

MUNICIPAL BUDGET PERFORMANCE CONSOLIDATED STATEMENT AS AT 30 JUNE 2009

INTRODUCTION

1. This consolidated budget statement covers the in-year financial performance of the 2008/09 municipal financial year-to-date, which ended 30 June 2009.
2. The consolidated statement assesses the in-year financial performance of municipalities against their budgeted revenue and expenditure. The assessment focus on the sustainability and credibility of municipal budgets and includes the following indicators:
 - Capital & Operating budgets;
 - Cash Flow;
 - Outstanding Debtors & Creditors;
3. It covers an analysis of the month under review i.e. June 2009, a year-to-date analysis and a year-on-year comparative analysis.

LEGISLATIVE FRAMEWORK

4. In terms of the Municipal Finance Management Act (Act 56 of 2003) section 71(1), the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to, amongst others, the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget. Section 74 of the MFMA requires accounting officers to submit such information, returns, documents and motivations as may be required.
5. Furthermore, according to section 71(6) the Provincial Treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipal budgets.

COMPLIANCE

6. The due date for the submission of the report was 14 July 2009 and the following municipalities did not comply:

Municipality	Date Submitted	Reason for non-compliance
Xhariep	15 July 2009	No reasons provided.
Letsemeng	16 July 2009	No reasons provided.
Motheo	21 July 2009	Late reconciliation due to financial year end.
Naledi	17 July 2009	No reasons provided.
Tokologo	20 July 2009	No reasons provided.
Tswelopele	Not submitted	Transactions still processed due to financial year end.
Matjhabeng	Not submitted	Official responsible for compiling reports not available.
Nala	Not submitted	Municipality is experiencing IT problems.
Dihlabeng	21 July 2009	Problems with server at municipality.
Ngwathe	Not submitted	No reasons provided.
Metsimaholo	Not submitted	No reasons provided.
Mafube	15 July 2009	No reasons provided.

Municipalities are encouraged to:

- delegate the responsibility of compiling reports to more than one official to enhance the flow of the work;
- train and mentor new officials on how to compile monthly reports before they can produce public reports.

