



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Enq: Ngoepe N A

Ref: 12/1/6/4

Date: 29 July 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: JUNE 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 30 June 2011.

**HEAD OF DEPARTMENT
PROVINCIAL TREASURY**

DATE: 29/07/2011

LIMPOPO PROVINCIAL TREASURY

Monthly Budget Statement

Report on Municipal Consolidated Financial Performance Statements

For the month ended 30 June 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 June 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					
Municipality	Sch C / App B	Jun-11			Documents sent
		Date of submission			
		Due date for sumission	Electronic	Hard copy	
DC 35 - CAPRICON	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 351- BLOUBERG	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 352 - AGANANG	B		13.7.2011		OSA,CFA,CAA,AD,AC
LIM 353 - MOLEMOLE	C,B		14.7.2011		OSA,CFA,CAA,AD,AC
LIM 354 - POLOKWANE	B		8.7.2011	16.7.2011	AC,CFA,CAA,AD,OSA
LIM 355 - LEPELLE-NKUMPI	B		15.7.2011		OSA,CFA,CAA,AC
DC - 47 - GREATER SEKHUKHUNE	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 471 - EPHRAIM MOGALE	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 472 - ELIAS MOTSOLEDI	B		8.7.2011		AD,AC,CAA,CFA,OSA
LIM 473 - MAKHUDUTHAMAGA	B		14.7.2011		OSA,CFA,CAA,AD,AC
LIM 474 - FETAKGOMO	C,B		14.7.2011		OSA,CFA,CAA,AD,AC
LIM 475 - GREATER TUBATSE	B		4.7.2011		CFA,CAA,OSA,AD,AC
DC 33 - MOPANI	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 331 - GREATER GIYANI	B		10.7.2011		OSA,CFA,CAA,AD,AC
LIM 332 - GREATER LETABA	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 333 - GREATER TZANEEN	B		14.7.2011		OSA,CFA,CAA,AD,AC
LIM 334 - BA- PHALABORWA	B		11.7.2011		OSA,CFA,CAA,AD,AC
LIM 335 - MARULENG	B		14.7.2011		OSA,CFA,CAA,AD,AC
DC 36 - WATERBERG	C,B		14.7.2011		OSA,CFA,CAA,AD,AC
LIM 361 - THABAZIMBI	B		7.7.2011		AD,CFA
LIM 362 - LEPHALALE	B		15.7.2011		AC,AD,CAA,CFA,OSA
LIM 364 - MOOKGOPONG	B		14.7.2011		AC,OSA,AD,CAA,CFA
LIM 365 - MODIMOLLE	C		14.7.2011		SCHEDULE C
LIM 366 - BELA-BELA	B		13.7.2011		OSA,CFA,CAA,AD,AC
LIM 367 - MOGALAKWENA	B		14.7.2011		OSA,CFA,CAA,AD,AC
DC 34 - VHEMBE	B		15.7.2011		OSA,CFA,CAA,AD,AC
LIM 341- MUSINA	B		14.7.2011		OSA,CFA,CAA,AD,AC
LIM 342 - MUTALE	B		13.7.2011		OSA,CFA,CAA,AD,AC
LIM 343 - THULAMELA	B		16.7.2011		OSA,CFA,CAA,AD,AC
LIM 344 - MAKHADO	B		15.7.2011		OSA,CFA,CAA,AD,AC

Source: In-Year Monitoring Reports Database

As indicated in table 1 above, at the time of publishing this report, submissions of MFMA S71 returns were made by thirty (30) municipalities. Lepelle- Nkumpi did not submit AD while Thabazimbi did not submit OSA, CAA and AC. Eleven (11) municipalities submitted the electronic returns late (i.e. after the due date of 14 July 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 30 municipalities in June 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 June 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 2011

