



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Director-General: National Treasury
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Attention: Mr. J. Hattingh

MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)(MFMA): IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: 31 OCTOBER 2008/09

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 statement and a related narrative report as at 31 October 2008.

HEAD OFFICIAL: PROVINCIAL TREASURY

DATE: 01 / 12 / 2008

LIMPOPO PROVINCIAL TREASURY
Municipal Budget Performance
Consolidated Statement as at 31 October 2008

Introduction

1. This consolidated budget statement and report covers the financial performance of municipalities for the month ending 31 October 2008.
2. The consolidated statement assesses the in-year financial performance of municipalities' against their budgeted revenue and expenditure. Credibility of this report depends to a large extent on the reasonability of the municipal budget and the consistent submission of compliant statements and reports. The assessment of the capital and operating budgets as well as debtors, creditors and cash flow gives effect to the in-year financial performance of municipalities. The assessments of the reporting tools is not limited to budgets, but also provides an update on related areas of the MFMA that impacts on the sustainability and effectiveness of a municipality e.g. compilation of Annual Financial Statements, internal audits and risk management.

Legislative Framework

3. In terms of section 71(1) of the Municipal Finance Management Act (Act 56 of 2003)(MFMA) the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to, amongst others, the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget. Section 74 of the MFMA requires accounting officers to submit such information, returns, documents and motivations as may be required.
4. 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.

MFMA IMPLEMENTATION RELATED MATTERS

Compliance to submission of s71 on the due date and non-submission

5. The table below indicates the dates and type of s71 reports that the municipalities have submitted for the month of October 2008;

Municipality	Oct-08			
	Old/new version	Date of submission		Documents sent
		Electronic	Hard copy	
DC 35 - CAPRICORN	New	18.11.08	Not Submitted	AC,AD,CFA,CAA,OSA
NP 351 - BLOUBERG		Not Submitted	Not Submitted	
NP352 - AGANANG	New	20.11.08	Not Submitted	AC,AD,CFA,CAA,OSA
NP 353 - MOLEMOLE		Not Submitted	Not Submitted	
NP 354 - POLOKWANE	New	11.11.08	Not Submitted	AD,CAA,AC
NP 355 - LEPELLE-NKUMPI	New	14.11.08	Not Submitted	CFA,AC,AD,OSA,CAA
DC - 47 - GREATER SEKHUKHUNE		Not Submitted	Not Submitted	
NP 03a2 - MAKHUDUTHAMAGA		Not Submitted	Not Submitted	
NP 03a3 - FETAKGOMO		Not Submitted	Not Submitted	
NP 03a4 - MARBLE HALL	New	10.11.08	Not Submitted	AC,AD,CAA,OSA,CFA
NP 03a5 - ELIAS MOTSOLEDI	New	14.11.08	Not Submitted	OSA,CFA
NP 03a6 - GREATER TUBATSE			Not Submitted	
DC 33 - MOPANI	New	20.11.08	Not Submitted	CFA,AD,CAA
NP 331 - GREATER GIYANI		Not Submitted	Not Submitted	
NP 332 - GREATER LETABA	New	17.11.08	Not Submitted	OSA,AC,AD,CAA,CFA
NP 333 - GREATER TZANEEN	New	14.11.08	Not Submitted	OSA,AC,AD,CAA,CFA
NP 334 - BA- PHALABORWA		Not Submitted	Not Submitted	
NP 335 - MARULENG		Not Submitted	Not Submitted	
DC 36 - WATERBERG	New	14.11.08	Not Submitted	OSA,AC,AD,CAA,CFA
NP 361 - THABAZIMBI		Not Submitted	Not Submitted	
NP 362 - LEPHALALE	New	14.11.08	Not Submitted	OSA,AC,AD,CAA,CFA
NP 364 - MOOKGOPONG	New	18.11.08	Not Submitted	AD,AC,CAA,CFA,OSA
NP 365 - MODIMOLLE	New	14.11.08	Not Submitted	OSA,CFA,AC,AD,CAA
NP 366 - BELA-BELA	New	18.11.08	Not Submitted	AC,AD,CAA,OSA
NP 367 - MOGALAKWENA		Not Submitted	Not Submitted	
DC 34 - VHEMBE	New	14.11.08	Not Submitted	OSA,AC,AD,CAA,CFA
NP 341- MUSINA	New	14.11.08	Not Submitted	OSA,AC,AD,CAA,CFA
NP 342 - MUTALE	New	19.11.08	Not Submitted	OSA,CFA,
NP 343 - THULAMELA		Not Submitted	Not Submitted	
NP 344 - MAKHADO	New	11.11.08	Not Submitted	OSA,CFA,AD,AC,CAA