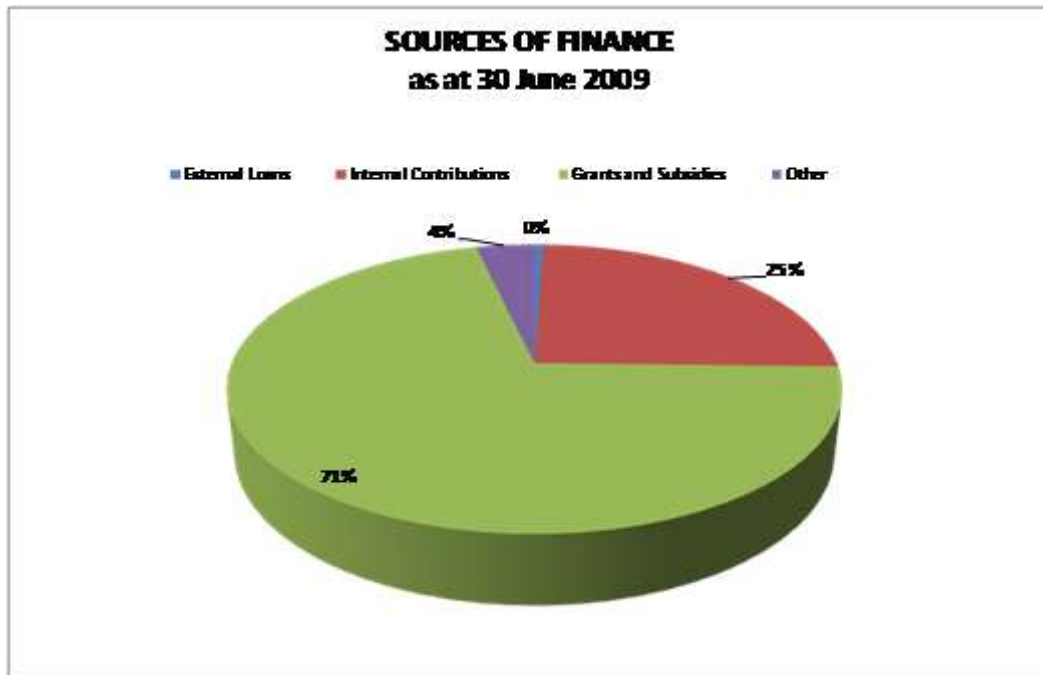
CAPITAL AND OPERATING REVENUE BUDGETS

7. Table 1 below shows the sources of finance, capital and the operating revenue per district as at 30 June 2009.

District	REVENUE BUDGET							
	CAPITAL				OPERATING			
	Original Budget	Adjusted Budget	Actual YTD	% Spent	Original Budget	Adjusted Budget	Actual YTD	% Spent
Xhariep District	74,678	55,083	28,277	51.3	215,336	214,571	243,846	113.6
Motheo District	772,365	887,875	600,269	67.6	2,800,002	2,973,280	2,074,349	69.8
Lejweleputswa District	342,642	347,294	99,908	28.8	1,518,336	1,577,545	1,060,918	67.3
Thabo Mofutsanyana District	410,204	401,270	260,402	64.9	1,381,940	1,542,518	1,279,579	83.0
Fezile Dabi District	229,084	208,408	74,627	35.8	1,135,477	1,237,118	904,199	73.1
TOTAL	1,828,973	1,899,930	1,063,483	56.0	7,051,091	7,545,032	5,562,891	73.7

Capital Revenue: Sources of Finance

8. It should be noted that capital revenue represents the sources of finances utilized to fund capital expenditure. It therefore does not necessarily reflect actual financing (grants, loans, etc) receipts as required by Section 71 of the MFMA. Actual receipts in terms of the cash flow statement could therefore exceed the reflected amount. The current IYM format does not allow for the capital revenue to exceed expenditure.



9. Budgeted capital sources of finance amounts R1,900 billion and the actual received reported is R1,063 billion or 56.0 per cent of the budget.
10. The individual sources of finance reflected the following year-to-date performance:

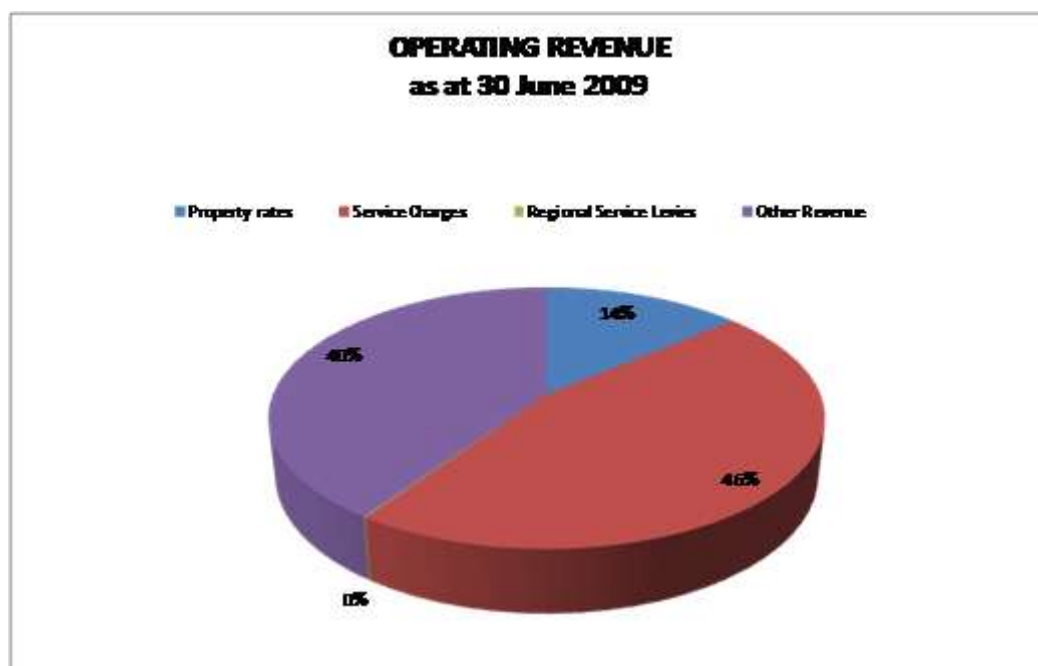
SOURCE OF FINANCE	ORIGINAL BUDGET R'000	ADJUSTED BUDGET R'000	ACTUALS YTD R'000	%
External Loans	214,561	223,936	5,908	2.5
Internal Contributions	305,507	344,501	264,006	76.6
Grants & Subsidies	1,231,895	1,217,390	754,700	62.0
Other	77,011	114,103	38,869	34.1
TOTAL	1,828,973	1,899,930	1,063,483	47.6

