



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ntuli P S

Date: 04 January 2011

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Attention: Mr. J. Hattingh

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

**HEAD OF DEPARTMENT
PROVINCIAL TREASURY**

DATE: 12/01/2011

LIMPOPO PROVINCIAL TREASURY
Monthly Budget Statement
Report on Municipal Consolidated Financial Performance Statements
as at 30 November 2010

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1. PURPOSE

The purpose of this report is to seek the Head of Department's (HoD) approval to submit the consolidated monthly budget statements of all 30 municipalities to the National Treasury; and to publish these statements on the Limpopo Provincial Treasury's website. 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 five months of the 2010/11 financial year, the month ending November 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 30 November 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 the municipality that did not comply with the MFMA S71 at all for the period under review.

Table 1 Monthly Budget Statement Submission Schedule

Municipality	Sep-10			Oct-10			Nov-10		
	Sch C / App B	Date of submission		Sch C / App B	Date of submission		Sch C / App B	Date of submission	
		Electronic	Returns received		Electronic	Returns received		Electronic	Returns received
DC 35 - CAPRICORN				B	3.12.2010	CAA,OSA,AC,AD,CFA	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 351 - BLOUBERG	B	19.10.2010	CFA,CAA,OSA,AC	B	11.11.2010	OSA,CAA,CFA,AD,AC	B	13.12.2010	OSA,CAA,CFA,AD,AC
LIM 352 - AGANANG	B	14.10.2010	OSA,CAA,CFA,AD,AC	B	12.11.2010	OSA,CAA,CFA,AD,AC	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 353 - MOLEMOLE	C	14.10.2010	Schedule C	C	12.11.2010	Schedule C	C	14.12.2010	SCHEDULE C
LIM 354 - POLOKWANE	C, B	7.10.2010	OSA,CAA,CFA,AD,AC	B	10.11.2010	OSA,AD,CFA	B	7.12.2010	OSA,CAA,CFA,AD,AC
LIM 355 - LEPELLE-NKUMPI	B	14.10.2010	OSA,CAA,CFA,AD,AC	B	11.11.2010	AC,CAA,CFA,OSA	B	10.12.2010	OSA,CAA,CFA,AD,AC
DC - 47 - GREATER SEKHUKHUNE	B	13.10.2010	OSA,CAA,CFA,AD,AC	B	15.11.2010	OSA,CAA,CFA,AD,AC	B	10.12.2010	OSA,CAA,CFA,AD,AC
LIM 471 - EPHRAIM MOGALE				B	12.11.2010	OSA,CAA,CFA,AD,AC	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 472 - ELIAS MOTSOLEDI	B	14.10.2010	AC,AD,CAA,OSA	B	11.11.2010	OSA,CAA,CFA,AD,AC	B	13.12.2010	OSA,CAA,CFA,AD,AC
LIM 473 - MAKHUDUTHAMAGA	C	14.1.2010	Schedule C	B	12.11.2010	AC,CAA,OSA	B	13.12.2010	OSA,CAA,CFA,AC
LIM 474 - FETAKGOMO	B	8.10.2010	OSA,CAA,CFA,AD,AC	B	11.11.2010	AC,AD,CAA,CFA	B	13.12.2010	CAA,CFA,AD,AC
LIM 475 - GREATER TUBATSE	B	18.10.2010	OSA,CAA,CFA,AD,AC	B	2.12.2010	CAA,OSA,AC,AD,CFA	B	10.12.2010	OSA,CAA,CFA,AD,AC
DC 33 - MOPANI	B	13.10.2010	OSA,CAA,CFA,AD,AC	B	9.11.2010	CAA,OSA,AC,AD,CFA	B	7.12.2010	OSA,CAA,CFA,AD,AC
LIM 331 - GREATER GIYANI	B	22.10.2010	OSA,CFA,AD,AC	B	29.11.2010	OSA,CAA,CFA,AD,AC	B	4.12.2010	OSA,CAA,CFA,AD,AC
LIM 332 - GREATER LETABA	C,B	14.10.2010	Schedule C	B	14.11.2010	OSA,CAA,CFA,AD,AC	B	8.12.2010	OSA,CAA,CFA,AD,AC
LIM 333 - GREATER TZANEEN	B	14.10.2010	OSA,CAA,CFA,AD,AC	B	30.11.2010	OSA,CAA,CFA,AD,AC	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 334 - BA- PHALABORWA	C, B	9.10.2010	OSA,CAA,CFA,AD,AC	C, B	11.11.2010	OSA,CAA,CFA,AD,AC	C, B	9.12.2010	OSA,CAA,CFA,AD,AC
LIM 335 - MARULENG	B	14.10.2010	OSA,CAA,CFA,AD,AC	B	11.11.2010	OSA,CAA,CFA,AD,AC	B	8.12.2010	OSA,CAA,CFA,AD
DC 36 - WATERBERG	C, B	14.10.2010	OSA,CAA,CFA,AD,AC	C, B	12.11.2010	OSA,CAA,CFA,AD,AC	C, B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 361 - THABAZIMBI	B	7.10.2010	AD,CAA,OSA,CFA	B	4.11.2010	AD,AC,OSA,CFA,CAA	B	14.12.2010	AD,OSA,CAA
LIM 362 - LEPHALALE	B	14.10.2010	CFA,CAA,OSA,AD,AC	B	10.11.2010	OSA,CAA,CFA,AD,AC	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 364 - MOOKGOPONG	B	14.10.2010	AC,AD,CAA,OSA	B	15.11.2010	AC,OSA,AD,CAA	B	14.12.2010	AD,OSA,CAA,AC
LIM 365 - MODIMOLLE	C	14.10.2010	Schedule C	C	11.11.2010	Schedule C	C	13.12.2010	SCHEDULE C
LIM 366 - BELA-BELA	C	15.10.2010	Schedule C	B	11.11.2010	OSA,CAA,CFA,AD,AC	C, B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 367 - MOGALAKWENA	B	14.10.2010	CFA,CAA,OSA,AD,AC	B	15.11.2010	AD,AC,OSA,CFA,CAA	B	14.12.2010	OSA,CAA,CFA,AD,AC
DC 34 - VHEMBE	B	12.10.2010	OSA,CAA,CFA,AD,AC	B	10.11.2010	OSA,CAA,CFA,AD,AC	B	13.12.2010	OSA,CAA,CFA,AD,AC
LIM 341 - MUSINA	B	14.10.2010	CFA,CAA,OSA,AD,AC	B	15.11.2010	AD,AC,OSA,CFA,CAA	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 342 - MUTALE	B	9.11.2010	AC,CFA,OSA	B	11.11.2010	AD,CFA,OSA,AC	B	14.12.2010	OSA,CAA,CFA,AD,AC
LIM 343 - THULAMELA	C	19.10.2010	Schedule C	C	10.11.2010	Schedule C			
LIM 344 - MAKHADO	C	14.10.2010	Schedule C	C, B	10.11.2010	OSA,CAA,CFA,AD,AC	C, B	14.12.2010	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 depicted in the table above, submissions of MFMA S71 returns were made by twenty nine (29) municipalities or 96.7 per cent this month; this is compared with the 100 per cent submission rate made in October. The only municipality that did not submit its monthly returns is Thulamela Local Municipality. A letter of non-compliance with the MFMA has been issued to the Accounting Officer of the municipality. However, in terms of compliance with the time provisions, this month's submissions are regarded as an improvement since all twenty nine municipalities submitted returns on time (no later than ten working days after the closure of the month). In the previous month, four municipalities submitted returns late; and two amongst the late submissions were not consolidated for the October 2010 publication.

