

MEC FOR FINANCE

MUNICIPAL BUDGET PERFORMANCE CONSOLIDATED STATEMENT AS AT 30 JUNE 2010

1. PURPOSE

To provide a consolidated report on the performance of municipalities in the Province as at 30 June 2010.

2. SUMMARY

2.1 This consolidated budget statement covers the in-year financial performance for the period ended 30 June 2010.

2.2 The consolidated statement assesses the in-year financial performance of municipalities against their budgeted revenue and expenditure. The assessment focuses on the following indicators:

- Capital & Operating budgets;
- Cash Flow;
- Outstanding Debtors & Creditors.

2.3 It covers an analysis of the month under review i.e. June 2010, a year-to-date analysis and year-on-year comparative analysis.

3. BACKGROUND

3.1 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.

3.2 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 (MFMA, s71(6)).

4. MOTIVATION

4.1 Compliance

4.1.1 The following municipalities failed to conform to the legislative requirements outlined by Section 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) for the reporting period ending 30 June 2010.

4.1.2 Municipalities whose names appear in the schedules below should take the necessary steps to ensure that they comply with their reporting obligations in terms of Section 71 of the Municipal Finance Management Act in future.

The following tables indicate the non-submission of monthly and budget (annual) returns per municipality as per section 71 of the Municipal Finance Management Act:

Xhariep District

			FS163
			Mohokare
			(L)
Document / Return	Fin Year End	Period	Due Date
Financial Perform Actual	2010	M06	<u>2010/01/14</u>

Motheo District

			FS173
			Mantsopa
			(M)
Document / Return	Fin Year End	Period	Due Date
Age Debtors	2010	M12	<u>2010/07/14</u>

Lejweleputswa District

			FS182	FS183	FS185
			Tokologo	Tswelopele	Nala
			(L)	(M)	(M)
Document / Return	Fin Year End	Period	Due Date		
Age Creditors	2010	M01		<u>2009/08/14</u>	
	2010	M07			<u>2010/02/14</u>
	2010	M09			<u>2010/04/16</u>
	2010	M11	<u>2010/06/14</u>		
	2010	M12	<u>2010/07/14</u>	<u>2010/07/14</u>	<u>2010/07/14</u>
Age Debtors	2010	M01		<u>2009/08/14</u>	
	2010	M09		<u>2010/04/16</u>	

	2010	M11	<u>2010/06/14</u>		
	2010	M12	<u>2010/07/14</u>	<u>2010/07/14</u>	<u>2010/07/14</u>
Capital Acquisitions Actual	2010	M11	<u>2010/06/14</u>		
	2010	M12	<u>2010/07/14</u>	<u>2010/07/14</u>	<u>2010/07/14</u>
Cash Flow Actual	2010	M11	<u>2010/06/14</u>		
	2010	M12	<u>2010/07/14</u>	<u>2010/07/14</u>	<u>2010/07/14</u>
Financial Perform Actual	2010	M11	<u>2010/06/14</u>		
	2010	M12	<u>2010/07/14</u>		<u>2010/07/14</u>

All highlighted returns were eventually submitted, though very late by end of July 2010.

Thabo Mofutsanyana District

			FS195
			Phumelela
			(L)
Document / Return	Fin Year End	Period	Due Date
Age Creditors	2010	M11	<u>2010/06/14</u>
Age Debtors	2010	M11	<u>2010/06/14</u>
Capital Acquisitions Actual	2010	M11	<u>2010/06/14</u>
Cash Flow Actual	2010	M11	<u>2010/06/14</u>
Financial Perform Actual	2010	M11	<u>2010/06/14</u>

Fezile Dabi District

			FS201	FS203
			Moqhaka	Ngwathe
			(H)	(M)
Document / Return	Fin Year End	Period	Due Date	
Age Debtors	2010	M10		<u>2010/05/14</u>
	2010	M11	<u>2010/06/14</u>	
Capital Acquisitions Actual	2010	M08		<u>2010/03/15</u>
	2010	M12	<u>2010/07/14</u>	
Cash Flow Actual	2010	M10	<u>2010/05/14</u>	
Financial Perform Actual	2010	M12	<u>2010/07/14</u>	

4.1.3 The main reason for the non-compliance is capacity, instability of staff and a backlog of information processed on the financial systems. Technical support is provided to municipalities as and when requested.

4.1.4 The analysis for June 2010 is based only on the information submitted and therefore excludes the above listed returns.

4.2 2009/10 Adjustment Budget

4.2.1 The following table indicates the municipalities that adjusted their operating budgets for the 2009/10 financial year:

