



PROVINCIAL TREASURY

Enq: Ngoepe N A  
Ref: 12/1/6/4  
Date: 29 June 2011

The Director General:  
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Attention: Mr. J. Hattingh

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

1. In terms of section 71 (6) of the MFMA, the Provincial Treasury must, by no later than 22 working days after the month end, submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets per municipality and per municipal entity.
2. Attached please find the Limpopo Provincial Treasury's MFMA Section 71 (6) consolidated statements and narratives as at 31 May 2011.

**Head of Department**  
**Provincial Treasury**  
Date: 30/06/2011

**LIMPOPO PROVINCIAL TREASURY**  
**Monthly Budget Statement**  
**Report on Municipal Consolidated Financial Performance Statements**  
**For the month ended 31 MAY 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 May 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.

### **4. DISCUSSION**

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

Submission of Section 71 hard copies reports

Municipality	Apr-11				May-11			
	Sch C / App B	Date of submission		Documents sent	Sch C / App B	Date of submission		Documents sent
		Electronic	Hard copy			Electronic	Hard copy	
DC 35 - CAPRICORN	B	16.05.2011		OSA,AC,AD,BSAC,CAA,C	B	14.6.2011		OSA,CAA,CFA,AD,AC,
LIM 351 - BLOUBERG	B	16.05.2011		OSA,CAA,CFA,AC,AD	B	15.6.2011		AC,CAA,CFA,OSA
LIM 352 - AGANANG	B	13.05.2011		OSA,CAA,CFA,AC,AD	B	15.6.2011		OSA,CAA,CFA,AD,AC
LIM 353 - MOLEMOLE	C,	13.05.2011		SCHEDULE C	B	24.6.2011		OSA,CAA,CFA,AD,AC
LIM 354 - POLOKWANE	C,B	09.05.2011		OSA,AC,AD,BSAC,CAA,C	C,B	10.6.2011		OSA,CAA,CFA,AD,AC,
LIM 355 - LEPELLE-NKUMPI	B	13.05.2011		OSA,CAA,CFA,AC,AD	B	27.6.2011		OSA,CAA,CFA,AD,AC
DC - 47 - GREATER SEKHUKHU	B	12.05.2011		OSA,CAA,CFA,AC,AD	B	08.6.2011		OSA,CAA,CFA,AD,AC
LIM 471 - EPHRAIM MOGALE	B	13.05.2011		OSA,AC,AD,BSAC,CAA,C	B	15.6.2011		OSA,CAA,CFA,AD,AC
LIM 472 - ELIAS MOTSOALEDI	B	10.05.2011		OSA,CAA,CFA,AC,AD	B	08.6.2011		OSA,CAA,CFA,AD,AC
LIM 473 - MAKHUDUTHAMA	B	13.05.2011		OSA,CAA,CFA,AC,AD	B	14.6.2011		OSA,CAA,CFA,AD,AC
LIM 474 - FETAKGOMO	B	16.05.2011		OSA,AC,AD,BSAC,CAA,C	C,B	14.6.2011		OSA,CAA,CFA,AD,AC,
LIM 475 - GREATER TUBATSE	B	16.05.2011		OSA,CAA,CFA	B	20.6.2011	27.6.2011	OSA,CAA,CFA,AD,AC
DC 33 - MOPANI	B	12.05.2011		OSA,CAA,CFA,AD,AC	B	14.6.2011		OSA,CAA,CFA,AD,AC
LIM 331 - GREATER GIYANI	B	16.05.2011		OSA,AC,AD,BSAC,CAA,C	B	20.6.2011	20.6.2011	OSA,CAA,CFA,AD
LIM 332 - GREATER LETABA	C,	13.05.2011		SCHEDULE C	C,B	08.6.2011		OSA,CAA,CFA,AD,AC
LIM 333 - GREATER TZANEEN	B	16.05.2011		OSA,CAA,CFA,AD,AC	B	22.6.2011		OSA,CAA,CFA,AD,AC
LIM 334 - BA- PHALABORWA	C,B	10.05.2011		OSA,CAA,CFA,AD,AC	B	10.6.2011		OSA,CFA,AD,AC,CAA
LIM 335 - MARULENG	B	13.05.2011		OSA,CAA,CFA,AD,AC	B	10.6.2011		OSA,CAA,CFA,AD,AC
DC 36 - WATERBERG	C,B	13.05.2011		OSA,AC,AD,BSAC,CAA,C	C,B	14.6.2011		OSA,CAA,CFA,AD,AC
LIM 361 - THABAZIMBI	B	09.05.2011	27.05.2011	OSA,CAA,AD,BSAC,CFA,	B	7.6.2011		OSA,CAA,CFA,AD,AC
LIM 362 - LEPHALALE	B	13.05.2011		OSA,CAA,CFA,AD,AC	B	17.6.2011		OSA,CAA,CFA,AD,AC
LIM 364 - MOOKGOPONG								
LIM 365 - MODIMOLLE	C,	12.05.2011		SCHEDULE C	C	10.6.2011		OSA,CAA,CFA,AD,AC
LIM 366 - BELA-BELA	B	16.05.2011		CAA,AD	B	14.6.2011		OSA,CAA,CFA,AD,AC
LIM 367 - MOGALAKWENA	B	13.05.2011		OSA,AC,AD,BSAC,CAA,C	B	14.6.2011		OSA,CAA,CFA,AC
DC 34 - VHEMBE	B	16.05.2011	16.05.2011	OSA,CAA,CFA,AD,AC	B	14.6.2011		OSA,CAA,CFA,AD,AC
LIM 341- MUSINA	B	16.05.2011		OSA,AC,AD,BSAC,CAA,C	B	14.6.2011		OSA,CAA,CFA,AC,AD
LIM 342 - MUTALE	B	12.05.2011		OSA,CAA,CFA,AD,AC	B	18.6.2011		OSA,CAA,CFA,AD,AC
LIM 343 - THULAMELA	B	16.05.2011		OSA,AC,AD,BSAC,CAA,C	B	13.6.2011		OSA,CAA,CFA,AD,AC
LIM 344 - MAKHADO	B	16.05.2011		OSA,CAA,CFA,AD,AC	C,B	27.6.2011		OSA,CAA,CFA,AD,AC