MFMA S 71 (4) requires that a hard copy of the monthly budget statement must be submitted to the Provincial Treasury (PT). The Municipal Budget & Reporting Regulations (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. The table below aims to show the inconsistencies and low compliance with this subsection of the MFMA in this regard. Provincial Treasury will continue to enforce compliance with MFMA S71 (4) by issuing non-compliance letters to municipalities not submitting the hard copies of the monthly budget statement as well as those submitting incomplete returns.

Table 1a Submission of hard copies of MFMA S71

Municipality	July	August	September	October	November
DC 35 - CAPRICORN	14.10.2010		14.10.2010	01.12.2010	
LIM 353 - MOLEMOLE	13.8.2010			12.11.2010	15.12.2010
DC - 47 - GREATER SEKHUKHUNE				16.11.2010	
LIM 471 - EPHRAIM MOGALE	13.8.2010				
LIM 473 - MAKHUDUTHAMAGA	17.8.2010	14.9.2010	14.10.2010		13.12.2010
LIM 474 - FETAKGOMO	16.8.2010		11.10.2010	11.11.2010	14.12.2010
LIM 332 - GREATER LETABA				12.11.2010	
LIM 333 - GREATER TZANEEN	16.8.2010				14.12.2010
DC 36 - WATERBERG	14.8.2010	14.9.2010	14.10.2010	12.11.2010	14.12.2010
LIM 365 - MODIMOLLE	13.8.2010			11.11.2010	15.12.2010
LIM 366 - BELA-BELA			14.10.2010	15.11.2010	15.12.2010

Source: In-Year Monitoring Reports Database

As seen from table 1a above, only seven (7) municipalities submitted the hard copies of MFMA S71 reports to PT in November 2010, in the previous month (October), eight (8) submitted hard copies while in September 2010, only five (5) municipalities complied in this regard. In August, only two municipalities submitted hard copies of the monthly budget statements, this signified a major decline from July whereby at least eight (8) hard copies of the reports were submitted. While municipalities like Greater Letaba, Ephraim Mogale and Greater Sekhukhune only submitted the hard copies of MFMA S71 reports just once in the five months period; Waterberg District Municipality has been consistent, all five MFMA S71 hard copies have been submitted and all submission were on time.