Municipality	Operating Revenue Budget				Operating Expenditure Budget			
	Original Budget R'000	Adjusted Budget R'000	Variance R'000	% Increase / (Decrease)	Original Budget R'000	Adjusted Budget R'000	Variance R'000	% Increase / (Decrease)
Letsemeng	62,593	64,427	1,834	2.9	62,593	-76,078	-138,671	-221.5
Mohokare	72,019	72,634	615	0.9	68,789	69,191	402	0.6
Motheo	153,852	150,374	-3,478	-2.3	153,851	150,367	-3,484	-2.3
Naledi	60,672	48,042	-12,630	-20.8	42,873	34,672	-8,201	-19.1
Mangaung	2,964,924	3,264,919	299,995	10.1	2,619,323	2,693,617	74,294	2.8
Mantsopa	121,147	122,958	1,811	1.5	121,129	122,924	1,795	1.5
Lejweleputswa	90,656	91,596	940	1.0	90,656	91,596	940	1.0
Masilonyana	122,994	133,963	10,969	8.9	122,876	132,387	9,511	7.7
Tswelopele	66,426	70,511	4,085	6.1	66,426	68,068	1,642	2.5
Dihlabeng	354,482	358,380	3,898	1.1	354,471	373,503	19,032	5.4
Nketoana	108,281	114,655	6,374	5.9	96,531	116,526	19,995	20.7
Phumelela	94,893	67,669	-27,224	-28.7	101,142	71,589	-29,553	-29.2
Fezile Dabi	175,211	176,758	1,547	0.9	167,191	169,181	1,990	1.2
Ngwathe	324,512	324,633	121	0.0	301,060	301,306	246	0.1
Metsimaholo	493,838	459,088	-34,750	-7.0	485,424	474,185	-11,239	-2.3

4.2.2 The following table indicates the municipalities that adjusted their capital budgets for the 2009/10 financial year:

Municipality	Capital Sources of Finance				Capital Expenditure Budget			
	Original Budget R'000	Adjusted Budget R'000	Variance R'000	% Increase / (Decrease)	Original Budget R'000	Adjusted Budget R'000	Variance R'000	% Increase / (Decrease)
Letsemeng	23,577	21,428	-2,149	-9.1	23,577	21,428	-2,149	-9.1
Naledi	19,500	13,370	-6,130	-31.4	19,500	13,370	-6,130	-31.4
Mangaung	841,738	928,321	86,583	10.3	841,738	928,321	86,583	10.3
Mantsopa	34,773	29,678	-5,095	-14.7	34,773	29,678	-5,095	-14.7
Lejweleputswa	28,738	27,556	-1,182	-4.1	28,738	27,556	-1,182	-4.1
Masilonyana	28,478	28,738	260	0.9	28,478	28,738	260	0.9
Tswelopele	22,290	22,946	656	2.9	22,290	22,946	656	2.9
Matjhabeng	172,232	260,388	88,156	51.2	172,232	260,388	88,156	51.2
Dihlabeng	73,949	58,449	-15,500	-21.0	81,387	61,949	-19,438	-23.9
Nketoana	29,775	61,514	31,739	106.6	29,775	61,514	31,739	106.6
Phumelela	24,915	25,343	428	1.7	24,915	25,013	98	0.4
Maluti a Phofung	278,041	281,699	3,658	1.3	278,041	281,699	3,658	1.3
Metsimaholo	175,298	56,934	-118,364	-67.5	175,298	56,574	-118,724	-67.7
Fezile Dabi	8,020	7,577	-443	-5.5	8,020	7,577	-443	-5.5

4.2.3 Kopanong and Xhariep municipalities indicated that adjustment budgets were tabled, however, the budgets as well as the Appendix B returns were not submitted. Therefore no adjustment budget is captured on the database.

Although Letsemeng municipality submitted appendix B returns regarding an adjustment budget, the approved adjustment was not submitted to Provincial Treasury.

4.2.4 Transfers to municipalities regarding to the identified Operation Hlasela projects were published on 5 March 2010 in the Provincial Gazette.

4.2.5 Municipalities were requested to adjust the 2009/10 budgets accordingly and in cases where adjustment budgets were already completed, it was requested that municipalities compile and approve special adjustment budgets.

4.2.6 Although the following municipalities received allocations with regard to Operation Hlasela projects, the allocations were not included in the 2009/10 adjustment budgets:

Municipality	Department	Amount R'000
Mafube	Social Development	6,684
	Cooperative Governance & Traditional Affairs	3,058
Ngwathe	Social Development	3,000
	Cooperative Governance & Traditional Affairs	1,480
	Public Works & Rural Development	800
Matjhabeng	Social Development	220
	Cooperative Governance & Traditional Affairs	3,460
Mangaung	Social Development	394
	Cooperative Governance & Traditional Affairs	200
Kopanong	Social Development	700
	Cooperative Governance & Traditional Affairs	1,480
	Sport, Arts, Culture & Recreation	73
Phumelela	Social Development	500
Fezile Dabi	Sport, Arts, Culture & Recreation	2,345
Lejweleputswa	Sport, Arts, Culture & Recreation	2,345
Dihlabeng	Cooperative Governance & Traditional Affairs	1,480
	Sport, Arts, Culture & Recreation	122
Naledi	Sport, Arts, Culture & Recreation	44
Metsimaholo	Sport, Arts, Culture & Recreation	148

4.2.7 Additional allocations regarding Operation Hlasela were published on 18 June 2010 in the Provincial Gazette and the relevant municipalities were

requested to approve special adjustment budgets to include these allocations in the 2009/10 budgets. These allocations are as follows:

Municipality	Department	Amount R'000
Metsimaholo	Social Development	1,000
Mangaung	Social Development	7,600
Maluti a Phofung	Social Development	1,450

4.3 Capital Budget

4.3.1 Table 1 below shows the actual sources of finance and capital expenditure as at 30 June 2010 compared to the actual reported as at 30 June 2009.