- i. External loans amounts to R5,908 million or 2.5 per cent of a total adjusted budget of R223,936 million,
- ii. Internal Contributions amounts to R264,006 million or 76.6 per cent of a total adjusted budget of R344,501 million,
- iii. Grants and Subsidies amounts to R754,700 million or 62.0 per cent of a total adjusted budget of R1,217 billion, and
- iv. Other sources of finance amounts to R38,869 million or 34.1 per cent of a total adjusted budget of R114,103 million.

Operating Revenue

11. For the month under review the operating revenue amounts to R5,563 billion or 73.7 per cent of the total adjusted budget of R7,545 billion.

- a. The graph below shows where large percentage of operating revenue emanates.



Operating Revenue and Expenditure

12. The table below shows the in-year performance of the individual items are as follow to date:

OPERATING REVENUE	ORIGINAL BUDGET R'000	ADJUSTED BUDGET R'000	ACTUALS YTD R'000	%
Property Rates	991,795	1,029,378	764,038	74.2
Service Charges	2,848,547	3,025,365	2,547,312	84.2
Regional Service Levies	20,000	20,000	4,820	24.1
Other Revenue	3,190,749	3,470,289	2,246,722	64.7
TOTAL	7,051,092	7,545,032	5,562,892	73.7

- i. Property Rates: The actual revenue generated amounts to R764 million or 74.2 per cent of a total adjusted budget of R1,029 billion.
- ii. Service Charges: The actual revenue generated amounts to R2,547 billion or 84.2 per cent of a total adjusted budget of R3,029 billion.
- iii. Regional Service Levies: The actual revenue generated amounts to R4,8 million or 24.1 per cent of a total budget of R20 million.
- iv. Other Revenue: The actual revenue generated amounts to R2,247 billion or 73.7 per cent of a total budget of R3,470 billion.

