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1. MAYORS REPORT

AS ATTACHED

COUNCIL RESOLUTIONS

Lepelle-Nkumpi Local Municipality tabled and adopted the 2013/2014 MTREF IDP/Budget together with the following policies:

- Budget Policy
- Investment and Cash Management Policy
- Property Rates Policy
- Credit Control, Debt Collection and Customer Care
- Debt Collection Procedures
- Asset Management Policy
- Tariff Policy and Tariff Structure
- Supply Chain Management Policy
- Indigent Policy

2. EXECUTIVE SUMMARY

INTRODUCTION

The 2013/14 medium term budget was developed within the municipality budget framework, municipal budget and reporting frameworks and treasury guidelines. A total of R290 870 783 for 2013/14 medium term is proposed comprising of R182 842 586 for operating budget and R108 028 197 for capital budget.

The Lepelle-Nkumpi Municipality (LNM) ensures that the municipality is financially viable even though it has a serious challenge of revenue collection especially from the trading services due to a court case with the community.

LNM has entered in to the water services level agreement for the provision of the water services with the Capricorn District Municipality (CDM). The service level agreement was reviewed during the budget /IDP planning processes. Based on the agreement between LNM and Capricorn District Municipality, they remain the water authority and we are water service provider. The priorities were reviewed and LNM didn't budget for any water related transactions, we only budgeted for commission to be received for providing water services on behalf of the District which is 100% collection received from the sale of water.

During the budget /IDP planning processes the projects were reviewed and priorities given to the previous incomplete projects / roll over including projects were consultants are appointed but awaiting the appointment of the contractors to be made in the 2013/2014 Financial year.

Priorities were given to basic services than nice to have items.

The National Treasury Circulars were considered in the compilation of the 2013/2014 MTERF budget.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows

- The global and economic growth.
- Old infrastructure and poorly maintained water and Roads infrastructure.
- Filling of critical positions.
- Non payment of services (Low collection of revenue).
- Affordability of capital projects, the capital projects where re-prioritised during the IDP/Budget review processes to the previous 2012-2013 Financial Years roll over's projects and the multi years funded ones.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- Tariff and property rate increased by 5% which is 0.5% below CPI Inflation forecast, to manage the debtors book as there is a serious challenge of non payment of services due to the pending court case between the Municipality and SANCO.

- National and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- All the gazetted grants by the annual Division of Revenue Act allocations were considered especially the unconditional grants for infrastructural projects for MTERF projections.

The budget was prepared in line with the National, provincial and district priorities to ensure that services are planned according to planning guidelines.

BUDGET	2012/2013 ADJUSTEMENT BUDGET	2013/14 BUDGET	2014/15 BUDGET	2015/16 BUDGET
Operating revenue budget	279 933 853	290 870 783	329 731 172	387 519 334
Operating expenditure budget	222 031 075	182 842 586	191 351 786.15	200 507 523.67
Operating deficit /Surplus	57 902 776	108 028 197	138 379 386	187 011 810
Capital budget	161 995 058	108 028 197	138 379 386	187 011 810

Total operating revenue has increased by 3.9% per cent or R10, 94 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 13.36 and 17.53 per cent respectively.

Total Operating Expenditure for the 2013/14 financial year has been appropriated at R182, 8 million.

When compared to the 2012/13 Adjustments Budget, operational expenditure has decreased by 39.1 million which is and will increase of 4.1 and 4.7 per cent for each of the respective outer years of the MTREF.

The 2013/14 MTREF has been informed by the IDP review processes and it is outlined in budget documents in Table SA 4,5,6 and 7 as a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure as attached in the budget.

The Municipal Total Budget for the 2013/2014 amounts to R 290 870 783 and capital budget equals to R108 028 197 which is 37% of the Total Budget. Capital Projects to be funded from Conditional Grants (MIG: R 41 757 702 and DME: R 5 000 000) amounts to R 46 757 702 which is 43% of the Total Capital Budget

The 2013/14 Capital Budget is R53.9 million less as compared to 2012/13 Adjustment Budget (R161.9 million). The decline is caused by the following reasons:

- for projects to be implemented in the 2013/2014 Financial year was done in the current year and payments for designs already made, budget for consultants will only be for monitoring of projects.

Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote and source of funding:

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Capital Expenditure - Standard											
<i>Governance and administration</i>		12 139	7 168	6 304	1 650	1 110	1 110	-	29 477	31 623	49 300
Corporate services		12 139	7 168	6 304	1 650	1 110	1 110	-	29 477	31 623	49 300
<i>Community and public safety</i>		3 968	8 396	6 338	32 175	32 954	32 954	-	22 489	27 279	15 500
Community and social services		3 095	4 420	6 338	29 675	30 654	30 654	-	13 330	7 500	8 000
Sport and recreation			2 332		2 000	2 000	2 000		6 414	16 614	7 500
Public safety		873	1 644		500	300	300		2 745	3 165	-
<i>Economic and environmental services</i>		22 014	19 110	-	67 909	97 028	97 028	-	34 499	44 161	96 928
Planning and development		180	2 684		3 007	-	-		700	750	-
Road transport		21 834	16 426		64 902	97 028	97 028		33 799	43 411	96 928
<i>Trading services</i>		8 632	9 238	-	18 370	30 873	30 873	-	21 563	35 316	25 284
Electricity		2 632	8 981		18 370	30 873	30 873		17 563	11 688	15 000
Waste water management		6 000	257						4 000	23 628	10 284
Total Capital Expenditure - Standard	3	46 753	43 912	12 642	120 104	161 965	161 965	-	108 028	138 379	187 012
Funded by:											
National Government		26 549	17 672		38 836	58 679	58 679		46 758	57 459	66 128
Provincial Government		378	87								
District Municipality		5 693	6 303								
Transfers recognised - capital	4	32 620	24 062	-	38 836	58 679	58 679	-	46 758	57 459	66 128

Public contributions & donations	5										
Borrowing	6										
Internally generated funds		14 133	19 850		81 268	103 316	103 316		61 270	80 920	120 884
Total Capital Funding	7	46 753	43 912	-	120 104	161 995	161 995	-	108 028	138 379	187 012

BUDGET ANALYSIS

Personnel cost total R62 447 256 which is 21.47% of the operating budget. Personnel costs increased by 7% in 2013/14 financial year, and 4.65% were budgeted for repairs and maintenance.

The municipality has set aside 1.4% of the 2013/14 operating budget on contracted services and general expenses whereas 18.74% is budgeted for operating projects.

BUDGET ASSUMPTIONS

The following budget assumptions were considered when preparing the budget:

General Inflation Outlook

Inflation percentage of 5.1% was used on general expenses and tariffs.

Average Salary Increases

7% for salary costs were estimated for the average increase.