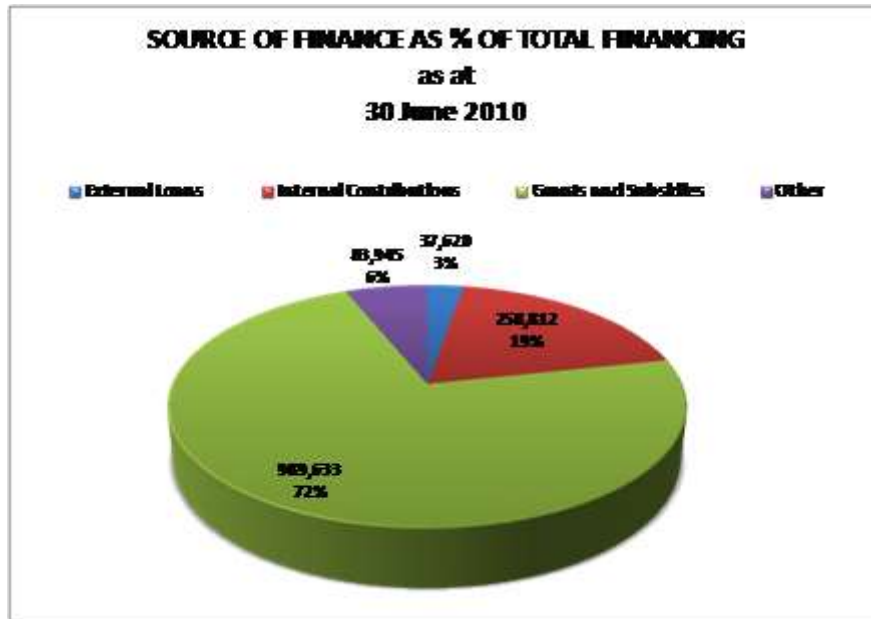
	June 2010				June 2009		% Change 2008/09 to 2009/10
	Original Budget R'000	Adjusted Budget R'000	Actual YTD R'000	%	Actual YTD R'000	%	
CAPITAL EXPENDITURE							
Water	602,666	656,019	409,585	62.4	264,618	62.8	54.8
Electricity	155,744	168,503	133,195	79.0	94,810	55.9	40.5
Housing	120,219	33,304	17,159	51.5	9,322	138.3	84.1
Roads, Pavements, Bridges & Storm Water	412,997	577,241	440,059	76.6	170,692	43.8	157.8
Other	846,691	761,241	377,503	49.6	617,137	67.7	-38.8
Total Capital Expenditure	2,138,317	2,196,308	1,377,501	62.7	1,156,579	60.9	19.1
SOURCE OF FINANCE							
External Loans	122,760	75,685	37,620	49.7	5,908	2.6	536.8
Internal Contributions	304,648	367,801	258,812	70.4	264,035	76.6	-2.0
Grants and Subsidies	1,473,619	1,503,521	989,633	65.8	766,902	63.0	29.0
Other	228,411	224,102	83,945	37.5	121,648	106.6	-31.0
Total Financing	2,129,438	2,171,109	1,370,010	63.1	1,158,493	61.0	18.3

Capital Revenue: Sources of Finance

4.3.2 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.

4.3.3 The variance between the capital expenditure and sources of finance is due to the following municipalities submitting incomplete returns (i.e the sources of finance are not completed on the relevant returns):

Municipality	Discrepancy
Kopanong	Sources of finance does not correspond to expenditure on budget and monthly returns
Mohokare	Sources of finance does not correspond to expenditure on monthly returns
Naledi	Adjusted Budget – sources of finance not included
Tswelopele	Sources of finance does not correspond to expenditure on monthly returns
Nala	Sources of finance does not correspond to expenditure on monthly returns
Thabo Mofutsanyana	Sources of finance does not correspond to expenditure on monthly returns
Dihlabeng	Expenditure does not correspond to sources of finance (budget return) and sources of finance not completed on monthly returns Adjustment Budget – expenditure does not correspond to sources of finance Actual – negative expenditure reported and sources of finance not completed
Phumelela	Adjustment Budget – expenditure does not correspond to sources of finance Actual – expenditure does not correspond to sources of finance
Fezile Dabi	Sources of finance not completed on monthly returns Adjusted Budget – expenditure does not correspond to sources of finance
Moqhaka	Sources of finance does not correspond to expenditure on monthly returns
Ngwathe	Sources of finance does not correspond to expenditure on monthly returns
Metsimaholo	Adjusted Budget – expenditure does not correspond to sources of finance
Mafube	Actual – expenditure does not correspond to sources of finance



4.3.4 The adjusted capital sources of finance amount to R2,171 billion and the reported actual received is R1,370 billion or 63.1 % of the budget.