Source: In-Year Monitoring Reports Database

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

As shown in table 1 above, at the time of publishing this report, submissions of MFMA S71 returns were made by twenty nine (29) municipalities, except for Mookgophong municipality that did not submit the returns. Blouberg and Mogalakwena did not submit the age debtors analysis prescribed in terms of MFMA S71 (1) by National Treasury.

Eleven (11) municipalities submitted the electronic returns late (i.e. after the due date of 14 June 2011). Incomplete and non-submissions of returns make the consolidated assessment report difficult to reflect accurate and realistic information about the financial status of the municipalities. Non compliance letters were also forwarded to the Accounting Officers of the municipalities concerned.

## **4.2 IMPLEMENTATION OF MUNICIPAL BUDGETS**

### **Financial Performance**

This section of the reports focuses on the financial health of the municipality as submitted by 29 municipalities in May 2011 monthly budget statements. Details on how the municipalities' revenue collections as well as the expenditure thereof are reflected. The actual collection and or expenditure performance of the May 2011 and the year-to-date month will be compared against the adjustment budgets of the municipalities.

## 4.2.1 OPERATING REVENUE

Table: 2 below shows the actual operating revenue collected against budget

Code	Municipality	Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
NP03a2	Makhuduthamaga	147	3	165	113%
NP03a3	Fetakgomo	44	1	40	93%
NP03a4	Ephraim Mogale	140	5	104	74%
NP03a5	Greater Tubatse	181	6	153	84%
NP03a6	Elias Motsoaledi	220	23	165	75%
DC47	Greater Sekhukhune	386	56	707	183%
<b>Sekhukhune</b>		<b>1,501</b>	<b>94</b>	<b>1,334</b>	<b>89%</b>
NP331	Greater Giyani	128	2	143	112%
NP332	Greater Letaba	169	8	91	54%
NP333	Greater Tzaneen	510	31	602	118%
NP334	Ba-Phalaborwa	263	15	224	85%
NP335	Maruleng	79	8	75	95%
DC33	Mopani District	572	0	677	118%
<b>Mopani District</b>		<b>1,720</b>	<b>63</b>	<b>1,812</b>	<b>105%</b>
NP341	Musina	135	16	138	102%
NP342	Mutale	70	1	58	82%
NP343	Thulamela	402	12	409	102%
NP344	Makhado	614	21	450	73%
DC34	Vhembe District	449	9	787	175%
<b>Vhembe</b>		<b>1,669</b>	<b>58</b>	<b>1,841</b>	<b>110%</b>
NP351	Blouberg	88	3	53	60%
NP352	Aganang	62	0	86	138%
NP353	Molemole	87	3	77	89%
NP354	Polokwane	1,285	88	1,198	93%
NP355	Lepelle-Nkumpi	175	10	190	108%
DC35	Capricorn District	381	9	341	90%
<b>Capricorn</b>		<b>2,078</b>	<b>113</b>	<b>1,944</b>	<b>94%</b>
NP361	Thabazimbi	179	9	155	87%
NP362	Lephalale	293	14	350	119%
NP363	Mookgophong	92	0	58	63%
NP364	Modimolle	171	10	160	94%
NP365	Bela-Bela	174	13	168	97%
NP366	Mogalakwena	453	29	552	122%
DC36	Waterberg District	107	1	103	97%
<b>Waterberg</b>		<b>1,469</b>	<b>77</b>	<b>1,546</b>	<b>105%</b>
<b>Total</b>		<b>8,438</b>	<b>405</b>	<b>8,477</b>	<b>105%</b>