3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS

Financial Performance

The section below reveals the progress made by municipalities in the implementation of the approved budgets. 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 30 November 2010.

Table 2: Consolidated operating revenue as at 30 November 2010

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				
Makhuduthamaga	146	3	75	52%
Fetakgomo	44	–	15	35%
Ephraim Mogale	128	6	45	35%
Greater Tubatse	175	8	91	52%
Elias Motsoaledi	234	11	49	21%
Greater Sekhukhune	771	27	248	32%
Sekhukhune	1,497	56	523	35%
Greater Giyani	131	37	93	71%
Greater Letaba	163	40	59	36%
Greater Tzaneen	591	50	274	46%
Ba-Phalaborwa	297	36	117	40%
Maruleng	64	2	9	14%
Mopani District	487	55	319	65%
Mopani District	1,732	220	872	50%
Musina	135	8	60	44%
Mutale	66	5	35	53%
Thulamela	402	12	167	42%
Makhado	608	23	243	40%
Vhembe District	449	352	1,140	254%
Vhembe	1,660	401	1,645	99%
Blouberg	88	20	24	27%
Aganang	55	20	58	105%
Molemole	87	2	29	33%
Polokwane	1,236	256	552	45%
Lepelle-Nkumpi	175	11	89	51%
Capricorn District	326	24	180	55%
Capricorn	1,966	333	931	47%
Thabazimbi	179	19	91	51%
Lephalale	293	136	249	85%
Mookgophong	92	5	37	40%
Modimolle	169	10	70	41%
Bela-Bela	173	27	71	41%
Mogalakwena	430	130	306	71%
Waterberg District	106	30	72	68%
Waterberg	1,442	356	896	62%
Total	8,297	1,366	4,866	59%

Source: In-Year Monitoring Reports Database

The table above indicates that the municipalities collected R4.8 billion as at the end of November 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 59.0 per cent.

Operating revenue per district

- **Vhembe District:** - As with the previous monthly published MFMA S71 reports, municipalities in Vhembe District collected the highest year to date revenue of R1.6 billion or 99.0 per cent of the district wide budget. This high average performance is as a result of the district municipality itself with a year to date collection rate of 254.0 per cent or R1.1 billion. It is suspected that the monthly reports of the district municipality are either not credible or the approved budget is not realistic and not compliant with MFMA S18. Provincial Treasury is engaging the municipality in this regard in order to ensure that the root cause of this abnormal over achievement is found and proper corrective measures put in place. The other local municipalities in Vhembe District have average ratios of between 40.0 and 53.0 per cent.
- **Waterberg District:** - For the period under review, this district is the second highest in terms of operating revenue collection. Its average rate stands at 62.0 per cent. The major contributors to this second highest ratio are Lephalale at 85.0 per cent, Mogalakwena at 71.0 per cent and the district itself at 68.0 per cent. The rest of the municipalities have an average ratio between 40.0 per cent and 51.0 per cent.
- **Mopani District:** - Mopani comes third in terms of operating revenue collection rate. Its year to date revenue is R0.8 billion or 50.0 per cent. The highest collector in this district is Greater Giyani at 71.0 per cent while the poor performer is Maruleng at 14.0 per cent.
- **Capricorn District:** - Municipalities in Capricorn have an average year to date ratio of 47.0 per cent. The municipality with the highest collection rate on operating revenue is still Aganang at 105.0 per cent while the poor performer is Blouberg at 27.0 per cent. Out of the 105.0 per cent (R58

million) collection ratio of Aganang; 96.0 per cent of it (R55 million) was recognized from operating grants & subsidies. To date out of a total budget of R44 million for grants & subsidies, R55 million (125.0 per cent) has been earned. The municipality is also being engaged in order to ensure that reports submitted to both treasuries are credible.

- **Sekhukhune District:** - Sekhukhune District municipalities' performance is always the lowest with the average ratio of 35.0 per cent being realized. Makhuduthamaga and Greater Tubatse have an average rate of 52.0 per cent, followed by Fetakgomo and Ephraim Mogale at 35.0 per cent, with the lowest being Elias Motsoaledi municipality at 21.0 per cent.

From the table and discussions above, it is evident that there are municipalities which are performing well and those that are not performing well in terms of reaching the linear projection rate of 41.6 per cent for the five months period. It is also evident that though some municipalities show signs of over performance, the credibility of the returns and/or the credibility of the approved budget are doubtful. On the other hand, it is suspected that those with the lowest rates like Maruleng are struggling with the implementation of Municipal Property Rates Act (MPRA) which again suggests that MFMA S18 was not complied with when preparing and adopting the budget.

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

Table 3: Consolidated revenue sources as at 30 November 2010

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
Financial Performance					
Transfers recognised	3,891	3,891	835	3,009	77%
Property rates	626	626	70	321	51%
Investment revenue	220	220	21	101	46%
Other own revenue	1,289	1,289	213	568	44%
Service charges	2,272	2,272	226	866	38%
Total Revenue	8,297	8,297	1,366	4,866	59%

Source: In-Year Monitoring Reports Database

The performance of the individual revenue sources is as follows:

- **Transfers recognized:** The total transfers earned by municipalities as at the end of November 2010 stands at 77.0 per cent (R3 billion) of a total budget of R3.8 billion.
- **Property rates:** The implementation of the Municipal Property Rates Act (MPRA) by municipalities resulted in the collection rate of 51.0 per cent (R321 million) at the end of November 2010 against a budget of R626 million.
- **Investment revenue:** Municipalities in Limpopo made some investments out of which R220 million was projected to be received as investment revenue. Actual performance on this revenue item stands at 46.0 per cent (R101 million) against a total budget of R220 million.
- **Other revenue:** Income generated from minor sources stands at 44.0 per cent (R568 million) out of a budget of R1.3 billion.
- **Service Charges:** The generated revenue on service charges stands at 38.0 per cent (R866 million) of its annual budget of R2.3 billion.

From the discussion of individual sources of revenue, it becomes more evident that the majority of municipalities in Limpopo are highly dependent on grants for their operating activities.

3.2.2 Operating Expenditure

This section deals with the operating expenditure performance for the month ended 30 November 2010, against the annual budget. Table 4 below consolidates this performance.

Table 4: Consolidated operating expenditure as at 30 November 2010

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				
Makhuduthamaga	97	7	29	30%
Fetakgomo	43	–	14	33%
Ephraim Mogale	127	7	50	40%
Greater Tubatse	175	13	62	35%
Elias Motsoaledi	232	12	70	30%
Greater Sekhukhune	399	30	91	23%
Sekhukhune	1,074	69	317	30%
Greater Giyani	135	8	42	31%
Greater Letaba	125	8	42	34%
Greater Tzaneen	584	60	242	41%
Ba-Phalaborwa	297	19	118	40%
Maruleng	60	5	20	33%
Mopani District	391	49	150	38%
Mopani District	1,590	150	614	39%
Musina	139	13	66	48%
Mutale	66	5	31	47%
Thulamela	371	20	75	20%
Makhado	608	32	147	24%
Vhembe District	442	148	689	156%
Vhembe	1,627	218	1,008	62%
Blouberg	88	21	15	17%
Aganang	99	4	19	19%
Molemole	88	5	16	18%
Polokwane	1,225	87	363	30%
Lepelle-Nkumpi	131	5	27	20%
Capricorn District	326	25	75	23%
Capricorn	1,956	147	514	26%
Thabazimbi	175	16	63	36%
Lephalale	322	86	135	42%
Mookgophong	92	5	38	41%
Modimolle	169	11	56	33%
Bela-Bela	156	15	69	44%
Mogalakwena	415	32	156	38%
Waterberg District	108	7	29	27%
Waterberg	1,438	173	547	38%
Total	7,686	756	3,001	39%

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 R7.6 billion. For the month under review, 30 November 2010, the consolidated actual expenditure amounts to R3 billion (39.0 per cent).

Performance per District:

- **Vhembe District:** The District is still taking a lead in terms of operating expenditure as compared to the other four districts. Its operating expenditure performance is at 62.0 per cent with the total original budget of R1.6 billion. The actual operating expenditure for the month is at R218 million and the expenditure to date stands at R1 billion. The high ratio achieved by Vhembe District is due to the high expenditure ratio by the district municipality itself. Vhembe District Municipality reflects the following financial background, annual budget of R442 million, the expenditure to date is at R689 million (156.0 per cent).

As mentioned earlier, the credibility of the Vhembe District ratio is being investigated. If the financial performance of the district is stripped off, the other local municipalities have an average ratio of 26.9 per cent. This ratio is lower than the average linear projection ratio of 41.6 per cent due to the poor performance of Thulamela (20.0 per cent) and Makhado (24.0 per cent). Musina and Mutale have satisfactory average ratios of 48.0 and 47.0 per cent respectively.

- **Mopani District:** The financial performance table afore reveals that Mopani is the second highest in terms of operating expenditure percentage. The total original budget for operating expenditure stands at R1.5 billion. The actual expenditure for the month is at R150 million resulting in an expenditure to date of R614 million or 39.0 per cent.

- **Waterberg District:** The overall annual budget of the district stands at R1.4 billion, the expenditure to date is R547 million which converts to 38.0 per cent. This puts Waterberg District in third position in terms of operating expenditure percentage. In this district, Bela-Bela has the highest expenditure percentage of 44.0 while the district municipality has the lowest percentage of 27.0.
- **Sekhukhune District:** The operating revenue figures of Sekhukhune District put it in the second lowest position. The total original budget for operating expenditure stands at R1.0 billion. The actual expenditure for the month is at R69 million, resulting in an expenditure to date of R317 million or 30.0 per cent. All municipalities in the district performed far below the linear projection rate of 41.6 per cent with the exception of Ephraim Mogale attaining 40.0 per cent. Again, Greater Sekhukhune is the the lowest in terms of performance reflecting 23.0 per cent.
- **Capricorn District:** This district has the lowest expenditure rate in the province. All municipalities in the district performed far below the expected linear projection ratio, the highest being Polokwane at 30.0 per cent, and the lowest still being Blouberg at 17.0 per cent. The overall annual budget of the district stands at R1.9 billion, the expenditure to date is R514 million (26.0 per cent).