4.3.5 The individual sources of finance reflected the following year-to-date performance:

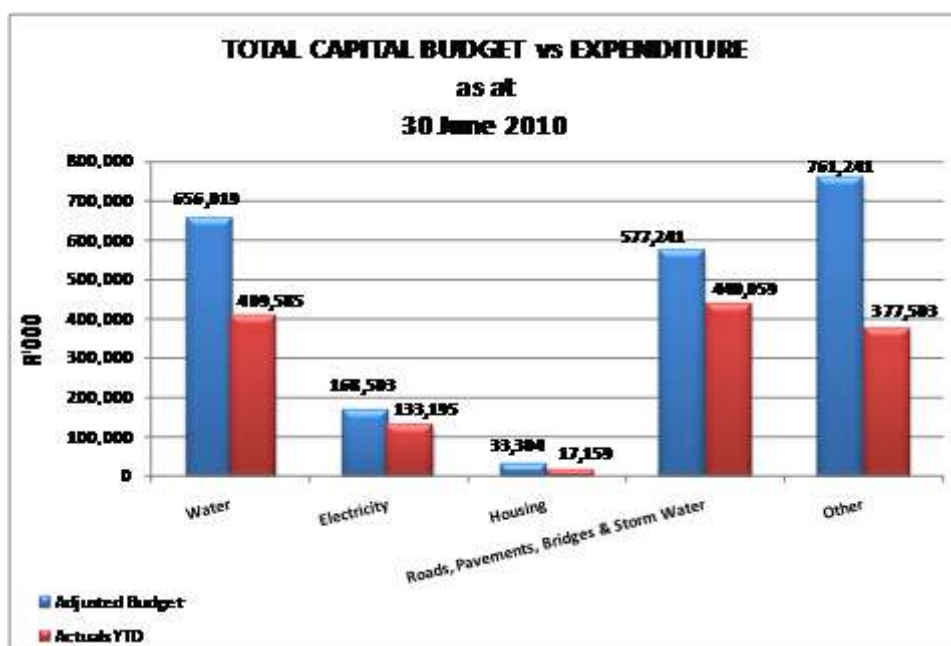
- i. External loans amount to R37,620 million or 49.7 % of a total adjusted budget of R75,685 million;
- ii. Internal Contributions amount to R258,812 million or 70.4 % of a total adjusted budget of R367,801 million;
- iii. Grants and Subsidies amount to R989,633 million or 65.8 % of a total adjusted budget of R1,504 billion; and
- iv. Other sources of finance amount to R83,945 million or 37.5 % of a total adjusted budget of R224,102 million.

Capital Expenditure

4.3.6 The total capital expenditure amounts to R1,378 billion or 62.7 % of the total adjusted budget of R2,196 billion, which indicates an under spending for the 2009/10 financial year.

4.3.7 The highest spending item reported is roads, pavements, bridges and storm water which amounts to R440 million or 76.2 % of the total adjusted budget of R577 million. Spending on electricity amounts to R133 million or 79% of the total adjusted budget of R169 million.

4.3.8 Chart 3 below shows the actual capital expenditure against the adjusted budget per item.



4.3.9 The municipalities below reported capital spending of less than 90%:

Municipality	Original Budget R'000	Adjusted Budget R'000	Actual YTD R'000	% Spent
Xhariep	1,380	1,380	598	43.3
Naledi	19,500	13,370	298	2.2
Mangaung	841,738	928,321	627,492	67.6
Mantsopa	34,773	29,678	18,866	63.6
Motheo	600	600	0	0.0
Masilonyana	28,478	28,738	19,079	66.4
Tokologo	63,449	63,449	39,737	62.6
Matjhabeng	172,232	260,388	145,605	55.9
Nala	58,077	58,077	27,446	47.3
Lejweleputswa	27,556	27,556	20,242	73.5
Setsoto	50,041	50,041	26,148	52.3
Dihlabeng	81,387	61,949	-41,014	-66.2
Nketoana	29,775	61,514	35,683	58.0
Maluti-a-Phofung	278,041	281,699	206,977	73.5
Thabo Mofutsanyana	36,090	36,090	22,658	62.8
Ngwathe	57,101	57,101	19,685	34.5
Metsimaholo	175,298	56,574	28,495	50.4

Mafube	28,623	28,623	22,256	77.8
Fezile Dabi	8,020	7,577	3,528	46.6

4.3.9 The reasons for the low spending on the capital budget include the following:

- Lack of proper planning of capital projects (i.e late appointment of contractors for a project);
- Unrealistic increases in the capital budget during the adjustment budget even though it is not achievable;
- Inclusion of unsecured funding in the budget, i.e external loans included although not secured yet and unrealistic internal contributions included in the funding despite low revenue collection experienced;
- Utilization of capital funds for operating expenditure.

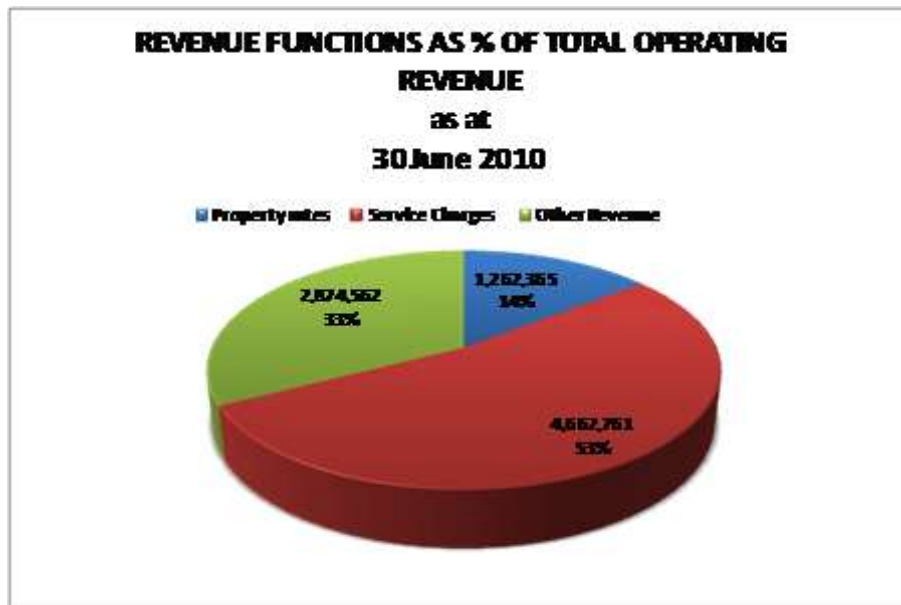
4.3.10 Letsemeng (110.3%), Kopanong (100.3%), Mohokare (101.5%), Tswelopele (101.4%), Phumelela (103%) & Moqhaka (125.3%) reported over spending on the capital budget for the 2009/10 financial year.

