus Cash	364	364	8	27	8%
Public contributions/ donations	157	157	-	0	0%
Government Grants and Subsidies	2,291	2,291	175	486	21%
Leases	40	40	-	-	
Other Ad-Hoc Financing Sources	28	28	-	4	14%
Other	225	225	4	33	15%
Total sources	3,718	3,718	189	586	16%

Source: In-Year Monitoring Reports Database

Table 6 discussed the sources of capital funding by municipality and by district, table 7 aims to continue with this discussion showing the earned capital revenue by revenue source.

The main characteristics of table 7 are as follows:

- **Government Grants and Subsidies:** - It is evident that grants and subsidies are still the biggest source of revenue to fund infrastructure in municipalities. This line item averaged about R486 million (21.0 per cent). This is 82.9 per cent of the year to date's actual revenue of R586 million.
- **Asset Financing Reserve:** - This line item contributed R34 million which is 5.8 per cent of the total year to date capital revenue, and it is rated to be the second contributor for the period under review.
- **Other Revenue:-** The third contributor to the year to date collection is other revenue with R33 million (15.0 per cent), which is 5.6 per cent of the total year to date's collection.
- **Surplus Cash:-** An amount of R27 million (8.0 per cent) was realized to date, this constitutes 4.6 per cent of the total year to date revenue.
- **External loan and other Ad-Hoc Finances:-** The two line items contributes R3 million (0.5 percent) and R4 Million (0.6 percent) each respectively. Together they contributed R7 million or 1.1 million of today's total collection.

- **Public contributions/ donations and Leases:-** Although municipalities budgeted to earn revenue on the two line items, to this end, nothing has been realized.

The revenue earned to date is averaged at R586 million or 16.0 per cent of the total budget of R3.7 billion. During M04, none of the line items earned 33 per cent of the linear projected rate. The line item that earned above 20 per cent of the budget is grants and subsidies with R2.2 billion or 21.0 per cent. It must be noted that the above analysis is as per the monthly returns that were submitted to Provincial Treasury. As mentioned earlier, some of the municipalities did not indicate sources of their capital funding, while others did not submit the monthly Capital Acquisition Actual return forms at all. Due to these reasons, the total sources of revenue for M04 are not a true reflection of the capital revenue earned by municipalities to date; hence, interpretation of these collection rates should be exercised with caution.

3.2.4 Capital Expenditure

For the October 2010 month, actual capital expenditure amounts to R194 million (5.8 per cent) of budget; while the year to date expenditure amounts to R585 million (17.0 per cent) of budget. 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 October 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
NP03a2	Makhuduthamaga	76	0	8	11%
NP03a3	Fetakgomo	13	2	5	38%
NP03a4	Greater marble Hall	20	0	13	63%
NP03a5	Greater Tubatse	53	-	1	2%
NP03a6	Elias Motsoaledi	80	4	26	32%
DC47	Greater Sekhukhune	355	16	77	22%
Sekhukhune		597	22	130	0
NP331	Greater Giyani	67	1	1	1%
NP332	Greater Letaba	72	2	9	13%
NP333	Greater Tzaneen	125	4	6	5%
NP334	Ba-Phalaborwa	80	1	6	7%
NP335	Maruleng	25	0	4	18%
DC33	Mopani District	110	39	94	86%
Mopani District		478	48	120	0
NP341	Musina	17	4	5	27%
NP342	Mutale	13	-	-	
NP343	Thulamela	101	2	14	14%
NP344	Makhado	166	6	29	18%
DC34	Vhembe District	590	107	265	45%
Vhembe		770	118	313	0
NP351	Blouberg	32	0	3	10%
NP352	Aganang	40	1	5	12%
NP353	Molemole	15	0	5	35%
NP354	Polokwane	342	6	43	13%
NP355	Lepelle-Nkumpi	92	2	5	6%
DC35	Capricorn District	479	0	0	0%
Capricorn		999	12	40	0
NP361	Thabazimbi	47	0	0	1%
NP362	Lephalale	96	5	14	15%
NP363	Mookgophong	26	3	5	18%
NP364	Modimolle	41	1	7	16%
NP365	Bela-Bela	25	1	1	4%
NP366	Mogalakwena	271	(16)	(46)	-17%
DC36	Waterberg District	20	0	1	6%
Waterberg		526	(6)	(18)	(0)
Total		3,371	194	585	17%