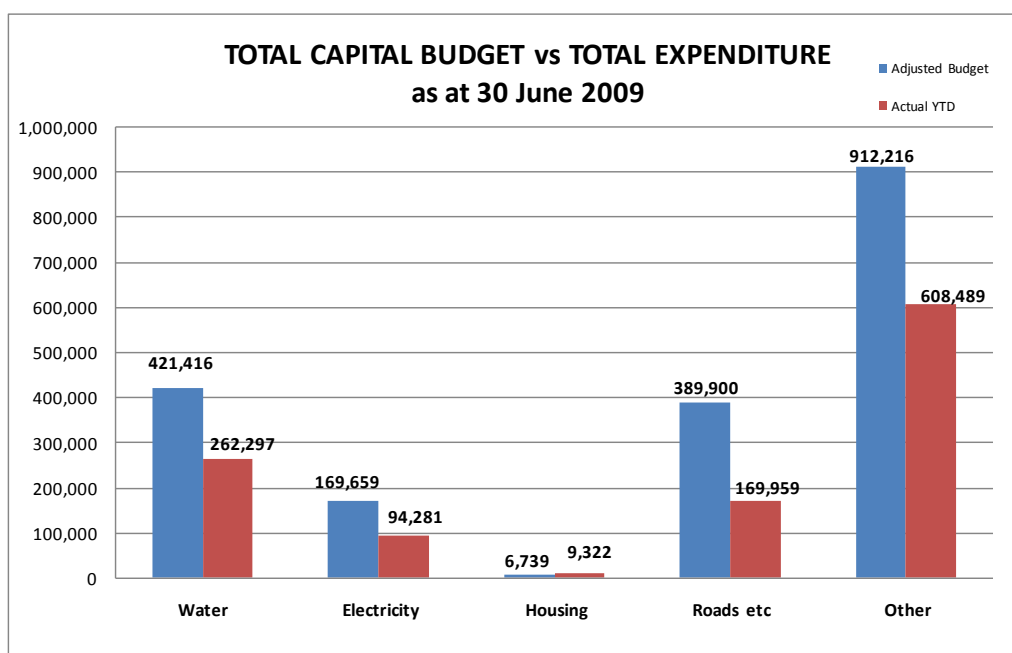
CAPITAL AND OPERATING EXPENDITURE BUDGETS

Capital Expenditure

13. The table below shows the performance of the items to this date.

CAPITAL EXPENDITURE	ORIGINAL BUDGET R'000	ADJUSTED BUDGET R'000	ACTUALS YTD R'000	%
Water	425,356	421,416	262,297	62.2
Electricity	166,990	169,659	94,281	55.6
Housing	2,564	6,739	9,322	138.3
Roads, Pavements etc.	336,081	389,900	169,959	43.6
Other	897,982	912,216	608,489	66.7
TOTAL	1,828,973	1,899,930	1,144,348	60.2

- 15. The total capital expenditure amounts to R1,144 billion or 60.2 per cent of the total adjusted budget of R1,900 billion.
- 16. The highest spending item reported is 'Housing' which amounts to R9,322 million or 138.3 per cent of the total adjusted budget of R6,739 million.
- 17. Chart 3 below shows the actual capital expenditure against the adjusted budget per item.

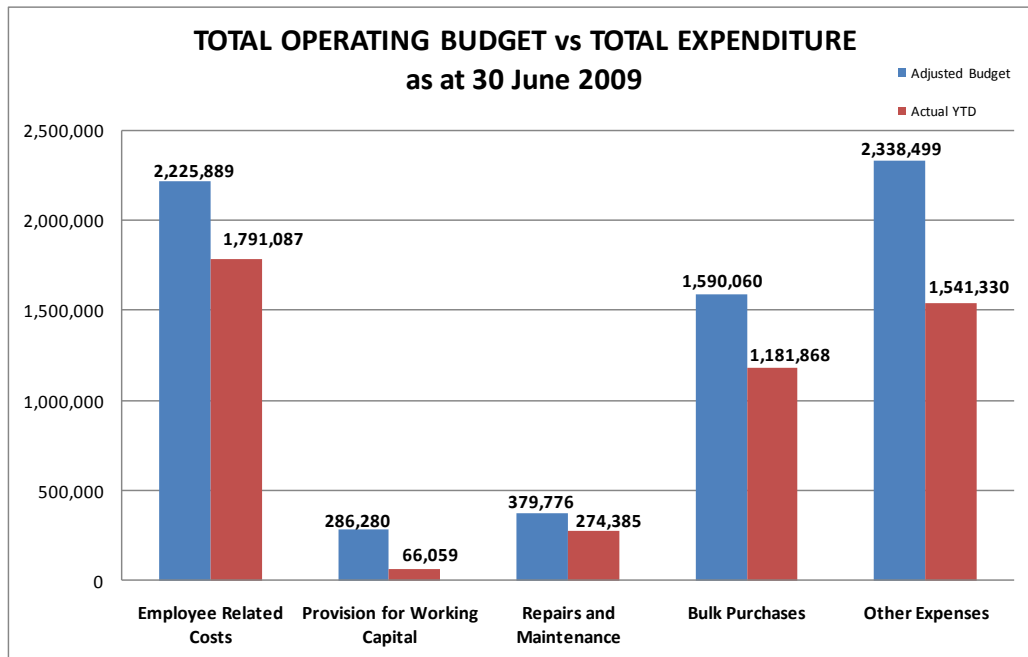


Operating Expenditure

18. The total operating expenditure amounts to R4,348 billion or 63.8 per cent of the total adjusted budget of R6,814 billion.