4.4 Operating Budget

Operating Revenue

4.4.1 For the period under review the operating revenue amounts to R8,780 billion or 99% of the total adjusted budget of R8,889 billion.

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



Operating Revenue and Expenditure

4.4.2 The table below shows the in-year performance of the individual items to date:

OPERATING REVENUE	June 2010			June 2009		% Change 2008/09 to 2009/10
	Adjusted Budget R'000	Actual YTD R'000	%	Actual YTD R'000	%	
Property rates	1,095,443	1,262,365	115.2	769,576	77.6	64.0
Service Charges	3,587,139	4,662,761	130.0	2,570,264	90.2	81.4
Other Revenue	4,206,174	2,874,562	68.3	2,891,657	90.1	-0.6
TOTAL	8,888,756	8,799,688	99.0	6,231,497	88.4	41.2

- i. Property Rates: The actual revenue generated amount to R1,262 billion or 115.2 % of a total adjusted budget of R1,095 billion.
- ii. Service Charges: The actual revenue generated amount to R4,663 billion or 130 % of a total adjusted budget of R3,587 billion.
- iii. Other Revenue: The actual revenue generated amount to R2,875 billion or 68.3 % of total adjusted budget of R4,206 billion.

4.4.3 Although the total revenue generated amount to 99% for the 2009/10 financial year, the following municipalities reported revenue less than 60% for the year under review:

Municipality	Original Budget R'000	Adjusted Budget R'000	Actual YTD R'000	%
Mohokare	72,019	72,634	40,961	56.4
Tokologo	42,532	42,532	17,862	42.0
Matjhabeng	1,222,018	1,222,018	672,660	55.0
Nala	194,076	194,076	34,975	18.0

4.4.4 The low revenue collection is a reflection of either the failure by the municipality to enforce credit control policies and intensified collection measures to increase revenue or over estimation of revenue to be collected.

4.4.5 The following municipalities reported generated revenue exceeded 100% for the 2009/10 financial year:

Municipality	Original Budget R'000	Adjusted Budget R'000	Actual YTD R'000	%
Letsemeng	62,593	64,427	68,991	107.1
Kopanong	130,386	130,386	137,657	105.6
Xhariep	26,711	26,711	30,270	113.3
Mantsopa	121,147	122,958	126,887	103.2
Tswelopele	66,426	70,511	134,172	190.3
Dihlabeng	354,482	358,380	382,437	106.7
Nketoana	108,281	114,655	161,271	140.7
Maluti a Phofung	837,273	837,273	1,020,734	121.9
Thabo Mofutsanyana	49,301	49,301	74,445	151.0
Ngwathe	324,512	324,633	1,637,674	504.5
Metsimaholo	493,838	459,088	503,087	109.9

4.4.6 Although the high revenue generated percentages were reported, the municipalities are still facing serious financial challenges and therefore it is clear that the municipalities are reporting incorrect information.

4.4.7 Section 28 of the MFMA indicates that municipalities must adjust the revenue estimates downwards if there is a material under-collection of revenue, or appropriate additional revenues that have become available over and above those anticipated in the budget. Municipalities failed to adjust the operating budgets accordingly.

Operating Expenditure

4.4.8 The total operating expenditure amounts to R6,444 billion or 79.1% of the total adjusted budget of R8,141 billion.

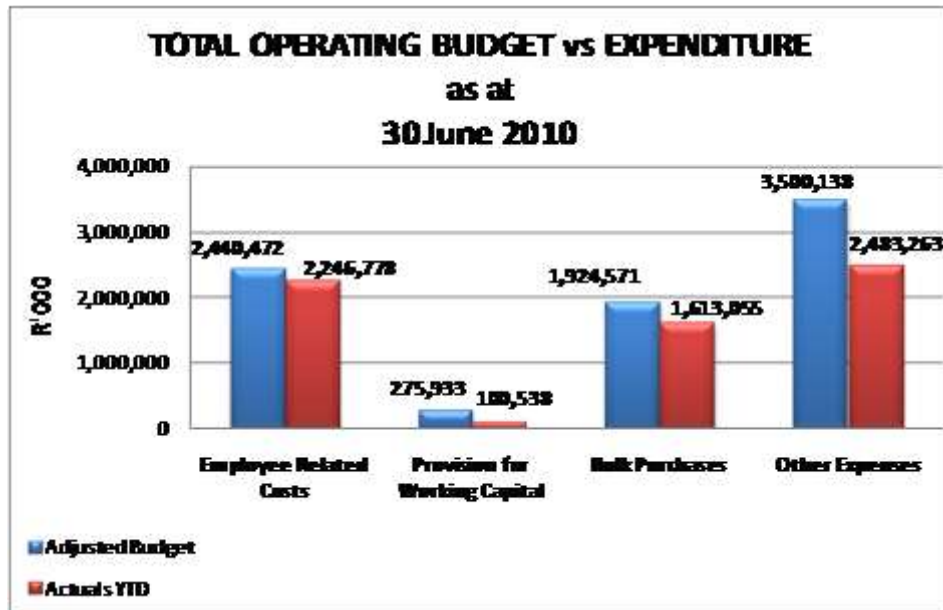
OPERATING EXPENDITURE	June 2010			June 2009		% Change 2008/09 to 2009/10
	Adjusted Budget R'000	Actual YTD R'000	%	Actual YTD R'000	%	
Employee Related Costs	2,440,472	2,246,778	92.1	1,880,488	84.5	19.5
Provision for Working Capital	275,933	100,538	36.4	68,028	54.3	47.8
Bulk Purchases	1,924,571	1,613,055	83.8	1,268,563	91.0	27.2
Other Expenses	3,500,138	2,483,263	70.9	1,991,788	73.6	24.7
TOTAL	8,141,114	6,443,634	79.1	5,208,867	81.7	23.7