Table 2: Consolidated operating revenue as at 30 June

Section 71 Consolidated Summary

Code	Municipality	Financial Performance			
		Total Revenue			
		Original/adjusted budget	Actual receipts for the month	Actual receipts year to date	Actual receipts to date as % of budget
R million	R million				
NP03a2	Makhuduthamaga	147	3	168	115%
NP03a3	Fetakgomo	44	4	45	103%
NP03a4	Ephraim Mogale	140	5	109	78%
NP03a5	Greater Tubatse	181	6	159	88%
NP03a6	Elias Motsoaledi	220	18	183	83%
DC47	Greater Sekhukhune	386	27	620	160%
Sekhukhune		1,501	64	1,284	86%
NP331	Greater Giyani	128	3	146	114%
NP332	Greater Letaba	169	(1)	94	56%
NP333	Greater Tzaneen	510	45	647	127%
NP334	Ba-Phalaborwa	263	16	241	92%
NP335	Maruleng	79	2	78	98%
DC33	Mopani District	487	0	677	139%
Mopani District		1,635	66	1,883	115%
NP341	Musina	130	16	154	118%
NP342	Mutale	70	1	59	84%
NP343	Thulamela	406	12	409	101%
NP344	Makhado	614	20	470	77%
DC34	Vhembe District	979	17	804	82%
Vhembe		2,199	66	1,895	86%
NP351	Blouberg	88	1	54	61%
NP352	Aganang	62	1	87	139%
NP353	Molemole	87	3	80	92%
NP354	Polokwane	1,285	97	1,305	102%
NP355	Lepelle-Nkumpi	175	5	195	111%
DC35	Capricorn District	381	9	351	92%
Capricorn		2,078	116	2,070	100%
NP361	Thabazimbi	179	10	167	93%
NP362	Lephalale	293	21	371	126%
NP363	Mookgophong	92	4	62	67%
NP364	Modimolle	171	10	159	93%
NP365	Bela-Bela	174	13	176	101%
NP366	Mogalakwena	453	30	581	128%
DC36	Waterberg District	107	1	104	98%
Waterberg		1,469	90	1,620	110%
Total		8,883	403	8,754	103%

The table above indicates that municipalities realized 8.7 billion as at the end of June 2011 against the total operating revenue budget of approximately 8.8 billion. The cumulative total operating revenue collected as at the end of the month under review stands at 103.0 per cent. This reflect an over performance of 3.0 per cent.

Prominent features of operating revenue per district

- **Sekhukhune District:** - The district has managed to realize 86.0 per cent revenue collection. Ephraim Mogale local municipality is the lowest performer in this district with 78.0 per cent. The highest performer is Sekhukhune district municipality which achieved an over collection of 160.0 per cent followed by Makhuduthamaga local municipality with 115.0 per cent and Fetakgomo with 103.0 per cent of the budget. This may be an indication that the mentioned municipalities under budgeted in terms of revenue collection.
- **Mopani District:** - The table above reveals that the district's average performance stands at 115.0 per cent which reflects an over collection with 15.0 per cent. Greater Giyani, Greater Tzaneen and Mopani over performed in terms of revenue collection. The collection to date stands as follows, Greater Giyani (114.0 per cent), Greater Tzaneen (127.0 per cent) and Mopani at 139.0 per cent.
- **Vhembe District:** - For the period under review, Vhembe recorded an under performance of 86.0 per cent. The district has a year to date collection of R 1.8 billion against an annual budget of 2.1 billion. This is an indication that the municipality has over estimated their revenue collection. Musina and Thulamela have over collected with an average of 118.0 and 101.0 per cent respectively. The municipality that achieved the lowest ratio within the district is Makhado at 77.0 per cent.

- **Capricorn District:** - The district average performance amounts to 100 per cent. This reflects that the district managed to budget realistically as it has collected hundred per cent revenue anticipated. Even though the district performed well there are municipalities which collected more than anticipated for example Aganang reported to have collected 139 per cent, Polokwane collected with 102 per cent and Lepelle-Nkumpi with 111 per cent. Therefore, this may suggest that after the update of outstanding returns, the average performance is likely to increase.
- **Waterberg District:** - The district's average performance as at the end of June 2011 stand at 110 per cent. Lephalale, Bela Bela and Mogalakwena remain the highest performers for this district with average performance of 126, 101 and 128 per cent respectively. The municipality with the lowest performance ratio is Mookgophong at 67 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 municipalities are still struggling with realistic budgeting and revenue collection. This suggests that MFMA S18 was probably not complied with in terms of realistic revenue collection. The only district that managed to collect hundred per cent is Capricorn District but the district has some individual municipalities that over or under budgeted. Mopani and Waterberg districts over collected while Sekhukhune and Vhembe performed uniformly at 86.0 per cent.