Source: In-Year Monitoring Reports Database

The main characteristics of table 8 are the following:

- Municipalities in Vhembe have the highest year to date capital spending at 41.0 per cent of a total capital budget of R770 million, followed by municipalities in Mopani at 25.0 per cent of a budget of R478 million, and Sekhukhune municipalities at 22.0 per cent out of a budget of R597 million. The October 2010 capital spending for these municipalities amount to R118 million (Vhembe), R48 million (Mopani) and R22 million (Sekhukhune);
- Municipalities in Waterberg have the lowest year to date capital spending at negative 3.0 per cent of a total capital budget of R526 million. The October 2010 spending amounts to negative R6 million. The negative spending is attributable to Mogalakwena which reports negative numbers. The municipality has been advised to change the signage on its system so that it can report positive numbers. If Mogalakwena municipality is stripped out, the total capital budget of municipalities in Waterberg amounts to R255 million, the October 2010 spending amounts to R10 million or 3.9 per cent of budget and year to date spending amounts to R28 million or 10.9 per cent of budget;
- For the month of October 2010, Vhembe District Municipality had the highest spending of R107 million, followed by Mopani District municipality at R39 million and Sekhukhune District Municipality at R16 million. Amongst the local municipalities, Polokwane has the highest spending at R6 million, followed by Lephalale at R5 million and Elias Motsoaledi at R4 million; and
- Greater Tubatse and Mutale Local Municipalities reflect zero capital expenditure in October 2010. This is as a result of the late submission of the monthly budget statement and/or the submission of incorrect returns. This has been brought to the attention of the two municipalities' officials.

Table 9: Consolidated capital expenditure by asset class

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
R million					
Capital expenditure					
Infrastructure	2,515	2,515	167	493	20%
Community	351	351	10	41	12%
Heritage assets	1	1	-	-	
Investment properties	1	1	-	0	2%
Other assets	465	465	15	52	11%
Agricultural assets	2	2	-	0	3%
Biological assets	-	-	-	-	
Intangibles	16	16	3	3	19%
Total Capital expenditure	3,352	3,352	194	588	18%

- **Infrastructure** – Spending in this category of assets was the highest in October at R167 million (19.0 per cent) of budget of R2 515 billion. This category of assets includes, amongst others, the building of roads, sanitation, electricity generation and reticulation which are vital for service delivery, stimulating economic growth and job creation;
- **Community asset** – Community assets account for just over 10.0 per cent of the total capital budget. The budget in rand value amounts to R351 million, of which R10 million (2.8 per cent) has been spent during October 2010 and R41 million (12.0 per cent) was spent for the year to date. Expenditure on community assets is incurred on parks, gardens, sport fields, community libraries, cemeteries, etc;
- **Other assets** – This item accounts for 13.8 per cent of the total capital budget. It has an annual capital budget of R465 million, of which R15 million (3.2 per cent) was spent during October 2010 and R52 million (11.0 per cent) of budget was spent for the year to date. Other assets include amongst others, vehicles, office equipment, furniture, abattoirs, etc; and
- **Agricultural assets** – From the annual budget of R2 million, the submitted budget returns indicate that only 3.0 per cent (less than R500 thousand) has been spent thus far;
- **Intangibles** – intangible assets have a budget of R16 million and the submitted budget returns show that R3 million (19.0 per cent of the budget) was spent during October 2010.

As previously reported, spending on capital budgets remains a challenge for most municipalities. Municipalities that find themselves unable to implement capital budget run the following risks:

- Provision of basic municipal services may be compromised due to dilapidated or decaying infrastructure. This in turn, affects job creation and economic growth;
- The unspent capital funds may be used for operating expenditure purposes and therefore not meeting the conditions of the capital grants. Municipalities are however always reminded that the capital grants are to be recognised as a liability until the condition of such grant is met (which is incurring an expenditure in line with the purpose of the grant); and
- If the conditions are not met and/or funds not spent, National Treasury requires in terms of MFMA Circular 48 that all unspent conditional grants be reverted to the National Revenue Fund. If a municipality is unable to revert the funds as expected, National Treasury withdraws the unspent conditional grant from the municipality's equitable share allocation.