4.4.9 The highest percentage spending items reported are 'Employee Related Costs' of which the actual expenditure amounts to R2,247 billion or 92.1% of the total adjusted budget of R2,440 billion, followed by 'Bulk Purchases' of which the actual expenditure amounts to R1,613 billion or 83.8 % of the total adjusted budget of R1,925 billion and 'other expenses' of which the actual expenditure amounts to R2,483 billion or 70.9 % of the total adjusted budget of R3,500 billion.

4.4.9.1 The spending on bulk purchases amounts to R1,613 billion or 83.8% of the total adjustment budget. If the outstanding debt regarding bulk purchases of R414 million are included, the actual spent amounts to R2,028 billion or 105%. It is therefore clear that the provision for bulk purchases were insufficient for the 2009/10 financial year.

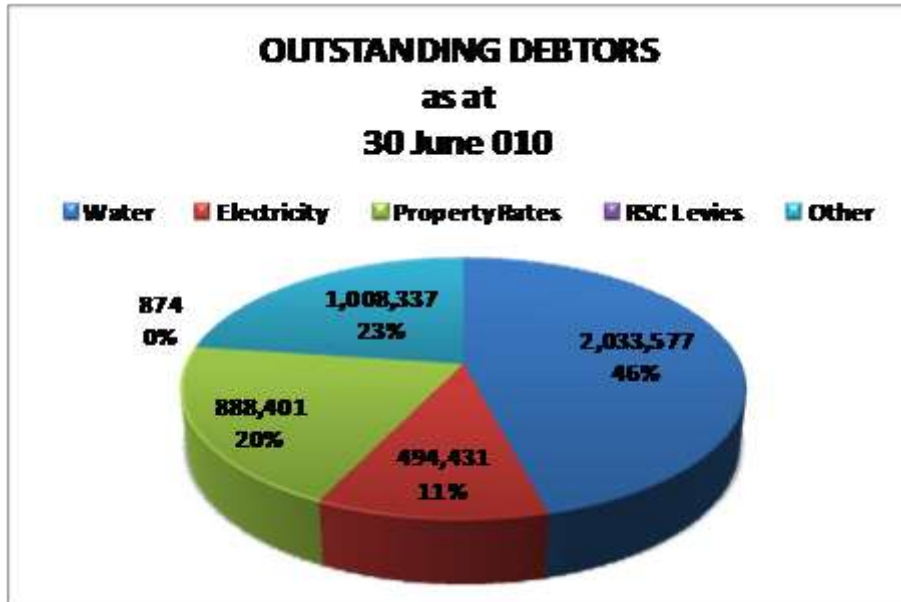
4.4.9.2 The budget for employee related cost represents 30% of the total operating expenditure budget. This is in line with the acceptable norm. The biggest portion of the total expenditure is for 'other' expenditure (38.5%).

4.4.10 Chart 4 shows the actual operating expenditure against the adjusted budget per item.



4.5 Debtors

- 4.5.1 The total outstanding debtors reported at the end of June 2010, which include current debtors, amounts to R4,426 billion which represents an increase of R548 million (14%) from R3,878 billion in May 2010.
- 4.5.2 The high outstanding amount of debtors impacts negatively on the cash flows of the municipalities as well as service delivery.
- 4.5.3 Debt collection remains an area of concern to municipalities since 81.8% or R3,619 billion is outstanding for a period over 90 days. This is a reflection of the failure by the municipalities to enforce credit control policies and intensified collection measures.
- 4.5.4 The highest outstanding debtors are regarding water which is R2,034 billion or 46.0% of the total outstanding debtors followed by property rates at R888 million or 20.1% of the total outstanding debtors.



4.5.5 The year-on-year comparison indicate that the total outstanding debt increased with R1,183 billion from June 2009.

DEBTORS	0-30 Days R'000	31-60 Days R'000	61-90 Days R'000	Over 90 Days R'000	Total R'000
TOTAL outstanding as at 31 June 2009	266,392	165,751	122,233	2,688,446	3,242,822
TOTAL outstanding as at 31 June 2010	434,639	213,161	158,757	3,619,064	4,425,620
Increase / (Decrease)	168,247	47,410	36,524	930,618	1,182,798
% Increase / (Decrease)	63.2	28.6	29.9	34.6	36.5