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

Table 3: Consolidated revenue sources as at 30 June 2011

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual	Year TD	Spent of budget
	Budget	Budget	Actual	Actual	%
Financial Performance					
Property rates	619	651	55	701	108%
Service charges	2,271	2,156	188	2,026	94%
Investment revenue	222	199	34	201	101%
Transfers recognised	3,891	4,076	63	4,999	123%
Other own revenue	1,366	1,418	63	827	58%
Total Revenue	8,369	8,499	403	8,754	103%

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 8.3 billion for total revenue on financial performance, which was then adjusted downwards to 8.4 billion. For the period under review, the actual collection for the month accounts to 403 million and the year to date revenue collection of 8.7 billion or 103.0 per cent. Total revenue was under budgeted because to date the collection stands at 103.0 per cent.

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

- **Property rates:** The collection rate stands at 108.0 per cent or 701 million of the adjusted budget of 651 million. The collection performance is above the budgeted amount.

- **Service Charges:** The generated revenue on service charges stands at 94.0 per cent (1.8 billion) of adjusted budget of 2.1 billion.
- **Investment revenue:** The year to date collection realized under this item stands at 2.0 billion (101.0 per cent) compared to adjusted budget 199 million. Municipalities have under budgeted on this line item as it is already more than 100 per cent collection rate.
- **Transfers recognized:** It is evident in the table above that transfers recognized remains a key revenue instrument, accounting for 4.9 billion or 123.0 per cent of the year to date's total revenue collection against the adjusted budget of 4.0 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 58.0 per cent (827 million) out of a budget of 1.4 billion. The performance on the line item is unsatisfactory and it seems as an over estimation on this regards.

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 over performance in terms of revenue collection and it further reflects that consumers are responding well in terms of paying for property rates and municipalities are anticipating less revenue that leads to under and realistic budgeting.

4.2.2 Operating Expenditure

This section deals with the operating expenditure performance for the period ended 30 June 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			
		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million	R million				
NP03a2	Makhuduthamaga	109	15	88	81%
NP03a3	Fetakgomo	43	4	40	91%
NP03a4	Ephraim Mogale	140	9	119	85%
NP03a5	Greater Tubatse	180	11	122	68%
NP03a6	Elias Motsoaledi	231	16	166	72%
DC47	Greater Sekhukhune	420	30	335	80%
Sekhukhune		1,123	87	870	77%
NP331	Greater Giyani	142	4	99	70%
NP332	Greater Letaba	114	11	97	85%
NP333	Greater Tzaneen	523	74	572	109%
NP334	Ba-Phalaborwa	304	23	273	90%
NP335	Maruleng	74	5	58	79%
DC33	Mopani District	391	102	530	136%
Mopani District		1,547	218	1,630	105%
NP341	Musina	126	9	145	115%
NP342	Mutale	64	9	73	114%
NP343	Thulamela	368	20	217	59%
NP344	Makhado	515	44	395	77%
DC34	Vhembe District	519	27	407	78%
Vhembe		1,592	109	1,237	78%
NP351	Blouberg	88	8	60	68%
NP352	Aganang	67	3	46	68%
NP353	Molemole	88	4	40	46%
NP354	Polokwane	1,284	258	1,206	94%
NP355	Lepelle-Nkumpi	131	9	74	57%
DC35	Capricorn District	453	37	298	66%
Capricorn		2,111	319	1,724	82%
NP361	Thabazimbi	175	42	194	111%
NP362	Lephalale	322	24	350	109%
NP363	Mookgophong	92	11	76	82%
NP364	Modimolle	171	18	132	77%
NP365	Bela-Bela	156	11	162	103%
NP366	Mogalakwena	486	37	351	72%
DC36	Waterberg District	106	14	89	84%
Waterberg		1,508	157	1,353	90%
Total		7,883	889	6,813	86%

Table four above reflects the status of all municipalities in terms of the total operating expenditure budget amounting to 7.8 billion. For the period under review, the consolidated actual expenditure amounts to 6.8 billion or 86.0 per cent of adjusted budget of 7.8 billion. 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 to be the lowest amongst all the districts. The total adjustment budget for operating expenditure stands at 1.1 billion. The actual expenditure for the month is at 87 million, resulting in expenditure to date of 870 million or 77 per cent. The highly performed municipality is Fetakgomo at 91 per cent and the lowest performance is noticed on Greater Tubatse as it reflects 68 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 105 per cent. Within this district, Mopani District records the highest ratio of 136 per cent, followed by Greater Tzaneen by 109 per cent. The lowest ratio was achieved by Greater Giyani at 70 per cent.