Sources: In-year monitoring database

The table above indicates that municipalities realized R8.4 billion as at the end of May 2011 against the total operating revenue budget of approximately R8.4 billion. The cumulative total operating revenue collected as at the end of the month under review stands at 105.0 per cent. This represents an increase by 5.0 per cent from last month's 100.0 per cent average.

Prominent features of operating revenue per district:

- **Sekhukhune District:** - Sekhukhune District municipalities' performance has always been the lowest at a provincial level with a year to date average ratio of 89.0 per cent realized. Ephraim Mogale local municipality is the lowest performer in this District with 74.0 per cent. The highest performer is Sekhukhune District municipality achieving an over collection of 183.0 per cent followed by Makhuduthamaga local municipality with 113.0 per cent of the budget. This may be an indication that the two municipalities under budgeted in terms of revenue collection.
- **Mopani District:** - The table above reveals that the District's average performance stands at 105.0 per cent which reflects an over collection with 5 per cent. This represents R1.8 billion collection against a budget of R1.7 billion. Mopani District Municipality reported a collection percentage of 118.0. This is as a result of a year to date collection of R677 million against an annual budget of R572 million. Greater Giyani, Greater Tzaneen and Mopani District have collected more than their budget, and this leads to the District over collecting by 5.0 per cent of the total budget.  
Despite the over performance of the district municipalities, Greater Letaba municipality is the lowest performer with an average of 54.0 per cent.
- **Vhembe District:** - For the period under review, Vhembe recorded an average performance of 110.0 per cent. The major contributor to the 110.0



average ratio is the district municipality with an average percentage of 175.0 per cent. The district has a year to date collection of R787 million against an annual budget of R449 million. This is an indication that the municipality has under estimated their revenue collection. Musina and Thulamela have over collected with an average of 102.0 per cent. The municipality that achieved the lowest ratio within the district is Makhado at 73.0 per cent.

- **Capricorn District:** - The district average performance equals 94.0 per cent. In this district, Aganang reported to have collected 138.0 per cent of the budgeted operating revenue. Therefore, this may suggest that after the update of outstanding returns, the average performance is likely to increase.

The second highest performer in this district in terms of percentage is Lepelle Nkumpi municipality at 108.0 per cent. The performance of Blouberg is still a cause for concern, with an average performance for the eleven months period of 60.0 per cent. In terms of the MFMA S71 submission schedule, returns for this municipality are not up-to date. Some of the returns for July, August and December 2010 are still outstanding. This implies that this percentage is not a true reflection of the financial status of the municipality.

- **Waterberg District:** - The district's average performance as at the end of May 2011 stand at 105.0 per cent. Lephalale and Mogalakwena remain the highest performers for this district with average performance of 119.0 and 122.0 per cent respectively. The municipality with the lowest performance ratio is Mookgopong at 63.0 per cent. In terms of the MFMA S71 submission schedule, returns for this municipality are not up-to date with outstanding submissions for February, March, April and May 2011. This implies that the percentage is not a true reflection of the financial status of the municipality.

From the information afore, it is evident that twenty seven municipalities in this province are performing well in terms of operating revenue collection. The

only three municipalities that have the lowest ratios are Greater Letaba, Blouberg and Mookgopong. However, the following municipalities reflected an over achievement; Makhuduthamaga, Greater Sekhukhune, Greater Giyani, Greater Tzaneen, Mopani District, Musina, Thulameala, Vhembe District, Aganang, Lepelle Nkumpi, Lephalale and Mogalakwena. This suggests that MFMA S18 was probably not complied with in terms of realistic revenue collection.