4.5.6 The total outstanding debtors per municipality are as follows:

Municipality	0-30 days R'000	31-60 days R'000	61-90 days R'000	Over 90 days R'000	Total R'000
Letsemeng	2,714	2,844	922	7,747	14,228
Kopanong	668	534	483	55,031	56,716
Mohokare	1,200	1,112	1,102	54,742	58,156
Xhariep					
Total Xhariep District	4,582	4,490	2,507	117,520	129,100
Naledi (Fs)	-325	1,039	1,169	60,206	62,090
Mangaung	160,819	60,138	38,674	894,915	1,154,546
Mantsopa*					
Motheo	43			729	772
Total Motheo District	160,537	61,177	39,843	955,850	1,217,408
Masilonyana	-42	-6,680	2,001	146,907	142,185
Tokologo*					
Tswelopele*					
Matjhabeng	70,619	40,258	32,185	667,690	810,751
Nala*					
Lejweleputswa				9,549	9,549
Total Lejweleputswa District	70,577	33,578	34,186	824,146	962,485
Setsoto	18,407	7,264	6,697	193,982	226,350
Dihlabeng	14,163	10,496	8,175	167,465	200,299
Nketoana	5,879	4,225	3,386	138,226	151,715
Maluti-a-Phofung	76,389	23,758	37,018	445,105	582,269
Phumelela	1,546	1,055	929	37,173	40,703
Thabo Mofutsanyana					
Total Thabo Mofutsanyana District	116,384	46,798	56,205	981,951	1,201,336
Moqhaka	12,616	5,326	4,337	185,656	207,935
Ngwathe	17,524	10,868	8,538	175,063	211,993
Metsimaholo	46,092	45,820	9,395	300,558	401,865
Mafube	6,326	5,104	3,746	78,321	93,498
Fezile Dabi	-	-	-	-	-
Total Fezile Dabi District	82,558	67,118	26,016	739,598	915,291
TOTAL	434,638	213,161	158,757	3,619,065	4,425,620

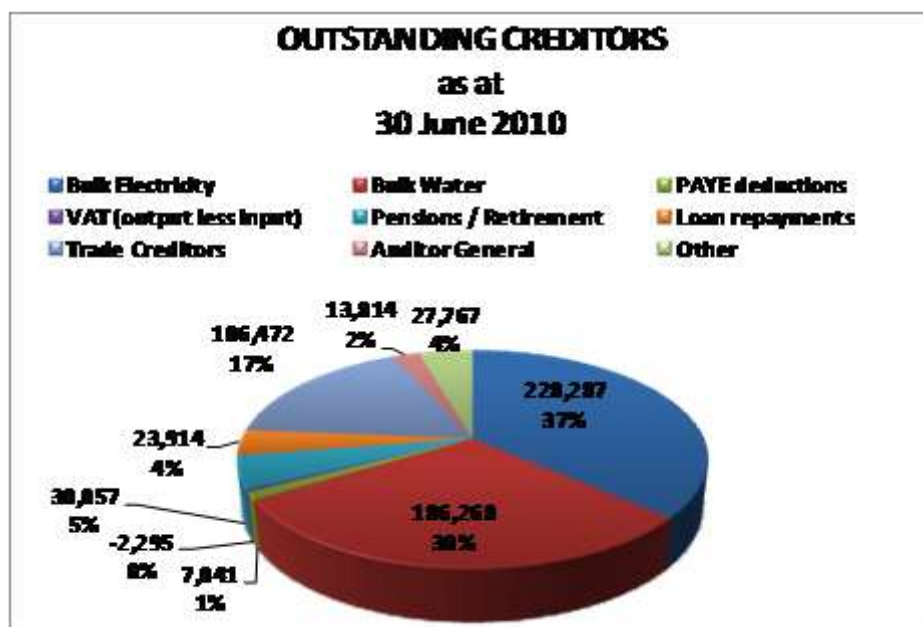
4.5.7 The municipalities indicated with an asterisk (*) except Mantsopa submitted the debt returns for June 2010 at the end of July 2010 and the consolidation was already completed.

4.6 Creditors

4.6.1 The total reported for outstanding creditors amounts to R621,325 million and R340,850 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.

4.6.2 The total creditors increased with R128,397 million (26%) from R492,928 million in May 2010 to R621,325 million in June 2010.

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



4.6.4 The year-on-year comparison indicate that the total outstanding creditors increased with R434,152 million (233.6%) from June 2009.

Creditors	0-30 Days R'000	31-60 Days R'000	61-90 Days R'000	Over 90 Days R'000	Total R'000
TOTAL outstanding as at 30 June 2009	98,258	23,749	21,029	44,136	187,173
TOTAL outstanding as at 30 June 2010	280,475	37,310	69,624	233,915	621,325
Increase / (Decrease)	182,217	13,561	48,595	189,779	434,152
% Increase / (Decrease)	185.4	57.1	231.1	430.0	233.6

4.6.5 The table below depicts the creditors outstanding per municipality:

Municipality	0-30 days R'000	31-60 days R'000	61-90 days R'000	Over 90 days R'000	Total R'000
Letsemeng	-	-	-	1,357	1,357
Kopanong	1,045	852	(450)	18,903	20,351
Mohokare	889	303	157	6,062	7,411
Xhariep	25	545	71	230	871
Total Xhariep District	1,959	1,700	(222)	26,552	29,990
Naledi (Fs)					
Mangaung	86,253	-	-	-	86,253
Mantsopa	140	-	-	-	140
Motheo	4,593	-	-	1,114	5,706
Total Motheo District	90,986	-	-	1,114	92,099
Masilonyana	2,703	874	460	17,109	21,146
Tokologo*					
Tswelopele*					
Matjhabeng	55,304	18,344	58,786	144,897	277,330
Nala*					
Lejweleputswa	4,163	-	-	-	4,163
Total Lejweleputswa District	62,170	19,218	59,246	162,006	302,639
Setsoto	8,516	-	-	-	8,516
Dihlabeng	803	-	-	-	803
Nketoana	-	-	-	-	-
Maluti-a-Phofung	18,887	-	-	-	18,887
Phumelela	1,250	-	-	963	2,213
Thabo Mofutsanyana	215	-	-	-	215
Total Thabo Mofutsanyana District	29,671	-	-	963	30,634
Moqhaka	63,426	-	-	-	63,426
Ngwathe	26,588	11,953	4,347	21,333	64,222
Metsimaholo	2,289	143	108	1,970	4,511
Mafube	3,386	4,297	6,146	19,976	33,804
Fezile Dabi	-	-	-	-	-
Total Fezile Dabi District	95,689	16,393	10,601	43,279	165,963
TOTAL	280,475	37,311	69,625	233,914	621,325

