



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ntuli P S

Ref: 12/1/6/4

Date: 28 March 2011

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

MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003: IN-YEAR-MONITORING: SECTION 71 (6) REPORTING: FEBRUARY 2011

1. In terms of section 71(6) of the MFMA, the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.
2. Attached please find the Limpopo Provincial Treasury's MFMA section 71(6) consolidated statements and narratives as at 28 February 2011.

**HEAD OF DEPARTMENT
PROVINCIAL TREASURY**

DATE: 29/03/2011

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LIMPOPO PROVINCIAL TREASURY
Monthly Budget Statement
Report on Municipal Consolidated Financial Performance Statements
For the month ended 28 February 2011

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1. PURPOSE

The purpose of this report is to present to the Head of Department (HoD) the state of municipalities' financial performance as at end February 2011; to seek approval to submit the consolidated monthly budget statements of all 30 municipalities to the National Treasury; and to publish these statements on the Limpopo Provincial Treasury's website.

2. BACKGROUND

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

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

- iii. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remains within the municipality's approved budget.

According to section 71(6) 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' budget, per municipality and per municipal entity.

3. ASSESSMENT TECHNIQUES

The consolidated monthly budget statement is compiled in terms of Section 71(6) of the Municipal Finance Management Act (No. 56 of 2003). The amounts reflected in the statements are compared with the corresponding amounts budgeted for in the municipalities' adjustment budgets and/or original budget for those municipalities that did not submit the adjustments budget to Provincial Treasury.

In terms of the Municipal Budget & Reporting Regulation (MBRR) r23, municipalities are required to pass an adjustment budget in council at any time after the midyear budget & performance assessment report has been tabled, but no later than 28 February of the current financial year. Furthermore; r24 requires that the accounting officer must submit to the Provincial Treasury an adjustment budget ten working days after it has been passed in council. This suggests that the due date for submission of adjustment budgets by municipalities was the 14th March 2011. However, submissions recorded to date are for seventeen (17) municipalities, hence, the year to date actual for the seventeen (17) municipalities will be compared against the adjusted budgets; while for the remaining thirteen (13), the comparison will continue to be against the original budgets.

Non-compliance letters were issued to the thirteen municipalities in this regard. It is envisaged that the March 2011 MFMA S71 consolidated report will be able to

depict a true picture of the provincial adjusted municipal budget. In addition to the non-compliance letters, Provincial Treasury will make follow-ups and remind municipalities to submit the tabled adjustment budgets.

4. DISCUSSION

4.1 COMPLIANCE WITH MFMA S71 (1) IN TERMS OF SUBMISSION TIMEFRAMES OF THE MONTHLY BUDGET STATEMENTS

Table 1 below demonstrates the submission pattern of the Monthly Budget Statements (MBS) reports for the period ending February 2011. Compliance with section 71(1 & 4) of the MFMA will also be illustrated in this table. The table shows the types of formats submitted by municipalities, the dates of actual submission of both signed documents and electronic format; as well as the municipalities that did not comply with the MFMA S71 at all for the three months period depicted.