3.2.5 Debtors and Creditors

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

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

Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	Total
Debtors Age Analysis					
Total By Revenue Source	102	136	109	385	1,870
Creditors Age Analysis					
Total Creditors	120	16	7	9	181

Source: In-Year Monitoring Reports Database

Many municipalities in Limpopo are highly dependent on government grants while on the other hand; debtors' books are huge and uncollectable. This is evident by an uneven fluctuation and growth in the total debtors' book for the province from month to month. While it is expected that the debtors' book will decline on a month to month basis, the decline is usually immaterial followed by a huge increase in the next month(s).

The key characteristics of table 10 are as follows:

- As at the end of September 2010, municipalities reported having approximately R2.0 billion in outstanding debtors. At the end of October 2010, the total outstanding debtors have decline to R1.9 billion. This total debt represents a decrease by just R0.1 million.
- In relation to creditors, it is reflected in the October report that R120 million is current (0-30 days). This shows that municipalities have not been able to settle the payment obligations as required by legislation. Having creditors owed for more than thirty days is contravening the prescripts of MFMA Circular 49 and MFMA Section 65(2)(e); which requires that creditors owed by the municipality should be paid within 30 days of receiving invoices or statements. Looking at the strong cash position to be depicted in the consolidated cash flow statement, it is not clear why municipalities are not able to comply with the aforementioned section of the MFMA.

3.2.6 Cash Flows

From table eleven (11) below, it is evident that municipalities in Limpopo seem to have sufficient liquid funds. This is reflected by the positive opening balance of R132 million in July 2010 with a projected positive closing balance of R1.4 billion in June 2011. The July opening balance of the consolidated cash flow statement has changed from R79 million in September to R132 million in October; this is because municipalities change their opening balances on a month to month basis while others submit new cash flow's statements. There is still a negative correlation between the inability of municipalities to settle their creditors within thirty days and the projected liquidity muscle.

Table 11: Consolidated cash flows as at 31 October 2010

Cash flows	July	August	Sept	October	Feb	March	April	May	June
Opening Cash Balance	132	871	1,143	843	990	975	1,170	1,220	1,272
Sub-Total (Receipts)	1,872	1,011	449	757	171	315	158	211	96
Sub-Total (Payments)	1,026	903	919	767	292	226	213	265	223
Closing Balance	1,085	1,194	885	1,046	1,081	1,275	1,326	1,378	1,356

Source: In-Year Monitoring Reports Database

The ability to generate and manage cash by a municipality determines the extent to which that municipality can provide the required levels of municipal services; while at the same time it is able to meet current commitments. The table above shows a positive opening cash balance of R843 million for October 2010, with cash receipts of R757 million; which sums up to R1.6 billion for the month under review. The total expenditure amounts to R767 million, while the closing balance for October shows a positive balance of R1.0 billion.

Incorrect completion of the cash flow statement still remains a challenge for the municipalities. The credibility of the cash flow information is doubtful due to unavailability of the cash flow actual and projected figures for most municipalities. Municipalities are encouraged to correctly complete the returns so that a fair assessment of this return is realized.

4. LEGAL IMPLICATIONS

None.

5. FINANCIAL IMPLICATIONS

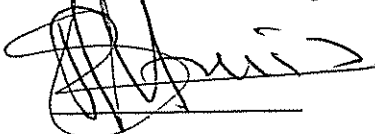
None.

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 of the MFMA for the first four months of the 2010/11 municipal financial year;
- 6.2. Notes that all thirty (30) municipality submitted the October 2010 Monthly Budget Statement; and that only three (3) did not comply with the time provisions in terms of MFMA Section 71 (1).
- 6.3. Notes that six (6) 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).
- 6.4. Approves the consolidated report and that it be submitted to National Treasury in terms of Section 71(6) of the MFMA.
- 6.5. Approves that the consolidated report be made public on the Limpopo Provincial Treasury website.

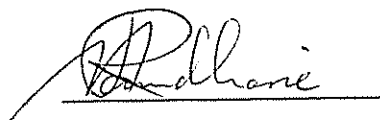
Recommended by:



Ntuli P. S.

Acting Senior Manager: Financial Planning and Budgets

Approved by:



Ramdharie N

Head of Department