



**LIMPOPO**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ntuli P S

Date: 28 October 2010

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

**Fax: (012) 315 5230**

Attention: Mr. J. Hattingh

**MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003: IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: SEPTEMBER 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 for the quarter ended 30 September 2010.

**HEAD OF DEPARTMENT  
PROVINCIAL TREASURY**

**DATE:**

**LIMPOPO PROVINCIAL TREASURY**  
**Monthly Budget Statement**  
**Report on Municipal Consolidated Financial Performance Statements**  
**as at 30 September 2010**  
**(1<sup>st</sup> Quarter)**

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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 statement of all 30 municipalities to the National Treasury and to publish this statement on the Limpopo Provincial Treasury's website. The consolidated report is compiled in terms of Section 71(6) of the Municipal Finance Management Act (No. 56 of 2003). The consolidated report assesses the budget performance of municipalities against their Integrated Development Plans (IDPs) and Service Delivery and Budget Implementation Plans (SDBIPs) to determine the credibility, sustainability and responsiveness of those municipal budgets. This consolidated report covers the financial performance in municipalities for the first quarter of the 2010/11 financial year, viz. the months of July, August and September 2010.

The information in this consolidated report is sourced from the Municipal Finance Management Act (No. 56 of 2003) Section 71 reports signed by each Municipal Manager to their Mayors and the Provincial Treasury, and submitted to the National Treasury. Due to the challenge of data incredibility and outstanding budget returns in the previous two publications; Provincial Treasury (PT) engaged with the municipalities during the month of October to confirm and verify all submitted budget returns.

During this process, guidance was provided to municipalities on the completion of budget returns and the reconciliation of such with the adopted budget; as well as the accurate completion of some monthly returns. This process has assisted PT to update the budget and financial performance figures in this publication; hence; some budget amounts and actual expenditures have been updated with the recently verified information. PT will continue with this process and also engage municipalities regarding their quarterly performance; it is believed that this will increase the level of data credibility thereby ensuring that more reliance can be placed on the provincial monthly consolidated reports.

## 2. SUMMARY

In terms of section 71(1) of the MFMA, the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- a) Actual revenue, per revenue source;
- b) Actual borrowings;
- c) Actual operating expenditure, per vote;
- d) Actual capital expenditure, per vote;
- e) The amount of any allocation received;
- f) Actual expenditure on those allocations, excluding expenditure on –
  - i. Its share of the local government equitable share; and
  - ii. Allocations exempted by the annual Division of Revenue Act from compliance with this paragraph and;
- g) When necessary, an explanation of –
  - i. Any material variance from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
  - ii. Any material variance from the service delivery and budget implementation plan; and
  - iii. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remains within the municipality's approved budget.

The Minister of Finance has on 17 April 2009 published the Municipal Budget & Reporting Regulations (MBRR); which prescribes the format of a Monthly Budget Statement (MBS) (MFMA S71). The submission schedule below will depict compliance by municipalities with the prescripts of this regulation by indicating those municipalities that submitted the MBS in the MBRR Schedule C format.

Furthermore, according to section 71(6), the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budget, per municipality and per municipal entity.

Finally section 71(7) stipulates that the Provincial Treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of the municipalities' budgets per municipality and per municipal entity. The MEC for Finance must submit such consolidated statement to the provincial legislature not later than 45 days after the end of each quarter.

### **3. DISCUSSION**

#### **3.1 COMPLIANCE WITH SUBMISSION OF MONTHLY BUDGET STATEMENTS AND TIMEFRAMES**

Table 1 below shows the submission of the Monthly Budget Statement (MBS) reports for the first quarter of the 2010/11 financial year. Section 71(4) of the MFMA requires that the monthly budget statements be submitted in both electronic and signed hard copy no later than 10 working days after closure of the relevant month. The table shows the types of formats used by municipalities, the date of actual submission of electronic and hard copies; as well as those municipalities that did not comply at all for the period under review (first quarter of the 2010/11 financial year).