4.6.7 The municipalities indicated with an asterisk (*) submitted the credit age analysis return for June 2010 at the end of July 2010 and the consolidation was already done.

4.6 Cash Flow

4.6.1 The consolidated position of municipalities shows a negative cash flow balance as at the end of June 2010 of –R193,523 million. 8 Municipalities reported negative closing balances of which Matjhabeng (-R239,761 million) reported the highest negative closing balance.

4.6.2 Although municipalities are requested to submit bank statements and bank reconciliations for verification purposes on a monthly basis the request is not adhered to by all municipalities.

Cash flow	Adjusted	Actual	%
	Budget R'000	YTD R'000	
Cash receipts by source			
Statutory receipts (including VAT)	78,413	94,871	121.0
Service charges	4,419,900	3,813,803	86.3
Transfers (operational and capital)	3,122,452	3,307,201	105.9
Other receipts	823,061	611,490	74.3
Cash receipts by source	8,443,826	7,827,365	92.7
Other cash flows / receipts by source			
Contributions recognised - capital & contributed assets			
Proceeds on disposal of PPE			
External loans	95,473		
Net increase (decrease) in assets / liabilities	47,132	320,496	680.0
Total cash receipts by source	8,586,431	8,147,861	94.9
Cash payments by type			
Employee related costs	2,220,284	2,235,534	100.7
Grant and subsidies	44,687	51,999	116.4
Bulk Purchases - electricity, water and sewerage			
Other payments to service providers	3,133,276	3,807,267	121.5
Cash payments by type	5,398,247	6,094,800	112.9
Other cash flows / payments by type			
Capital assets	1,546,294	1,508,481	97.6
Repayment of borrowing	71,760	112,238	156.4
Other cash flows / payments	1,321,773	608,190	46.0
Total cash payments by type	8,338,074	8,323,709	99.8
Net increase (decrease) in cash held	248,357	-175,848	-70.8
Cash/ cash equivalents at the month/year begin	372	-17,679	-4,752.40
Cash/ cash equivalents at the month/year end	248,734	-193,523	-77.8

4.6.3 The following municipalities reported a negative closing balance on the cash flow statements:

Municipality	Closing Balance R'000
Kopanong	-11,191
Mohokare	-16,405
Mangaung	-59,469

Matjhabeng	-239,761
Setsoto	-16,360
Phumelela	-8,458
Mafube	-248
Fezile Dabi	-13,345

4.6.4 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 reconciliation of the allocation of funds received and expenditure are not done regularly.

4.6.5 Councilor remuneration forms part of the salaries on the cash flow statement and on the operating expenditure it is reported as a separate item included in 'other expenditure' and thus a variance between the two items.

4.6.6 Where accrual accounting is used by municipalities it is unlikely that the capital payments (cash flow statement) will be equal to the capital expenditure. There is likely to be a timing difference between the invoices for external works and supplies being processed and the payments actually being in the month following expenditure being incurred.

4.7 Challenges

4.7.1 Due to the new reporting format using Appendix B returns introduced during July 2009, municipalities are still struggling to compile their reports correctly and timeously.

4.7.2 Lack of planning with regard to capital projects.

4.7.3 Debt collection still raises concern as it impacts negatively on the future sustainability of budgets and ultimately service delivery, municipalities need to intensify their collection strategy for them to recover the outstanding debt.

4.7.4 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 grants allocation for the payment of creditors.

5. IMPLICATIONS: FINANCIAL AND CONSTITUTIONAL

5.1 Financial Implication

None

5.2 Legal Implication

Refer to section 71(6) & (7) of the Municipal Finance Management Act.

6. RECOMMENDATION

It is recommended that:

- 6.1 The MEC: Finance takes note of this report on the status of municipal revenue and expenditure at 30 June 2010.
- 6.2 The MFMA unit provides technical support to the municipalities on a continuous basis to enhance the information reported monthly and annually.
- 6.3 Municipalities will be sensitized to improve planning in terms of capital projects.
- 6.4 Revenue collection, debtors, creditors and maintenance and repairs to be a standing item on the agenda of the MMC Finance Forum meetings.

SUBMITTED BY:

SW Bhembe
Acting SENIOR MANAGER: NORMS & STANDARDS (MFMA)

Date: _____

HEAD OF DIVISION:

AS Fourie
SENIOR EXECUTIVE MANAGER: FINANCIAL GOVERNANCE

Date: _____

RECOMMENDED BY:

Acting CEO: PROVINCIAL TREASURY

Date: _____

APPROVED/NOT APPROVED/NOTED:

MEC FOR FINANCE

Date: _____