



LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

**PROVINCIAL TREASURY**

Enq: SE Tema

Ref: 12/1/6

To: All Municipal Managers

Cc: All Chief Financial Officers:

Cc: All section 56 managers and Head of Internal Audit

**MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003: IN-YEAR-MONITORING:  
SECTION 71 (6) REPORTING: MARCH 2015**

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.

Attached please find the Limpopo Province section 71(6) consolidated statements and narratives as at 31 March 2015. This report is consolidated into the provincial report and submitted to National Treasury.

Kind regards,

Pratt & CA (SA)

Head of Department

Date: 15/06/2015



# LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

## PROVINCIAL TREASURY

**Consolidated MFMA S71 Report (Monthly Budget Statements)  
As at 31 March 2015**

## **Disclaimer**

*This report contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Limpopo Provincial Treasury hereby disclaims any and all responsibility for any loss, injury, damages, or expense directly or indirectly arising out of or relating to the use or reliance on this publication or the material contained therein. This report has been prepared for Capricorn, Mopani, Sekhukhune, Vhembe and Waterberg Districts and their local Municipalities, Limpopo Legislature, Provincial and National Treasuries. Provincial Treasury does not accept responsibility to any other party to whom it may be shown, or who on their own volition, may decide to rely on it. This report has been compiled based on preliminary information obtained from the National Treasury Local Government Database. The information provided, accounting records or financial statements of the municipalities have not been audited and accordingly the Limpopo Provincial Treasury can express no assurances thereon. This publication is in compliance with, amongst others, Section 71 of the Municipal Finance Management Act No. 56 of 2003, and is not to be used for any other purpose.*

*All information in this report is based on the Section 71 MFMA reports that each Municipal Manager and Chief Financial Officer was required submit to National Treasury. Therefore, any queries on the budget, revenue or expenditure figures reflected in the report must be referred to the relevant Municipal Manager or Chief Financial Officer.*

*This report may not be copied in whole or in part without the written consent of the Limpopo Provincial Treasury.*

## TABLE OF CONTENTS

1. INTRODUCTION.....	4
2. BACKGROUND .....	4
3. METHODOLOGY AND APPROACH .....	4
4. PROVINCIAL OVERVIEW .....	5
4.1. OPERATING REVENUE AND EXPENDITURE .....	5
4.2. CAPITAL SOURCE OF FINANCE AND EXPENDITURE .....	7
4.3. OPERATING EXPENDITURE COMPARED TO CAPITAL EXPENDITURE .....	9
4.4. CASH FLOW STATEMENT .....	10
4.5. DEBTORS AGE ANALYSIS .....	12
4.6. CREDITORS' AGE ANALYSIS .....	14
5. CONCLUSION .....	16

## TABLES

Table 1: Operating Revenue.....	5
Table 2: Operating Expenditure.....	5
Table 3: Capital Source of Finance.....	7
Table 4 : Capital Expenditure.....	7
Table 5: Cash Receipts and Payments.....	10
Table 6: Debtors 'Age Analysis.....	12
Table 7: Debtors per Customer Group.....	12
Table 8: Creditors Age Analysis.....	14
Table 9: Creditors by Supplier/Service Group .....	14

## 1. INTRODUCTION

The purpose of this report is to provide an overview of the state of finances to:

- Identify risk areas in municipal finances to implement proper responses to the identified risks;
- Identify municipalities in financial distress to determine the extent of the financial problems and to establish what support is required by the municipality and if an intervention is required per legislation; and
- Assessing the budget performance of municipalities assists in serving as a control and management tool and as an early warning signal for the identification of financial problems.

This report uses actual information from the latest information from the municipal In-Year financial monitoring system (i.e. section 71 reports).

## 2. BACKGROUND

In terms of section 71(6) of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), the Provincial Treasury must, within 22 days after the end of each month submit to National Treasury a consolidated statement on the state of the municipalities' budgets per municipality and per municipal entity. Furthermore, section 71(7) requires that, 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 municipalities' budgets per municipality and per municipal entity. The MEC for Finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.

## 3. METHODOLOGY AND APPROACH

The methodology and approach used for the compilation of this report included the following:

- The data for the analysis used in this report was extracted from the National Treasury Local Government Database. (Section 71(1) requires the Municipal Accounting Officer *"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 of the municipalities budget performance in a prescribe format..."*)
- A comparison was made between the information submitted to the National Treasury Local Government database and the Schedule C schedule submitted to the Provincial Treasury
- Provincial Treasury is concerned about the reliability of budget and expenditure figures submitted by municipalities. It was noted in the past that there has been discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that the figures published by Provincial Treasury are reliable, it is imperative that each municipality scrutinise, verify and sign-off the Appendix B schedules sent to National Treasury.

#### 4. PROVINCIAL OVERVIEW

##### 4.1. OPERATING REVENUE AND EXPENDITURE

**Table 1: Operating Revenue**

Operating Revenue per District - M09 March 2015

R '000	Original Budget	Adjusted Budget	YTD Budget	YTD Actual	% of year to date	Property Rates Billed <sup>1</sup>	Service Charges				Other Revenue Billed <sup>2</sup>	Transfers Recognised	
							Electricity Billed	Water Billed	Sanitation Billed	Refuse Removal			Other Service
Capricorn	3 513 620	3 531 947	809 188	757 538	94%	76 607	147 193	68 848	12 379	15 684	366	58 977	377 484
Mopani	2 738 556	2 461 073	642 342	596 543	93%	63 410	(31 219)	24 743	6 614	15 688	457	110 916	405 934
Sekhukhune	1 925 434	2 029 893	459 657	620 702	135%	58 115	21 401	12 162	2 108	3 269	3 432	92 432	427 785
Vhembe	2 468 275	2 307 750	512 174	486 386	95%	25 318	80 365	-	-	15 018	1 906	43 418	320 360
Waterberg	2 099 216	2 186 142	516 927	327 143	63%	30 785	81 337	22 188	11 907	9 205	384	25 063	146 275
<b>Total Operating Revenue</b>	<b>12 745 102</b>	<b>12 516 804</b>	<b>2 940 287</b>	<b>2 788 312</b>	<b>95%</b>	<b>254 234</b>	<b>299 077</b>	<b>127 940</b>	<b>33 008</b>	<b>58 864</b>	<b>6 546</b>	<b>330 807</b>	<b>1 677 837</b>

Source: NT Local Government Database

1. Property Rates Billed contains billings from rates and penalty charges levied

2. Other Revenue Billed contains billings from fines, licences and permits and for rental of municipal property and equipment, receivables from investments and interest from debtors accounts and dividends as well as Agency Service Charges and Disposal from PPE.

**Table 2: Operating Expenditure**

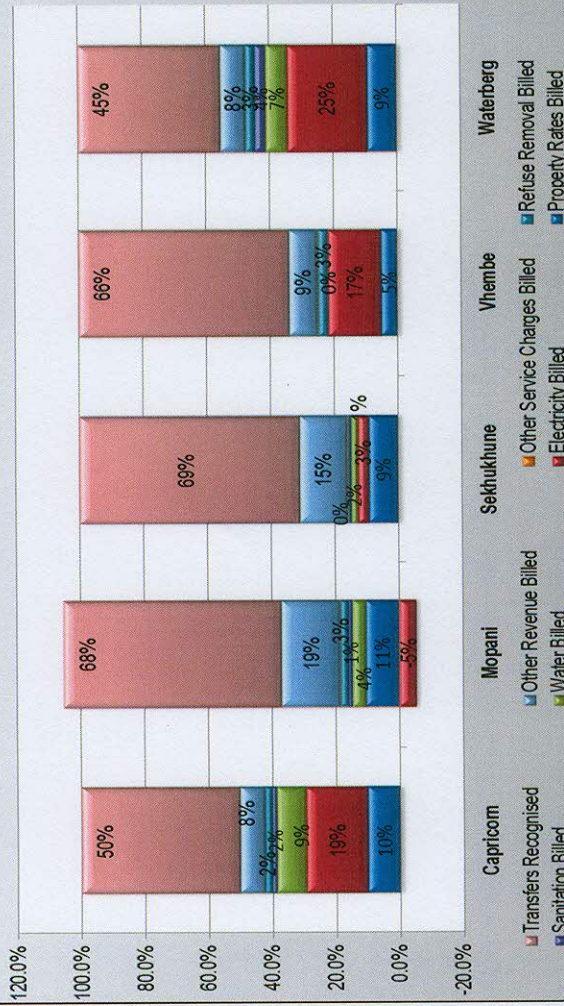
Operating Expenditure per District - M09 March 2015

R '000	Original Budget	Adjusted Budget	YTD Budget	YTD Actual	% of YTD Budget	Employee Related Cost	Councillor Remuneration	Debt Impairment	Transfers and grants	Bulk Purchases	Contracted Services	Other Expenditure
Capricorn	3 455 962	3 473 851	721 424	752 552	104%	226 979	20 355	16 474	1 560	179 054	24 255	283 874
Mopani	2 716 405	2 461 073	642 342	441 560	69%	177 435	17 501	-	4 733	88 105	25 822	127 963
Sekhukhune	1 694 058	1 813 796	373 900	444 135	119%	175 882	19 383	3 333	2 423	45 541	34 477	163 096
Vhembe	1 563 103	2 331 806	514 190	514 652	100%	168 737	14 428	847	-	58 358	2 068	270 215
Waterberg	2 191 116	2 263 704	522 837	288 241	55%	109 410	7 920	2 012	4 643	83 165	14 695	66 396
<b>Total Operating Expenditure</b>	<b>11 620 644</b>	<b>12 344 229</b>	<b>2 774 694</b>	<b>2 441 140</b>	<b>88%</b>	<b>858 444</b>	<b>79 586</b>	<b>22 666</b>	<b>13 360</b>	<b>454 223</b>	<b>101 317</b>	<b>911 544</b>

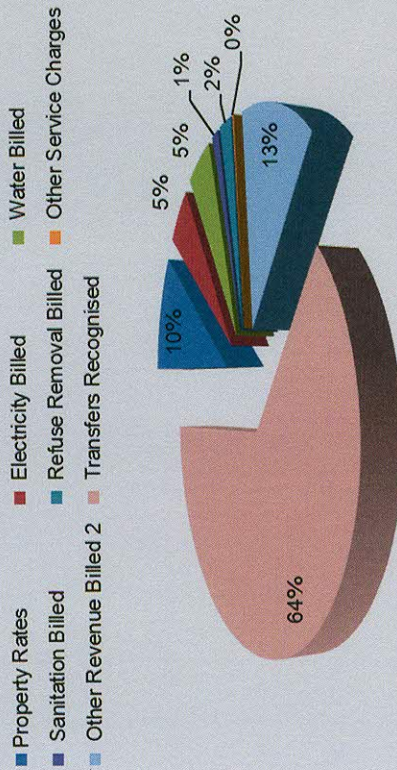
Source: NT Local Government Database

- Actual revenue for the period ending 31 March 2015 for the province is R2, 7 billion which Capricorn district raising the highest revenue at 27 percent.
- Transfers Recognised are the highest contributor of revenue at 64 percent of the total revenue.
- The electricity revenue for Mopani is negative due to Tzaneen municipality's revenue that was captured as a negative
- Year to date operating expenditure for the province is at R858 million.
- Other expenditure is the highest spending with 37% followed by employee related cost which is standing at 35%.

**Breakdown of Revenue by District per Source - March 2015**



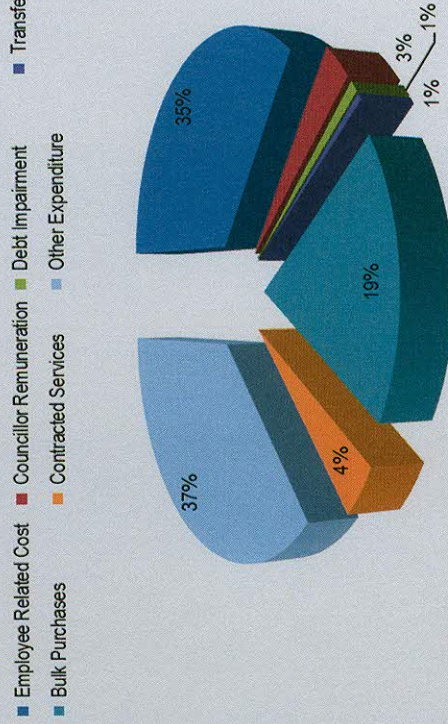
**Revenue per Income Group - March 2015**



**Breakdown of Expenditure by District per Source - March 2015**



**Expenditure per Item - March 2015**



#### 4.2. CAPITAL SOURCE OF FINANCE AND EXPENDITURE

**Table 3: Capital Source of Finance**

Capital Sources of Finance per District - M09 March 2015

R '000	Original Budget	Adjusted Budget	YTD Budget	YTD Actual	%	External Loans	Asset Finance Reserve	Surplus Cash	Public Contributions/Donations	Transfers & Grants				Leases	Other
										National Grants	Provincial Grants	District (Municipality) Grants	Other Transfers & Grants		
Capricorn	1 037 293	1 510 261	262 079	184 785	71%	-	-	-	-	121 712	55 400	82	-	7 591	
Mopani	1 223 557	1 380 514	291 120	108 133	37%	-	-	-	-	77 801	34	-	-	30 298	
Sekhukhune	1 484 425	1 206 698	347 530	124 197	36%	-	-	-	-	115 074	9 123	-	-	-	
Vhembe	1 252 319	1 266 872	409 858	204 109	50%	-	-	-	-	187 181	4 099	-	-	12 830	
Waterberg	704 556	641 196	147 354	17 802	12%	-	-	-	-	15 136	-	-	28	2 638	
<b>Total</b>	<b>5 702 150</b>	<b>6 005 541</b>	<b>1 457 942</b>	<b>639 026</b>	<b>44%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>516 905</b>	<b>68 655</b>	<b>82</b>	<b>28</b>	<b>53 356</b>	

- The total year to date actual of capital finance amounts to R639 million with Vhembe district contributing 32% followed by Capricorn district with 29%.
- Municipal capital funding consists mainly of grants from the national and provincial government.

**Table 4 : Capital Expenditure**

Capital Expenditure per District - M09 - March 2015

R '000	Original Budget	Adjusted Budget	YTD Budget	YTD Actual	%	Water & Sanitation	Electricity	Housing	Roads, Etc.	Other
Capricorn	1 037 293	1 510 261	262 079	184 785	71%	75 233	2 493	-	88 326	18 733
Mopani	1 223 557	1 380 514	291 120	108 133	37%	17 601	3 719	-	45 224	41 588
Sekhukhune	1 299 975	1 206 698	347 530	133 047	38%	60 037	3 266	-	38 155	31 569
Vhembe	1 252 319	1 266 872	409 858	204 109	50%	109 127	2 373	1 446	80 582	10 581
Waterberg	704 556	641 196	147 354	23 612	16%	11 658	1 930	-	2 424	7 601
<b>Total</b>	<b>5 517 700</b>	<b>6 005 541</b>	<b>1 457 942</b>	<b>653 687</b>	<b>45%</b>	<b>273 656</b>	<b>13 801</b>	<b>1 446</b>	<b>254 711</b>	<b>110 072</b>

- The capital expenditure to date amounts to R653 million which is 45 percent of the year to date budget and 11 percent of adjusted budget. The highest percentage of the capital budget has been spent on Water and Sanitation.
- There is low spending in capital which may result in funds being returned to National Treasury and service delivery will be compromised.

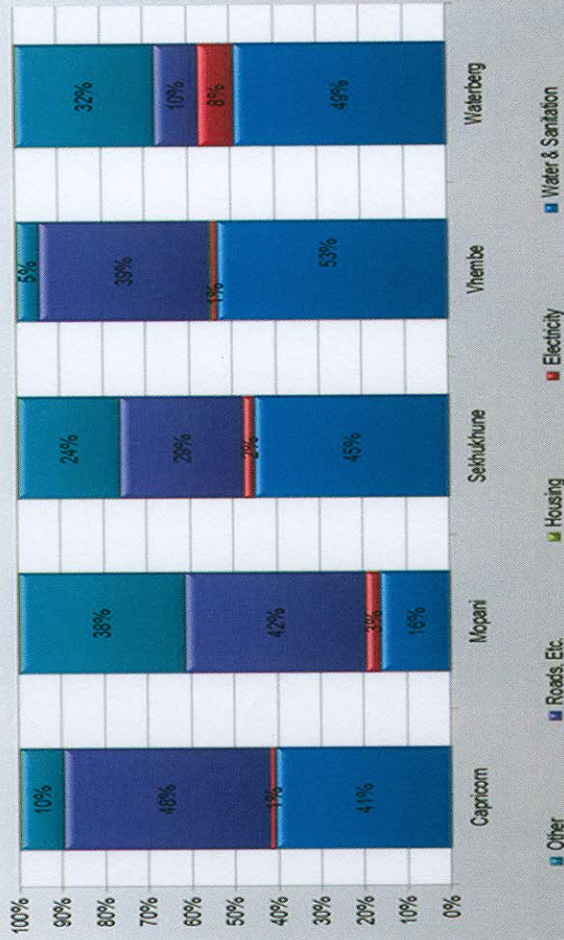
Source: NT Local Government Database



**Breakdown of Capital Sources by District per Source March 2015**



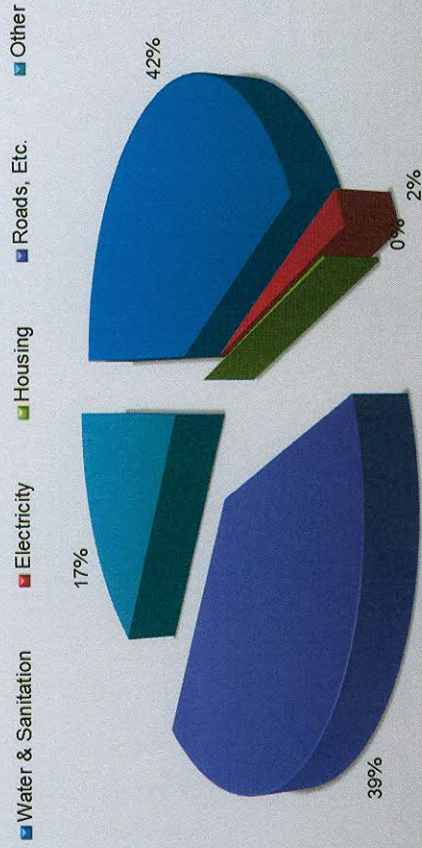
**Breakdown of Capital Expenditure by District per Source - March 2015**



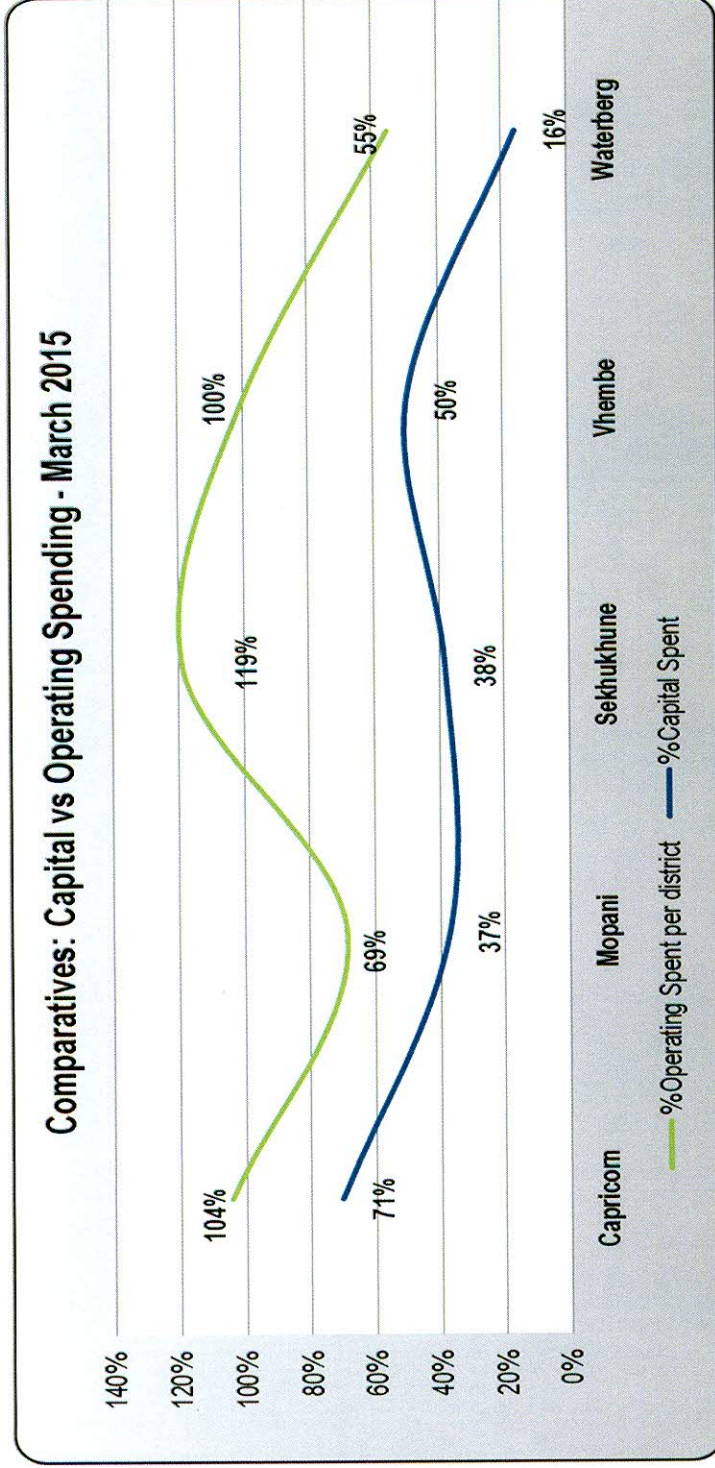
**Capital Sources of Finance - March 2015**



**Capital Expenditure per Item - March 2015**



### 4.3. OPERATING EXPENDITURE COMPARED TO CAPITAL EXPENDITURE



- The table provided compares capital vs operating expenditure in the province.
- More spending of funds by the municipalities is on operational expenditure as compared to capital expenditure in all municipalities
- On average, Capricorn District municipalities have the highest spending on capital expenditure.
- Waterberg district has the lowest spending on capital expenditure.

#### 4.4. CASH FLOW STATEMENT

Table 5: Cash Receipts and Payments

CashFlow - M09 March 2015

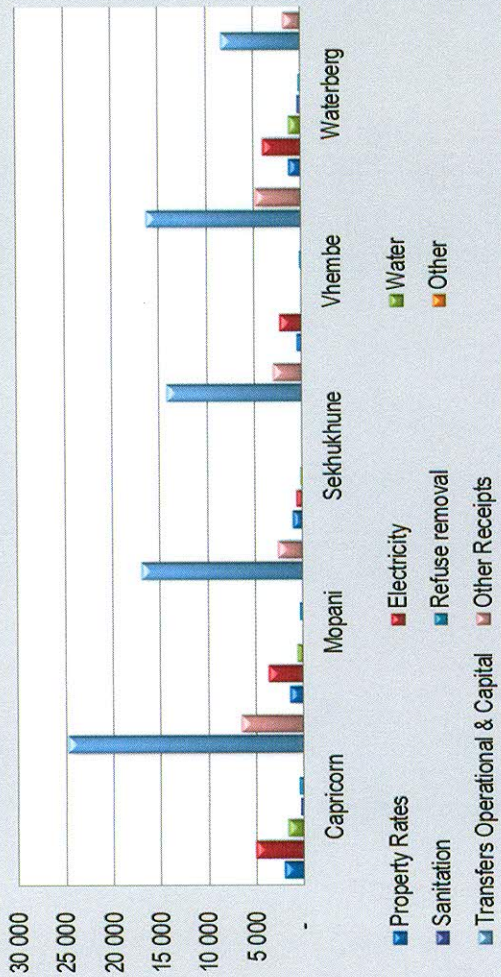
R thousands	Property Rates	Electricity	Water	Sanitation	Refuse removal	Other	Transfers Operational & Capital	Other Receipts	Total Cash Receipts by Source	Employee Related Cost	Councillor Remuneration	Bulk Electricity	Bulk Water	Contracted Services	Other	Total Cash Payments by Type	Net Increase/(Decrease) in Cash Held	Cash/Cash equivalents and month/year begin	Cash/Cash equivalents and month/year end
Capricorn	204 541	504 223	162 264	30 567	43 880	785	2 475 101	647 090	4 068 451	678 338	59 400	433 752	144 416	77 451	1 959 729	3 353 086	715 365	790 373	1 505 738
Mopani	146 876	367 447	61 279	14 036	32 010	279	1 690 228	253 253	2 565 408	587 080	59 844	268 656	39 898	94 167	1 018 198	2 067 843	497 565	250 221	747 786
Sekhukhune	105 338	67 876	21 888	6 123	11 619	1 100	1 427 005	301 849	1 942 798	422 714	59 585	57 989	57 320	-	-	597 608	1 345 190	136 373	1 481 563
Vhembe	53 492	234 149	13 030	-	18 517	8 872	1 624 743	478 388	2 431 191	688 079	51 530	219 665	-	6 585	1 409 776	2 385 635	-7 936	587 514	579 578
Waterberg	129 135	402 240	132 269	39 084	27 830	2 315	830 819	185 566	1 749 258	472 566	34 680	296 082	33 921	69 169	662 603	1 569 021	180 237	615 026	795 263
<b>Total</b>	<b>639 382</b>	<b>1 575 935</b>	<b>390 730</b>	<b>89 810</b>	<b>133 856</b>	<b>13 351</b>	<b>8 047 896</b>	<b>1 866 146</b>	<b>12 757 106</b>	<b>2 858 777</b>	<b>265 039</b>	<b>1 276 144</b>	<b>275 555</b>	<b>247 372</b>	<b>5 050 306</b>	<b>9 973 193</b>	<b>2 730 421</b>	<b>2 379 507</b>	<b>5 109 928</b>

Source: NT Local Government Database

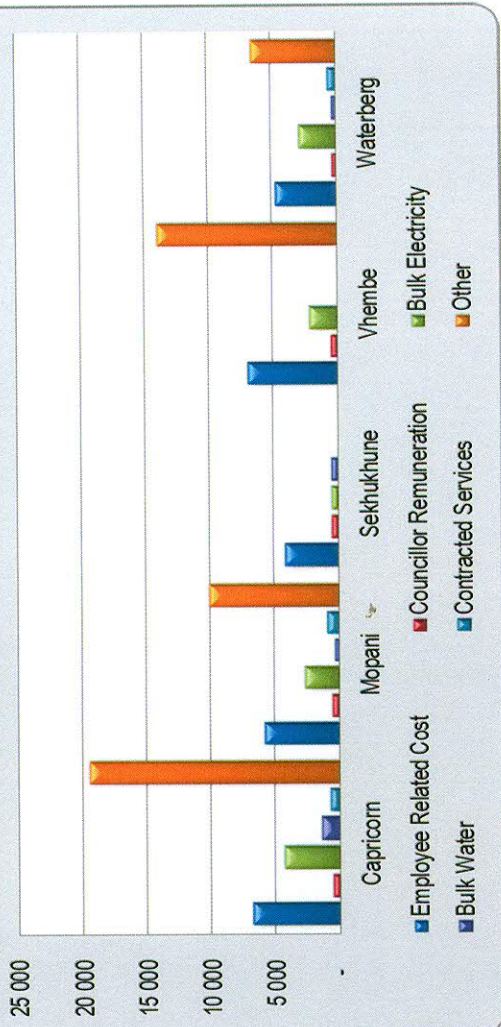
1. Other receipts includes interest earned, agency fees and rental income

- The table presents the inflow (receipts) and outflow (payments) of cash as at 31 March 2015.
- R12, 7 billion was received as at 31 March 2015 out of which 63 percent is from transfers and grants. Total revenue raised for the period is R2, 7 billion and R4, 7 billion was collected excluding transfers. The debtors' book as at 31 March 2015 is at R2, 8 billion. This is an indication that municipalities are still under pressure to collect more revenue.
- Total payments amount to R9, 9 billion rand.
- Other expenditure is the highest expenditure at 51 percent and employee costs are at 29 percent.
- R1, 2 billion has been spent on bulk electricity and R274 million on bulk water.

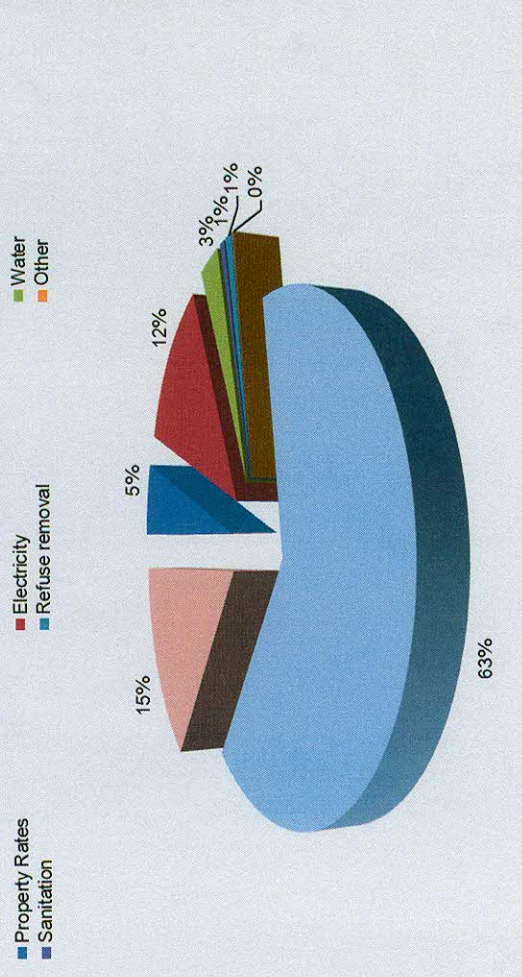
### Cash Receipts per district by Source- March 2015



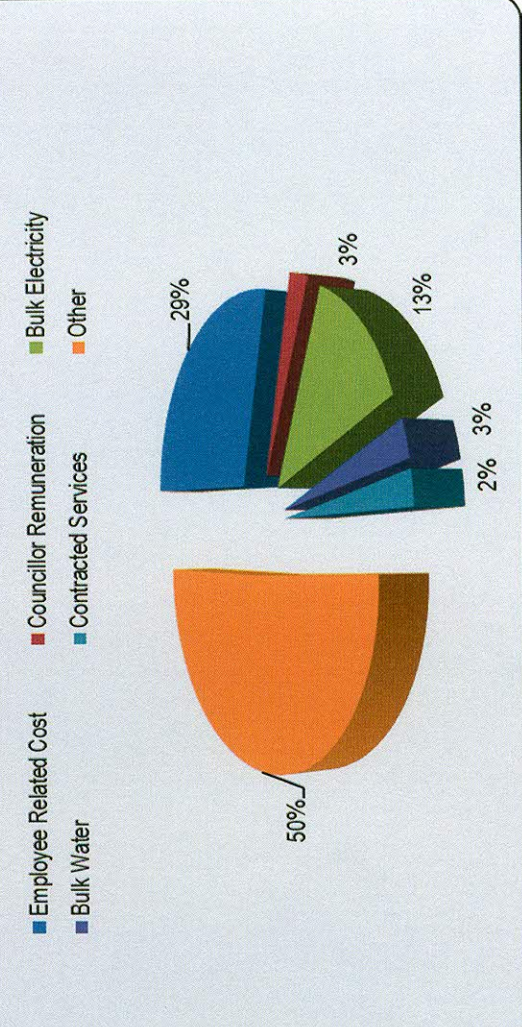
### Cash Payments per District by item



### Provincial Cash Receipts - March 2015



### Provincial Cash Payments - March 2015



#### 4.5. DEBTORS AGE ANALYSIS

Table 6: Debtors 'Age Analysis

Debtor Age Analysis - M09 March 2015

R '000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Capricorn	1 753	0%	36 000	4%	80 989	9%	782 105	87%	900 847
Mopani	26 584	4%	16 059	2%	15 670	2%	594 087	91%	652 400
Sekhukhune	20 560	6%	18 933	5%	12 502	4%	302 544	85%	354 539
Vhembe	28 817	6%	15 188	3%	34 180	7%	400 214	84%	478 399
Waterberg	79 145	16%	18 692	4%	16 170	3%	396 569	78%	510 576
<b>Total</b>	<b>156 859</b>	<b>5%</b>	<b>104 872</b>	<b>4%</b>	<b>159 511</b>	<b>6%</b>	<b>2 475 519</b>	<b>85%</b>	<b>2 896 761</b>

Source: NT Local Government Database

Table 7: Debtors per Customer Group

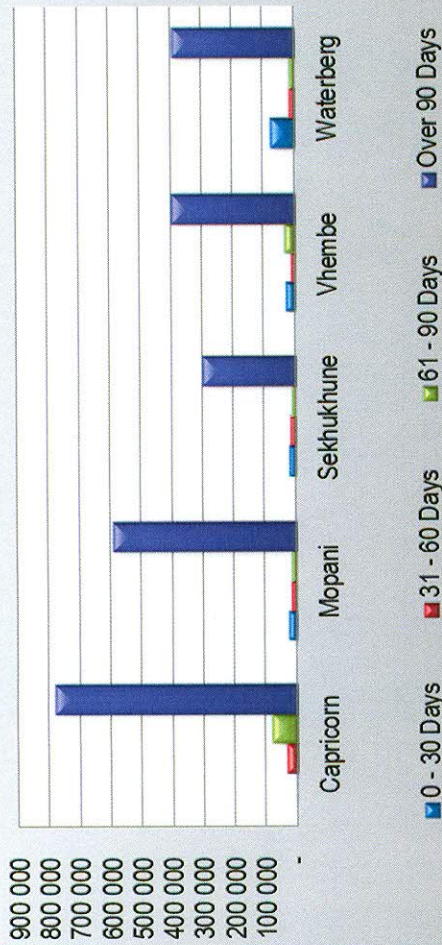
Debtors by Customer Group (Total) - M09 March 2015

R '000	Government		Business		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Capricorn	68 261	8%	159 725	18%	484 337	54%	188 524	21%	900 847
Mopani	41 378	6%	87 028	13%	498 406	76%	25 588	4%	652 400
Sekhukhune	105 794	30%	42 104	12%	138 937	39%	67 708	19%	354 543
Vhembe	16 704	3%	36 850	8%	50 426	11%	374 417	78%	478 397
Waterberg	22 781	4%	76 164	15%	350 335	69%	61 293	12%	510 573
<b>Total</b>	<b>254 918</b>	<b>9%</b>	<b>401 871</b>	<b>14%</b>	<b>1 522 441</b>	<b>53%</b>	<b>717 530</b>	<b>25%</b>	<b>2 896 760</b>

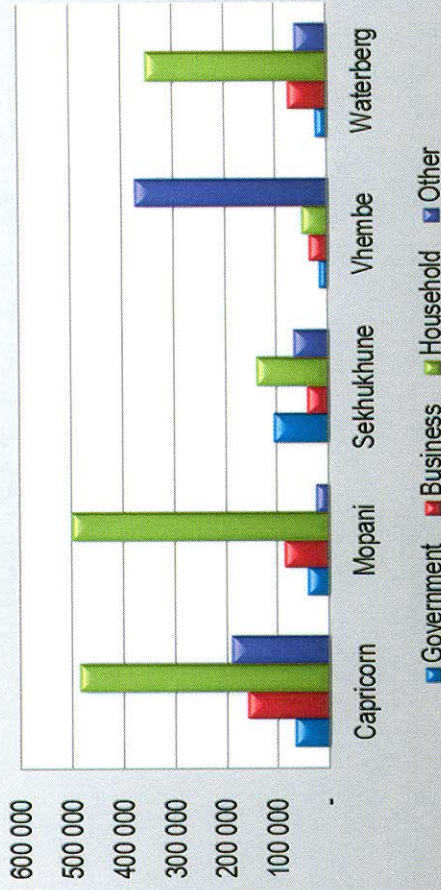
Source: NT Local Government Database

- The provided table shows debtors of the district municipalities from 30 days to over 90 days as at 31 March 2015.
- 95 percent of debtors are overdue with households being the highest contributor of debtors' book at 53 percent of the total amount owed to municipalities.
- Government debts have been reduced significantly over the period.

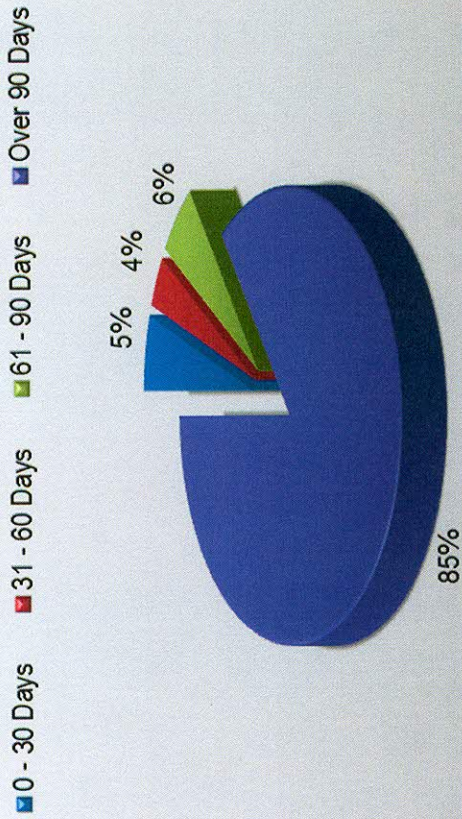
**Debtors Age Analysis per District - March 2015**



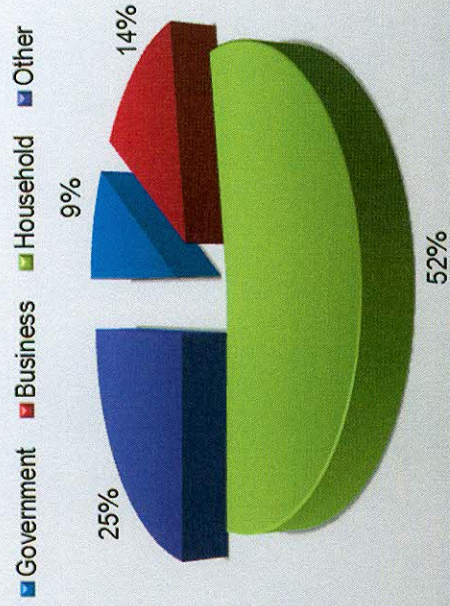
**Debtors by Customer Group - March 2015**



**Debtors Age Analysis - Provincial Overview**



**Debtors by Customer Group - March 2015**



#### 4.6. CREDITORS' AGE ANALYSIS

Table 8: Creditors Age Analysis

Creditor Age Analysis - M09 March 2015

R '000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Capricorn	266 878	59%	897	0%	17 682	4%	166 964	37%	452 421
Mopani	19 053	8%	13 082	5%	22 332	9%	186 702	77%	241 169
Sekhukhune	93 142	38%	48 735	20%	42 886	18%	58 204	24%	242 967
Vhembe	10 373	19%	5 189	9%	3 104	6%	36 916	66%	55 582
Waterberg	15 934	7%	18 249	8%	8 707	4%	178 587	81%	221 477
<b>Total</b>	<b>405 380</b>	<b>33%</b>	<b>86 152</b>	<b>7%</b>	<b>94 711</b>	<b>8%</b>	<b>627 373</b>	<b>52%</b>	<b>1 213 616</b>

Source: NT Local Government database

- Based on the provided table, there are municipalities in the province that are not paying its creditors within the prescribed period (30 days) which is contravene the MFMA Circular 49 and MFMA section 65(e) which stipulates that all creditors owed by municipalities should be paid within 30 days after receiving the invoice or statements
- According to the tables, 52 percent of creditors are overdue for more than 90 days. This is an increase from the 44% of the outstanding creditors (R524 million) reported in January 2015.

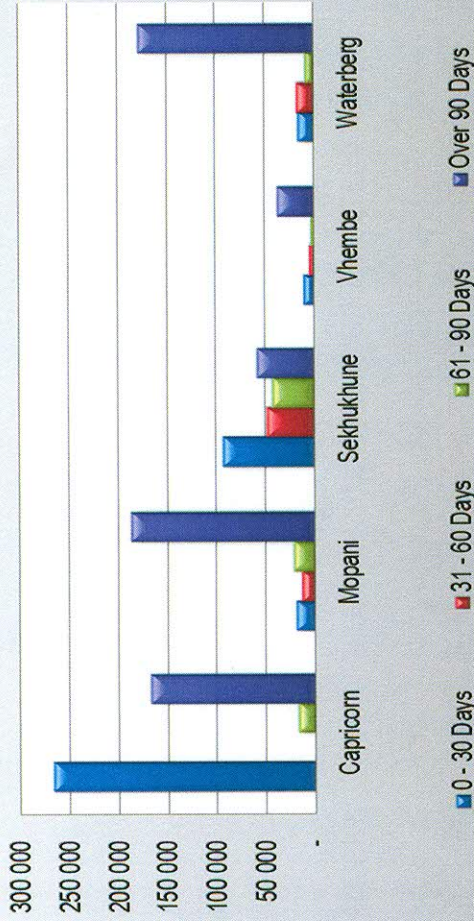
Table 9: Creditors by Supplier/Service Group

Creditors by Customer Group (Total) - M09 March 2015

R '000	Bulk Electricity		Bulk Water		PAYE deductions		VAT		Pensions/Retir		Loan Repayments		Trade Creditors		Auditor General		Other		Total
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	
Capricorn	40 527	9%	17 226	4%	2 216	0%	-	0%	-	0%	-	0%	101 833	23%	-	0%	290 619	64%	452 421
Mopani	19 158	8%	180 070	75%	-	0%	-	0%	-	0%	-	0%	18 888	8%	1 775	1%	21 278	9%	241 169
Sekhukhune	1 359	1%	9 969	4%	3 214	1%	-	0%	2 032	1%	-	0%	65 175	27%	-	0%	161 218	66%	242 967
Vhembe	-	0%	-	0%	1 703	3%	-	0%	570	1%	-	0%	53 308	96%	-	0%	-	0%	55 581
Waterberg	119 884	54%	12 621	6%	2 257	1%	-	0%	-	0%	1 429	1%	79 013	36%	2 057	1%	4 218	2%	221 479
<b>Total</b>	<b>180 928</b>	<b>15%</b>	<b>219 886</b>	<b>18%</b>	<b>9 390</b>	<b>1%</b>	<b>-</b>	<b>0%</b>	<b>2 602</b>	<b>0%</b>	<b>1 429</b>	<b>0%</b>	<b>318 217</b>	<b>26%</b>	<b>3 832</b>	<b>0%</b>	<b>477 333</b>	<b>39%</b>	<b>1 213 617</b>

Source: NT Local Government database

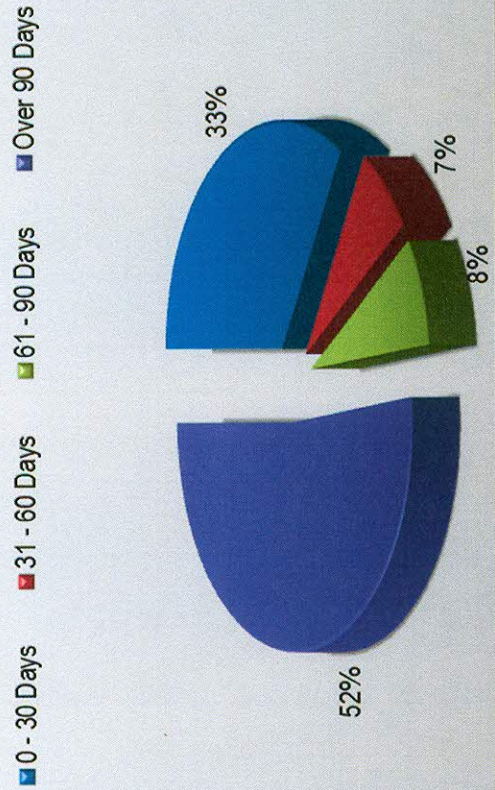
**Creditors Age Analysis - March 2015**



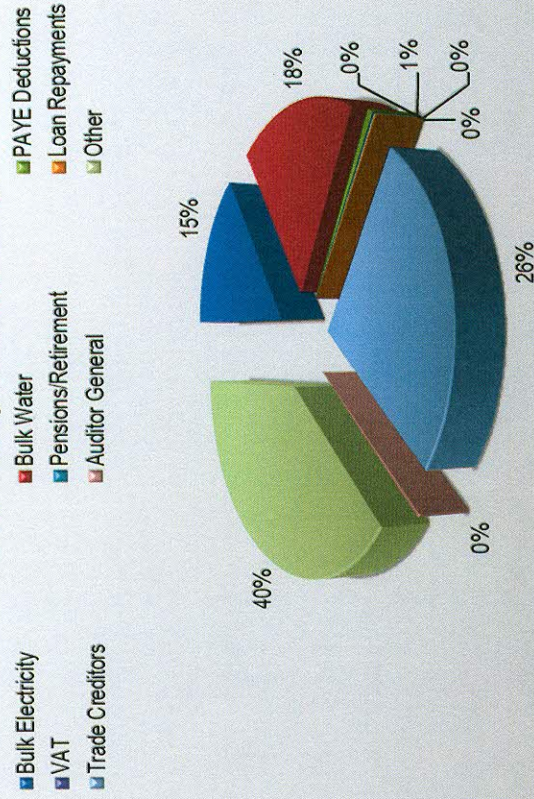
**Creditors by Customer Group - March 2015**



**Creditors Age Analysis - Provincial Overview**



**Creditors by Customer Group**





## 5. CONCLUSION

Credibility of information on the s71 reports submitted is not yet satisfactory. There is a need for municipalities and supporting departments to focus on the following matters:

- Credibility of the MTREF budgets and in year reports;
- Revenue management including implementation of by-laws;
- Infrastructure maintenance and accounting for distribution losses
- Accurate and complete reporting; and
- Accountability for reports submitted by municipalities

Prepared by : Tema SE  
General Manager: Municipal Finance

Date : 15 June 2015

Signature :  \_\_\_\_\_

Reviewed by : Phukuntsi M  
Senior General Manager: Sustainable Resource Management

Date : 15/06/2015

Signature : 