Table 5: Consolidated operating expenditure items as at 30 November 2010

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
R million					
Other expenditure	2,599	2,599	271	1,112	43%
Employee costs	2,614	2,614	286	1,069	41%
Materials and bulk purchases	1,690	1,690	167	686	41%
Remuneration of Councillors	283	283	20	100	35%
Depreciation and amortisation	324	324	12	32	10%
Finance charges	41	41	0	2	4%
Debt impairment	135	135	1	1	1%
Total Expenditure	7,686	7,686	756	3,001	39%

Source: In-Year Monitoring Reports Database

Analysis of the individual expenditure items is reflected as follows:

- **Other expenditure:** This includes general expenses such as telephones, repairs & maintenance and purchase of office supplies. Out of the original budget of R2.5 billion, the YTD actual spending stands at R1.1 billion (43.0 per cent). This is the item that consumes the highest percentage of the municipalities' operating expenditure budget. Out of the provincial year to date amount of R3 billion, R1.1 billion (37.0 per cent) was spent on this item.
- **Employee Related Costs:** From table 5 above, it is evident that employee costs constitute the second highest expenditure item for municipalities in Limpopo. This line item is made up of salaries, benefits and allowance for municipal officials. For the month under review, the total expenditure stands at R1 billion (41.0 per cent) of R2.6 billion budget.
- **Materials and bulk Purchases:** In rand value, the R686 million year to date expenditure on this items makes it the third highest item in the operating expenditure budget. 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 41.0 per cent of the original budget of R1.6 billion.
- **Remuneration of Councilors:** The percentage spent on the original budget is 35.0 per cent, which in rand value stands at R100 million of R283 million.
- **Depreciation or amortisation:** This refers to provision for diminution in value of tangible and intangible assets due to usage. Expenditure stands at 10.0 per cent of the original budget, with YTD of R32 million and monthly actual of R12 million.

- **Finance charges:** This refers to levies such as finance lease charges and interest on borrowings, and its budget accounts for 0.5 per cent of the total original budget. The YTD actual is R2 million (4.0 per cent) and the monthly actual reflects a zero balance.
- **Debt impairment:** This refers to provision for bad or irrecoverable debt. The line item has an original budget of R135 million, while the monthly actual, and the year to date (YTD) actual are reflecting R1 million each or 1.0 per cent of the original budget.

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 R3.9 billion, while actual receipts amounts to R1.1 billion or 29.0 per cent.

Table 6: Consolidated capital funding per district per municipality as at 30 November 2010

Municipality	Capital Revenue			
	Total sources of Funding			
	Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
Makhuduthamaga	152	5	21	14%
Fetakgomo	13	1	5	38%
Ephraim Mogale	20	3	15	75%
Greater Tubatse	53	-	-	
Elias Motsoaledi	81	6	26	32%
Greater Sekhukhune	355	22	100	28%
Sekhukhune	674	34	156	23%
Greater Giyani	67	0	1	2%
Greater Letaba	72	1	10	15%
Greater Tzaneen	125	11	22	17%
Ba-Phalaborwa	80	-	-	
Maruleng	25	1	5	20%
Mopani District	219	22	113	51%
Mopani District	588	35	151	26%
Musina	17	3	8	44%
Mutale	13	3	10	75%
Thulamela	101	2	26	26%
Makhado	166	16	45	27%
Vhembe District	590	147	411	70%
Vhembe	887	170	500	56%
Blouberg	38	-	-	
Aganang	40	8	31	77%
Molemole	15	1	4	24%
Polokwane	910	21	55	6%
Lepelle-Nkumpi	152	4	13	8%
Capricorn District	246	-	264	107%
Capricorn	1,401	33	367	26%
Thabazimbi	49			
Lephalale	96	8	20	21%
Mookgophong	26	1	5	21%
Modimolle	41	3	10	25%
Bela-Bela	25	2	3	13%
Mogalakwena	171	(23)	(69)	-40%
Waterberg District	20		1	6%
Waterberg	428	(9)	(29)	-7%
Total	3,978	262	1,145	29%

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 five months under review for Vhembe District is R500 million or 56.0 per cent of the projected budget of R887 million. This highest collection ratio is contributed by the district municipality itself with a rand value of R411 million (82.2 percent of the total district collection to date). The district municipality projected to collect R590 million for this current year, to date; the collection is at 70.0 percent. In terms of ratios, the municipality with the highest percentage in Vhembe District is Mutale (75.0 per cent); while the lowest is Thulamela (26.0 per cent).
- **Capricorn District:** - Though Mopani and Capricorn come second in terms of capital revenue collection ratio of 26.0 per cent each, Capricorn District has a higher amount in rand value. For the period under review, the district collected R367 million or 26.0 percent of R1.4 billion. This is a major improvement since in the October 2010 published report the ratio was at 4.0 per cent. The improvement was as a result of follow-ups made with municipalities to update the outstanding MFMA returns. This exercise is continuing.