Submission of section 71 is in both electronic and hard copy and none of the municipalities are submitting, the bold dates indicate late submission.

SUSTAINABILITY OF MUNICIPAL BUDGETS

Capital and Operating Revenue Budgets

6. Table 1 shows the performance of operating revenue for the five districts for the month ending 31 October 2008.

Table1: Summary of Municipal Budgets for October 2008

Code	Municipality	Operating revenue						
		Original Budget	Adjustments	Adjusted revenue budget	Actual for the month	Actual to date	Variance Budget - Actual	% variance
NP03a2	Makhuduthamaga	62,616,706		62,616,706	-	-	62,616,706	0%
NP03a3	Fetakgomo	28,384,704		28,384,704	-	-	28,384,704	0%
NP03a4	Greater marble Hall	106,780,660		106,780,660	2,855,276	2,855,276	103,925,384	3%
NP03a5	Greater Tubatse	142,392,117		142,392,117	-	-	142,392,117	0%
NP03a6	Elias Motsoaledi	191,691,000		191,691,000	10,676,037	10,676,037	181,014,963	6%
DC47	Greater Sekhukhune	803,043,642		803,043,642	-	-	803,043,642	0%
	Total	1,334,908,829		1,334,908,829	13,531,313	13,531,313	1,321,377,516	1%
NP331	Greater Giyani	108,670,000		108,670,000	-	18,827,325	89,842,675	17%
NP332	Greater Letaba	125,739,327	2,525,580	128,264,907	34,348,189	92,498,226	35,766,681	72%
NP333	Greater Tzaneen	444,750,986	14,341,260	459,092,246	32,993,333	108,400,318	350,691,928	24%
NP334	Ba-Phalaborwa	208,065,060		208,065,060	-	-	208,065,060	0%
NP335	Maruleng	59,847,300		59,847,300	-	-	59,847,300	0%
DC33	Mopani District	511,189,000		511,189,000	-	-	511,189,000	0%
	Total	1,458,261,673		1,458,261,673	67,341,522	219,725,869	1,255,402,644	15%
NP341	Musina	109,907,000	5,880,000	115,787,000	8,284,521	22,820,803	92,966,197	20%
NP342	Mutale	68,866,971		68,866,971	5,328,050	5,328,050	63,538,921	8%
NP343	Thulamela	472,258,560		472,258,560	-	-	472,258,560	0%
NP344	Makhado	339,997,819		339,997,819	19,216,210	118,947,207	221,050,612	35%
DC34	Vhembe District	428,109,722		428,109,722	-	-	428,109,722	0%
	Total	1,419,140,072		1,419,140,072	32,828,781	147,096,060	1,277,924,012	10%
NP351	Blouberg	90,740,500		90,740,500	-	36,539,528	54,200,972	40%
NP352	Aganang	38,172,630		38,172,630	91,753	2,776,233	35,396,397	7%
NP353	Molemole	6,500,000		6,500,000	-	1,556,040	4,943,960	24%
NP354	Polokwane	1,448,744,600		1,448,744,600	-	-	1,448,744,600	0%
NP355	Lepelle-Nkumpi	140,303,015		140,303,015	10,855,703	43,730,071	96,572,944	31%
DC35	Capricorn District	162,065,492		162,065,492	132,345,017	132,345,017	29,720,475	82%
	Total	1,886,526,237		1,886,526,237	143,292,473	216,946,889	1,669,579,348	11%
NP361	Thabazimbi	137,655,619		137,655,619	-	-	137,655,619	0%
NP362	Lephalale	162,942,461		162,942,461	10,991,317	37,413,799	125,528,662	23%
NP363	Mookgophong	64,641,000		64,641,000	15,895,842	15,895,842	48,745,158	25%
NP364	Modimolle	148,328,000		148,328,000	6,977,503	13,347,961	134,980,039	9%
NP365	Bela-Bela	122,583,297		122,583,297	7,777,661	7,777,661	114,805,636	6%
NP366	Mogalakwena	439,279,000	13,819,000	453,098,000	-	55,304,556	397,793,444	12%
DC36	Waterberg District	75,280,800		75,280,800	1,114,838	27,272,906	48,007,894	36%
	Total	1,150,710,177		1,150,710,177	42,757,161	157,012,725	1,007,516,452	14%