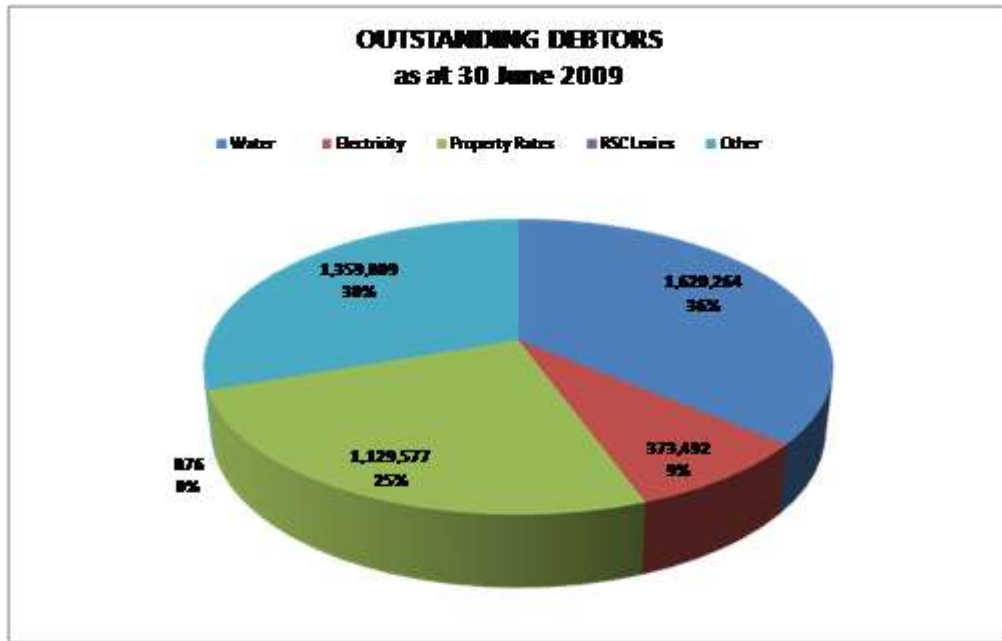
CAPITAL EXPENDITURE	ORIGINAL BUDGET R'000	ADJUSTED BUDGET R'000	ACTUALS YTD R'000	%
Employee Related Costs	2,224,944	2,225,889	1,791,087	80.5
Provision for Working Capital	125,192	286,280	66,059	23.1
Repairs and Maintenance	361,042	379,776	274,385	72.2
Bulk Purchases	1,393,622	1,590,060	1,181,868	74.3
Other Expenses	2,346,820	2,338,499	1,541,330	65.9
TOTAL	6,451,620	6,820,504	4,854,729	63.8

19. The highest spending items reported are 'Employee Related Costs' of which the actual expenditure amounts to R1,791 billion or 80.5 per cent of the total adjusted budget of R2,226 billion, followed by 'Bulk purchases' of which the actual expenditure amounts to R1,182 billion or 74.3 per cent of the total adjusted budget of R1,6 billion.
20. Chart 4 shows the actual operating expenditure against the adjusted budget per item.



DEBTORS

21. The total outstanding debtors, which include current debtors for the municipalities in the Province as at 30 June 2009, amounts to R4,484 billion which amounts to 59.4 per cent of the adjusted operating revenue budget and 51.4 per cent of the total adjusted budget.
22. The high outstanding amount of debtors impacts negatively on the cash flows of the municipalities.
23. The month-on-month trend for total outstanding debtors reflects an increase of R800 million from May 2009.
24. Debt collection remains an area of concern to municipalities since R3,771 billion is outstanding for a period over 90 days, whilst according to section 64 of the MFMA, municipalities must collect all money due to them.
25. The highest outstanding debtors are regarding water which is 36 per cent of the total outstanding debtors followed by other at 30 per cent which includes study loans, telephone debt, councilors/employee debt, etc.