- **Vhembe District:** The operating expenditure incurred by the district stands at 78.0 per cent of the total adjustment budget of 1.5 billion. The actual operating expenditure for the month is at 109 million and, the expenditure to date stands at 1.2 billion. The highest ratio in this district was achieved by Musina (115.0 per cent) followed by Mutale (114.0 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 2.1 billion and the expenditure to date is 1.7 billion or 82 per cent. Polokwane is the highest as it stands at 94 per cent, followed by Blouberg and Aganang as their performance is uniformly achieved at 68.0 per cent and the lowest is Molemole as it stands at 46.0 per cent.
- **Waterberg District:** The overall adjusted budget of the district stands at 1.5 billion, the expenditure to date is 1.3 billion which results to 90.0 per cent. This puts Waterberg District in second position in terms of operating expenditure percentage. In this district, Thabazimbi has the highest expenditure percentage of 111.0 followed by Lephalale and Bela Bela that achieved 109.0 and 103.0 per cent respectively. Mogalakwena Municipality has the lowest percentage of 72.0 per cent.

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

Table 5: Consolidated operating expenditure items as at 30 June 2011

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual	Year TD	Spent of budget
	Budget	Budget	Actual	Actual	%
Employee costs	2,619	2,616	218	2,387	91%
Remuneration of Councillors	283	259	24	249	96%
Debt impairment	135	111	0	6	6%
Depreciation and amortisation	324	455	124	223	49%
Finance charges	41	35	1	52	147%
Materials and bulk purchases	1,691	1,629	242	1,636	100%
Other expenditure	2,557	2,777	280	2,260	81%
Total Expenditure	7,649	7,883	889	6,813	86%

Source: In-Year Monitoring Reports Database

Analysis of the individual expenditure items is reflected as follows:

- **Employee Related Costs:** This line item is made up of salaries, benefits and allowance for municipal officials. The expenditure incurred to date amounts to 2.3 billion or 91 per cent against the total operating expenditure budget of 7.8 billion.
- **Remuneration of Councilors:** The expenditure incurred on this line item amounts to 249 million or 96 per cent against the adjusted budget of 259 million.
- **Debt impairment:** This refers to provision for bad or irrecoverable debt. The line item has an adjustment budget of 111 million, while the year to date (YTD) actual reflects 6 million or 6 per cent of the adjusted budget. There was no movement in this regard for the whole financial year.

- **Depreciation or amortisation:** Expenditure stands at 49 per cent of the adjusted budget, with YTD of 99 million and monthly actual of 223 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 toward the payment of interest from external borrowings and leases. The YTD actual is R52 million (147.0 per cent) of R35 million adjusted budget.
- **Materials and bulk Purchases:** The performance on this item stands at 100 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 1.6 billion over an adjustment budget of 1.6 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 2.7 billion, the YTD actual spending stands at 2.2 billion or 81.0 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 sacrificed by municipalities. This is despite the recommendation made through MFMA Circulars for municipalities to increase spending on repairs & maintenance, especially on revenue generating assets.

Sources of Capital funding

Table 6 : Sources of Capital funding

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of budget %
Funds sources					
External Loans	660	658	9	41	6%
Asset Financing Reserve	–	–	39	241	
Surplus Cash	334	347	26	144	42%
Public contributions/ donations	152	152	–	0	0%
Government Grants and Subsidies	2,514	2,517	262	1,878	75%
Leases	40	40	3	39	97%
Other Ad-Hoc Financing Sources	28	28	4	1	2%
Other	190	208	18	119	57%
Total sources	3,918	3,949	360	2,462	62%

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. Grants and subsidies stands at 75.0 per cent. This is a reflection that municipalities did not meet their target in capital spending; they could not claim their spending from other spheres of government.

Municipalities are decreasingly using external loans to fund their capital expenditure and the above table 6 shows that the spending patterns stands at 6 per cent or R41 million at the end of the financial year. Municipalities also fund their capital expenditure from surpluses generated from their trading activities or from rates which stands at 42 per cent. Other sources of funding used by municipalities are ad-hoc financing sources at (2 per cent) which have decreased compared to previous month at 5 per cent and "other" unspecified sources of funding are at (57 per cent).

4.2.3 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 30 June 2011.

Code	Municipality	Total Capital Expenditure			
		Original/adjusted budget	Actual expenditure for the month	Actual expenditure year to date	Actual spent to date as % of budget
R million	R million				
NP03a2	Makhuduthamaga	83	10	49	59%
NP03a3	Fetakgomo	13	1	13	99%
NP03a4	Ephraim Mogale	23	4	25	112%
NP03a5	Greater Tubatse	47	1	21	45%
NP03a6	Elias Motsoaledi	94	9	69	74%
DC47	Greater Sekhukhune	355	62	295	83%
Sekhukhune		614	88	473	77%
NP331	Greater Giyani	56	17	35	62%
NP332	Greater Letaba	58	10	36	62%
NP333	Greater Tzaneen	121	12	85	70%
NP334	Ba-Phalaborwa	58	8	26	44%
NP335	Maruleng	27	2	17	64%
DC33	Mopani District	467	51	355	76%
Mopani District		787	100	554	70%
NP341	Musina	14	1	14	99%
NP342	Mutale	17	0	12	73%
NP343	Thulamela	111	3	58	52%
NP344	Makhado	166	11	98	59%
DC34	Vhembe District	706	52	416	59%
Vhembe		1,044	68	598	57%
NP351	Blouberg	32	1	20	63%
NP352	Aganang	54	4	24	44%
NP353	Molemole	22	1	9	42%
NP354	Polokwane	342	43	243	71%
NP355	Lepelle-Nkumpi	92	7	45	49%
DC35	Capricorn District	221	12	125	57%
Capricorn		762	65	500	66%
NP361	Thabazimbi	47	0	2	4%
NP362	Lephalale	96	5	119	124%
NP363	Mookgophong	26	3	10	38%
NP364	Modimolle	37	1	25	66%
NP365	Bela-Bela	25	3	20	77%
NP366	Mogalakwena	209	21	182	87%
DC36	Waterberg District	20	1	5	24%
Waterberg		461	34	362	79%
Total		3,669	357	2,453	67%

The main features of table 7 are the following:

- **Mopani District:** - The average performance for the District stand at 70 per cent against the adjustment budget .Municipalities in the district did not do well in terms of the percentage for the financial year 2010/2011. Municipalities could not spend their entire capital budget. The highest performer is Mopani at 76 percent and the lowest performance reflected by Ba-Phalaborwa with 44 per cent.
- **Vhembe District:** -The average performance for the district stands at 57 per cent of the adjusted budget. This shows a poor performance for the District in 2010/2011 financial year. Musina local municipality has spent 99 per cent of its capital budget. Thulamela is the lowest performing municipality in the District at 52 per cent.
- **Waterberg District:** - The district's original budget was adjusted from 526 million to 461 million. Actual performance to date is 79 per cent of the adjusted budget. Lephalale is the highest performer achieving 124 per cent and the lowest performer in the District is Thabazimbi with 4 per cent followed by Waterberg and Mookgophong at 24 and 38 respectively.
- **Sekhukhune District:** - The year to date performance is 77 per cent. The highest performer is Ephraim Mogale at 112 per cent followed by Fetakgomo at 99 percent, while the lowest performer is Greater Tubatse at 45 per cent.
- **Capricorn District:** - The district incurred an expenditure amounting to 500 million or 66 per cent. The highest performer is Polokwane at 71 per cent followed by Blouberg at 63 per cent while the lowest performer is Molemole at 42 per cent followed by Aganang at 44 per cent.