Operating Revenue

7. The total operating revenue budget of municipalities stands at R7, 249 billion for the year 2008/09. The total budget is calculated per district being; Sekhukhune District R1, 335 billion, Mopani District R1, 458 billion, Vhembe District R1, 419 billion, Capricorn District R1, 887 billion and Waterberg District R1, 151 billion.

For the month under review the operating revenue performance was R 299,7million or 4.1per cent of the total operating revenue budget of R7, 249 billion.

The following municipalities have adjusted their budgets upward to accommodate the NERSA tariff increase: Greater Letaba, Greater Tzaneen, Musina, Mogalakwena and Bela-Bela.

The year-to-date operating revenue performance reflects that municipalities generated an amount of R754 million or 10.4 per cent of the total adjusted operating revenue budget of R7, 249 billion. Overall performance on operating revenue is very low and poses a challenge that most of the municipalities will under perform on generating revenue.

Code	Municipality	Operating Expenditure						
		Original Budget	adjustments	Adjusted budget	Actual for the month	Actual expenditure to date	Variance Budget - Expenditure	% Variance
NP03a2	Makhuduthamaga	62,619,706		62,619,706		-	62,619,706	0%
NP03a3	Fetakgomo	28,123,149		28,123,149	-	3,952,326	24,170,823	14%
NP03a4	Greater marble Hall	106,764,430		106,764,430	(9,293,534)	(19,654,117)	126,418,547	-18%
NP03a5	Greater Tubatse	142,392,110		142,392,110	-	-	142,392,110	0%
NP03a6	Elias Motsoaledi	109,170,000		109,170,000	10,409,720	31,723,933	77,446,067	29%
DC47	Greater Sekhukhune	801,352,682		801,352,682	-	-	801,352,682	0%
	Total	1,250,422,077		1,250,422,077	1,116,186	16,022,142	1,234,399,935	1%
NP331	Greater Giyani	108,670,000		108,670,000	-	5,514,568	103,155,432	5%
NP332	Greater Letaba	124,555,755	2,525,580	127,081,335	20,691,721	20,691,721	106,389,614	16%
NP333	Greater Tzaneen	413,717,098	14,341,260	428,058,358	35,285,810	35,285,810	392,772,548	8%
NP334	Ba-Phalaborwa	201,820,180		201,820,180	-	-	201,820,180	0%
NP335	Maruleng	43,796,300		43,796,300	-	-	43,796,300	0%
DC33	Mopani District	234,447,076		234,447,076	-	-	234,447,076	0%
	Total	1,127,006,409		1,143,873,249	55,977,531	61,492,099	1,082,381,150	5%