26. The outstanding total outstanding debt per municipality is as follow:

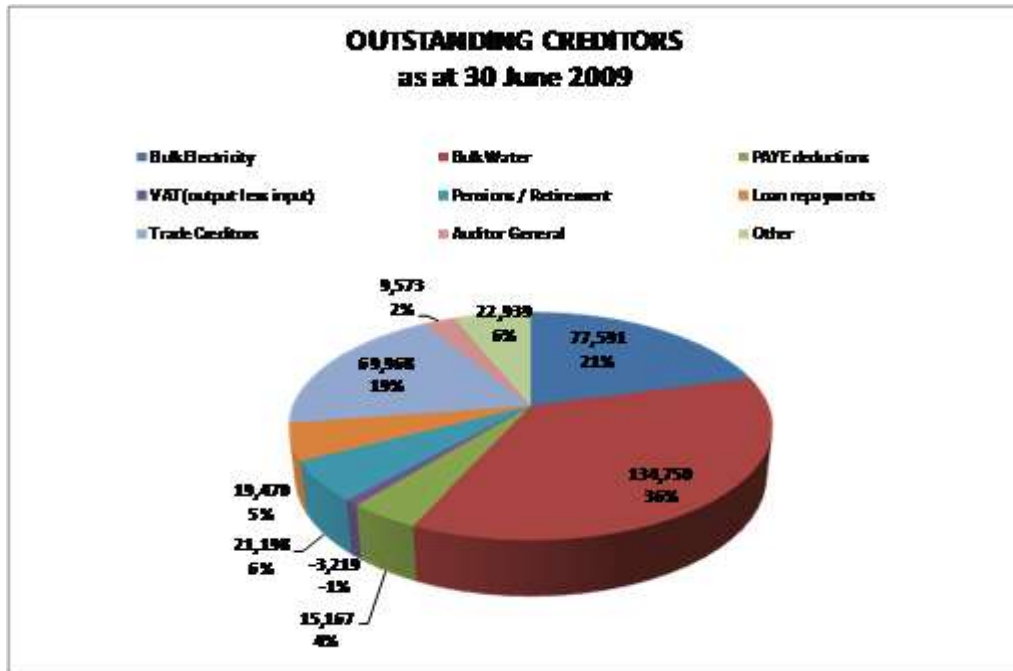
Municipality	0-30 Days R'000	31-60 Days R'000	61-90 Days R'000	Over 90 Days R'000	TOTAL R'000
Xhariep	0	0	0	126	126
Letsemeng	2,142	703	624	10,580	14,049
Kopanong	761	651	836	46,249	48,497
Mohokare	824	848	687	46,795	49,154
Total Xhariep District	3,727	2,202	2,147	103,750	111,826
Motheo	579	0	0	308	887
Naledi	94	1,302	1,263	56,412	59,071
Mangaung	116,447	58,138	43,968	700,270	918,823
Mantsopa	4,679	5,386	4,784	74,788	89,637
Total Motheo District	121,799	64,826	50,015	831,778	1,068,418
Lejweleputswa	0	0	0	8,829	8,829
Masilonyana	-7	3,725	2,647	118,310	124,675
Tokologo	1,234	946	686	23,464	26,330
Tswelopele	2,081	1,420	833	32,863	37,197
Matjhabeng	69,921	43,550	40,313	1,060,902	1,214,686
Nala	1,836	41,381	5,860	105,989	155,066
Total Lejweleputswa District	75,065	91,022	50,339	1,350,357	1,566,783
Thabo Mofutsanyana	0	0	0	0	0
Setsoto	7,459	16,107	5,270	175,120	203,956
Dihlabeng	10,401	5,322	4,269	132,743	152,735
Nketoana	5,095	6,938	4,273	106,357	122,663
Maluti a Phofung	19,855	17,296	15,328	422,171	474,650
Phumelela	649	952	783	50,136	52,520
Total Thabo Mofutsanyana District	43,459	46,615	29,923	886,527	1,006,524
Fezile Dabi	0	0	0	0	0
Moqhaka	14,550	6,188	5,084	175,112	200,934
Ngwathe	14,357	13,284	8,558	100,730	136,929
Metsimaholo	25,128	17,702	23,573	256,382	322,785
Mafube	-6,870	7,997	1,837	66,852	69,816
Total Fezile Dabi District	47,165	45,171	39,052	599,076	730,464
TOTAL	291,215	249,836	171,476	3,771,488	4,484,015

CREDITORS

27. The total reported for outstanding creditors amounts to R367,438 million and R135,412 million of the total is outstanding for longer than 30 days. This is in contravention with MFMA section 65 which states that all money owing by the municipality must be paid within 30 days of receiving the relevant invoice. The outstanding creditors impact negatively on the financial sustainability of the municipalities.
28. The following municipalities reported creditors outstanding for longer than 30 days:

Municipality	0-30 Days R'000	31-60 Days R'000	61-90 Days R000	Over 90 Days R'000	Total R'000
Xhariep	21	23	61	544	649
Letsemeng	0	0	0	0	0
Kopanong	743	1,001	-1	10,890	12,633
Mohokare	528	249	289	4,602	5,668
Total Xhariep District	1,292	1,273	349	16,036	18,950
Motheo	1,551	0	0	0	1,551
Naledi	587	1,062	577	8,466	10,692
Mangaung	16,803	5,462	1,898	985	25,148
Mantsopa	377	0	0	0	377
Total Motheo District	19,318	6,524	2,475	9,451	37,768
Lejweleputswa	2,220	0	0	0	2,220
Masilonyana	1,917	2,123	4,160	8,246	16,446
Tokoloko	0	0	0	0	0
Tswelopele	0	0	0	0	0
Matjhabeng	37,538	28,617	19,580	91,315	177,050
Nala	9,814	0	0	0	9,814
Total Lejweleputswa District	51,489	30,740	23,740	99,561	205,530
Thabo Mofutsanyana	0	0	0	0	0
Setsoto	1,374	0	0	0	1,374
Dihlabeng	0	0	0	0	0
Nketoana	20	0	0	149	169
Maluti a Phofung	18,792	0	0	0	18,792
Phumelela	8,538	0	0	0	8,538
Total Thabo Mofutsanyana District	28,724	0	0	149	28,873
Fezile Dabi	0	0	0	0	0
Moqhaka	15,343	0	0	0	15,343
Ngwathe	16,993	11,227	6,226	7,521	41,967
Metsimaholo	2,206	740	2,202	750	5,898
Mafube	47	338	2,831	9,891	13,107
Total Fezile Dabi District	34,589	12,305	11,259	18,162	76,315
TOTAL	135,412	50,842	37,823	143,359	367,436

29. The highest outstanding creditors are reported for 'Bulk Water & Electricity' followed by 'Trade Creditors'.



CASH FLOW

30. The overall cash flow position of municipalities shows fairly positive cash flow balances as at the end of June 2009. Although municipalities are requested to submit bank statements and bank reconciliations for verification purposes, 90% of municipalities did not comply and therefore the accuracy of the closing balances could not be verified.

It is also noted with concern that not all municipalities are compiling bank reconciliations on a monthly basis as required. This is a clear indication that the allocation of funds received and expenditure are not done regularly.

GENERAL

31. Training and technical assistance regarding the municipal reporting is provided to municipalities on an ongoing basis to improve the quality of reports received.

CONCLUSION

33. An under spending is again reported regarding capital expenditure for the 2008/09 financial year. This emphasizes the lack of proper planning of projects and the poor management of capital funding.
34. Debt collection still raises concern as it impacts negatively on the future sustainability of budgets and ultimately service delivery and will also be closely monitored by the Provincial Treasury. Note should also be taken that municipalities still provide free services to households that can afford to pay which also reduces the revenue collection.

35. It is noted with concern that the outstanding creditors are increasing on a monthly basis. The high amount outstanding for creditors is a further indication that the revenue collection at municipal level is not sufficient and municipalities are therefore depending on grant's allocation for the payment of creditors.

SW Bhembe

***Acting* SENIOR MANAGER: NORMS & STANDARDS (MFMA)**

Date: _____