Table 1 Monthly Budget Statement Submission Schedule

Municipality	Jul-10		Aug-10				Sep-10					
	Date of submission		Appendix B	Schedule C	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	16.08.2010	16.8.10								14.10.2010		
LIM 351 - BLOUBERG	12.08.2010		AD	Yes		27.09.2010	AC,CAA,CFA,OSA	B		19.10.2010	CFA,CAA,OSA,AC	
LIM 352 - AGANANG	16.08.2010		AC,AD,CFA,OSA,CAA		Yes	13.09.2010	Schedule C Format	B		14.10.2010	OSA,CAA,CFA,AD,AC	
LIM 353 - MOLEMOLE	13.08.2010	13.8.10	AC,AD,CFA,OSA,CAA		Yes	14.09.2010	Schedule C Format	C		14.10.2010	Schedule C	
LIM 354 - POLOKWANE	12.08.2010		AC,AD,CFA,OSA,CAA		Yes	10.09.2010	Schedule C Format	C, B		7.10.2010	OSA,CAA,CFA,AD,AC	
LIM 355 - LEPALLE-NKUMPI	10.08.2010		AC,AD,CFA,OSA,CAA	Yes		10.09.2010	AC,AD,CFA,CAA,OSA	B		14.10.2010	OSA,CAA,CFA,AD,AC	
DC - 47 - GREATER SEKHUKHUNE				Yes		09.09.2010	OSA,CFA,CAA,AC	B		13.10.2010	OSA,CAA,CFA,AD,AC	
LIM 471 - EPHRAIM MOGALE	13.08.2010	13.8.10	AC,AD,CFA,OSA,CAA		Yes	14.9.2010	Schedule C Format					
LIM 472 - ELIAS MOTSOLEDI	16.08.2010		AD,AC,OSA,CFA		Yes	15.09.2010	Schedule C Format	B		14.10.2010	AC,AD,CAA,OSA	
LIM 473 - MAKHUDUTHAMAGA	16.08.2010	17.8.10	AC,AD,CFA,OSA,CAA	Yes		14.09.2010	14.09.2010	AC,CFA,AD,OSA,CAA	C	14.1.2010	14.10.2010	Schedule C
LIM 474 - FETAKGOMO	16.08.2010	16.8.2010	AC,AD,CFA,OSA,CAA	Yes		14.09.2010		AC,CFA,AD,OSA,CAA	B	8.10.2010	11.10.2010	OSA,CAA,CFA,AD,AC
LIM 475 - GREATER TUBATSE	11.08.2010		AC,AD,CFA,OSA,CAA	Yes				AC,CFA,AD,OSA,CAA	B	18.10.2010		OSA,CAA,CFA,AD,AC
DC 33 - MOPANI	13.08.2010		AC,AD,CFA,OSA,CAA		Yes	28.09.2010	Schedule C Format	B		13.10.2010		OSA,CAA,CFA,AD,AC
LIM 331 - GREATER GIYANI	20.10.2010		AC,AD,CFA,OSA,	Yes		22.10.2010	OSA,CFA,AD,AC,	B		22.10.2010		OSA,CFA,AD,AC
LIM 332 - GREATER LETABA	24.08.2010		AC,AD,CFA,OSA,CAA		Yes	14.09.2010	Schedule C Format	C, B		14.10.2010		Schedule C
LIM 333 - GREATER TZANEEN	16.8.2010	16.8.10	AC,AD,CFA,OSA,CAA		Yes	14.09.2010	Schedule C Format	B		14.10.2010		OSA,CAA,CFA,AD,AC
LIM 334 - BA- PHALABORWA	12.08.2010		AC,AD,CFA,OSA,CAA		Yes	13.09.2010	Schedule C Format	C, B		9.10.2010		OSA,CAA,CFA,AD,AC
LIM 335 - MARULENG	20.9.2010		AC,AD,CFA	Yes		20.09.2010	CFA,OSA,AD,AC,CAA	B		14.10.2010		OSA,CAA,CFA,AD,AC
DC 36 - WATERBERG	14.08.2010		AC,AD,CFA,OSA,CAA		Yes	14.09.2010	14.09.2010	Schedule C Format	C, B	14.10.2010	14.10.2010	OSA,CAA,CFA,AD,AC
LIM 361 - THABAZIMBI	13.08.2010		AD,CAA,OSA,CFA	Yes		13.09.2010	CFA,OSA,AC,CAA,AD	B		7.10.2010		AD,CAA,OSA,CFA
LIM 362 - LEPHALALE	16.08.2010		AC,AD,CAA,OSA						B	14.10.2010		CFA,CAA,OSA,AD,AC
LIM 364 - MOOKGOPONG	16.08.2010		OSA,AC,AD,CAA	Yes		28.09.2010	AC,OSA,AD,CAA	B		14.10.2010		AC,AD,CAA,OSA
LIM 365 - MODIMOLLE	16.08.2010	13.8.10	AC,AD,CFA,OSA,CAA		Yes	14.09.2010	Schedule C Format	C		14.10.2010		Schedule C
LIM 366 - BELA-BELA	20.08.2010		AC,AD,CFA,OSA,CAA	Yes		14.09.2010	CFA,OSA,AC,CAA,AD	C		15.10.2010	14.10.20	Schedule C
LIM 367 - MOGALAKWENA	20.08.2010		AC,AD,CFA,OSA,CAA	Yes		14.09.2010	CFA,OSA,AC,CAA,AD	B		14.10.2010		CFA,CAA,OSA,AD,AC
DC 34 - VHEMBE	13.08.2010		AC,AD,CFA,OSA,CAA	Yes		13.09.2010	CFA,OSA,AC,CAA,AD	B		12.10.2010		OSA,CAA,CFA,AD,AC
LIM 341 - MUSINA	16.08.2010		AC,AD,CFA,OSA,CAA	Yes		14.09.2010	CFA,OSA,AC,CAA,AD	B		14.10.2010		CFA,CAA,OSA,AD,AC
LIM 342 - MUTALE												
LIM 343 - THULAMELA	13.08.2010		AD,CAA,OSA,CFA		Yes	22.09.2010	Schedule C Format	C		19.10.2010		Schedule C
LIM 344 - MAKHADO	24.08.2010		Schedule C		Yes	14.09.2010	Schedule C Format	C		14.10.2010		Schedule C

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

For the period under review, out of thirty (30) municipalities, only two (2) municipalities which are Mutale and Ephraim Mogale did not submit both the hard and electronic MFMA S71 reports. Four (4) municipalities (Greater Giyani, Thulamela, Greater Tubatse and Blouberg municipalities submitted their report later than ten working days after closure of the relevant month. Hard copies of MFMA S71 (4) were submitted by five (5) municipalities namely Capricorn District, Makhuduthamaga, Fetakgomo, Bela-Bela and Waterberg District. None of the municipalities in Vhembe and Mopani Districts submitted hard copies of MFMA S71 reports. Letters of non compliance with MFMA S71 were sent to all affected municipalities.

Regarding the conversion of MFMA S71 reports to the new Municipal Budget & Reporting Regulations (MBRR) Schedule C format, ten (10) municipalities submitted their reports in the prescribed format as compared to thirteen (13) which were submitted in August 2010. Municipalities indicated that challenges still prevail in completing the Schedule C template. Provincial Treasury will continue to put more focus in assisting municipalities in this regard, hoping that the second quarter report will be 100.00 per cent Schedule C compliant.

It was reported in the August 2010 monthly published report that four municipalities (Capricorn District, Greater Giyani, Lephalale and Mutale) did not submit both the electronic and hard copies of the budget statements. In this months' (September 2010) publication, Mutale Local Municipality has retained its status. All returns for the 2009/10 financial year have not been submitted. A letter of non-compliance with the MFMA has been issued in this regard.

Greater Giyani on the other hand has on the due date of submission of S71 report (no later than ten working days after closure of the relevant month); not submitted all its three monthly S71 reports for the current financial year. A letter of non-compliance was issued to the Municipal Manager and the Chief Financial Officer. At the date of publishing this report, 4/5 returns have been submitted for all the three months, however, such reports were excluded from this publication

due to late submission. Lephalale Local Municipality has submitted the July and September reports, with August being the outstanding one. Capricorn District Municipality has submitted the hard copy of the S71 report, no electronic copy was submitted.

## **3.2 IMPLEMENTATION OF MUNICIPAL BUDGETS**

### **Financial Performance**

This section focuses on the financial performance of the municipality as reflected in the July to September 2010 monthly budget statements submitted. Information regarding revenue collection and expenditure is detailed in this section. Since this is a quarterly performance review, the actual performance of municipalities will be compared against a linear projection ratio of 25.0 per cent, taking into accounts the projections made in the adopted budget and service Delivery and Budget Implementation Plans.

#### **3.2.1 Operating Revenue**

Table 2 below shows the actual operating revenue collected for the first quarter of the 2010/11 financial year against the full year budget.



Table 2: Quarterly consolidated operating revenue as at 30 September 2010

Code	Municipality	Financial Performance			
		Total Revenue			
R million		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
NP03a2	Makhuduthamaga	146	3	70	48%
NP03a3	Fetakgomo	44	(1)	28	63%
NP03a4	Greater marble Hall	128	5	35	27%
NP03a5	Greater Tubatse	175	6	13	7%
NP03a6	Elias Motsoaledi	234	5	19	8%
DC47	Greater Sekhukhune	771	5	220	29%
<b>Sekhukhune</b>		<b>1,497</b>	<b>22</b>	<b>384</b>	<b>26%</b>
NP331	Greater Giyani	120	-	-	
NP332	Greater Letaba	163	6	16	10%
NP333	Greater Tzaneen	591	48	201	34%
NP334	Ba-Phalaborwa	297	11	67	23%
NP335	Maruleng	64	3	6	9%
DC33	Mopani District	487	3	186	38%
<b>Mopani District</b>		<b>1,722</b>	<b>70</b>	<b>476</b>	<b>28%</b>
NP341	Musina	135	9	42	31%
NP342	Mutale	92	-	-	
NP343	Thulamela	373	12	98	26%
NP344	Makhado	608	23	164	27%
DC34	Vhembe District	449	194	584	130%
<b>Vhembe</b>		<b>1,657</b>	<b>238</b>	<b>887</b>	<b>54%</b>
NP351	Blouberg	88	3	3	3%
NP352	Aganang	55	1	29	52%
NP353	Molemole	87	1	26	30%
NP354	Polokwane	1,236	76	213	17%
NP355	Lepelle-Nkumpi	261	48	96	37%
DC35	Capricorn District	326	-	137	42%
<b>Capricorn</b>		<b>2,052</b>	<b>129</b>	<b>504</b>	<b>25%</b>
NP361	Thabazimbi	179	2	25	14%
NP362	Lephalale	293	106	106	36%
NP363	Mookgophong	92	6	26	29%
NP364	Modimolle	169	10	49	29%
NP365	Bela-Bela	173	11	31	18%
NP366	Mogalakwena	430	23	152	35%
DC36	Waterberg District	106	3	40	38%
<b>Waterberg</b>		<b>1,442</b>	<b>160</b>	<b>430</b>	<b>30%</b>
<b>Total</b>		<b>8,369</b>	<b>619</b>	<b>2,682</b>	<b>32%</b>

Source: In-Year Monitoring Reports Database

The table above indicates that the municipalities collected R2.7 billion for the quarter ended September 2010 against its total budgeted operating revenue of approximately R8.4 billion. The total operating revenue collected at the end of the first quarter stands at 32.0 per cent.

Analysis of operating revenue per district and local municipalities is outlined as follows:

- At a district level, Municipalities in Vhembe collected the highest revenue standing at 54.0 per cent, followed by municipalities in Waterberg at 30.0 per cent, while Municipalities in Capricorn realised the lowest year-to-date actual revenue of 25.0 per cent.
- At a municipal level, Vhembe District's collection rate stands at 130.0 per cent, Fetakgomo at 63.0 per cent, Aganang at 52.0 per cent and Makhuduthamaga at 48.0
- On the other hand, Blouberg municipality collected the lowest budgeted revenue of 3.0 per cent, with Tubatse being the second lowest at 7.0 per cent.
- Two (2) municipalities, namely Mutale and Greater Giyani reflect zero collection of operating revenue to date. As mentioned previously, Mutale did not submit its monthly returns for the three months period under review, while Greater Giyani submitted their returns late, hence, the data has not been included for purposes of this publication.

On a linear projections basis, the average collection rate of 32.0 per cent looks satisfactory, however, in terms of MFMA S18, municipalities are required to ensure that they approve realistic revenues and expenditure. Looking at the highest collection rate of Vhembe District (130.0 per cent) against the lowest rate of Blouberg (3.0 per cent), it is assumed that the approved budgets were either unrealistic or the applauded data not credible.

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

Table 3: Consolidated revenue sources as at 30 September 2010

Description	Budget Year 2009/10				Spent of %
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	
<b>Financial Performance</b>					
Property rates	606	606	89	169	28%
Service charges	2,257	2,257	193	455	20%
Investment revenue	209	209	18	58	27%
Transfers recognised	3,961	3,961	284	1,692	43%
Other own revenue	1,336	1,336	34	308	23%
<b>Total Revenue</b>	<b>8,369</b>	<b>8,369</b>	<b>619</b>	<b>2,682</b>	<b>32%</b>

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 28.0 per cent (R169 million) for the first quarter against a budget of R606 million.
- **Service Charges:** The generated rate on service charges stands at 20.0 per cent of its annual budget of R2, 2 billion.
- **Investment revenue:** Actual performance of this revenue items stands at 27.0 per cent against a total budget of R209 million.
- **Transfers recognised:** The total transfers earned by municipalities for the first quarter under review stands at 43.0 per cent of a total budget of R3, 96 billion.
- **Other revenue:** Income generated from minor sources stands at 23.0 per cent (R308 million) out of a budget of R1, 33 billion.

Following a closer analysis of the budget amounts from the table above, it is evident that transfers and grants accounts for 47.4 per cent (R3.96 billion) of the total budgeted operating revenue of R8.4 billion. The year to date collection rate of the same also accounts for 63.1 per cent (R1.69 billion) of the R2.7 billion

provincial collection. This confirms that municipalities in Limpopo are highly dependent of grants for their operating activities.

### 3.2.2 Operating Expenditure

This section looks at the operating expenditure performance for the quarter ended 30 September 2010, against the annual budget. Table 4 below consolidates this performance.

Table 4: First month consolidated operating expenditure as at 30 September 2010

Code	Municipality	Financial Performance			
		Total Expenditure			
		Original/adju sted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million					
NP03a2	Makhuduthamaga	-	-	-	
NP03a3	Fetakgomo	13	2	2	17%
NP03a4	Greater marble Hall	20	8	13	62%
NP03a5	Greater Tubatse	53	0	1	2%
NP03a6	Elias Motsoaledi	232	21	48	21%
DC47	Greater Sekhukhune	355	55	61	17%
<b>Sekhukhune</b>		<b>1,074</b>	<b>86</b>	<b>125</b>	<b>12%</b>
NP331	Greater Giyani	126	-	-	
NP332	Greater Letaba	125	9	27	22%
NP333	Greater Tzaneen	584	33	127	22%
NP334	Ba-Phalaborwa	297	31	76	26%
NP335	Maruleng	60	5	9	16%
DC33	Mopani District	391	37	54	14%
<b>Mopani District</b>		<b>1,582</b>	<b>115</b>	<b>295</b>	<b>19%</b>
NP341	Musina	139	10	44	31%
NP342	Mutale	65	-	-	
NP343	Thulamela	190	(17)	(27)	-14%
NP344	Makhado	608	35	96	16%
DC34	Vhembe District	442	181	310	70%
<b>Vhembe</b>		<b>1,445</b>	<b>210</b>	<b>422</b>	<b>29%</b>
NP351	Blouberg	88	9	7	8%
NP352	Aganang	99	4	10	11%
NP353	Molemole	88	3	7	8%
NP354	Polokwane	1,225	75	192	16%
NP355	Lepelle-Nkumpi	136	3	8	6%
DC35	Capricorn District	326	-	13	4%
<b>Capricorn</b>		<b>1,962</b>	<b>92</b>	<b>238</b>	<b>12%</b>
NP361	Thabazimbi	175	15	20	11%
NP362	Lephalale	322	43	43	13%
NP363	Mookgophong	92	9	23	25%
NP364	Modimolle	169	12	39	23%
NP365	Bela-Bela	156	17	41	26%
NP366	Mogalakwena	415	25	85	21%
DC36	Waterberg District	108	4	15	14%
<b>Waterberg</b>		<b>1,438</b>	<b>125</b>	<b>266</b>	<b>19%</b>
<b>Total</b>		<b>7,501</b>	<b>629</b>	<b>1,346</b>	<b>18%</b>

Source: In-Year Monitoring Reports Database

Table 4 above clearly reflects the status of all municipalities in terms of the total operating expenditure budget amounting to R7.5 billion. For the first quarter ended 30 September 2010, the consolidated actual expenditure amounts to R1.3 billion, which is 18.0 per cent.

The salient features of table 4 are as follows:

- In terms of the municipalities' performance on operating expenditure, Vhembe District took a lead collecting 29.0 per cent, Mopani and Waterberg District following with an average rate of 19.0 per cent, while Sekhukhune and Capricorn Districts have the lowest rate of 12.0 per cent.
- The high ratio achieved by Vhembe District is due the high expenditure ratio by the district itself. From the annual budget of R442 million, the collection to date stands at R310 million (70.0 per cent). Looking at the operating revenue collection rate of 130.0 per cent by Vhembe District municipality, it is assumed that the adopted budget is not compliant with MFMA S18 in terms of realistic budgeting. The municipality will be advised to reflect this high collection and expenditure trends accordingly in their adjustment budget.
- On the other hand, Capricorn District was reported to be one of the lowest in operating expenditure rate to date, it is evident from the table afore that the major contributor to this low expenditure rate is the District itself. From the annual operating expenditure budget of R326 million, only R13 million (4.0 per cent) has been spent.

Based on the provincial average expenditure ratio of 18.0 per cent, it is evident that performance in this regard is far below the linear projected ratio of 25.0 per cent. Another major contributing factor to this low expenditure ratio is the non-submission of the OSA return forms by municipalities; hence the budget and/or year to date actual expenditure reflects zero amount / ratio.

Table 5 disaggregates the operating expenditure into individual items.

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

Description	Budget Year 2009/10				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
R million					
Employee costs	2,564	2,564	198	489	19%
Remuneration of Councillors	273	273	20	48	18%
Debt impairment	118	118	0	0	0%
Depreciation and amortisation	302	302	4	10	3%
Finance charges	42	42	3	0	1%
Materials and bulk purchases	1,706	1,706	137	374	22%
Other expenditure	2,495	2,495	269	423	17%
<b>Total Expenditure</b>	<b>7,501</b>	<b>7,501</b>	<b>632</b>	<b>1,346</b>	<b>18%</b>

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 first quarter of the financial year, the total expenditure stands at R489 million (19.0 per cent) of R 2. 5 billion original budget.
- **Remuneration of Councilors:** The percentage of the budget spent on the original budget is 18.0 per cent, which in rand value stands at R48 million.
- **Debt impairment:** This refers to provision of bad or irrecoverable debt. The line item has an original budget of R118 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 for the first quarter, there was no movement on this line item.
- **Depreciation or amortisation:** This refers to provision for diminution in value of tangible and intangible assets due to usage. It reflects 3.0 per cent of the original budget, with YTD of R10 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 1 per cent of the original budget. The YTD actual is 1.0 per cent and the monthly actual stand at R3 million.

- **Materials and bulk Purchases:** Included in this item are purchases of bulk services such as water from the Water Boards and electricity from Eskom. Bulk purchases constitute 22.8 per cent of the original budget with the YTD actual of R374 million (22.0 per cent).
- **Other expenditure:** This includes general expenses such as telephones, repairs and maintenance and purchase of office supplies. It accounts for 33.3 per cent of the original budget with YTD actual spending of R 423 million (17.0 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 R4.0 billion, while actual receipts amounts to R348 million or 9.0 per cent.



Table 6: Consolidated capital funding per district per municipality as at 31 September 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
NP03a2	Makhuduthamaga	-	-	-	
NP03a3	Fetakgomo	13	2	2	15%
NP03a4	Greater marble Hall	40	8	13	31%
NP03a5	Greater Tubatse	53	-	-	
NP03a6	Elias Motsoaledi	81	-	16	20%
DC47	Greater Sekhukhune	355	(55)	61	17%
<b>Sekhukhune</b>		<b>694</b>	<b>(45)</b>	<b>92</b>	<b>13%</b>
NP331	Greater Giyani	32	-	-	
NP332	Greater Letaba	72	3	9	13%
NP333	Greater Tzaneen	125	5	7	5%
NP334	Ba-Phalaborwa	80	-	-	
NP335	Maruleng	25	4	4	16%
DC33	Mopani District	219	26	51	24%
<b>Mopani District</b>		<b>553</b>	<b>37</b>	<b>72</b>	<b>13%</b>
NP341	Musina	17	0	1	6%
NP342	Mutale	27	-	-	
NP343	Thulamela	214	4	4	2%
NP344	Makhado	166	4	10	6%
DC34	Vhembe District	590	93	158	27%
<b>Vhembe</b>		<b>1,014</b>	<b>101</b>	<b>173</b>	<b>17%</b>
NP351	Blouberg	38	-	-	
NP352	Aganang	40	-	-	
NP353	Molemole	-	-	-	
NP354	Polokwane	910	10	28	3%
NP355	Lepelle-Nkumpi	124	-	-	
DC35	Capricorn District	246	-	-	
<b>Capricorn</b>		<b>1,358</b>	<b>10</b>	<b>28</b>	<b>2%</b>
NP361	Thabazimbi	49	-	-	
NP362	Lephalale	96	5	5	5%
NP363	Mookgophong	26	2	2	7%
NP364	Modimolle	41	0	6	14%
NP365	Bela-Bela	25	-	0	0%
NP366	Mogalakwena	171	(12)	(30)	-18%
DC36	Waterberg District	20	-	1	6%
<b>Waterberg</b>		<b>428</b>	<b>(5)</b>	<b>(16)</b>	<b>-4%</b>
<b>Total</b>		<b>4,047</b>	<b>98</b>	<b>348</b>	<b>9%</b>

Source: In-Year Monitoring Reports Database

The salient features of the table afore are:

- Vhembe District has the highest collection rate of capital revenue. The total district budget was R1.0 billion, out of which only R173 million (17.0 per cent) was earned. Though it has the highest ratio when compared with the other districts, it has performed below the linear projection ratio of 25.0 per cent.
- This 17.0 per cent achieved by Vhembe District results from the collection ratio of 27.0 per cent by the District municipality itself. The District municipality has a capital funding budget of R590 million, which accounts for 58.0 per cent of the total district capital funding budget, while its' year to date earned capital revenue accounts for 91.3 per cent of the total district capital revenue.
- Vhembe District municipality's 17.0 per cent is followed by Sekhukhune and Mopani Districts which obtained an average rate of 13.0 per cent for the quarter.
- Municipalities in Sekhukhune that contributed marginally to the average rate of 13.0 per cent are Greater Marble Hall which achieved 31.0 per cent and Elias Motsoaledi at 20.0 per cent.
- In Mopani District, the major contributor to the 13.0 per cent is the District itself with an average rate of 24.0 per cent.
- Though most of the municipalities discussed above have not achieved the 25.0 per cent linear projection rate, municipalities in Capricorn District have performed the worst. None of the municipalities in this district has earned capital revenue, with the exception of the City of Polokwane which attained 3.0 per cent of its annual budget, leaving the whole district with a collection ratio of just 2.0 per cent.
- Though municipalities in Waterberg made minor collection of the capital revenue, their minimal performance has been turned into a negative performance due to the incorrect reporting made by Mogalakwena municipality. The average district collection rate stands at -4.0 percent.

The Provincial Treasury is of the view that not much inferences can be made from these amounts due to the following factors:

- Most municipalities are incorrectly completing the CAA return form; others did not submit this return form for a month or two, while others did not submit at all.
- Municipalities such as Mogalakwena and Sekhukhune District do not adhere to the signing conversion requirements of the S71 return forms.

Given the factors mentioned above, the amounts provided in table 6 above should be interpreted with caution. As mentioned earlier, the verification process and the quarterly performance feedback sessions planned for the month of November will be utilised to address these challenges.

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

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

Description	Budget Year 2009/10				Spent of %
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	
<b>Funds sources</b>					
External Loans	602	602	2	2	0%
Asset Financing Reserve	-	-	(10)	32	#DIV/0!
Surplus Cash	295	295	12	9	3%
Public contributions/ donations	188	188	-	-	
Government Grants and Subsidies	2,503	2,503	85	284	11%
Leases	64	64	-	-	
Other Ad-Hoc Financing Sources	144	144	-	0	0%
Other	251	251	9	21	8%
<b>Total sources</b>	<b>4,047</b>	<b>4,047</b>	<b>98</b>	<b>348</b>	<b>9%</b>

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 line items.

The main characteristics of table 7 are as follows:

- **Government Grants and Subsidies** – it is evident from table 7 above that government grants & subsidies from National and Provincial government are still a major contributor to the capital revenue budget of municipalities in Limpopo. A closer inspection at the capital funding per line item reveals that for the period under review, revenue earned from government grants and subsidies tops the list at R284 million or 81.6 per cent of the total provincial revenue earned.
- **Asset Finance Reserves** – Though municipalities did not budget to earn any capital revenue from this line item, the year to date collection rate stands at R32 million;
- **Other Revenue** – following the asset finance reserve is the R21 million earned from other revenue; which accounts for just 6.0 per cent of the total provincial capital revenue budget.

In a nutshell, actual receipts to date make up 9.0 per cent of the projected budget of R4.0 billion. The above analysis is based on the monthly budget statements (CAA) as submitted to Provincial Treasury. As with table 6, the amounts shown in table 7 should be interpreted with caution as most municipalities either did not submit the returns or submitted incorrect returns.

#### 3.2.4 Capital Expenditure

For the quarter under review, actual capital expenditure amounts to R382.0 million (11.0 per cent) against the full year total capital budget of R3.4 billion.

Table 8 below shows the amounts of the capital budget and actual spending per municipality per district.

Table 8: Consolidated capital expenditure per district per municipality as at 30 September 2010

Code	Municipality	Total Capital Expenditure			
		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million					
NP03a2	Makhuduthamaga	–	–	–	
NP03a3	Fetakgomo	13	2	2	17%
NP03a4	Greater marble Hall	20	8	13	62%
NP03a5	Greater Tubatse	53	0	1	2%
NP03a6	Elias Motsoaledi	80	8	22	28%
DC47	Greater Sekhukhune	355	55	61	17%
<b>Sekhukhune</b>		<b>597</b>	<b>73</b>	<b>99</b>	<b>17%</b>
NP331	Greater Giyani	32	–	–	
NP332	Greater Letaba	72	3	8	10%
NP333	Greater Tzaneen	125	5	7	5%
NP334	Ba-Phalaborwa	81	2	5	6%
NP335	Maruleng	25	4	4	16%
DC33	Mopani District	110	26	54	50%
<b>Mopani District</b>		<b>444</b>	<b>39</b>	<b>77</b>	<b>17%</b>
NP341	Musina	35	0	1	3%
NP342	Mutale	27	–	–	
NP343	Thulamela	155	4	4	3%
NP344	Makhado	166	0	1	1%
DC34	Vhembe District	590	93	158	27%
<b>Vhembe</b>		<b>972</b>	<b>98</b>	<b>164</b>	<b>17%</b>
NP351	Blouberg	32	3	3	9%
NP352	Aganang	40	1	4	10%
NP353	Molemole	15	3	5	34%
NP354	Polokwane	342	6	37	11%
NP355	Lepelle-Nkumpi	124	2	5	4%
DC35	Capricorn District	246	–	–	
<b>Capricorn</b>		<b>799</b>	<b>14</b>	<b>54</b>	<b>7%</b>
NP361	Thabazimbi	47	0	0	1%
NP362	Lephalale	96	5	9	9%
NP363	Mookgophong	26	2	2	7%
NP364	Modimolle	64	1	5	8%
NP365	Bela-Bela	25	–	0	
NP366	Mogalakwena	271	(12)	(30)	
DC36	Waterberg District	69	0	1	2%
<b>Waterberg</b>		<b>598</b>	<b>(4)</b>	<b>(12)</b>	<b>-2%</b>
<b>Total</b>		<b>3,411</b>	<b>220</b>	<b>382</b>	<b>11%</b>

Source: In-Year Monitoring Reports Database

The main characteristics of table 8 are the following:

- Municipalities in Sekhukhune, Mopani and Vhembe Districts have on average spent 17.0 per cent of their total allocated capital expenditure budgets. Capricorn District has on average spent 7.0 per cent of the allocated capital budget while the lowest is Waterberg District with a ratio of -2.0 per cent of the total capital expenditure budget.
- It is safe to say that the ratio of municipalities in Waterberg is always distorted by the negative expenditure amounts reported by Mogalakwena Municipality. This distortion of average rates by the said municipality also affects the provincial capital expenditure ratio. The municipality was assisted in this regard, however, they continue to report in this manner;
- Vhembe District Municipality is the highest spender in rand value. Out of a total capital expenditure budget of R590 million, expenditure for the first quarter stands at R158 million (27 per cent).
- On percentage terms, Greater Marble Hall has the highest ratio. Out of a budget of R20 million, R13 million (62.0 per cent) has already been spent.
- Municipalities such as Makhuduthamaga, Greater Giyani, Mutale and Capricorn District reflect zero performance in this regard. Greater Giyani's monthly returns were submitted late for the purposes of consolidation while Mutale has not submitted any return forms for the first three months of the financial year. Makhuduthamaga and Capricorn District have incorrectly completed their CAA return forms or submitted incomplete return forms, hence zero ratios are reflected.
- In comparison with the linear projection ratio of 25.0 per cent for a quarter, none of the Districts has achieved this average ratio, however, five (5) municipalities achieved above this linear projection ratio. This is positive performance on the part of these municipalities. Municipalities not spending the conditional grants are advised that all unspent monies at the financial year end must revert to the National Revenue Fund, unless an application for the roll-over of funds is approved by National Treasury, proof that funds are committed should be provided by the applicant.

Table 9: Consolidated capital expenditure by asset class

Description R million	Budget Year 2009/10				
	Original Budget	Adjusted Budget Budget	Monthly actual Actual	Year TD Actual	Spent of %
<b>Capital expenditure</b>					
Infrastructure	2,503	2,503	191	329	13%
Community	346	346	15	29	8%
Heritage assets	1	1	-	-	
Investment properties	2	2	-	-	
Other assets	531	531	18	32	6%
Agricultural assets	2	2	0	0	3%
Biological assets	0	0	-	-	
Intangibles	25	25	-	-	
<b>Total Capital expenditure</b>	<b>3,411</b>	<b>3,411</b>	<b>225</b>	<b>390</b>	<b>11%</b>

As mentioned afore, for the first quarter of the 2010/11 financial year, municipalities spent on average 11.0 per cent (R390 million) out of a total budget of R3. 4 billion. The table above depicts the expenditure ratios by asset class. This is helpful because it depicts the type of assets that municipalities in Limpopo are investing in.

- **Infrastructure** - From the table above, municipalities spend most of their capital expenditure budgets on infrastructure. This includes amongst others the building of roads, sanitation, electricity generation and reticulation. Infrastructure also has the highest budget as compared to other assets. The budget of infrastructure is R2. 5 million (73.0 per cent) out of a total capital budget of R3. 4 million.
- **Community asset** – Community assets account for just 10.0 per cent of the total capital budget. The budget in rand value amounts to R346 million, of which R29 million (8.0 per cent) has been spent. Expenditure on community assets is incurred on parks, gardens, sport fields, community libraries, cemeteries, etc.
- **Other assets** – this item accounts for 16.0 per cent of the total capital budget. It has an annual capital budget of R531 million, from which R32 million (6.0 per cent) has been spent. Other assets include amongst others, vehicles, office equipment, furniture, abattoirs, etc.



- **Agricultural assets** – from the annual budget of R2 million, only 3.0 per cent has been spent thus far.
- **Intangibles** – intangible assets have a budget of R25 million out of which no expenditure has been incurred thus far.

As reported in prior publication, spending on capital budgets remains a challenge for municipalities. Municipalities that find themselves unable to implement capital budgets run the risk of utilizing the funds for operating activities; and increase the risk of not meeting the conditions of the 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), hence, 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 30 September 2010.

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

Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
<b>Debtors Age Analysis</b>								
Total By Revenue Source	181	141	109	365	807	260	87	1,949
<b>Creditors Age Analysis</b>								
Total Creditors	131	10	7	6	20	3	-	176

Source: In-Year Monitoring Reports Database

Municipalities in Limpopo are encountering challenges when it comes to collection of own revenue. Many of these municipalities are highly dependent on government grants. On the other hand, municipalities have huge debtors' books which they are unable to collect. This is evident by an uneven fluctuation 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 9 are as follows:

- As at 31 August 2010, municipalities reported having approximately R2.0 billion in outstanding debtors. Currently (30 September 2010), the total outstanding debtors have decline to R1.95 billion. This total debt represents a decrease by just 2.5 per cent.
- A key concern regarding outstanding debtors is that a significant portion is over the 91 days bracket, totaling approximately R1.5 billion (or 77.0 per cent of the total outstanding debtors); as mentioned previously, the inability of municipalities to collect long outstanding debt is evident in this table. The August report also reported an amount of R1.5 billion (77.0 per cent being over the 91 days bracket. This assumes that only a minimal percentage of the current debt was collected while the long outstanding debt remains stagnant; and

- With regard to creditors, 74.0 per cent of the amount outstanding is current (within the thirty days bracket), there has been a decline in performance in this percentage; in August, 87.0 per cent of the total creditors balance was current. This suggests that municipalities have not been able to settle part of the obligations, hence; part of the unpaid amounts in the first age category moved to the category aged thirty-one to sixty days. 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 R79 million in July 2010 with a projected positive closing balance of R819 million in June 2011. There is a negative correlation between the inability of municipalities to settle their creditors within thirty days and the projected liquidity muscle. Looking at the 11.0 per cent average expenditure ratio on the capital budget, it is assumed that the R564 million September 2010 closing balance reflected by municipalities might be unspent conditional grants.

Table 11: Consolidated cash flows as at 30 September 2010

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	79	649	792	523	515	794	731	699	701	753	737	740
Sub-Total (Receipts)	1,603	842	399	240	376	10	26	145	107	45	111	45
Sub-Total (Payments)	935	653	630	161	203	179	163	245	160	167	214	179
Closing Balance	654	843	564	813	500	637	601	605	659	643	645	819

Source: In-Year Monitoring Reports Database

The majority of municipalities are not willing to correctly complete this return form. The correct completion of this return form requires that municipalities make cash flow projection for the remainder of the financial year. Due to the unwillingness to do proper forecasting, municipalities tend to complete just the monthly actual and submit the return without projection, hence; interpretation of this table should be done with care.

#### **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 quarter of the 2010/11 municipal financial year;
- 6.2. Notes that only two (2) municipalities did not submit the September 2010 Monthly Budget Statement.
- 6.3. Notes that ten (10) 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. Notes that despite the efforts made by Provincial Treasury, most municipalities are still incorrectly completing their monthly budget statements, while some are not complying with the prescribed time provisions.

- 6.5. Approves the consolidated report and that it be submitted to National Treasury in terms of Section 71(6) of the MFMA; and further recommend approval by the MEC for finance for tabling in the Provincial Legislature in terms of Section 71 (7) of the MFMA.
- 6.6. Approves that the consolidated report be made public on the Limpopo Provincial Treasury website.

**Recommended by:**

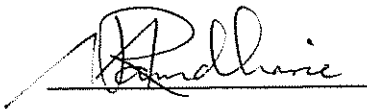


Ntuli P. S.

Acting Senior Manager: Financial Planning and Budgets

Date:

**Approved by:**



Ramdharie N

Head of Department

Date: