



**LIMPOPO**

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ngoepe N A

Date: 19 May 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: MARCH 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 31 March 2011.

**HEAD OF DEPARTMENT  
PROVINCIAL TREASURY**

DATE: 19/05/2011

**LIMPOPO PROVINCIAL TREASURY**  
**Monthly Budget Statement**  
**Report on Municipal Consolidated Financial Performance Statements**  
**For the month ended 31 March 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 March 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 14<sup>th</sup> 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 March 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 :Submission of Section 71 reports

Municipality	Feb-11				Mar-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	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	B	14.4.2011	14.4.2011	OSA,CAA,CFA,AD,AC
LIM 351 - BLOUBERG	B	16.03.2011		OSA,AD,CFA,CAA	B	03.05.2011		AC,CAA,CFA,OSA
LIM 352 - AGANANG	B	14.03.2011		OSA,AC,AD,CFA,CAA		14.04.2011		AC,CAA,CFA,OSA
LIM 353 - MOLEMOLE	C,B	14.03.2011		OSA,AC,AD,CFA,CAA	C,B	13.04.2011	14.4.2011	OSA,CAA,CFA,AD,AC
LIM 354 - POLOKWANE	C,B	08.03.2011		BSAC,AC,AD,CAA,CFA,OSA	C,B	11.04.2011		OSA,CAA,CFA,AD,AC,BSAC
LIM 355 - LEPELLE-NKUMPI	B	11.03.2011		OSA,AC,AD,CFA,CAA	B	14.04.2011		OSA,CAA,CFA,AD,AC
DC - 47 - GREATER SEKHUKHUNE	B	10.03.2011		OSA,AC,AD,CFA,CAA	B	11.04.2011		OSA,CAA,CFA,AD,AC
LIM 471 - EPHRAIM MOGALE	B	10.03.2011		BSAC,AC,AD,CAA,CFA,OSA	B	14.04.2011	14.4.2011	OSA,CAA,CFA,AD,AC,BSAC
LIM 472 - ELIAS MOTSOLEDI	B	08.03.2011		OSA,AC,AD,CFA,CAA	B	8.04.2011	03.05.2011	AC,AD,CAA,OSA,CFA
LIM 473 - MAKHUDUTHAMAGA	B	14.03.2011		OSA,AC,AD,CFA,CAA	B	14.04.2011	15.4.2011	OSA,AC,AD,CAA,CFA
LIM 474 - FETAKGOMO	C,B	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	C,B	14.04.2011	14.4.2011	OSA,CAA,CFA,AD,AC,BSAC
LIM 475 - GREATER TUBATSE	B	22.3.2011	4.4.2011	AC,AD,CFA,OSA,CAA	B	5.4.2011	03.05.2011	CAA,OSA,CFA,AC,AD
DC 33 - MOPANI	B	10.03.2011		OSA,AC,AD,CFA,CAA	B	11.04.2011		OSA,AC,AD,CAA,CFA
LIM 331 - GREATER GIYANI	B	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	B	17.04.211		CAA,OSA,CFA,AC,AD,BSAC
LIM 332 - GREATER LETABA	C,B	10.03.2011		OSA,AC,AD,CFA,CAA	C,B	14.04.2011	13.4.2011	OSA,AC,AD,CAA,CFA
LIM 333 - GREATER TZANEEN	B	11.3.2011		OSA,AC,AD,CFA,CAA	B	14.04.2011	14.4.2011	OSA,AC,AD,CAA,CFA
LIM 334 - BA- PHALABORWA	C,B	07.03.2011	07.03.2011	OSA,CAA,AD,AC,CFA	B	8.4.2011	8.4.2011	OSA,CAA,CFA,AD,AC
LIM 335 - MARULENG	B	14.03.2011		OSA,AC,AD,CFA,CAA	B	20.04.2011		OSA,CAA,CFA,AD,AC,BSAC
DC 36 - WATERBERG	B	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	C,B	14.04.2011	15.4.2011	OSA,CAA,CFA,AD,AC,BSAC
LIM 361 - THABAZIMBI	B	14.03.2011		OSA,CAA,AD,AC,CFA	B	11.04.2011		OSA,AD,CAA,CFA,BSAC
LIM 362 - LEPHALALE	B	14.03.2011		OSA,CAA,AD,AC,CFA	B	14.04.2011		OSA,CAA,CFA,AD,AC
LIM 364 - MOOKGOPONG	B	14.03.2011		OSA,CAA,AD,AC,				
LIM 365 - MODIMOLLE	C	14.03.2011		Schedule C	C,B	14.04.2011	7.4.2011	OSA,CAA,CFA,AD,AC
LIM 366 - BELA-BELA	C,B	08.03.2011		OSA,CAA,AD,AC,CFA	B	11.04.2011		AD,CAA,CFA,OSA
LIM 367 - MOGALAKWENA	B	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	B	14.04.2011	14.4.2011	OSA,CAA,CFA,AD,AC,BSAC
DC 34 - VHEMBE	B	11.03.2011		OSA,CAA,AD,AC,CFA	B	13.04.2011	13.4.2011	OSA,CAA,CFA,AD,AC
LIM 341 - MUSINA	B	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	B	14.04.2011		OSA,CAA,CFA,AD,AC,BSAC
LIM 342 - MUTALE	B	15.03.2011		OSA,AD,CFA	B	18.04.2011		AD,CFA,OSA,BSAC,AC,CAA
LIM 343 - THULAMELA	B	14.03.2011		BSAC,AC,AD,CAA,CFA,OSA	B	15.04.2011	15.04.2011	OSA,CAA,CFA,AD,AC,BSAC
LIM 344 - MAKHADO	B	14.03.2011		OSA,CAA,AD,AC,CFA	C	14.04.2011	14.4.2011	SCHEDULE C

Source: In-Year Monitoring Reports Database

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

As shown in table 1 above, at the time of publishing this report, submissions of MFMA S71 returns were made by all twenty nine (29) municipalities. Mookgophong is the only municipality that did not submit all the returns. The following municipalities; Bela Bela and Blouberg 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.

## **4.2 IMPLEMENTATION OF MUNICIPAL BUDGETS**

### **Financial Performance**

This section of the reports focuses on the financial health of the municipality as submitted by 30 municipalities in March 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 this third quarter will be compared against the adjustment budgets of the municipalities.

#### **4.2.1 Operating Revenue**

Table 3 below shows the actual operating revenue collected against budget

Table 2: Consolidated operating revenue as at 28 February 2011

Table 3 : Consolidated Operating Revenue Summary Per Municipality

Municipality  R million	Financial Performance			
	Total Revenue			
	Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
Makhuduthamaga	146	39	160	110%
Fetakgomo	44	9	38	88%
Ephraim Mogale	140	17	95	68%
Greater Tubatse	175	40	141	81%
Elias Motsoaledi	230	32	135	59%
Greater Sekhukhune	386	161	650	168%
<b>Sekhukhune</b>	<b>1,501</b>	<b>299</b>	<b>1,220</b>	<b>81%</b>
Greater Giyani	128	38	140	109%
Greater Letaba	169	5	80	47%
Greater Tzaneen	510	82	537	105%
Ba-Phalaborwa	263	24	193	74%
Maruleng	79	107	160	202%
Mopani District	572	107	677	118%
<b>Mopani District</b>	<b>1,720</b>	<b>362</b>	<b>1,786</b>	<b>104%</b>
Musina	135	11	104	77%
Mutale	135	11	104	77%
Thulamela	402	11	330	82%
Makhado	614	18	409	67%
Vhembe District	449	245	775	173%
<b>Vhembe</b>	<b>1,734</b>	<b>296</b>	<b>1,722</b>	<b>99%</b>
Blouberg	88	18	49	55%
Aganang	49	13	85	173%
Molemole	91	4	76	84%
Polokwane	1,285	211	1,155	90%
Lepelle-Nkumpi	208	30	171	82%
Capricorn District	381	11	324	85%
<b>Capricorn</b>	<b>2,102</b>	<b>288</b>	<b>1,860</b>	<b>88%</b>
Thabazimbi	182	23	136	75%
Lephalale	293	44	326	111%
Mookgophong	92	-	58	63%
Modimolle	171	10	129	76%
Bela-Bela	174	20	113	65%
Mogalakwena	453	71	499	110%
Waterberg District	107	24	101	95%
<b>Waterberg</b>	<b>1,473</b>	<b>193</b>	<b>1,362</b>	<b>92%</b>
<b>Total</b>	<b>8,530</b>	<b>1,437</b>	<b>7,950</b>	<b>98%</b>

Source: In-Year Monitoring Reports Database



Prominent features of operating revenue per district:

- **Sekhukhune District:** - Sekhukhune District municipalities' performance is the last, when compared with the other four districts in the province, with a year to date average ratio of R1.2 billion or 81.0 per cent of the total collection of all municipalities is R7.9 billion. Though the district ratio is above the linear projection of 75.0 per cent, Elias Motsoaledi and Ephraim Mogale performed far below this ratio, with 59.0 per cent and 68.0 per cent respectively. On the other hand, Makhuduthamaga is the highest in the district achieving 110.0 per cent.
- **Mopani District:** - Mopani is leading in terms of revenue collection, with an average collection rate of 104.0 per cent. The over collection is emanating from Maruleng, Mopani District, Greater Giyani and Greater Tzaneen reflected as follows 202.0, 118.0, 109.0 and 105.0 per cent respectively, while on the other hand Greater Letaba collected less than 50.0 per cent.
- **Vhembe District:** The district average performance equals 99.0 per cent. Vhembe district municipality reported to have collected 173.0 per cent of the budgeted operating revenue. Makhado is the lowest with 67.0 per cent, and the other municipalities' collection is above 75.0 per cent.
- **Capricorn District:** - The district average performance equals 88.0 per cent. In this district, Aganang reported to have collected 173.0 per cent of the budgeted operating revenue. Blouberg is the lowest with 55.0 per cent, and the other municipalities' collection is above 75.0 per cent.

**Waterberg District:** - The district average performance equals 92.0 per cent. Lephalale and Mogalakwena have each collected over 100.0 per cent of revenue, while Mookgophong and Bela-Bela collected less than 66.0 per cent.

Table 3 below shows the performance of individual sources of revenue compared with approved/adjusted budgets.

Table 3: Consolidated revenue sources as at 28 February 2011

Table 4: Operating Revenue - Consolidated Summary

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual	Year TD Actual	Revenue collection %
R million					
<b>Financial Performance</b>					
Property rates	629	635	51	549	86%
Service charges	2,318	2,263	184	1,525	67%
Investment revenue	222	210	18	149	71%
Transfers recognised	3,865	3,698	1,127	5,005	135%
Other own revenue	1,404	1,344	57	722	54%
<b>Total Revenue</b>	<b>8,438</b>	<b>8,149</b>	<b>1,437</b>	<b>7,950</b>	<b>98%</b>

Source: In-Year Monitoring Reports Database

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

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

The table above reflects the original budget of R8.4 billion for total revenue on financial performance, which was then adjusted downwards to R8.1 billion. The adjustment budget reflected might not be a true reflection of the projected budget for the province due to non-submission of the adjustment budget documents by municipalities. Therefore, this total adjustment budget might change upon submission of relevant outstanding documents. For the period under review, the actual collection for the month accounts for R1.4 billion, which results in the year to date revenue collection of R7.9 billion or 97.5 per cent of the total anticipated adjusted revenue of R8.1 billion. This represents a significant improvement

collection of R1.6 billion or 25.5 per cent as compared to the previous month that recorded the total collection of R6.3 billion.

The following line items are the contributing factors to revenue collection as reflected in the above table.

- **Transfers recognized:** - It is evident in the table above that transfers recognized remains a key revenue instrument, accounting for R5.0 billion or 62.9 per cent of the year to date's total revenue collection. An additional R1.2 billion or 32.4 per cent from the previous months transfers recognized of R3.7 billion has been observed.
- **Services Charges:** - This line item is the second largest revenue contributor with R1.5 billion or 18.9 per cent of the year to date's total. An improvement of R223.0 million or 17.1 per cent has been noted. For the reporting month of February 2011, the year to date's total recorded R1.3 billion.
- **Property Rates:** - property rates is the third largest contributor with R549.0 million or 6.9 per cent. A positive growth of R51.0 million or 10.2 per cent from the previous month collection of R498.0 million on the same item has been recognized.
- **Investment Revenue:** - This item is the lowest proportion of revenue collection, constituting R149.0 million or 1.8 per cent of the total year to date's revenue collection. However,, a positive growth of R19.1 million or 14.6 per cent from the previous month recording of R130. 0 million has been noticed.
- **Other revenue:** - other revenue constitutes R722.0 or 9.1 per cent of the year to date's total. A positive growth of R96.0 million or 15.3 per cent has been noticed, as compared to the previous month of R626.0 million.

An analysis of the five revenue line items as discussed above concludes that transfers recognized constitutes 62.9 per cents of the year to date's total of R7.9 billion, and municipalities continue to make efforts in ensuring that own revenues to cater for municipal services are realized. This is evidenced by municipalities' own revenue contribution of R2.9 billion or 27.1 per cent.

#### **4.2.2 Operating Expenditure**

This section deals with the operating expenditure performance for the quarter ended 31 March 2011. Each line item for actual expenditure to date is compared against budget and year to date total expenditure. Table 4 below consolidates this performance.

Table 4: Consolidated operating expenditure as at 31 March 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	9	58	60%
Fetakgomo	43	4	28	65%
Ephraim Mogale	140	12	93	66%
Greater Tubatse	175	14	87	50%
Elias Motsoaledi	231	11	119	52%
Greater Sekhukhune	420	40	239	57%
<b>Sekhukhune</b>	<b>1,106</b>	<b>91</b>	<b>624</b>	<b>56%</b>
Greater Giyani	142	8	78	55%
Greater Letaba	114	8	70	61%
Greater Tzaneen	523	57	412	79%
Ba-Phalaborwa	304	25	209	69%
Maruleng	74	43	81	109%
Mopani District	477	43	340	71%
<b>Mopani District</b>	<b>1,634</b>	<b>184</b>	<b>1,191</b>	<b>73%</b>
Musina	139	11	117	84%
Mutale	139	11	117	84%
Thulamela	371	19	173	47%
Makhado	515	30	282	55%
Vhembe District	442	34	285	64%
<b>Vhembe</b>	<b>1,608</b>	<b>105</b>	<b>974</b>	<b>61%</b>
Blouberg	88	36	40	45%
Aganang	60	5	32	54%
Molemole	88	4	34	39%
Polokwane	1,284	95	721	56%
Lepelle-Nkumpi	134	8	50	37%
Capricorn District	453	31	201	44%
<b>Capricorn</b>	<b>2,108</b>	<b>179</b>	<b>1,078</b>	<b>51%</b>
Thabazimbi	182	20	131	72%
Lephalale	322	15	210	65%
Mookgophong	92	-	55	60%
Modimolle	171	16	104	61%
Bela-Bela	156	12	110	70%
Mogalakwena	486	38	254	52%
Waterberg District	106	9	60	57%
<b>Waterberg</b>	<b>1,515</b>	<b>109</b>	<b>924</b>	<b>61%</b>
<b>Total Expenditure</b>	<b>7,971</b>	<b>668</b>	<b>4,791</b>	<b>60%</b>

Source: In-Year Monitoring Reports Database

Table four above clearly reflects the status of all municipalities in terms of the total operating expenditure budget amounting to R7.9 billion. For the 3<sup>rd</sup> quarter, ending 31 March 2011, the consolidated actual expenditure amounts to R4.7 billion or 60.0 per cent of adjusted budget of R7.9 billion. For the quarter 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 average ratio for the nine months period is 60.0 per cent. Though four individual municipalities performed above the linear projection ratio, the majority of municipalities are under performing in this regard. The discussion below aims to identify those municipalities with an acceptable average performance as well as those that are under spending the on operating expenditure budget.

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

- **Sekhukhune District:** The total adjusted budget for operating expenditure stands at R1.1 billion. The actual expenditure for the month is at R91 million, resulting in an expenditure to date of R624 million or 56.0 per cent. Greater Tubatse and Elias Motsoaledi are the lowest in terms of performance as they reflect 50.0 per cent and 52.0 per cent respectively.
- **Mopani District:** The district took a lead in terms of operating expenditure as compared to the other four districts. The adjusted budget for operating expenditure stands at R1.6 billion. The actual expenditure for the month is at R184.0 million resulting in expenditure to date of R1.1 billion or 73.0 per cent.
- **Vhembe District:** The operating expenditure performance is at 61.0 per cent of the total adjustment budget of R1.6 billion. The actual operating expenditure for the month is at R105 million and, the expenditure to date stands at R974 million. The ratio achieved by Vhembe District is due to the high expenditure ratio by the Musina and Mutale with 84.0 per cent each.
- **Capricorn District:** The overall adjustment budget of the district stands at R2.1 billion, the expenditure to date is R1.0 billion or 51.0 per cent. Lepelle-Nkumpi, Molemole, the District itself and Blouberg have all performing below 50.0 per cent of their adjusted budget.

- **Waterberg District:** The overall adjusted budget of the district stands at R1.5 billion, the expenditure to date is R924 million which results to 61.0 per cent. Mogalakwena and Waterberg District are reported to be the lowest in operating expenditure with 52.0 and 57.0 per cent respectively.

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

Table 5: Consolidated operating expenditure items as at 31 March 2011

Description	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual	Year TD	Spent of budget %
<b>R million</b>					
<b>Financial Performance</b>					
Employee costs	2,621	2,548	225	1,753	69%
Remuneration of Councillors	280	252	21	187	74%
Debt impairment	135	89	6	12	14%
Depreciation and amortisation	329	455	5	72	16%
Finance charges	41	36	1	24	67%
Materials and bulk purchases	1,709	1,609	178	1,180	73%
Other expenditure	2,607	2,982	230	1,563	52%
<b>Total Expenditure</b>	<b>7,723</b>	<b>7,971</b>	<b>668</b>	<b>4,791</b>	<b>60%</b>

Source: In-Year Monitoring Reports Database

The assessment of the individual expenditure framework is reflected as follows:-

- **Employee Related Costs:-**This line item is made up of salaries, benefits and allowance. For the quarter under review, the year to date's expenditure accounts for R1.7 billion or 36.5 per cent of the total expenditure of R4.7 billion.
- **Remuneration of Councillors:-**The percentage of an expenditure spent on the adjusted budget as reflected above is 4.6 per cent, which in rands value reflects R187.0 million of the actual total expenditure.



- **Debt Impairment:** - This refers to provision of bad or irrecoverable debt. The line item has an adjusted budget of R89 million, and the year to date (YTD) actual represents R12.0 million or 0.2 per cent of the total expenditure. A movement in this regards is very minimal.
- **Depreciation and Amortization:**-This refers to provision for diminution in value of tangible and intangible assets due to usage. It reflects R72.0 million or 1.5 per cent of the year to date's total expenditure.
- **Finance Charges:**-This refers to levies such as finance lease charges and interest on borrowings, and it accounts for R24.0 million or 0.5 per cent of the total expenditure of R4.7 billion.
- **Material and Bulk Purchases:**-Included in this item are purchases of bulk services such as water from the Water Boards and electricity from Eskom. The YTD actual of Bulk Purchases constitute R1.1 billion or 24.6 per cent of the total expenditure to date.
- **Other Expenditure:**-This includes general expenses such as telephones, repairs and maintenance and purchase of office supplies. Out of the adjusted budget of R2.9 billion, the YTD actual spending stands at R1.5 billion or 32.6 per cent.

#### 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 6: Consolidated capital funding per district per municipality as at 31 March 2011

Municipality	Total sources of Funding			
	R million	Original/adjusted budget	Actual receipts for the month	Actual receipts year to date
Makhuduthamaga	152	16	54	35%
Fetakgomo	13	2	10	79%
Ephraim Mogale	20	1	17	84%
Greater Tubatse	53	–	–	
Elias Motsoaledi	81	4	43	53%
Greater Sekhukhune	355	28	182	51%
<b>Sekhukhune</b>	<b>674</b>	<b>43</b>	<b>279</b>	<b>41%</b>
Greater Giyani	67	3	9	13%
Greater Letaba	72	4	23	32%
Greater Tzaneen	125	11	45	36%
Ba-Phalaborwa	58	1	6	11%
Maruleng	25	–	10	38%
Mopani District	219	32	273	125%
<b>Mopani District</b>	<b>565</b>	<b>52</b>	<b>366</b>	<b>65%</b>
Musina	17	2	12	68%
Mutale	17	2	12	68%
Thulamela	101	3	47	47%
Makhado	166	2	63	38%
Vhembe District	582	49	543	93%
<b>Vhembe</b>	<b>884</b>	<b>57</b>	<b>677</b>	<b>77%</b>
Blouberg	38	–	–	
Aganang	40	3	28	69%
Molemole	–	1	–	
Polokwane	910	14	186	20%
Lepelle-Nkumpi	152	3	21	14%
Capricorn District	246	5	91	37%
<b>Capricorn</b>	<b>1,386</b>	<b>27</b>	<b>327</b>	<b>24%</b>
Thabazimbi	49	19	72	74%
Lephalale	96	6	6	25%
Mookgophong	26	1	20	61%
Modimolle	33	4	8	31%
Bela-Bela	25	19	128	75%
Mogalakwena	171	2	2	10%
Waterberg District	20			
<b>Waterberg</b>	<b>421</b>	<b>43</b>	<b>236</b>	<b>56%</b>
<b>Total</b>	<b>3,930</b>	<b>221</b>	<b>1,884</b>	<b>48%</b>

Source: In-Year Monitoring Reports Database

### Performance per district is discussed below:

- **Vhembe District** – The district recorded the highest amongst the other four district with the average ratio at 77.0 per cent of the adjusted budget

of R884 million. Vhembe District Municipality achieved a ratio of 93.0 per cent with Makhado being the lowest at 38.0 per cent. Musina and Mutale municipalities have a uniform performance of 68.0 per cent.

- **Mopani District** – The ratio achieved by the district makes it the second highest in the province. The average district performance is 65.0 per cent. The District Municipality achieved 125.0 per cent.
- **Waterberg District** – The average ratio achieved by this district is 56.0 per cent. The district budget was adjusted from R428 to R421 million. Thabazimbi, Mookgophong and Waterberg did not report the actual receipts for the month.
- **Sekhukhune District** – For the period under review, an average of 41.0 per cent was achieved by this district. Ephraim Mogale recorded an average ratio of 84.0 with Makhuduthamaga recording 35.0 per cent. Greater Tubatse did not reflect anything on sources of funding from July 2010 until March 2011.
- **Capricorn District** – The district's original budget remained unchanged at R1.3 billion. To date, the capital funding performance stands at 24.0 per cent. The highest achiever is Aganang at 69.0 per cent while the lowest is Lepelle-Nkumpi achieving 14.0 per cent. Molemole CAA monthly report does not reflect the budgeted source of funding. 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 to both National and Provincial Treasury.

Table 7: Consolidated capital funding per item as at 31 March 2011

Section 71 Consolidated Summary				
Description R million	Adjusted	Monthly actual	Year TD	Spent of
	Budget	Actual	Actual	%
<b>Funds sources</b>	653	6	19	3%
External Loans	-	16	169	
Asset Financing Reserve	326	12	87	27%
Surplus Cash	157	0	0	0%
Public contributions/ donations	2,513	173	1,503	60%
Government Grants and Subsidies	40	-	28	69%
Leases	35	3	2	5%
Other Ad-Hoc Financing Sources	205	12	78	38%
Other				
<b>Total sources</b>	<b>3,930</b>	<b>221</b>	<b>1,884</b>	<b>48%</b>

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 main characteristics of table 8 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 R28 million (69.9 per cent) against an annual budget of R40 million. There was no adjustment in the original budget.
- **Government Grants and Subsidies:** -. This line item has an annual budget of R2.4 billion, which was adjusted upwards to R2.5 billion (0.8 per cent) to date revenue recognized is R1.5 billion of the budget.
- **Other Revenue:** - The budget for other revenue was adjusted downwards from R225 million to R205 million, resulting in a percentage decrease of 8.8 per cent. The year to date revenue recognized is R38.81.
- **Surplus Cash:** - , The line item was budget for 326 million with year to date actual of 87 million (27.0 per cent) .

- **Other Ad-Hoc Finances:** - Out of the total budget of R35 million for ad-hoc finances, the realized revenue to date is still R2 million, representing 5.7 per cent of the line item's original budget.
- **External loan:** - The total budget for this item stands at R653 million, which is 16.7 per cent of the total capital funding budget. To date, municipalities earned only R19 million in revenue from borrowings. This represents 2.9.0 per cent of the annual budget.
- **Asset Financing Reserve:** - The collection in rand value under this item is R169 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 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:** - To date no revenue has been realized on this line item. The original budget of R157 million still remains unchanged. .

The revenue earned to date is averaged at R1.8 billion or 46.1 per cent of the total budget of R3.9 billion of which R1.5 billion is from government grants and subsidies. It is evident from this table that grants and subsidies are the major source of finance for capital projects in Limpopo.

#### 4.2.4 Capital Expenditure

The discussion below aims to show the manner in which municipalities utilized the R1.8 billion earned in capital funding against the capital expenditure budget. For the month ended March 2011, actual capital expenditure amount to R224 million (4.2 per cent of the adjusted budget); while the year to date expenditure amounts to R1.9 billion (61.0 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 realized.

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

Table 8 Consolidated capital expenditure per district per municipality as 31 March 2011

Municipality	Total Capital Expenditure			
	R million	Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date
Makhuduthamaga	76	8	26	34%
Fetakgomo	13	1	10	74%
Ephraim Mogale	23	1	17	76%
Greater Tubatse	53	0	15	29%
Elias Motsoaledi	94	4	45	48%
Greater Sekhukhune	355	28	181	51%
<b>Sekhukhune</b>	<b>614</b>	<b>43</b>	<b>294</b>	<b>48%</b>
Greater Giyani	56	3	9	16%
Greater Letaba	58	4	23	39%
Greater Tzaneen	121	11	45	37%
Ba-Phalaborwa	58	1	11	19%
Manuleng	27	–	10	36%
Mopani District	110	32	276	252%
<b>Mopani District</b>	<b>430</b>	<b>52</b>	<b>374</b>	<b>87%</b>
Musina	14	2	12	86%
Mutale	14	2	12	86%
Thulamela	101	3	47	47%
Makhado	166	2	63	38%
Vhembe District	570	49	542	95%
<b>Vhembe</b>	<b>894</b>	<b>57</b>	<b>676</b>	<b>76%</b>
Blouberg	32	1	13	42%
Aganang	36	3	18	49%
Molemole	22	1	9	41%
Polokwane	342	14	166	49%
Lepelle-Nkumpi	76	3	26	34%
Capricorn District	221	3	93	42%
<b>Capricorn</b>	<b>728</b>	<b>27</b>	<b>327</b>	<b>45%</b>
Thabazimbi	52	0	1	3%
Lephalale	96	19	80	83%
Mookgophong	26	0	7	26%
Modimolle	37	5	18	49%
Bela-Bela	25	4	8	31%
Mogalakwena	209	20	132	63%
Waterberg District	20	0	2	10%
<b>Waterberg</b>	<b>466</b>	<b>47</b>	<b>248</b>	<b>53%</b>

Source: In-Year Monitoring Reports Database

The main features of table 8 are the following:

- **Mopani District:** - The district's original budget has been adjusted downwards from R478 million to R430 million. The year to date performance against the adjustment budget is 87.0 per cent. This high performance is as a result of Mopani district with year to date expenditure of R 276 million or 252 per cent.
- **Vhembe District:** -The average performance for the district stands at 76.0 per cent of the adjusted budget. Vhembe District has the highest year to date capital spending rate at 95.0 of a total original capital budget of R 570 million. The lowest performing municipality is Makhado at 38.0 per cent.
- **Waterberg District:** - The district's original budget was adjusted from R526 million to R466 million. The decline recorded by the adjustment budget amounts to R60 million. Actual performance to date is 53.0 per cent of the adjusted budget. Lephalale is the highest performer achieving 83.0 per cent against the R96.0 million budget, the lowest performer is Thabazimbi with 3.0 per cent of the R52 million budget.
- **Sekhukhune District:** - The year to date performance is 48.0 per cent. The highest performer is Ephraim Mogale at 76.0 per cent, while the lowest performer is Makhuduthamaga at 34.0 per cent.
- **Capricorn District:** - The district incurred an expenditure amounting to R 327 million or 45.0 per cent. The highest performer is Aganang and Polokwane at 49.0 per cent each while the lowest performer is Lepelle-Nkumpi at 34.0 per cent.



Table 9: Consolidated capital expenditure by asset class

Description R million	Adjusted	Monthly actual	Year TD	Spent of
	Budget	Actual	Actual	%
<b>Capital expenditure</b>	2,389	177	1,614	68%
Infrastructure	360	20	130	36%
Community	1	0	-	
Heritage assets	1	0	0	23%
Investment properties	363	26	173	48%
Other assets	2	-	0	9%
Agricultural assets	-	-	-	
Biological assets	17	-	-	
Intangibles				
<b>Total Capital expenditure</b>	<b>3,133</b>	<b>224</b>	<b>1,917</b>	<b>61%</b>

Source: In-Year Monitoring Reports Database

- **Infrastructure** – The year to date spending in this category of assets is the highest at R1.6 billion (.67.5 per cent) of the adjusted budget amounting to R2.3 billion.
- **Other assets** – The line item's budget stands at R 363 million. To date, R173 million (47.6 per cent) of budget was spent.
- **Agricultural assets**– The line item's budget stands at R 2 million, with nil monthly actual and 9 per cent year to date actual
- **Community asset** – The budget for community assets was adjusted from R332 million to R360 million. The year to date expenditure for this item is R130 million or 36.0 per cent.
- **Investment Properties** – From an original budget of R1 million, this item achieved 23.0 per cent to date.
- **Heritage and Intangibles** – The budget on these items is R1 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. 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 68.0 per cent.

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

#### 4.2.5 Debtors and Creditors

The analysis in tables 10 and 11 below show the status of debtors and creditors as at 28 February 2011

Table 10: Consolidated debtors as at 31 March 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
<b>Debtors Age analysis</b>								
Sekhukhune	44	6	14	72	29	0	-	166
Mopani	15	75	26	17	19	215	207	579
Vhembe	15	32	19	24	33	132	52	307
Capricorn	75	28	19	48	272	5	20	468
Waterberg	53	29	17	297	138	-	-	534
	203	170	95	458	492	352	279	2,054

Source: In-Year Monitoring Reports Database

The debtors' book remains one of the challenges that municipalities in Limpopo are faced with. The low performance of certain municipalities on operating revenue is as a result of residents, the business ,community and government department not paying municipal bills. The provincial debtor's book is increasing on a monthly basis.

**The key characteristics of table 10 are as follows:**

The above table reflects that the total provincial debtor's book amounts to R2, 05 billion which has increased as compared to the total debts of R1.98 billion for the previous months. This further suggests that the municipalities are struggling to collect outstanding debtors, especially those aged over 91 days.

Mopani Districts has the highest total debts of R579 million followed by Waterberg with R534 million.

Table 11: Consolidated creditors as at 31 March 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	6	1	0	2	0	-	-	9
Mopani	76	18	5	0	23	-	-	121
Vhembe	6	8	4	2	10	3	-	33
Capricorn	117	6	5	34	4	15	11	192
Waterberg	41	3	2	4	-	0	1	52
	246	36	16	42	37	19	12	407

Source: In-Year Monitoring Reports Database

Payment to creditors still remains a challenge to all municipalities. This suggest that the municipalities are not performing satisfactory in terms of compliance with the MFMA Section 65(2) (e); which requires that creditors owed by the municipality should be paid within 30 days of receiving invoices or statements.

The key characteristics of table 11 are as follows:

The creditor's age analysis is increasing on a month to month basis for all municipalities. Capricorn District has the highest amount of outstanding creditors which stands at R192 million, followed by Mopani with R121 million. The district with the lowest balance is Sekhukhune with R9 million.

#### 4.2.6 Cash Flows

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

Table 12: Consolidated cash flows as at 31 March 2011

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	200	1,570	1,569	992	1,074	1,496	1,605	1,568	1,422	2,350	2,290	2,280
Sub-Total (Receipts)	2,331	976	658	997	1,550	1,627	793	774	2,031	254	398	352
Sub-Total (Payments)	1,067	1,000	1,158	903	1,093	1,541	735	837	1,202	250	344	264
Closing Balance	1,476	1,466	921	1,018	1,463	1,579	1,551	1,425	2,324	2,277	2,266	2,291

Source: In-Year Monitoring Reports Database

On face value, the consolidated cash flow statement reflects a sound cash position for municipalities. Table 12 above reveals that in July 2010, municipalities had a positive opening balance of R200 million. The MFMA S71 reports submitted by municipalities disclosed a positive amount of R2.3 billion at the end of March 2011. A huge positive closing balance suggests that the municipalities are not spending on their conditional grants and do not pay their creditors on time which lead them to have a positive cash flow for the period under review.

Even though conditional grants received by municipalities assist municipalities to have a favourable 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 and 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 March 2010/11 municipal financial year;
- 7.2. Notes that twenty nine (29) municipalities submitted the March 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:**



Ngoepe N A

Senior Manager: MFMA Coordinator

**Approved by:**



Ramdharie N

Head of Department