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

Table 3: Consolidated revenue sources as at 31 May 2011

Description	Budget Year 201011				
	Original Budget	Adjusted Budget	Monthly actual	Year TD	Spent of budget
R million	Budget	Budget	Actual	Actual	%
<b>Financial Performance</b>					
Property rates	619	643	57	662	103%
Service charges	2,271	2,195	186	1,854	84%
Investment revenue	222	212	79	245	116%
Transfers recognised	3,891	3,761	32	4,944	131%
Other own revenue	1,366	1,242	51	772	62%
<b>Total Revenue</b>	<b>8,369</b>	<b>8,053</b>	<b>405</b>	<b>8,477</b>	<b>105%</b>

The above Table 3 provides an overview of totals for five line items on:-

- Total original and or adjusted budget
- Monthly actuals
- Year to-date actual, and
- Percentage revenue collections.

The table above reflects the original budget of R8.3 billion for total revenue on financial performance, which was then adjusted downwards to R8.0 billion. For the period under review, the actual collection for the month accounts to R 405 million and the year to date revenue collection of R8.4 billion or 105.0 per cent.

Total revenue was under budgeted because to date the collection stands at 105.0 per cent and the financial year is left with one month to end.

The discussions on the performance of the individual revenue sources follows below:

- **Property rates:** The collection rate stand at 103.0 per cent or R662 million of the adjusted budget of R643 million. The collection performance is above the budgeted amounts.
- **Service Charges:** The generated revenue on service charges stands at 84.0 per cent (R1.8 billion) of adjusted budget of R2.1 billion.
- **Investment revenue:** The year to date collection realised under this item stands at R245 million (116.0 per cent) compared to adjusted budget R212 million. Although investment revenue has the least revenue collection in rand value, its ratio ranks it second after transfers recognized. Municipalities have under budget on this line item as it is already more than 100 per cent
- **Transfers recognized:** It is evident in the table above that transfers recognized remains a key revenue instrument, accounting for R4.9 billion or 131.0 per cent of the year to date's total revenue collection against the adjusted budget of R 3.7 billion. This is an indication that municipalities are more reliant on grants and the line item was under budgeted.
- **Other revenue:** Income generated from minor sources stands at 62.0 per cent (R772 million) out of a budget of R1.2 billion.

An analysis of the five revenue line items as discussed above concludes that municipalities are relying on grants and subsidies. Property rates and investment revenue are showing good performance in terms of revenue collection and it further reflects that consumers are responding well in terms of paying for property rates and on the other hand municipalities are receiving revenue from the investments made.

#### **4.2.2. OPERATING EXPENDITURE**

This section deals with the operating expenditure performance for the period ended 31 May 2011 against the annual budget. Table 4 below consolidates this performance.

Table 4: Consolidated operating expenditure as at 31 May 2011

Code	Municipality	Financial Performance			
		Total Expenditure			
R million	R million	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	109	7	73	67%
NP03a3	Fetakgomo	43	3	35	81%
NP03a4	Ephraim Mogale	140	7	108	77%
NP03a5	Greater Tubatse	180	13	111	62%
NP03a6	Elias Motsoaledi	231	18	151	65%
DC47	Greater Sekhukhune	420	30	296	71%
<b>Sekhukhune</b>		<b>1,123</b>	<b>78</b>	<b>774</b>	<b>69%</b>
NP331	Greater Giyani	142	9	95	67%
NP332	Greater Letaba	114	8	88	77%
NP333	Greater Tzaneen	523	50	498	95%
NP334	Ba-Phalaborwa	304	20	249	82%
NP335	Maruleng	74	4	54	73%
DC33	Mopani District	477	48	433	91%
<b>Mopani District</b>		<b>1,634</b>	<b>140</b>	<b>1,417</b>	<b>87%</b>
NP341	Musina	139	7	135	97%
NP342	Mutale	64	9	64	101%
NP343	Thulamela	371	20	217	59%
NP344	Makhado	515	36	351	68%
DC34	Vhembe District	442	29	380	86%
<b>Vhembe</b>		<b>1,532</b>	<b>101</b>	<b>1,148</b>	<b>75%</b>
NP351	Blouberg	88	9	53	60%
NP352	Aganang	67	5	41	62%
NP353	Molemole	88	4	36	40%
NP354	Polokwane	1,284	93	896	70%
NP355	Lepelle-Nkumpi	131	8	65	50%
DC35	Capricorn District	453	32	261	58%
<b>Capricorn</b>		<b>2,111</b>	<b>151</b>	<b>1,352</b>	<b>64%</b>
NP361	Thabazimbi	175	7	152	87%
NP362	Lephalale	322	58	325	101%
NP363	Mookgophong	92	0	55	60%
NP364	Modimolle	171	9	123	72%
NP365	Bela-Bela	156	11	140	89%
NP366	Mogalakwena	486	30	314	65%
DC36	Waterberg District	106	10	75	71%
<b>Waterberg</b>		<b>1,508</b>	<b>126</b>	<b>1,184</b>	<b>79%</b>
<b>Total</b>		<b>7,909</b>	<b>595</b>	<b>5,875</b>	<b>74%</b>

The table above reflects the status of all municipalities in terms of the total operating expenditure budget amounting to R7.9 billion. For the period under review, the consolidated actual expenditure amounts to R5.8 billion or 74.0 per cent of adjusted budget of R7.9 billion. For the period under review, the operating expenditure is low when compared to the total actual revenue collected. It is assumed that the difference between actual revenue collected and the expenditure thereof will cater for the capital projects of municipalities. The discussion below aims to identify those municipalities with comparatively high performance as well as those that are under spending on the operating expenditure budget.

#### **Performance per District:**

- **Sekhukhune District:** The operating expenditure figures of Sekhukhune District put it in the fourth position. The total adjustment budget for operating expenditure stands at R1.1 billion. The actual expenditure for the month is at R78 million, resulting in an expenditure to date of R774 million or 69.0 per cent. Fetakgomo over performed at 81.0 per cent meanwhile Ephraim Mogale and Greater Sekhukhune further over performed 77.0 and 71.0 per cent respectively. The lowest performance is noticed on Greater Tubatse as it reflects 62.0 per cent.
- **Mopani District:** Table 4 above reveals that Mopani District is the highest performer in terms of the average ratio. The performance of this district stands at 87.0 per cent. Within this district, Greater Tzaneen records the highest ratio of 95 per cent, followed by Mopani District Municipality and Ba -Phalaborwa achieving 91.0 and 82.0 per cent each. The lowest ratio was achieved by Greater Giyani at 67.0 per cent.

- **Vhembe District:** The operating expenditure performance is at 75.0 per cent of the total adjustment budget of R1.5 billion. The actual operating expenditure for the month is at R101 million and, the expenditure to date stands at R 1.1 billion. The highest ratio in this district was achieved by Mutale (101.0 per cent) followed by Musina (97.0 per cent). The lowest ratio was achieved by Thulamela at 59.0 per cent.
- **Capricorn District:** The overall adjustment budget of the district stands at R2.1 billion and the expenditure to date is R1.3 billion or 64.0 per cent. Polokwane is the highest as it stands at 70.0 per cent, followed by Capricorn at 58.0 per cent and the lowest is Molemole as it stands at 40.0 per cent. This district has the lowest expenditure rate in the province.
- **Waterberg District:** The overall adjusted budget of the district stands at R1.5 billion, the expenditure to date is R1.1 billion which results to 79.0 per cent. This puts Waterberg District in second position in terms of operating expenditure percentage. In this district, Lephalale has the highest expenditure percentage of 101.0 followed by Bela -Bela and Thabazimbi that achieved 89.0 and 87.0 per cent respectively. Mookgopong Municipality still has the lowest percentage of 60.0.

Table 5 below shows the consolidated actual operating expenditure against budget for all municipalities per line items.

Table 5: Consolidated operating expenditure as at 31 May 2011

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual	Year TD	Spent of budget
R million	Budget	Budget	Actual	Actual	%
<b>Financial Performance</b>					
Employee costs	2,619	2,562	238	2,193	86%
Remuneration of Councillors	283	266	17	225	85%
Debt impairment	135	111	0	6	6%
Depreciation and amortisation	324	455	10	99	22%
Finance charges	41	35	0	31	88%
Materials and bulk purchases	1,691	1,586	147	1,388	88%
Other expenditure	2,557	2,894	182	1,933	67%
<b>Total Expenditure</b>	<b>7,649</b>	<b>7,909</b>	<b>595</b>	<b>5,875</b>	<b>74%</b>

Source: In-Year Monitoring Reports Database

Analysis of the individual expenditure items is reflected as follows:

- **Employee Related Costs:** From the table above, it is evident that employee costs constitute the highest expenditure for municipalities in Limpopo in terms of rand value. However, in terms of average ratios it is the second highest with an average ratio of 86.0 per cent. This line item is made up of salaries, benefits and allowance for municipal officials. For the year-to-date, the total expenditure stands at R2.1 billion of R2.5 billion adjusted budget.
- **Remuneration of Councillors:** The percentage spent on the adjustment budget is 85.0 per cent. However, the rand value of this line item is at R225 million of R266 million budget.



- **Debt impairment:** This refers to provision for bad or irrecoverable debt. The line item has an adjustment budget of R111 million, while the year to date (YTD) actual reflects R6 million or 6.0 per cent of the adjusted budget. There was no movement in this regard compared to the previous month.
- **Depreciation or amortization:** Expenditure stands at 22.0 per cent of the adjusted budget, with YTD of R99 million and monthly actual of R10 million. The majority of municipalities in this province do not allocate monthly expenditure to this item; this item is neglected because it is a non-cash item. The allocation thereof is usually made at the end of the financial year; hence, material under spending in this item is reported during the financial year.
- **Finance charges:** Expenditure in this item is made towards the payment of interest from external borrowings and leases. The YTD actual is R31 million (88.0 per cent) of R35 million adjusted budget.
- **Materials and bulk Purchases:** The performance on this item stands at 88.0 per cent. In terms of average ratio, it is the highest performing item in the operating expenditure budget. In rand value, the item's year to date expenditure is R1.3 billion over an adjustment budget of R1.5 billion. This item includes the purchase of bulk water and electricity. This is the line item that represents the ability of the municipality to deliver services to communities out of the operating budget.
- **Other expenditure:** This includes general expenses such as telephones and purchase of office supplies. Out of the adjusted budget of R2.8 billion, the YTD actual spending stands at R1.9 billion or 67.0 per cent.

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 provided by municipalities. This is despite the recommendation made through MFMA Circulars for municipalities to increase spending on repairs & maintenance, especially on revenue generating assets.

#### 4.2.3 CAPITAL FUNDING

Table 6: Consolidated capital funding per item as at 31 May 2011

Description R million	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Spent of %
<b>Funds sources</b>					
External Loans	660	658	8	32	5%
Asset Financing Reserve	-	-	10	185	
Surplus Cash	334	334	26	126	38%
Public contributions/ donations	152	152	-	0	0%
Government Grants and Subsidies	2,514	2,514	156	1,819	72%
Leases	40	40	1	27	68%
Other Ad-Hoc Financing Sources	28	28	1	1	5%
Other	190	208	2	93	45%
<b>Total sources</b>	<b>3,918</b>	<b>3,933</b>	<b>204</b>	<b>2,284</b>	<b>58%</b>

Source: In-Year Monitoring Reports Database

The municipalities fund their capital expenditure in various ways such as external loans, surplus cash, public contributions/donations, government grants and subsidies, leases, ad-hoc financing and other sources. Table 6 shows that grants and subsidies are still preferred source of finance with the total percentage spending of 72.0 per cent, followed by leases which stands at 68.0 per cent. Municipalities are decreasingly using external loans to fund their capital expenditure and the above table shows that the spending patterns stands at 5 per cent or R32 million for the year-to-date. Municipalities also fund their capital expenditure from surpluses generated from their trading activities or from rates which stands at 38.0 per cent.

Other sources of funding used by municipalities are ad-hoc financing sources at (5.0 per cent) and "other" unspecified sources of funding are at (45.0 per cent).

#### 4.2.4 CAPITAL EXPENDITURE

Per capita spending by each municipality varies greatly. It is mostly determined by the demographics, the socio-economic context and the power and functions in a particular municipality. The table below aims to show the manner in which municipalities spend according to the capital.

Table 7 Consolidated capital expenditure per district per municipality as 31 May 2011

Code	Municipality	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
NP03a2	Makhuduthamaga	83	8	38	45%
NP03a3	Fetakgomo	13	1	12	89%
NP03a4	Ephraim Mogale	23	1	20	87%
NP03a5	Greater Tubatse	47	2	20	43%
NP03a6	Elias Motsoaledi	94	9	61	65%
DC47	Greater Sekhukhune	355	31	233	66%
<b>Sekhukhune</b>		<b>614</b>	<b>53</b>	<b>383</b>	<b>62%</b>
NP331	Greater Giyani	56	4	18	32%
NP332	Greater Letaba	58	2	26	44%
NP333	Greater Tzaneen	121	17	73	60%
NP334	Ba-Phalaborwa	58	4	18	30%
NP335	Maruleng	27	3	15	55%
DC33	Mopani District	110	10	304	278%
<b>Mopani District</b>		<b>430</b>	<b>39</b>	<b>453</b>	<b>105%</b>
NP341	Musina	14	0	12	89%
NP342	Mutale	17	1	12	70%
NP343	Thulamela	101	3	58	57%
NP344	Makhado	166	11	86	52%
DC34	Vhembe District	570	31	604	106%
<b>Vhembe</b>		<b>898</b>	<b>46</b>	<b>773</b>	<b>86%</b>
NP351	Blouberg	32	3	19	60%
NP352	Aganang	54	1	19	36%
NP353	Molemole	15	0	8	56%
NP354	Polokwane	342	18	200	59%
NP355	Lepelle-Nkumpi	92	8	39	43%
DC35	Capricorn District	221	10	109	50%
<b>Capricorn</b>		<b>755</b>	<b>37</b>	<b>402</b>	<b>53%</b>
NP361	Thabazimbi	47	0	2	4%
NP362	Lephalale	96	8	115	119%
NP363	Mookgophong	26	0	7	26%
NP364	Modimolle	37	2	19	50%
NP365	Bela-Bela	25	3	14	56%
NP366	Mogalakwena	209	17	162	77%
DC36	Waterberg District	20	1	4	18%
<b>Waterberg</b>		<b>461</b>	<b>31</b>	<b>321</b>	<b>70%</b>
<b>Total</b>		<b>3,158</b>	<b>209</b>	<b>2,325</b>	<b>74%</b>

The main features of table 7 are the following:

- **Mopani District:** - The total district's original budget has been adjusted downwards from R478 million to R430 million. The year to date performance against the adjustment budget is 105.0 per cent. This high performance is as a result of Mopani district municipality with year to date expenditure percentage of 278.0 per cent and the lowest performance reflected by Ba-Phalaborwa with 30.0 per cent.
- **Vhembe District:** -The average performance for the district stands at 86.0 per cent of the adjusted budget. Vhembe District has the highest year to date capital spending rate at 106.0 of a total original capital budget of R

570 million. The lowest performing municipality is Makhado at 52.0 per cent.

- **Waterberg District:** - The district's original budget was adjusted from R526 million to R461 million. Actual performance to date is 70.0 per cent of the adjusted budget. Lephalale is the highest performer achieving 119.0 per cent and the lowest performer is Waterberg District with 18.0 per cent of the R20 million budget.
- **Sekhukhune District:** - The year to date performance is 62.0 per cent. The highest performer is Fetakgomo at 89.0 per cent, while the lowest performer is Greater Tubatse at 43.0 per cent.
- **Capricorn District:** - The district incurred an expenditure amounting to R 402 million or 53.0 per cent. The highest performer is Blouberg at 60.0 per cent followed by Polokwane at 59 per cent while the lowest performer is Aganang at 36.0 per cent.

Table 8: Consolidated capital expenditure by asset class as at 31 May 2011

Description R million	Original Budget	Adjusted Budget	Monthly Actual	Year TD Actual	Spent of %
<b>Capital expenditure</b>					
Infrastructure	2,397	2,401	172	1,948	81%
Community	334	373	19	153	41%
Heritage assets	1	3	0	-	
Investment properties	-	1	0	0	23%
Other assets	476	364	19	223	61%
Agricultural assets	2	3	0	1	29%
Biological assets	-	-	-	-	
Intangibles	25	14	-	-	
<b>Total Capital expenditure</b>	<b>3,235</b>	<b>3,158</b>	<b>209</b>	<b>2,325</b>	<b>74%</b>

Source: In-Year Monitoring Reports Database

- **Infrastructure** – The total year to date spending on this line item is R1.9 billion or 81.0 per cent of the adjusted budget of R2.4 billion.

- **Other assets** – The line item's budget stands at R 364 million with the year to date actual of R223.0 million or 61.0 per cent of the adjusted budget.
- **Agricultural assets**– The line item's budget stands at R2 million, with a year to date actual of R1 million or 29.0 per cent.
- **Community asset** – The budget for community assets was adjusted from R334 million to R373 million. The year to date expenditure for this item is R153 million or 41.0 per cent.
- **Investment Properties** – From an adjusted budget of R1 million, this item achieved 23.0 per cent of spending to date.
- **Heritage and Intangibles** – The adjusted budget on this item is R3 million, to date no expenditure was incurred on the 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.

An analysis of capital budget shows that funding is less than expenditure because other Municipalities do not reflect their capital funding.

## 4.2.5 DEBTORS AND CREDITORS

### Debtors Age Analysis

The analysis in tables 9 and 10 below show the status of debtors and creditors as at 31 May 2011

Table 9: Debtors Age Analysis

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
<b>Debtors Age analysis</b>								
Sekhukhune	27	20	20	53	35	-	0	154
Mopani	17	57	28	43	28	170	262	596
Vhembe	8	32	23	17	89	140	51	359
Capricorn	107	24	22	40	276	48	15	533
Waterberg	37	26	25	305	138	-	-	530

Source : In-Year Monitoring Reports Database

Low collection consumer debts remains a challenge in Limpopo Municipalities. The low collection of revenue is due to residents, the businesses and government departments not paying municipal bills. The provincial debtors book is increasing on a monthly basis. In February 2011, the total amount owed to municipalities amounted to R1.9 billion, while in March 2011, the total amount owed was R2.0 billion, the previous month (April 2011), the amount owed was R2.2 billion, while this reporting month (May 2011) the total amount is R2.1 billion. A decrease of R80.0 million from April 2011 has been noted.

Mopani District records the highest total debt of R596.0 million, followed by Capricorn District with R533.0 million, Waterberg District reveals amount of R530.0 million, while Vhembe District records R359.0 million. The District with the lowest debt is Sekhukhune with R154.0 million. As indicated on the above table, R196.0 million or 9.0 per cent is recorded between 0-30, while the rest (R1.9 billion) is for more than 30 days, and it represents 90 per cent of the total debts.

### Creditors Age Analysis

Table 10: Consolidated Creditors as at 31 May 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
<b>Creditors Age analysis</b>								
Sekhukhune	14	2	1	3	-	-	-	20
Mopani	39	0	6	19	27	-	-	91
Vhembe	5	3	5	1	15	3	-	33
Capricorn	51	1	11	35	12	10	16	136
Waterberg	39	2	8	2	2	1	2	56
	147	7	31	60	57	15	17	335

Source: In-Year Monitoring Reports Database

The key characteristics of table 10 are as follows:-

Compliance with the section 65 (2) (e) of the Municipal Finance Management Act (Act No.56 of 2003) and Circular 49 of the same Act still remains a challenge. Table 10 above reveals that municipalities owe suppliers an amount of R335.0 million. Municipalities reported having creditors owed for more than thirty days in the prior months; for instance, in February 2011, the report revealed a total outstanding amount of R306.0 million, as at end of March 2011 the total amount owed was R407.0 million, while in April 2011 the total amount was R359.0 million and this reporting month, an amount of R335.0 million has been recorded.



The above table further suggests that R188.0 million or 56.0 per cent is owed to creditors and suppliers 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 municipality should be paid within 30 days of receiving invoices or statements. The amount stated above is owed to Eskom, Water Board, The Auditor General and other trade creditors. Capricorn District has the highest amount of outstanding creditors which stands at R136.0 million, followed by Mopani with R91.0 million, Waterberg records R56.0 million, while Vhembe owes R33.0 million and lastly is Sekhukhune with the lowest balance of R20.0 million.

Table 11: Consolidated cash flows as at 31 May 2011

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May
Opening Cash Balance	206	1,411	1,452	929	978	1,420	1,562	1,488	1,415	2,324	1,732
Sub-Total (Receipts)	2,143	965	646	906	1,483	1,495	704	758	1,914	558	775
Sub-Total (Payments)	1,049	955	1,093	850	1,013	1,380	687	751	1,105	1,070	982
Closing Balance	1,355	1,376	881	928	1,381	1,506	1,433	1,370	2,243	1,684	1,401

The opening cash balance of the municipality as indicated on table 11 above is R206 million as at July 2010. The opening balance remained favorable from the start of the financial year until the period under review (May 2011). The opening the opening balance for May 2011 is R1.7 billion with the total receipts of R 775 million and total payments of R982 million. The closing balance stands at R1.4 million and it is a concern to Provincial Treasury for municipalities to have such amount of closing balance due to the fact that creditors are not paid on time and the spending on conditional grants is low.

Even though conditional grants received by municipalities assist municipalities to have a favorable balance, municipalities are always cautioned to ensure that conditional grant funding is spent in terms of the grant condition 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 negative impact on service

delivery as well as on future allocation of grant funding to municipalities from the national fiscus. The contents of MFMA Circular 48, 54 and 55 regarding the treatment of unspent conditional grants are 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 May 2010/11 municipal financial year;
- 7.2. Notes that twenty nine (29) municipalities submitted the May Monthly Budget Statements.
- 7.3. Notes that seven (6) municipalities submitted the monthly budget statements in the formats required (Schedule C of the MFMA: Municipal Budget and Reporting Regulations with effect from 1 July 2010).
- 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:**

A handwritten signature in black ink, consisting of several overlapping loops and vertical strokes, positioned above a horizontal line.

Ngoepe N A

Senior Manager: MFMA Coordinator