The over performance in this district is caused by the district municipality itself with a year to date collection rate of 107.0. The accuracy of this ratio is being investigated because the district only submitted two CAA returns for July, where it reported to have earned R246 million (100.0 per cent of budget) and in October the earnings were R18 million. This exceeds the annual budgeted capital revenue by R18 million.

- **Mopani District:** - Mopani District comes third in rand value in terms of capital revenue collected. The capital revenue collection stands at R151 million or 26.0 per cent of the projected budget of R588 million. The municipality that contributed a bigger portion in this regard is the district municipality itself with R113 million or 51.0 percent. The municipality with the lowest rate is Greater Giyani at 2.0 per cent, while Ba-Phalaborwa

reported nil. Ba-Phalaborwa does not complete its CAA return form correctly, hence the nil report.

- **Sekhukhune District:** - This district reveals the total revenue collection of R156 million or 23.0 percent of the projected budget of R674 million. The major contributor in terms of rand value is the district municipality itself with R100 million (28.0 percent), followed by Elias Motsoaledi at an average of R26 million (32.0 percent). However in terms of individual ratios, the highest performer in the district is Ephraim Mogale with 75.0 per cent (R15 million), followed by Fetakgomo with 38.0 per cent (R5 million). Makhuduthamaga has a ratio of 14.0 per cent while Greater Tubatse is nil.
- **Waterberg District:** - In terms of the table above, Waterberg District's performance reveals a negative average percentage of 7.0. Performance for the district stands at negative R29 million. As mentioned in prior published reports, this negative percentage is as a result of Mogalakwena that submits reports with an incorrect sign conversion. If Mogalakwena's percentage is converted to positive, the district's ratio becomes 25.0 per cent (R108 million). If this percentage conversion is applied to the provincial financial performance, the provincial average becomes R1.2 billion (32.0 per cent). This results in an increase by 3.0 per cent from the reported average ratio in the table above.

The source of capital funding return form (CAA) is one which is incorrectly completed by the majority of municipalities. Municipalities only disclose the expenditure amounts incurred in various items, but do not disclose the revenue sources for such expenditures as required by the return form. The message on the correct completion of this part of the return form is continuously communicated to the affected municipalities; however, the error continues to occur. Provincial Treasury assumes that municipalities might not be keeping proper accounting records; hence the inability to disclose the exact source of the funds expended for capital projects implemented.

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

Table 7: Consolidated capital funding per item as at 30 November 2010

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual	Year TD	Spent of budget
	Budget	Budget	Actual	Actual	%
Funds sources					
Government Grants and Subsidies	2,551	2,551	214	970	38%
Asset Financing Reserve	-	-	17	52	
Surplus Cash	364	364	13	41	11%
Other	225	225	3	36	16%
Leases	40	40	8	31	77%
External Loans	612	612	7	12	2%
Other Ad-Hoc Financing Sources	28	28	-	4	14%
Public contributions/ donations	157	157	-	0	0%
Total sources	3,978	3,978	262	1,145	29%

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 capital revenue source with the highest year to date rand value is discussed first; while that with the lowest year to date rand value is the last.

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 R970 million (38.0 per cent). This is 84.7 per cent of the year to date's actual revenue of R1.1 billion.
- **Asset Financing Reserve:** - This line item contributed R52 million which is 4.5 per cent of the total year to date capital revenue. The year to date rand value on this line item makes it the second highest contributor towards the 29.0 per cent provincial average rate. Contrary to it being the second largest capital revenue source, none of the municipalities in Limpopo budgeted to receive any revenue for the current financial year under this item.
- **Surplus Cash:** - An amount of R41 million (11.0 per cent) was realized to date, this constitutes 3.5 per cent of the total year to date revenue.

- **Other Revenue:** - The fourth contributor to the year to date collection ratio is other revenue with R36 million (16.0 per cent), which is 3.1 per cent of the total year to date's collection.
- **Leases:** - This line item is the highest performer in terms of its percentage against the original budget; however, in terms of the rand value, it is the fifth coming after other revenue. The year to date collection stands at R31 million (77.0 per cent) against an annual budget of R40 million.
- **External loan:** - To date, municipalities earned only R12 million revenue from borrowings. This represents 2.0 per cent of the annual budget of R612 million.
- **Other Ad-Hoc Finances:** - Out of the total budget of R28 million for ad-hoc finances, the realized revenue to date is R4 million, representing 14.0 per cent of the original budget.
- **Public contributions/ donations:** - Although municipalities budgeted to earn revenue on this line item, to this end, nothing has been realized.

The revenue earned to date is averaged at R1.1 billion or 29.0 per cent of the total budget of R3.9 billion. As stated before, 84.7 per cent of this total capital revenue earned is from government grants and subsidies; this further confirms the high dependency of municipalities on grants and subsidies as a major source of revenue. While there are improvements in the collection rate in the other line items discussed above, it must be noted that a number of municipalities in this province are 100 per cent dependent of government grants for purposes of capital funding/expenditure. Though this table reflects the performance in capital revenue to date, the incorrect completion of the CAA return form by a number of municipalities makes the data to be under-stated; hence, interpretation of these collection rates should be exercised with caution.

3.2.4 Capital Expenditure

For the November 2010 month, actual capital expenditure amounts to R264 million (8.1 per cent of budget); while the year to date expenditure amounts to R1.1 billion (36.0 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 30 November 2010

Municipality	Capital expenditure			
	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				
Makhuduthamaga	76	3	11	14%
Fetakgomo	13	1	6	47%
Ephraim Mogale	20	3	15	75%
Greater Tubatse	53	3	17	32%
Elias Motsoaledi	80	6	32	40%
Greater Sekhukhune	355	22	99	28%
Sekhukhune	597	37	180	30%
Greater Giyani	67	0	1	2%
Greater Letaba	72	1	10	15%
Greater Tzaneen	125	11	22	17%
Ba-Phalaborwa	80	1	7	8%
Maruleng	25	1	5	20%
Mopani District	110	22	116	106%
Mopani District	478	35	160	34%
Musina	17	3	8	44%
Mutale	13	3	10	75%
Thulamela	101	2	14	14%
Makhado	166	16	45	27%
Vhembe District	570	147	411	72%
Vhembe	867	170	488	56%
Blouberg	32	2	5	16%
Aganang	40	8	12	31%
Molemole	15	1	6	40%
Polokwane	342	21	64	19%
Lepelle-Nkumpi	92	4	9	10%
Capricorn District	246	18	34	14%
Capricorn	767	33	367	48%
Thabazimbi	47	0	1	2%
Lephalale	96	8	25	25%
Mookgophong	26	1	6	22%
Modimolle	41	3	9	23%
Bela-Bela	25	2	3	13%
Mogalakwena	271	(25)	(70)	-26%
Waterberg District	20	0	1	6%
Waterberg	526	(10)	(26)	-5%
Total	3,235	264	1,170	36%

Source: In-Year Monitoring Reports Database

The main characteristics of table 8 are the following:

- **Vhembe District:** - Municipalities in Vhembe still have the highest year to date capital spending rate at 56.0 per cent of a total capital budget of R867 million. Within this district, the district municipality has the highest performance in terms of both the ratio and rand value. The district municipality's year to date collection is R488 million representing 72.0 per cent of its annual budget (R570 million). The lowest performing municipality is Thulamela at 14.0 per cent or R14 million.
- **Capricorn District:** - This district is the second highest in terms of the expenditure ratio in the province. To date, 48.0 per cent of R767 million has been spent rolling out capital projects. The City of Polokwane is still the highest contributor to this ratio in rand value, collecting R64 million (19.0 per cent) against a budget of R342 million; while in terms of expenditure ratio against the original budget, Molemole's performance stands at 40.0 percent (R6 million) against a budget of R15 million.
- **Mopani District:** - The district performance to date stands at 34.0 per cent. The major contributor to this average ratio is the district municipality with a R116 million (106.0 per cent) of the original budget of R110 million. The high performance by the district municipality suggests that the annual budget has been understated. Engagements with the municipality in this regards are in progress and the correct budget value will be reflected either in the December monthly publication or in the 2010/11 approved adjustment budget. The poor performer in this district is Greater Giyani with R1 million (2.0 per cent) expenditure against a budget of R67 million.
- **Sekhukhune District:** - In this district, the year to date performance is R180 million (30.0 per cent). The highest performer is Ephraim Mogale at 75.0 per cent while the lowest performer is Makhuduthamaga at 14.0 per cent.
- **Waterberg District:** - The average performance of this district is negative 5.0 per cent. The distortion of the district performance by Mogalakwena municipality is a great challenge. The municipality will continue to be engaged in this regard. In terms of this table, all municipalities in the

district performed below the linear projection rate of 41.6 per cent. None the less, the highest performer in this district in terms of ratio is Lephalale with 25.0 per cent; while the lowest are Mogalakwena with negative 26.0 per cent, followed by Thabazimbi with 2.0 per cent.

If the negative sign by Mogalakwena is disregarded, the highest performer in this district becomes Mogalakwena itself with a year to date collection of R70 million (26.0 per cent) against an annual budget of R271 million. This will therefore lead to the district average rate of 21.8 per cent or R115 million year to date expenditure. This will again lead to the provincial rate changing to R1.3 billion year to date expenditure or 40.0 per cent of the R3.2 billion budget.

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 %
Capital expenditure					
Infrastructure	2,399	2,399	251	800	33%
Other assets	476	476	16	75	16%
Community	332	332	17	58	18%
Investment properties	1	1	–	0	3%
Agricultural assets	2	2	–	0	3%
Heritage assets	1	1	–	–	
Intangibles	25	25	–	–	
Total Capital expenditure	3,236	3,235	285	934	29%

Source: In-Year Monitoring Reports Database

- **Infrastructure** – Spending in this category of assets is the highest in November at R800 million (33.0 per cent) of budget of R2.3 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;
- **Other assets** – This item accounts for 14.7 per cent of the total provincial capital budget. It has an annual capital budget of R476 million, of which R16 million (3.3 per cent) was spent during November 2010 and R75 million (16.0 per cent) of budget was spent to date. The item other assets

include amongst others, vehicles, office equipment, furniture, abattoirs, etc; and

- **Community asset** – Community assets account for just over 10.0 per cent of the total provincial capital budget. The budget in rand value amounts to R332 million, of which R17 million (5.1 per cent) has been spent during November 2010 and R58 million (18.0 per cent) was spent for the year to date. Expenditure on community assets is incurred on parks, gardens, sport fields, community libraries, cemeteries, etc;
- **Agricultural assets and Investment Properties**– From the annual budget of R2 and R1 million respectively, the submitted budget returns indicate that only 3.0 per cent has been spent on each thus far;
- **Heritage and Intangibles** – the budget on these items is R1 and R25 million respectively, to date no expenditure was incurred on either item.

As stated in prior reports, spending on capital budget remains a challenge for most municipalities in this province. Municipalities are advised regularly on the implications of not spending the capital budget and/or not meeting the conditions of the capital conditional grant. The contents of MFMA Circular 48 regarding unspent conditional grants have been brought to the attention of all municipalities in the province.

3.2.5 Debtors and Creditors

The analysis in table 10 below shows the status of debtors and creditors as at 30 November 2010.

Table 10: Consolidated debtors and creditors as at 30 November 2010

Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	Total
Debtors Age Analysis					
Total By Revenue Source	196	135	102	441	1,847
Creditors Age Analysis					
Total Creditors	172	41	5	14	312

Source: In-Year Monitoring Reports Database

The key characteristics of table 10 are as follows:

- As at the end of October 2010, municipalities reported having approximately R1.9 billion in outstanding debtors. At the end of November 2010, the total outstanding debtors have decline to R1.8 billion. This total debt represents a decrease by just R0.1 million.
- In relation to creditors, it is reflected in the November report that out of a total amount of R312 million, only R172 million is current (0-30 days). This suggests that municipalities have not complied with the MFMA and MFMA Circular 49 in this regard. 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.

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 R143 million in July 2010 with a projected positive closing balance of R819 million in November 2011.

In prior reports; it was mentioned that the credibility of the provincial cash flow statement is doubtful due to the fact that a substantial number of municipalities are not correctly completing the CFA return forms. Only a few municipalities disclose the projected revenues and expenditures in the CFA return form, while the majority only indicate the monthly actual only. For this reason, the discussion of table eleven (11) is only restricted to the first five months of the financial year.

Table 11: Consolidated cash flows as at 30 November 2010

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	143	550	751	452	334	803	752	777	765	937	1,041	1,097
Sub-Total (Receipts)	1,765	949	476	676	1,153	155	155	194	355	183	235	109
Sub-Total (Payments)	1,273	912	945	729	859	313	131	310	249	235	224	242
Closing Balance	774	832	494	811	819	657	832	871	1,093	1,145	1,202	1,175

Source: In-Year Monitoring Reports Database

Still on the cash flow statement, looking at the opening and closing balances reflected in this table, it is assumed that the amounts reflected are not credible; hence not much reliance should be placed on them. The inability of municipalities to make realistic projections of revenues and expenditures is evident in the adopted annual municipal budgets. Though municipalities are cautioned and advised to comply with MFMA S18 in the preparation of municipal budgets, the monthly cash flow budget tables are usually presented as linear projections. The only item municipalities seem to be able to realistically project for is government grants & subsidies. Provincial Treasury therefore assumes that municipalities are preparing cash flow statements (both budget and monthly) for purposes of compliance only; and there is little or no correlation between the cash flow projections and the actual receipts and/or expenditures.

4. LEGAL IMPLICATIONS

None.

5. FINANCIAL IMPLICATIONS

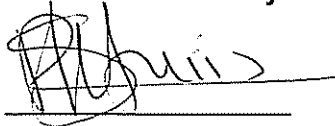
None.

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 five months of the 2010/11 municipal financial year;
- 6.2. Notes that twenty-nine (29) municipality submitted the November 2010 Monthly Budget Statement; and that all twenty-nine (29) municipalities complied 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