NP341	Musina	104,907,000	10,880,000	115,787,000	7,764,110	22,779,295	93,007,705	20%
NP342	Mutale	42,178,794		42,178,794	3,879,505	18,894,690	23,284,104	45%
NP343	Thulamela	222,134,235		222,134,235	-	15,015,185	207,119,050	7%
NP344	Makhado	339,965,989		339,965,989	16,077,241	54,555,011	285,410,978	16%
DC34	Vhembe District	428,109,722		428,109,722	30,437,614	45,452,799	382,656,923	11%
	Total	1,137,295,740		1,137,295,740	58,158,470	156,696,980	991,478,760	14%
NP351	Blouberg	58,253,500		58,253,500	-	(7,978,578)	66,232,078	-14%
NP352	Aganang	38,172,630		38,172,630	2,756,238	7,515,883	30,656,747	20%
NP353	Molemole	52,912,694		52,912,694	-	(5,844,817)	58,757,511	-11%
NP354	Polokwane	1,448,744,600		1,448,744,600	-	-	1,448,744,600	0%
NP355	Lepelle-Nkumpi	80,008,781		80,008,781	5,090,416	12,886,829	67,121,952	16%
DC35	Capricorn District	162,065,492		162,065,492	19,298,655	23,798,936	138,266,556	15%
	Total	1,840,157,697		1,840,157,697	27,145,309	30,378,253	1,809,779,444	2%
NP361	Thabazimbi	142,229,236		142,229,236	-	-	142,229,236	0%
NP362	Lephalale	162,929,040		162,929,040	8,140,036	27,799,406	135,129,634	17%
NP363	Mookgophong	64,641,000		64,641,000	6,814,322	18,859,997	45,781,003	29%
NP364	Modimolle	148,255,000		148,255,000	10,400,187	27,042,587	121,212,413	18%
NP365	Bela-Bela	122,401,685		122,401,685	7,329,955	19,375,630	103,026,055	16%
NP366	Mogalakwena	322,476,000	14,338,000	336,814,000	-	(30,094,115)	366,908,115	-9%
DC36	Waterberg District	60,822,479		60,822,479	3,880,345	19,239,640	41,582,839	32%
	Total	1,023,754,440		1,038,092,440	36,564,845	82,223,145	955,869,295	8%

Operating Expenditure

8. Municipalities spent R346 million or 5.4 per cent of the total adjusted operating expenditure budget of R6.4 billion to date.

The operating expenditure performance is extremely low generally although some municipalities are showing signs of relatively better spending.

The low overall performance is attributed to the low spending on "Repairs and Maintenance" and "Other Expenses".

"Employee related costs" spending amounts to R77.2 million for the Month end of 31 October 2008.

"Repairs and maintenance" amounts to R14 million, this does not reflect the true spending for the 30 municipalities considering that some municipalities did not submit the s71 report.

Code	Municipality	Source of financing							Actual for the month	Actual to date
		External loans	Asset financing reserve	Surplus cash	Public contributions/donations	Government Grants and Subsidies	Other			
NP03a2	Makhuduthamaga	-	-	-	-	-	-	-	-	1,753,278
NP03a3	Fetakgomo	-	-	-	-	-	-	-	-	-
NP03a4	Greater marble Hall	-	-	-	-	-	-	-	-	-
NP03a5	Greater Tubatse	-	-	-	-	-	-	-	-	-
NP03a6	Elias Motsoaledi	-	-	-	-	-	-	-	-	7,506,598
DC47	Greater Sekhukhune	-	-	-	-	-	-	-	-	-
	Sekhukhune	-	-	-	-	-	-	-	-	9,259,876
NP331	Greater Giyani	-	-	-	-	-	-	-	-	6,192,138
NP332	Greater Letaba	-	-	-	-	5,483,606	2,238,580	7,722,186	-	18,298,320
NP333	Greater Tzaneen	8,886	-	-	-	1,162,733	-	1,171,619	-	1,171,619
NP334	Ba-Phalaborwa	-	-	-	-	-	-	-	-	-
NP335	Maruleng	-	-	-	-	-	-	-	-	-
DC33	Mopani District	-	-	-	-	-	-	-	-	-
	Mopani District	8,886	-	-	-	6,646,339	2,238,580	8,893,805	-	25,662,077
NP341	Musina	567,444	-	1,007,573	-	238,043	-	1,813,060	-	1,813,060
NP342	Mutale	-	-	-	-	-	-	-	-	-
NP343	Thulamela	-	-	-	-	-	-	-	-	-
NP344	Makhado	86,590	-	385,997	-	1,012,401	8,009	1,492,997	-	5,901,591
DC34	Vhembe District	-	-	-	-	-	673,787	673,787	-	87,103,319
	Vhembe	654,034	-	1,393,570	-	1,250,444	681,796	3,979,844	-	94,817,970
NP351	Blouberg	-	-	-	-	-	-	-	-	-
NP352	Aganang	-	-	-	-	-	-	-	-	-
NP353	Molemole	-	-	-	-	-	-	-	-	106,762
NP354	Polokwane	-	14,773,391	-	-	58,240,646	-	73,014,037	-	132,971,803
NP355	Lepelle-Nkumpi	-	-	-	-	-	-	-	-	-
DC35	Capricorn District	-	-	-	-	-	-	-	-	-
	Capricorn	-	14,773,391	-	-	58,240,646	-	73,014,037	-	133,078,565
NP361	Thabazimbi	-	-	-	-	-	-	-	-	-
NP362	Lephalale	-	-	24,536	-	617,762	-	642,298	-	691,370
NP363	Mookgophong	-	-	-	-	-	-	-	-	1,702,036
NP364	Modimolle	-	-	-	-	-	-	-	-	13,243,000
NP365	Bela-Bela	1,242,307	-	155,017	-	519,268	-	1,916,592	-	1,916,592
NP366	Mogalakwena	-	-	-	-	-	-	-	-	(1,424,304)
DC36	Waterberg District	-	-	6,778	-	-	-	6,778	-	862,837
	Waterberg	1,242,307	-	186,331	-	1,137,030	-	2,565,668	-	16,991,531
	Total	1,905,227	14,773,391	1,579,901	-	67,274,459	2,920,376	88,453,354	-	279,810,019

Capital Revenue: Sources of Finance'

9. It should be noted that capital revenue represents the sources of finances utilised to fund capital expenditure.

For the month under review, the performance per source item was External Loans 1.9 million, Surplus cash 1.6 million, Public Contribution R0, Government grants and subsidies R67.2million and other R17.7 million

Other municipalities are not reflecting the source of Finance for their capital revenue and this makes it difficult to get the actual figure that balances with the Capital expenditure.

Government Grants and Subsidies are the biggest source of revenue for almost all the municipalities as shown from the table above. Generation of own revenue is still a major challenge in the municipalities whilst non collection of debt also affects the going concern.

The source item "other" is a combination of all other finance sources that are not repetitive. Mostly these are once off funding sources that a municipality may source in a particular period.

Surplus cash comes from funds not utilized from the budget of a municipality and it is brought forward from the prior period.

The performance per table above is not representative of all the municipalities since some municipalities did not submit or submitted the report late resulting in those reports not being included in the consolidated report.