Table 8: Consolidated capital expenditure by asset class as at 30 June 2011

Description R million	Budget Year 2010/11				
	Original Budget	Adjusted Budget	Monthly actual Actual	Year TD Actual	Spent of budget %
Capital expenditure					
Infrastructure	2,397	2,884	297	2,039	71%
Community	332	391	30	181	46%
Heritage assets	1	3	–	–	
Investment properties	–	1	0	0	23%
Other assets	479	362	30	231	64%
Agricultural assets	2	3	1	2	80%
Biological assets	0	0	–	–	
Intangibles	25	25	–	–	
Total Capital expenditure	3,236	3,669	357	2,453	67%

Source: In-Year Monitoring Reports Database

- **Infrastructure** – The total year to date spending on this line item is 2 billion or 71.0 per cent of the adjusted budget of 2.8 billion.
- **Other assets** – The line item's budget stands at 362 million with the year to date actual of 231 million or 64 per cent of the adjusted budget.
- **Agricultural assets**– The line item's adjustment budget stands at 3 million, with a year to date actual of 2 million or 80 per cent.
- **Community asset** – The budget for community assets was adjusted from 332 million to 391 million. The year to date expenditure for this item is 181 million or 46 per cent.
- **Investment Properties** – From an adjusted budget of R1 million, this item achieved 23 per cent of spending to date.

- **Heritage and Intangibles** – The adjusted budget on this item is 3 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. For the financial year 2010/2011 municipalities in the province has spend 67 per cent.

4.2.4 Debtors and Creditors

The analysis in tables 9 and 10 below show the status of debtors and creditors as at 30 June 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
Debtors Age analysis								
Sekhukhune	12	22	27	56	34	–	–	151
Mopani	52	27	23	20	51	162	270	595
Vhembe	6	26	19	15	82	142	51	342
Capricorn	99	37	20	35	259	2	18	470
Waterberg	67	27	22	315	140	–	–	571
	236	140	111	441	566	306	339	2,129

Source : In-Year Monitoring Reports Database

Low collection consumer debts remain a challenge in Limpopo Municipalities. The low collection of revenue is due to residents, the businesses and government departments not paying municipal bills. In April 2011, the total amount owed to municipalities amounted to 2.2 billion, the previous month (May 2011, the total amount owed was 2.1 billion, while at the end of the financial year (June 2011 the total amount owed still stands at 2.1 billion).

Mopani District records the highest total debt of 595 million, followed by Waterberg District with 571 million, Capricorn District reveals amount of 470 million, while Vhembe District records 342 million. The District with the lowest debt is Sekhukhune with 151 million. As indicated on the above table, 236 million or 11 per cent is recorded between 0-30, while the rest (1.8 billion) is for more than 30 days, and it represents 89 per cent of the total debts.

Table 10: Consolidated Creditors as at 30 June 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	2	0	0	1	–	–	–	3
Mopani	36	0	1	11	39	–	–	87
Vhembe	22	2	2	1	2	4	18	50
Capricorn	139	3	0	63	0	12	27	245
Waterberg	49	2	8	2	2	1	2	66
Total creditors	248	6	11	79	43	17	47	451

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 451 million. Municipalities reported having creditors owed for more than thirty days in the prior months; for instance, in April 2011, the report revealed a total outstanding amount of 359 million, as at end of May 2011 the total amount owed was 335 million, and at the end of the financial year municipalities reported, an amount of 451 million.

The above table further suggests that 203 million or 45 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. Capricorn District has the highest amount of outstanding creditors which stands at 245 million, followed by Mopani with 87 million, Waterberg records 66 million, while Vhembe owes 50 million and lastly is Sekhukhune with the lowest balance of 3 million.

Table 11: Consolidated cash flows as at 30 June 2011

Cash flows	July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Opening Cash Balance	206	1,411	1,457	934	983	1,424	1,566	1,496	1,418	2,332	1,783	1,497
Sub-Total (Receipts)	2,143	969	646	906	1,483	1,495	704	753	1,905	553	791	841
Sub-Total (Payments)	1,049	955	1,093	850	1,013	1,380	687	751	1,105	1,071	949	1,192
Closing Balance	1,355	1,380	881	932	1,385	1,510	1,438	1,373	2,247	1,697	1,434	965

The opening cash balance of the municipality as indicated on table 11 above is 206 million as at July 2010. The opening balance remained favorable from the start of the financial year until the period under review (June 2011). The opening balance for June 2011 is 1.4 billion with the total receipts of 841 million and total payments of 1.1 billion. The closing balance stands at 965 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.

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 June 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:

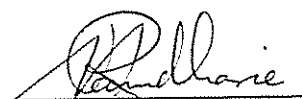


Ngoepe N A

Senior Manager: MFMA Coordinator

Date: 29/07/2011

Approved by:



Ramdharie N

Head of Department

Date: 29/07/2011