Table 1 Monthly Budget Statements Submission Schedule

Municipality	Dec-10			Jan-11			Feb-11		
	Sch C / App B	Date of submission	Returns Received	Sch C / App B	Date of submission	Returns Received	Sch C / App B	Date of submission	Returns Received
		Electronic			Electronic	Electronic			
DC 35 - CAPRICORN	B	14.01.2011	OSA,CAA,AD,A,C,CFA	B	14.2.2011	OSA,CAA,CFA,AD,AC	B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 351 - BLOUBERG	B	17.01.2011	AC,AD,CAA,CFA	B	16.2.2011	OSA,CAA,AD,AC	B	16.03.2011	OSA,AD,CFA,CAA
UM 352 - AGANANG									
UM 353 - MOLEMOLE	C	14.01.2011	SCHEDULE C	C	15.2.2011	SCHEDULE C	C,B	14.03.2011	OSA,AC,AD,CFA,CAA
UM 354 - POLOKWANE	C,B	10.01.2011	AC,AD,CAA,CFA,OSA	C,B	8.2.2011	OSA,CAA,CFA,AD,AC,BSAC	C,B	08.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 355 - LEPELE-IXUMPI	B	14.01.2011	CAA,AC,AD	B	10.2.2011	OSA,CAA,CFA,AD,AC	B	11.03.2011	OSA,AC,AD,CFA,CAA
DC - 47 - GREATER SEKHUKHUNE	B	12.01.2011	AC,AD,CAA,CFA,OSA	B	8.2.2011	OSA,CAA,CFA,AD,AC	B	10.03.2011	OSA,AC,AD,CFA,CAA
UM 471 - EPHRAIM MOGALE	B	14.01.2011	OSA,CAA,AD,A,C,CFA,BSAC	B	14.2.2011	OSA,CAA,CFA,AD,AC,BSAC	B	10.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 472 - ELIAS MOTSOALEDI	B	11.01.2011	AC,AD,CAA,CFA,OSA	B	9.2.2011	OSA,CAA,CFA,AD,AC	B	09.03.2011	OSA,AC,AD,CFA,CAA
UM 473 - MAKHUDUTHAMAGA	B	14.01.2011	OSA,CAA,AD,A,C,CFA	B	11.2.2011	OSA,CAA,CFA,AD,AC	B	14.03.2011	OSA,AC,AD,CFA,CAA
UM 474 - FETAKGOMO	C,B	13.01.2011	OSA,CAA,AD,A,C,CFA,BSAC	B	14.2.2011	AC,AD,CAA,CFA,BSAC	C,B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 475 - GREATER TUBATSE				B	14.2.2011	OSA,CAA,CFA,AD,AC	B	22.3.2011	AC,AD
DC 33 - MOPANI	B	13.01.2011	OSA,CAA,AD,A,C,CFA	B	11.2.2011	OSA,CAA,CFA,AD,AC	B	10.03.2011	OSA,AC,AD,CFA,CAA
UM 331 - GREATER GIYANI				B	14.2.2011	OSA,CAA,CFA,AD,AC,BSAC	B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 332 - GREATER LETABA	C	14.01.2011	SCHEDULE C	C,B	14.2.2011	OSA,CAA,CFA,AD,AC	C,B	10.03.2011	OSA,AC,AD,CFA,CAA
UM 333 - GREATER TZANEEN	B	14.01.2011	OSA,CAA,AD,A,C,CFA	B	14.2.2011	OSA,CAA,CFA,AD,AC	B	11.3.2011	OSA,AC,AD,CFA,CAA
UM 334 - BA- PHALABORWA	C,B	10.01.2011	OSA,CAA,AD,A,C,CFA	C,B	6.2.2011	OSA,CAA,CFA,AD,AC	C,B	07.03.2011	OSA,CAA,AD,AC,CFA
UM 335 - MARULENG	C,B	7.01.2011	OSA,CAA,AD,A,C,CFA						
DC 36 - WATERBERG	C,B	14.01.2011	OSA,CAA,AD,A,C,CFA,BSAC	C,B	14.2.2011	OSA,CAA,CFA,AD,AC,BSAC	B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 361 - THABAZIMBI	B	7.01.2011	OSA,CAA,AD,A,C,CFA	B	7.2.2011	OSA,CAA,CFA,AD,AC	B	14.03.2011	OSA,CAA,AD,AC,CFA
UM 362 - LEPHALALE	B	12.01.2011	OSA,CAA,AD,A,C,CFA	B	15.2.2011	OSA,CAA,CFA,AD,AC	B	14.03.2011	OSA,CAA,AD,AC,CFA
UM 364 - MOOKGOPONG	B	14.01.2011	AC,CAA,AD,OSA	B	14.2.2011	OSA,CAA,AD,AC	B	14.03.2011	OSA,CAA,AD,AC
UM 365 - MODIMOLLE	C,B	14.01.2011	OSA,CAA,AD,A,C,CFA	C	11.2.2011	SCHEDULE C	C	14.03.2011	Schedule C
UM 366 - BELA-BELA	B	14.01.2011	OSA,CAA,AD,A,C,CFA	C,B	10.2.2011	OSA,CAA,CFA,AD,AC	C,B	09.03.2011	OSA,CAA,AD,AC,CFA
UM 367 - MOGALAKWENA	B	14.01.2011	OSA,CAA,AD,A,C,CFA	B	14.2.2011	OSA,CAA,CFA,AD,AC,BSAC	B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
DC 34 - VHEMBE	B	12.01.2011	OSA,CAA,AD,A,C,CFA	B	11.2.2011	OSA,CAA,CFA,AD,AC	B	11.03.2011	OSA,CAA,AD,AC,CFA
UM 341 - MUSIHA	B	14.01.2011	OSA,CAA,AD,A,C,CFA,BSAC	B	14.2.2011	OSA,CAA,CFA,AD,AC,BSAC	B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 342 - MUTALE	B	14.01.2011	AD,CAA,CFA,OSA,AC	B	14.2.2011	OSA,CAA,CFA,AD,AC	B	15.03.2011	OSA,AD,CFA
UM 343 - THULAMELA	B	14.01.2011	AC,AD,CFA,CAA,OSA	B	11.2.2011	OSA,CAA,AD,AC,CFA	B	14.03.2011	BSAC,AC,AD,CAA,CFA,OSA
UM 344 - MAKHADO	C,B	11.01.2011	OSA,CAA,AD,A,C,CFA	C,B	11.2.2011	OSA,CAA,CFA,AD,AC	B	14.03.2011	OSA,CAA,AD,AC,CFA

Source: In-Year Monitoring Reports Database

Legend: AC – Aged Creditors; AD – Aged Debtors; CFA – Cash Flows Actual; CAA – Capital Acquisition Actual; OSA – Operating Statement Actual

As shown in table 1 above, at the time of publishing this report, submissions of MFMA S71 returns were made by all thirty (30) municipalities; Although compliance in terms of submission of returns is 100.0 per cent, in terms of non-compliance with the time provisions, two municipalities, namely, Maruleng and Greater Tubatse submitted the returns on the 18th and 22th March respectively. For the January 2011 month, the submission rate also stood at 100.0 per cent, with two municipalities, namely Maruleng and Aganang submitting the returns late.

The December 2010 report on the other hand recorded a submission rate of 93.3 per cent with two municipalities, namely Aganang and Greater Tubatse not submitting the returns at all, while Greater Giyani made a late submission. The following municipalities, Mutale, Mookgopong, Blouberg and Greater Tubatse did not submit all five monthly returns as prescribed in terms of MFMA S71 (1) by National Treasury. Non compliance letters were also forwarded to the Accounting Officers of the municipalities concerned.

Table 2 Submission of hard copies of MFMA S71 reports

Municipality	December	January	February
DC 35 - CAPRICORN	14.01.2011	14.2.2011	
LIM 353 - MOLEMOLE	14.01.2011		14.03.2011
DC - 47 - GREATER SEKHUKHUNE	17.01.2011	9.2.2011	15.03.2011
LIM 471 - EPHRAIM MOGALE	14.01.2011	14.2.2011	14.03.2011
LIM 473 - MAKHUDUTHAMAGA	13.01.2011	14.2.2011	14.03.2011
LIM 474 - FETAKGOMO	14.01.2011	14.2.2011	14.03.2011
LIM 332 - GREATER LETABA			
LIM 333 - GREATER TZANEEN		14.2.2011	
DC 36 - WATERBERG	14.01.2011	14.2.2011	14.03.2011
LIM 365 - MODIMOLLE		14.2.2011	
LIM 366 - BELA-BELA		15.2.2011	
LIM 472 - ELIAS MOTSOLEDI	14.01.2011		
LIM 367 - MOGALAKWENA	14.01.2011	14.2.2011	
LIM 344 - MAKHADO	14.01.2011		
DC 33 - MOPANI		21.2.2011	
LIM 341 - MUSINA		14.2.2011	14.03.2011
LIM 362 - LEPHALALE		01.3.2011	14.03.2011
LIM 331 - GREATER GIYANI		03.03.2011	15.03.2011
LIM 334 - BA- PHALABORWA			10.03.2011
LIM 343 - THULAMELA			14.03.2011

Source: In-Year Monitoring Reports Database

The table afore reflects compliance by municipalities with MFMA S 71 (4); which requires that a hard copy of the monthly budget statement be submitted to the Provincial Treasury (PT). The Municipal Budget & Reporting Regulations (MBRR) further provides a sample of the quality certificate that must be signed by the Municipal Manager certifying the report to be correct and compliant with the MFMA.

Compliance with the aforementioned section of the MMFA reflects that at the time of publication of this report, eleven (11) municipalities submitted the hard copies of the MFMA S71 reports. This is a decline when compared with the thirteen (13) submissions in January 2011. The trend reflected in the table above shows a fluctuating trend since in December 2010 ten (10) hard copy submissions were made. As a norm, non compliance letters with MFMA S71 (4) were issued to the municipalities.

4.2 IMPLEMENTATION OF MUNICIPAL BUDGETS

Financial Performance

The section below aims to depict the performance of municipalities for the eight (8) months under review. Information regarding revenue collection and expenditure is comprehensively presented in this section. Due to the material over performance on operating revenue and the material under spending on the operating expenditure depicted in the prior months' reports, it was anticipated that municipalities will adjust the revenue budget upwards and accelerate spending on the operating budget, allocating the additional revenue to the acceleration of projects already budgeted for in the Integrated Development Plans (IDP's). Though not all municipalities submitted the adjustment budgets, it is projected that this report will show the impact of municipalities' actual performance against the adjustment budget.

4.2.1 Operating Revenue

Table 3 below shows the actual operating revenue collected against budget

Table 3: Consolidated operating revenue as at 28 February 2011

Municipality	Financial Performance			
	Total Revenue			
	Original/ad justed budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million				
Makhuduthamaga	146	3	121	83%
Fetakgomo	44	1	29	66%
Ephraim Mogale	128	5	78	61%
Greater Tubatse	175	-	101	58%
Elias Motsoaledi	234	7	103	44%
Greater Sekhukhune	386	1	488	126%
Sekhukhune	1,501	17	920	61%
Greater Giyani	131	4	101	78%
Greater Letaba	169	13	75	45%
Greater Tzaneen	591	57	455	77%
Ba-Phalaborwa	297	20	169	57%
Maruleng	64	6	53	83%
Mopani District	572	29	570	100%
Mopani District	1,823	129	1,424	78%
Musina	135	11	93	69%
Mutale	70	1	50	72%
Thulamela	402	42	319	79%
Makhado	614	28	391	64%
Vhembe District	449	88	531	118%
Vhembe	1,669	169	1,384	83%
Blouberg	88	2	31	35%
Aganang	55	1	72	132%
Molemole	87	2	72	83%
Polokwane	1,236	61	793	64%
Lepelle-Nkumpi	175	9	140	80%
Capricorn District	381	11	313	82%
Capricorn	2,022	86	1,421	70%
Thabazimbi	179	12	113	63%
Lephalale	293	7	282	96%
Mookgophong	92	4	62	67%
Modimolle	171	11	119	70%
Bela-Bela	174	12	104	60%
Mogalakwena	453	19	428	94%
Waterberg District	107	1	77	72%
Waterberg	1,469	66	1,185	81%
Total	8,095	467	6,334	78%

Source: In-Year Monitoring Reports Database

The table above indicates that seventeen (17) municipalities whose adjustment budgets were submitted to Provincial Treasury adjusted the revenue budgets downwards. This resulted in an increase in the total operating revenue budget from R8.2 billion to R8.0 billion. It is anticipated that this amount will increase when the adjustment budgets of all municipalities in Limpopo have been submitted. In terms of table 3 above, the year to date revenue collection stand at 78.0 per cent (R6.3 billion) of the R8.0 billion adjusted budget

Prominent features of operating revenue per district:

- **Vhembe District:** - The revenue budget of Vhembe District increased from R1.6 billion by 0.05 per cent. For the period under review, Vhembe records an average performance of 83.0 per cent. Over performance in this district was recorded by Vhembe District Municipality. The actual year to date amount for the municipality is still compared against the original budget. The collection rate of the district municipality stands at 118.0 per cent (R531 million) against the original budget of R449 million.
- **Waterberg District:** - The district's operating revenue grew from the original budget of R1.4 billion by 1.87 per cent. The average performance as at the end of February 2011 is 81.0 per cent. Lephalale and Mogalakwena remain the highest performers in this district, with average performance of 96.0 and 94.0 per cent respectively. The year to date actual for Mogalakwena still records over performance even though the operating budget was adjusted from R430 million to R453 million. The results for Lephalale are still compared against the original budget.
- **Mopani District:** - The table above reveals that this district's revenue budget was increased from R1.7 billion to R1.8 billion, the budget was increased by 5.2 per cent. The average performance for the district is 78.0 per cent. Mopani District Municipality records an increase in the revenue budget from R487 million to R572 million, however, the performance against the adjusted budget still records over performance at

100 per cent for the eight months under review. The results for Maruleng reveal an actual performance of 83.0 per cent; however, the year to date collection is still compared against the original budget.

- **Capricorn District:** - The district average performance equals 70.0 per cent. The adjustment budget reveals an increase in revenue projection from R1.9 billion to R2.0 billion, recording an increase by 2.8 per cent. In this district, Aganang still reports an over performance ratio of 132.0 against an original budget of R55 million. Since the adjustment budget for the municipality has not been received, it is projected that the March 2011 reports will depict an upwards adjustment in the revenue budget, thereby reducing the performance ratio.
- **Sekhukhune District:** - Sekhukhune District had an original revenue budget of R1.49 billion, the adjusted revenue stands at R1.5 billion, recording an increase by 0.23 per cent. The average district performance stands at 61.0 per cent of the adjusted budget. Over performance in this district was recorded by Greater Sekhukhune District Municipality at 126.0 per cent. The revenue budget for the district municipality was adjusted from R771 million to R386 million, recording a decrease by 99.7 per cent. Looking at the municipality's performance in January 2011, which stood at 65.0 per cent of the original budget, the huge decrease in the revenue budget is at this moment not easy to comprehend, and hence; further analysis in this regard will be performed during the adjustment budget assessment.

The discussion above aimed to depict the impact of the adjustment budget on municipal performance results. It can be concluded that though some municipalities have passed adjustment budgets, compliance with MFMA S18 in terms of realistically anticipated revenue is still a challenge.

Table 4 below shows the performance of individual sources of revenue compared with approved/adjusted budgets.

Table 4: Consolidated revenue sources as at 28 February 2011

Description	Budget Year 2010/11			Spent of %
	Adjusted Budget	Monthly actual Actual	Year TD Actual	
R million				
Financial Performance				
Transfers recognised	3,788	184	3,778	99.8%
Property rates	631	56	498	79%
Service charges	2,229	168	1,302	58%
Investment revenue	236	16	130	55%
Other own revenue	1,212	44	626	52%
Total Revenue	8,095	467	6,334	78%

Source: In-Year Monitoring Reports Database

A discussion on the performance of the individual revenue sources follows below:

- **Transfers recognized:** The total transfers earned by municipalities as at the end of February 2011 stands at 99.8 per cent (R3.77 billion) of a total budget of R3.78 billion. This suggests that municipalities received all three transfers as per the National Treasury operating grant transfer schedule.
- **Property rates:** With the challenges that most municipalities in Limpopo are facing regarding the collection of property rates (rate payers association and land rights), the effectiveness of the implementation of the Municipal Property Rates Act (MPRA) by municipalities is evidenced by the collection rate of 79.0 per cent of the adjusted budget of R631 million. The original budget in this regard was R626 million, leading to an increase by 0.79 per cent.
- **Service Charges:** The original budget for service charges has been reduced from R2.27 billion to R2.22 billion. This results in a decrease by 1.89 per cent. The generated revenue on service charges stands at 58.0 per cent (R1.3 billion) of the adjusted budget of R2.2 billion.
- **Investment revenue:** The annual budget for investment revenue has been adjusted upwards. The increase is from R220 million to R236 million, resulting in an increase of 7.2 per cent. The year to date

collection realised under this item stands at R130 million (55.0 per cent).

- **Other revenue:** Income generated from minor sources stands at 52.0 per cent (R626 million) out of a budget of R1.21 billion. The original budget of R1.28 billion has been adjusted downwards to R1.21 billion.

From the ratios in the table above, it is evident that municipalities are making progress towards increasing revenue earned from own sources. The increase in revenue earned from property rates is encouraging, it is envisaged that once the challenges with the withholding of property rates by the rate payers association has been solved, municipalities will realise a cash flow injection from the association; thereby increasing the collection rates.

4.2.2 Operating Expenditure

This section deals with the operating expenditure performance for the period ended 28 February 2011, against the adjusted budget. Table 5 below shows the consolidation of this performance.

Table 5: Consolidated operating expenditure as at 28 February 2011

Municipality	Financial Performance			
	Total Expenditure			
	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million				
Makhuduthamaga	97	7	49	51%
Fetakgomo	43	5	25	57%
Ephraim Mogale	127	7	80	63%
Greater Tubatse	175	-	73	42%
Elias Motsoaledi	232	10	107	46%
Greater Sekhukhune	420	32	201	48%
Sekhukhune	1,095	61	536	49%
Greater Giyani	135	5	70	52%
Greater Letaba	114	7	62	55%
Greater Tzaneen	584	36	355	61%
Ba-Phalaborwa	297	26	184	62%
Maruleng	60	5	38	63%
Mopani District	477	64	297	62%
Mopani District	1,666	142	1,007	60%
Musina	139	11	106	76%
Mutale	64	6	47	73%
Thulamela	371	24	154	42%
Makhado	515	32	252	49%
Vhembe District	442	28	251	57%
Vhembe	1,532	101	809	53%
Blouberg	88	10	34	39%
Aganang	99	5	27	28%
Molemole	88	4	30	35%
Polokwane	1,225	77	608	50%
Lepelle-Nkumpi	131	7	42	32%
Capricorn District	453	30	170	37%
Capricorn	2,084	132	912	44%
Thabazimbi	175	10	111	63%
Lephalale	322	22	195	61%
Mookgophong	92	5	60	65%
Modimolle	171	11	88	51%
Bela-Bela	156	11	109	70%
Mogalakwena	486	29	216	45%
Waterberg District	106	10	51	48%
Waterberg	1,508	98	830	55%
Total	7,885	534	4,094	52%

Source: In-Year Monitoring Reports Database

The operating expenditure budget reveal an upwards adjustment from R7.6 billion to R7.8 billion, recording an increase by 2.58 per cent. The provincial average expenditure stands at 52.0 per cent, which is R4 billion out of the R7.8 billion adjusted budget.

Performance per District:

- **Mopani District:** Table 5 above reveals that Mopani District's adjustment budget amounts to R1.66 billion. This represents an increase from the original budget of R1.59 billion by 4.7 per cent. The average expenditure ratio for Mopani is 60.0 per cent. All municipalities in the district have average ratios of between 52.0 and 63.0. Maruleng recorded the highest ratio of 63.0 followed by Mopani and Ba-Phalaborwa at 62.0. Greater Giyani is the lowest with an average ratio of 52.0.
- **Waterberg District:** Waterberg district recorded an average performance of 55.0 per cent of the R1.5 billion adjustment budget. This represents an increase in the operating budget from R1.4 billion; the increase is therefore 4.8 per cent. The expenditure ratios within the district range from 48.0 to 70.0 per cent. The highest performer is Bela-Bela at 70.0 per cent followed by Mookgopong at 65.0 per cent. All year to date amounts are compared with the original budgets with the exception of Mogalakwena and Modimolle that adjusted the expenditure budgets upwards.
- **Vhembe District:** The adjustment budget for this district records a decrease in the original expenditure budget. The original budget was R1.6 billion, while the adjusted budget equals R1.5 billion, leading to a decrease by 5.8 per cent. This district recorded an average ratio of 53.0. The highest ratio in this district was achieved by Musina (76.0 per cent) followed by Mutale (73.0 per cent). The lowest ratio was achieved by Thulamela at 42.0 per cent.

- Sekhukhune District:** The operating expenditure figures of Sekhukhune District reveal that the original budget was adjusted from R1.07 billion to R1.09 billion, recording an increase by 1.95 per cent. The actual expenditure for the month is at R61 million, resulting in an expenditure to date of R536 million or 49.0 per cent. The highest performer in the district is Ephraim Mogale achieving 63.0 per cent, with the lowest being Greater Tubatse at 42.0 per cent.
- Capricorn District:** The average expenditure ratio achieved by the district is 44.0 per cent. This is compared with the adjusted budget of R2.08 billion. This was as a result of an upwards adjustment of the operating expenditure budget from R1.95 billion. This district has the lowest expenditure rate in the province. All municipalities in the district performed far below the expected linear projection ratio, the highest being Polokwane at 50.0 per cent, and the lowest still being Aganang at 28.0 per cent.

Table 6 below shows the consolidated actual operating expenditure against budget for all municipalities per line item

Table 6: Consolidated operating expenditure items as at 28 February 2011

Description	Budget Year 2010/11			
	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
R million				
Materials and bulk purchases	1,645	137	1,013	62%
Employee costs	2,555	199	1,536	60%
Remuneration of Councillors	275	21	166	60%
Other expenditure	2,789	168	1,293	46%
Finance charges	37	0	13	37%
Depreciation and amortisation	448	9	66	15%
Debt impairment	135	0	6	5%
Total Expenditure	7,885	534	4,094	52%

Source: In-Year Monitoring Reports Database

Analysis of the individual expenditure items is reflected as follows:

- Materials and Bulk Purchases:** The performance on this item stands at 62.0 per cent. The original budget for this item was reduced from

R1.69 billion to R1.64 billion (2.67 per cent). In terms of average ratios, it is the highest performing item in the operating expenditure budget.

- **Employee Related Costs:** the year to date performance for salaries and benefits for municipal employees reflects an average ratio of 60.0 per cent. This is compared with the adjusted budget of R2.5 billion. The reduction in the employee related cost budget is by 2.25 per cent from the original budget of R2.6 billion.
- **Remuneration of Councilors:** The percentage spent on the original budget is also 60.0 per cent. However, the actual rand value of this line item is at R166 million of the R275 million adjusted budget. The budget was reduced from R283 million.
- **Other expenditure:** The original budget of this item made it the second highest after employee related costs; however, in terms of the adjustment budget, this item is reported to be the highest in rand value. The budget amount was adjusted from R2.5 billion to R2.7 billion. The average ratio against the adjusted budget equals 46.0 per cent.
- **Finance charges:** Expenditure in this item is made toward the payment of interest from external borrowings and leases. The YTD actual is R13 million (37.0 per cent). The original budget was adjusted downwards from R41 million to R37 million.
- **Depreciation or amortisation:** An upwards adjustment was realised in this line item, the original budget was R324 million, growing to R448 million in the adjustment budget. This results in growth by 38.2 per cent. The year to date expenditure is R66 million or 15.0 per cent.

- **Debt impairment:** There was no adjustment in this line item; the percentage expenditure grew by 1.0 per cent compared with the 4.0 January 2011 ratio.

The performance of municipalities as per the foregoing discussion suggests that municipalities are not able to spend the operating expenditure budget. This implies that the maintenance on municipal infrastructure and other essential services rendered from the operating budget are probably neglected by municipalities. This is despite the recommendation made through MFMA Circulars for municipalities to increase spending on repairs & maintenance, especially on revenue generating assets. The recommendation to increase spending in this regard will be intensified during the analysis phase of the draft budget. This will be done with reference to the guidelines issued by National Treasury in MFMA Circular 55.

4.2.3 Capital Revenue: Sources of Finance

This section provides an update on the capital revenue earned by municipalities. It further provides details on how such earnings were deployed by the municipalities.

Table 7: Consolidated capital funding per district per municipality as at 28 February 2011

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
Makhuduthamaga	152	6	37	25%
Fetakgomo	13	1	9	66%
Ephraim Mogale	20	-	15	76%
Greater Tubatse	53	-	-	
Elias Motsoaledi	81	4	39	48%
Greater Sekhukhune	355	20	153	43%
Sekhukhune	674	27	235	35%
Greater Giyani	67	4	5	8%
Greater Letaba	72	0	19	26%
Greater Tzaneen	125	2	34	28%
Ba-Phalaborwa	42	1	5	12%
Maruleng	25	2	10	38%
Mopani District	219	14	241	110%
Mopani District	550	23	314	57%
Musina	17	2	10	59%
Mutale	13	-	8	56%
Thulamela	101	3	44	44%
Makhado	166	3	61	37%
Vhembe District	582	20	494	85%
Vhembe	880	27	617	70%
Blouberg	38	-	-	
Aganang	40	2	22	54%
Molemole	-	-	-	
Polokwane	910	9	172	19%
Lepelle-Nkumpi	152	3	22	14%
Capricorn District	246	9	87	35%
Capricorn	1,386	22	302	22%
Thabazimbi	49			
Lephalale	96	15	53	55%
Mookgophong	26	1	7	28%
Modimolle	33	1	14	41%
Bela-Bela	25	3	8	30%
Mogalakwena	171	9	109	64%
Waterberg District	20		2	8%
Waterberg	421	29	192	46%
Total	3,910	129	1,661	42%

Source: In-Year Monitoring Reports Database

Performance per district is discussed below:

- **Vhembe District** – This district recorded the highest ratio in the province. Its average ratio stand at 70.0 per cent of the adjusted budget of R887 million. The budget was reduced to R880 million. This results in a reduction by 0.78 per cent. Vhembe District Municipality achieved a ratio of 85.0 per cent, with Makhado being the lowest at 37.0 per cent. The original budget for Vhembe District Municipality was reduced from R590 million to R582, while for Makhado, the year to date actual is still compared against the original budget.
- **Mopani District** – The ratio achieved by the district makes it the second highest in the province. The average district performance is 57.0 per cent. The District Municipality achieved 110.0 per cent. The source of finance budget for the district has not been adjusted.
- **Waterberg District** – The average ratio achieved by this district is 46.0. The district budget was adjusted from R428 to R421 million. The decrease recorded equals 1.6 per cent. Within the district, Mogalakwena achieved the highest ratio (68.0 per cent) while Waterberg District has the lowest performance of 8.0 per cent. Both Mogalakwena and Waterberg District's budgets were not adjusted.
- **Sekhukhune District** – For the period under review, an average of 35.0 per cent was achieved by this district. Ephraim Mogale recorded an average ratio of 76.0 with Makhuduthamaga recording 25.0 per cent. The district's original budget remained unchanged.
- **Capricorn District** – The district's original budget remained unchanged at R1.3 billion. To date, the capital funding performance stands at 22.0 per cent. The highest achiever is Aganang at 54.0 per cent while the lowest is Lepelle-Nkumpi achieving 14.0 per cent. Blouberg did not disclose the sources of funding earned for this period.

As previously outlined, efforts are underway to ensure the correct completion of the MFMA returns; thereby leading to the credibility of the information reported by both the National and Provincial Treasury. Provincial Treasury will after the adoption of budget embark on an intensive training on the MBRR: Schedule C format of the MFMA S71 reports. It is envisaged that this exercise will assist in resolving this challenge.

Table 8: Consolidated capital funding per item as at 28 February 2011

Description	Budget Year 2010/11			
	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of %
Funds sources				
Leases	40	2	22	54%
Government Grants and Subsidies	2,514	97	1,334	53%
Other	190	8	67	35%
Surplus Cash	326	11	71	22%
Other Ad-Hoc Financing Sources	28	-	1	5%
External Loans	655	0	13	2%
Asset Financing Reserve	-	11	152	
Public contributions/ donations	157	0	0	0%
Total sources	3,910	129	1,661	42%

Source: In-Year Monitoring Reports Database

This discussion continues with the capital revenue budget of municipalities, and aims to show the capital revenue earned by revenue source. The capital revenue sources are presented from the highest to the least ratio.

The main characteristics of table 7 are as follows:

- **Leases:** - This line item is the highest performer in terms of its percentage against the budget. The year to date collection stand at R22 million (54.0 per cent) against an annual budget of R40 million. There was no adjustment in the original budget.
- **Government Grants and Subsidies:** - Contrary to the operating revenue budget where municipalities in the province earned 99.8 per cent, earnings under the capital grants and subsidies only equal 54.0 per cent. This is due to the fact that capital grants are conditional; which

municipalities must earned by fulfilling the conditions of the grant. This item had an annual budget of R2.4 billion, which was adjusted upwards to R2.5 billion. Recording an increase in percentage terms of 0.8.

- **Other Revenue:** - The budget for other revenue was adjusted downward from R225 million to R190 million, resulting in a percentage decrease of 15.5 per cent. To date, performance against the adjusted budget is 35.0 per cent.
- **Surplus Cash:** - There was no adjustment in this line item, an amount of R71 million (22.0 per cent) was realized to date, this constitutes 3.8 per cent of the total year to date revenue.
- **Other Ad-Hoc Finances:** - No municipality adjusted its budget in this regard. Out of the total budget of R28 million for ad-hoc finances, the realized revenue to date is still R1 million, representing 5.0 per cent of the line item's original budget.
- **External loan:** - The total budget for this item still stands at R655 million, which is still 16.7 per cent of the total capital funding budget. To date, municipalities earned only R13 million in revenue from borrowings. This represents 2.0 per cent of the annual budget.
- **Asset Financing Reserve:** - The collection in rand value under this item is R152 million against a zero budget. It was anticipated that since municipalities are earning revenue under this line item, the adjustment budget will correctly reflect the collection muscle in this regard. It is disappointing to note that though the earnings under this item is growing on a month to month basis, still no municipality has made any allocation to this item through the adjustment budget.

- **Public contributions/ donations:** - The original budget of R157 million still remains unchanged. To this end, nothing has been realized under this item.

The revenue earned to date is averaged at R1.6 billion or 42.0 per cent of the total budget of R3.91 billion. It is still evident from this table that grants and subsidies are still the major source of finance for capital projects in Limpopo. The total earned from all capital sources to date equal R1.66 billion, out of which R1.33 billion is from government grants & subsidies. This accounts for 80.0 per cent of the total provincial capital revenue. Due to the material understatement of the capital revenue receipts, Provincial Treasury still recommends that the foregoing tables should be interpreted with caution; as a result, not much reliance should be placed on them.

4.2.4 Capital Expenditure

The discussion below aims to show the manner in which municipalities utilized the R1.6 billion earned in capital funding against the capital expenditure budget. For the month ended February 2011, actual capital expenditure amounts to R134 million (4.2 per cent of the adjusted budget); while the year to date expenditure amounts to R1.6 billion (54.0 per cent of the adjusted budget). Table 8 reveals that municipalities adjusted the capital expenditure budget from R3.2 billion to R3.1 billion. This represents a decrease by 2.96 per cent. From the adjusted capital funding budget of R3.9 billion and the adjusted capital expenditure budget of R3.1 billion, a difference of R0.8 billion is realised. This suggests that municipalities aim not to spend R0.8 billion in capital revenue earned during this financial year.

Table 9 below shows the amounts of the capital budget and actual spending per municipality per district.

Table 9 Consolidated capital expenditure per district per municipality as at 28 February 2011

Municipality	Total Capital Expenditure			
	R million	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date
Makhuduthamaga	76	3	19	25%
Fetakgomo	13	1	9	69%
Ephraim Mogale	20	0	15	76%
Greater Tubatse	53	-	15	28%
Elias Motsoaledi	80	4	42	53%
Greater Sekhukhune	355	20	153	43%
Sekhukhune	597	27	253	42%
Greater Giyani	67	4	6	8%
Greater Letaba	51	0	19	36%
Greater Tzaneen	125	2	34	28%
Ba-Phalaborwa	61	1	10	16%
Maruleng	25	2	10	38%
Mopani District	110	14	244	223%
Mopani District	438	23	322	74%
Musina	17	2	10	59%
Mutale	17	-	8	48%
Thulamela	101	3	47	47%
Makhado	166	3	61	37%
Vhembe District	570	20	494	87%
Vhembe	901	27	621	69%
Blouberg	32	4	12	39%
Aganang	40	2	14	36%
Molemole	15	0	8	53%
Polokwane	342	9	152	45%
Lepelle-Nkumpi	93	3	23	24%
Capricorn District	221	9	88	40%
Capricorn	742	22	302	41%
Thabazimbi	47	0	1	2%
Lephalale	96	15	61	64%
Mookgophong	26	1	7	29%
Modimolle	37	1	14	37%
Bela-Bela	25	3	8	30%
Mogalakwena	209	9	112	54%
Waterberg District	20	0	2	8%
Waterberg	461	30	205	44%
Total	3,139	134	1,698	54%

Source: In-Year Monitoring Reports Database

The main features of table 9 are the following:

- **Mopani District:** - The district's original budget has been adjusted downwards from R478 million to R438 million. The year to date performance against the adjustment budget is 74.0 per cent. This high performance is as a result of the original budget of Mopani District Municipality which has not been adjusted. It was envisaged that due to the material over performance on the capital expenditure budget, the adjustment budget will include appropriate corrections.
- The performance by the district municipality against the original understated budget is 223.0 per cent, the lowest performer being Greater Giyani at 8.0 per cent. It is anticipated that the correction of the capital budget for Mopani District Municipality will increase the district adjusted budget; thereby reflecting a realistic year to date performance for the district. The district municipality will be engaged accordingly in this regard.
- **Vhembe District:** - in terms of the adjustment budget, the district adjusted the budget upwards. The original budget amounted to R867 million, growing to R901 million, and realizing an increase of 3.9 per cent. The average performance for the district stands at 69.0 per cent of the adjusted budget. Vhembe District has the highest year to date capital spending rate at 87.0 of a total original capital budget of R867 million. The lowest performing municipality is Makhado at 37.0 per cent of the original budget.
- **Waterberg District:** - The district's original budget was adjusted from R526 million to R461 million. The negative growth recorded by the adjustment amounts to R65 million or 12.3 per cent. Actual performance to date is 44.0 per cent of the adjusted budget. Lephalale is the highest performer achieving 64.0 per cent against the original budget, the lowest performer is Thabazimbi with 8.0 per cent of the unadjusted budget of R47 million.

- **Sekhukhune District:** - This district recorded no adjustment from the original budget. The year to date performance is 42.0 per cent. The highest performer is Ephraim Mogale at 76.0 per cent, while the lowest performer is still Makhuduthamaga at 25.0 per cent.
- **Capricorn District:** - This district records a downward adjustment in the capital expenditure budget. The original budget amounted to R767 million, while the adjustment budget is R742 million. The decrease realised amounts to R25 million or 3.2 per cent. Average performance for all municipalities in this district is very poor; the highest performer is Molemole at 53.0 per cent while the lowest performer is Lepelle-Nkumpi at 24.0 per cent.

Table 10: Consolidated capital expenditure by asset class

Description	Budget Year 2010/11			Spent of %
	Adjusted Budget	Monthly actual Actual	Year TD Actual	
R million				
Capital expenditure				
Infrastructure	2,414	96	1,443	60%
Other assets	350	27	152	44%
Agricultural assets	2	1	1	44%
Community	347	10	101	29%
Investment properties	1	0	0	20%
Heritage assets	1	-	-	
Intangibles	24	-	-	
Total Capital expenditure	3,139	134	1,698	54%

Source: In-Year Monitoring Reports Database

- **Infrastructure** – Spending in this category of assets is the highest in February at R1.4 billion (60.0 per cent) of the adjusted budget amounting to R2.4 billion. The budget for Infrastructure was originally at R2.3 billion, realizing an increase of R15 billion or 0.6 per cent.
- **Other assets** – This item's budget accounts for 11.1 per cent of the total provincial capital budget. It has an adjusted capital budget of R350 from R476 million. To date, R152 million (44.0 per cent) of budget was spent.

- **Agricultural assets**– From the original budget of R2 million, the submitted budget returns indicate that 44.0 per cent has been spent in this item thus far; this is a major improvement compared with the 9.0 per cent ratio in January 2011.
- **Community asset** – The budget for community assets was adjusted from R332 million to R347 million, the growth realised in percentage terms is 4.5 per cent. Community assets account for just over 11.0 per cent of the total provincial adjusted capital budget. The year to date expenditure for this item is R101 million or 29.0 per cent.
- **Investment Properties** – From an original budget of R1 million, this item achieved 20.0 per cent (R200 thousand) to date.
- **Heritage and Intangibles** – The budget on these items is still R1 and R25 million respectively, to date no expenditure was incurred on either item.

This section provided detailed analysis of the capital expenditure budget. Conclusions which can be drawn from the two tables afore are that municipalities are highly dependent on grant funding for capital expenditure purposes, and that the majority of municipalities are performing poorly in terms of spending on conditional grant funding. From the adjustment budget and the in year monitoring reports, the item that is performing better in terms of linear projections is Infrastructure with an average performance of 60.0 per cent.

4.2.5 Debtors and Creditors

The analysis in table 11 and 12 below shows the status of debtors and creditors as at 28 February 2011

Table 11: Consolidated debtors as at 28 February 2011

Debtors per district	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Debtors Age analysis								
Sekhukhune	9	22	4	22	31	-	0	88
Mopani	43	45	26	21	25	164	92	417
Vhembe	17	36	17	25	73	130	54	353
Capricorn	76	30	24	47	407	5	3	592
Waterberg	87	23	18	290	44	58	13	532
	232	157	89	405	580	357	162	1,982

Source: In-Year Monitoring Reports Database

The ageing of the debtors' book remains one of the main challenges that municipalities in Limpopo are faced with. In addition to the challenges mentioned earlier on the retention of property rates by the ratepayers' associations, municipalities also face challenges of nonpayment of rates on billable properties. Government departments are amongst those that are not servicing the debts on property rates with municipalities. Disputes in this regard are around incorrect billing and/or ownership of the property. Provincial Treasury has for this purpose established a task team to deal with this challenge and to intervene between these organs of state.

The key characteristics of table 11 are as follows:

Table 11 above reveals that the total provincial debtors' book amounts to R1.98 billion. There is an increase in the total debt when compared with the R1.9 billion total debt in January 2011. The debtors' book's total has been fluctuating between R1.9 billion and R1.8 billion since July 2010, these monthly fluctuations are proof that the long outstanding debts in the debtors' book remain uncollectable.

Capricorn District records the highest total debt of R592 million followed by Waterberg with R532 million. The district with the lowest debt is Sekhukhune with R88 million. From the provincial total debt, only R232 million is current, leaving R1. 75 billion aged more than thirty days. This represents 88.0 per cent of the total provincial debt.

Table 12: Consolidated creditors as at 28 February 2011

Creditors per district	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Total
Creditors Age analysis								
Sekhukhune	3	0	0	2	-	-	-	5
Mopani	40	6	6	5	25	-	-	82
Vhembe	5	9	3	1	11	3	-	31
Capricorn	59	6	50	1	5	5	15	141
Waterberg	35	3	7	0	0	1	1	47
	141	24	67	9	41	9	15	306

Source: In-Year Monitoring Reports Database

The key characteristics of table 12 are as follows:

In relation to creditors, compliance with the MFMA S65 and MFMA Circular 49 in this regard still remains a challenge. Municipalities reported having creditors owed for more than thirty days in the prior months; the December report revealed a total outstanding amount of R308 million, as at the end of January 2011, the total amount declined to R306 million, as at the end of February 2011, the total creditors' balance remained static at R306, out of which R141 million is current.

This suggests that R165 million (53.0 per cent) is owed to creditors and supplies for more than thirty days period. This is a direct contravention of the 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. This amount is owed to the Water Board, Eskom, the Auditor General and other trade creditors. Intervention measures are also in place to ensure that municipalities meet their short term obligations as required by the law. Capricorn District has the highest amount of outstanding creditors at R141 million, followed by Mopani with R82 million. The district with the lowest balance is Sekhukhune with R5 million.

4.2.6 Cash Flows

The discussion below aims to depict the financial health of municipalities. The consolidated cash flow statement is depicted below.

Table 13: Consolidated cash flows as at 28 February 2011

Cash flow	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	179	1,363	1,455	651	947	1,384	1,455	1,411	1,266	1,415	1,362	1,319
Sub-Total (Receipts)	2,124	961	600	911	1,431	1,447	719	713	442	253	313	276
Sub-Total (Payments)	1,047	942	1,065	633	1,003	1,270	660	753	243	244	233	251
Closing Balance	1,256	1,382	910	631	1,351	1,459	1,334	1,224	1,336	1,342	1,289	1,223

Source: In-Year Monitoring Reports Database

On face value, the consolidated cash flow statement reflects a sound cash position for municipalities. Table 13 above reveals that in July 2010, municipalities had a positive opening balance of R179 million. The MFMA S71 reports disclosed that municipalities closed the February 2011 month with a positive balance amounting to R1.2 billion. The inability of municipalities to spend on capital budget and the inability to pay creditors in time suggests that part of this huge closing balance is unspent conditional grants and monies for goods and services rendered to the municipalities.

Though the unspent conditional grants may be accumulating interests in a municipal bank account, municipalities are always cautioned to ensure that conditional grant funding is spent in terms of the grant conditions to avoid the funds being used for other operating activities and/or to revert the fund to the National Revenue Fund at year end. This has a direct and negative impact on service delivery as well as on future allocation of grant funding to municipalities. The contents of MFMA Circular 48, 54 and 55 regarding the treatment of unspent conditional grants is always brought to the attention of municipalities.

5. LEGAL IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

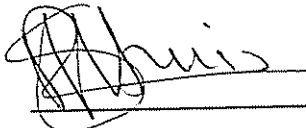
None

7. RECOMMENDATIONS

It is recommended that the Head of Department:

- 7.1. Notes the submission of the Monthly Budget Statements by municipalities in terms of Section 71 of the MFMA for the month ended 28 February 2010/11 municipal financial year;
- 7.2. Notes that all thirty (30) municipalities submitted the February Monthly Budget Statements.
- 7.3. Notes that seven (7) 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).
- 7.4. Approves the consolidated report and that it be submitted to National Treasury in terms of Section 71(6) of the MFMA.
- 7.5. Approves that the consolidated report be made public on the Limpopo Provincial Treasury website.

Recommended by:



Ntuli P. S.

Senior Manager: Financial Planning and Budgets

Approved by:



Ramdharie N

Head of Department