Capital Expenditure

10. Table 5 shows the spending of the capital budget for the districts for the month ended 31 October 2008

Table 5: Summary of Municipal Capital Budgets and Expenditure for the month of October 2008: Budget vs. Actual - Districts

Code	Municipality	Capital Budget			Expenditure		Variance	
		Original budget	Adjustments	Adjusted Capital budget	Actual for the month	Actual to date	Adjusted budget vs Actual to date	% Variance
NP03a2	Makhuduthamaga	39,625,000		39,625,000	-	1,753,278	37,871,722	4%
NP03a3	Fetakgomo	9,273,077		9,273,077	-	44,608	9,228,469	0%
NP03a4	Greater marble Hall	23,712,520		23,712,520	744,984	1,217,306	22,495,214	5%
NP03a5	Greater Tubatse	30,887,000		30,887,000	-	-	30,887,000	0%
NP03a6	Elias Motsoaledi	82,425,000		82,425,000	-	7,506,598	74,918,402	9%
DC47	Greater Sekhukhune	513,771,797		513,771,797	-	-	513,771,797	0%
	Sekhukhune	699,694,394		699,694,394	744,984	10,521,790	689,172,604	2%
NP331	Greater Giyani	33,696,000		33,696,000	-	5,241,250	28,454,750	16%
NP332	Greater Letaba	41,765,100		41,765,100	7,722,186	18,298,320	23,466,780	44%
NP333	Greater Tzaneen	69,605,000		69,605,000	1,171,619	11,747,753	57,857,247	17%
NP334	Ba-Phalaborwa	20,123,000		20,123,000	-	5,241,250	14,881,750	26%
NP335	Maruleng	38,362,000		38,362,000	-	5,241,250	33,120,750	14%
DC33	Mopani District	488,299,000		488,299,000	1,062,815	6,304,065	481,994,935	1%
	Mopani District	691,850,100		691,850,100	9,956,620	52,073,888	639,776,212	8%
NP341	Musina	13,870,000		13,870,000	1,813,060	2,294,068	11,575,932	17%
NP342	Mutale	10,258,707		10,258,707	-	5,241,250	5,017,457	51%
NP343	Thulamela	250,124,000		250,124,000	-	5,241,250	244,882,750	2%
NP344	Makhado	107,539,600		107,539,600	1,381,697	3,899,781	103,639,819	4%
DC34	Vhembe District	885,461,159		885,461,159	41,645,993	61,666,533	823,794,626	7%
	Vhembe	1,267,253,466		1,267,253,466	44,840,750	78,342,882	1,188,910,584	6%
NP351	Blouberg	32,487,000		32,487,000	-	241,880	32,245,120	1%
NP352	Aganang	39,686,737		39,686,737	1,062,815	6,304,065	33,382,672	16%
NP353	Molemole	84,579,684		84,579,684	-	241,880	84,337,804	0%
NP354	Polokwane	1,244,109,000		1,244,109,000	73,014,037	126,955,575	1,117,153,425	10%
NP355	Lepelle-Nkumpi	92,929,186		92,929,186	1,253,084	2,386,675	90,542,511	3%
DC35	Capricorn District	537,791,802		537,791,802	26,648	268,528	537,523,274	0%
	Capricorn	2,031,583,409		2,031,583,409	75,356,584	136,156,723	1,895,426,686	7%
NP361	Thabazimbi	56,696,000		56,696,000	-	5,241,250	51,454,750	9%
NP362	Lephalale	25,504,400		25,504,400	72,932	339,348	25,165,052	1%
NP363	Mookgophong	31,565,000		31,565,000	1,905,948	2,147,828	29,417,172	7%
NP364	Modimolle	52,768,000		52,768,000	1,650,174	7,663,952	45,104,048	15%
NP365	Bela-Bela	12,478,000		12,478,000	1,916,592	2,158,472	10,319,528	17%
NP366	Mogalakwena	160,120,000		160,120,000	-	(1,424,304)	161,544,304	-1%
DC36	Waterberg District	24,737,000		24,737,000	6,778	862,837	23,874,163	3%
	Waterberg	363,868,400		363,868,400	5,552,424	11,408,785	352,459,615	3%
	Total	5,054,249,769	-	5,054,249,769	136,451,362	288,504,068	4,765,745,701	6%

Capital Expenditure²

11. For the month under review, the performance is R136.4 million spent or 2.7 per cent of the total adjusted capital budget of R5.054 billion.

A straight line analysis of the spending performance for the month indicates that there is under performance on capital projects. 2.7 per cent spending in relation to the size of the budget of R5.054 billion appears to be too low considering the available backlogs in municipality and the fact that this the spending for the first quarter of the year.

Debtors

12. The total outstanding debtors, which include current debtors for the municipalities in the Province as at 31 October 2008, amounts to R106 million.

The overall debt owed to municipalities is specified in the table below of which four districts are balances above R100 million just in three months.

Table 2: Overall debt owed to municipalities

	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Sekhukhune District	5,430,755	1,875,913	1,310,061	768,061	564,682	3,851,268	-	-	13,800,740
Mopani District	14,126,889	35,195,719	15,014,787	11,360,418	159,892,228	63,803,329	-	3,206,432	302,599,802
Vhembe District	16,693,265	6,770,938	5,465,932	3,704,558	19,024,035	58,791,499	-	-	110,450,227
Capricorn District	51,158,487	27,770,371	27,874,688	70,306,234	7,146,502	100,611,404	16	24,369,126	309,236,828
Waterberg District	19,102,609	7,332,088	7,299,197	46,544,882	86,831,988	-	-	628,560	167,739,324
Total	106,512,005	78,945,029	56,964,665	132,684,153	273,459,435	227,057,500	16	28,204,118	903,826,921

13. The above age analysis indicates that debt collection remains an area of concern to municipalities since R106.5 million is outstanding for a period over 30 days. According to section 96 of the Municipal Systems Act, Act 32 of 2000 as amended, municipalities must collect all money due to them.

Financial Asset Management: October 2008

Cash Flow

14. The overall cash flow position of municipalities shows fairly positive closing cash flow balances of R1.2 billion at end of October 2008. However, it still remains a challenge for municipalities to report on the actual income and expenditure in the cash flow (CFA). The credibility of the cash flow is doubtful emanating from the premise that cash flow projections were not provided by most municipalities.

External Loans

15. According to the data available outstanding long-term liabilities for municipalities' amounts to R1.9 million. This amount has not been corroborated to external confirmation.

Creditors

16. The current IYM format allows municipalities to report on total accounts payable at the end of each month or to list the top ten creditors at the end of the month. In order to give effect to the monitoring function of the Provincial Treasury, municipalities are encouraged to report on total accounts payable instead of top ten creditors.

The total accounts payable as at the end of October by Limpopo municipalities' amount to R81 million and exclude the amounts from all the municipalities that did not report within the prescribed timeframe. Polokwane and Tzaneen are contributing about R48 million to the total creditor amount. This amount falls within the 30 days bracket and there are minimal amounts in the 30 to 60 bracket. This is an indication that most municipalities pay accounts within 30 days after receiving the relevant invoice or statement.

General

17. There is a huge challenge of late submission or none-submission by some municipalities. This is a result of problems ranging from systems that are not compatible, lack of relevant skills to management challenges including political involvement in administration.

Whilst it is acknowledged that most municipalities have challenges, the MFMA is clear on issues of reporting on public funds and therefore, regardless of the challenges faced, municipalities are required to report accordingly.

In order to improve the municipal financial governance and reporting by municipalities the Provincial Treasury in conjunction with Provincial Department of Local Government are working together to assist the municipalities.

Conclusion

18. Spending performance on both capital and operating budgets has gradually improved but for some municipalities it was not possible to assess their spending due to the irregular submission of the s71 reports. This situation has to be improved otherwise municipalities may be requested to return unspent funds to the National Treasury and this will also affect service delivery.

19. In smaller municipalities, revenue generation is a cause for concern as it impacts on the future sustainability of budgets and ultimately service delivery. Assistance will be provided to municipalities on revenue enhancement strategies, debt cleansing processes and debt management.

HEAD OFFICIAL: PROVINCIAL TREASURY

DATE: