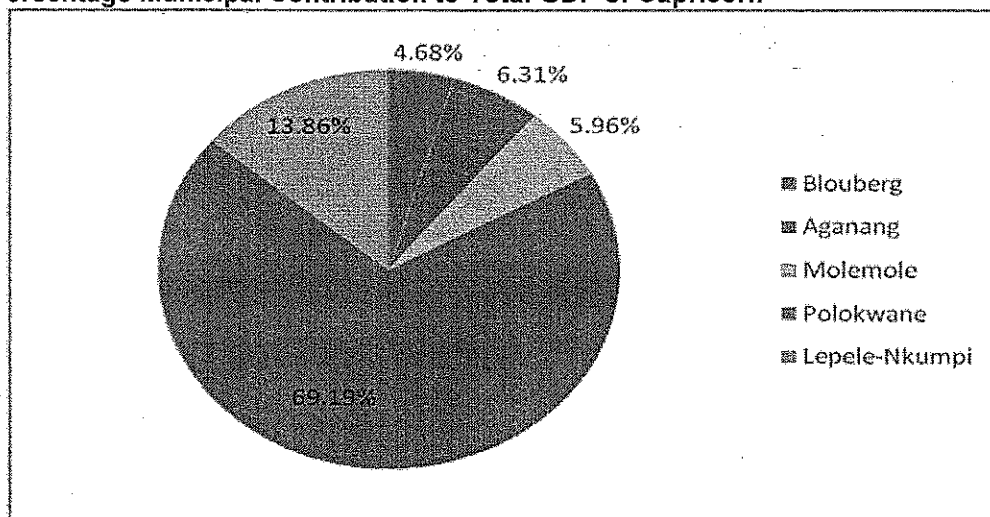


Chart 2: Percentage Municipal Contribution to Total GDP of Capricorn



Data Source: Quantec Database 2011

The municipality's economy can be described as diversified because all the sectors contribute more or less equally to the District Gross Domestic Product, except mining which is a little higher than the rest.

Table.20: Percentage Contribution towards the Sectoral Share of the GDP for Capricorn District for 2011

Sector	Blouberg	Aganang	Molemole	Polokwane	Lepelle-Nkumpi	Total contribution towards sector
Agriculture,	6%	8%	38%	37%	12%	100%
Mining and quarrying	4%	2%	3%	35%	56%	100%
Manufacturing	2%	6%	5%	72%	14%	100%
Utilities	3%	23%	2%	61%	11%	100%
Construction	2%	5%	7%	69%	17%	100%
Retail and trade	6%	11%	7%	65%	12%	100%
Transport and communication	5%	1%	6%	78%	9%	100%
Finance and business services	3%	3%	5%	81%	7%	100%
Social and personal services	8%	8%	7%	61%	16%	100%
Government services	5%	5%	5%	70%	15%	100%

Data Source: Quantec Database 2011

The local economy has recorded a positive growth which compares well with District and Provincial GDP growth. However, the economy's strongest sector of mining had a negative growth, probably due to temporary closure of the local mines.

Table.21: Percentage GDP Growth for year 2011

Sector	South Africa	Limpopo	Capricorn	Lepelle-Nkumpi
Agriculture, forestry and fishing	2.14%	3.73%	6.04%	9.06%
Mining and quarrying	0.03%	0.72%	-1.12%	-1.08%
Manufacturing	2.32%	2.25%	3.04%	8.13%
Electricity, gas and water	2.35%	3.94%	7.46%	7.05%
Construction	7.71%	5.83%	4.91%	10.31%
Wholesale and retail trade	3.61%	2.96%	-0.58%	1.94%
Transport and communication	4.73%	4.69%	1.85%	2.26%

Sector	South Africa	Limpopo	Capricorn	Lepelle-Nkumpi
Finance and business services	5.50%	4.95%	4.12%	2.90%
Community and social services	2.95%	3.00%	3.69%	3.09%
General government	3.15%	2.62%	3.14%	2.46%
Total growth	3.56%	2.92%	2.84%	2.58%

Data Source: Quantec Database 2011

The unemployment rate of Lepelle-Nkumpi is close to half of the total economically active population and is higher than those of the District, Provincial and National unemployment rate.

Table.22: Employment status for economically active population for 2001 and 2011

	South Africa		Limpopo		Capricorn		Lepelle-Nkumpi	
	2001	2011	2001	2011	2001	2011	2001	2011
Employed	58	70	51	61	50	63	39	52
Unemployed	42	30	49	39	50	37	61	48
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Data Source: Census 2011

10.2. ECONOMIC OPPORTUNITIES AND CONSTRAINTS

The reviewed LED strategy identifies the following constraints and opportunities in the municipality;

10.2.1. Economic Development constraints

Constraints identified by different role players in terms of barriers to the expansion and development of key economic sectors within Lepelle-Nkumpi Municipality include the following:

- **Land claims:** nearly half of the land contained within the boundaries of the municipality is currently the subject of land claims. The process of land claims is a lengthy one and has as yet not been resolved by the Land Claims Commission. This creates uncertainty with regard to existing commercial farmers and their ability to expand or employ more people, but also creates an uncertain climate that deters investment in the area.
- **Lack of funding or financial support and institutions:** large areas of land are registered in the name of the state and under the custodianship of traditional authorities. As such, small farmers are farming on communal land, to which they cannot get title deed, but only have permission to occupy. Farming on communal land precludes small farmers from obtaining financial support through commercial institutions such as banks, which prevents these farmers from expanding their farming enterprises or obtaining the necessary insets such as specialized machinery. Furthermore, access to funding, even for minor, necessary improvements to public and private sector products in the tourism industry, is extremely difficult to secure. Financial institutions are also lacking. This constrains the effective operation of local businesses, and also results in spending of money outside of the municipality, as residents conduct multi-purpose trips, combining trips to banking facilities with major shopping in the areas surrounding these financial institutions.
- **Proximity to Polokwane:** While the proximity of the larger activity centre of Polokwane is advantageous in some respects, it does somewhat constrain the development of the business and services sectors in the Municipality. Due to the good transport linkages, easy access and close proximity of Polokwane, large and well-established suppliers and support services are within easy reach of farmers and other industries in the Municipality, creating the perception that there is no further need for the development of these facilities locally.
- **Lack of skills:** The majority of the labour force in the Municipality has no, or very limited basic skills, necessitating on-the-job training. Training is particularly necessary in the further processing of fruit, vegetables and in the mining industry, which requires somewhat higher skills levels. The lack of these skills largely constrains the further development of manufacturing, and agro-processing and mining industries in the municipal area. Furthermore, subsistence and small-scale farmers lack the skills required to not only effectively produce their products (i.e. farming practices, disease, fertilization etc.), but also the business skills to develop their farming enterprises into viable, profitable and sustainable businesses. In this respect, there are particular gaps in terms of the transfer of skills and mentorship from successful business people to entrepreneurs and small business owners. Lack of skills in the tourism sector is also evident, and there is no practical support is given to emerging tourism entrepreneurs or SMMEs in terms of pre-feasibility, feasibility, business planning and management of tourism enterprises.

- **Access to markets:** Most of the small-scale farmers and manufacturers do not have access to the larger markets outside of the municipal area, or even their respective villages. This forces them to sell their products to the local communities and prevents the expansion of their businesses. Access to markets for small-scale farmers is further constrained by accessibility issues and the poor condition of roads in the remote rural areas.
- **Lack of water and other infrastructure:** A further constraining factor is the lack of water. Many of the small-scale farmers are located alongside perennial rivers, but a large proportion of farmers are located away from these rivers. The water supply is not sufficient in terms of irrigation and many small-scale farmers therefore rely on dry-land farming. Furthermore, the main agricultural products only naturally occur in the southern parts of the municipal area and agricultural production and expansion would therefore not be viable development options for the northern areas of the municipality, which have a drier climate. While the municipality presents such vast opportunities for local economic development, the challenge is the underdeveloped infrastructure which undermines the maximum exploitation of these opportunities by both local people and foreign investors. Lack of/poor infrastructure such as water, electricity, sanitation facilities, communication facilities and roads in most parts of the municipality prohibit development and growth of SMMEs in the area.
- **Lack of tourism infrastructure, marketing and awareness:** Lepelle-Nkumpi currently does not have large range of accommodation, conference or tourism facilities, which hampers the development of the tourism sector in the municipality. Lebowakgomo is somewhat remotely situated and does not have much to offer as a place to stop for refreshments or supplies. There is also currently no tourism strategy in place for the Municipality which can effectively identify projects and monitor its progress. The municipality is also effectively marketed as a tourism destination. There are also very low levels of awareness regarding the tourism industry amongst local communities, which results in communities not fully understanding the value of the tourism industry, not generally having a positive and friendly attitude towards visitors, and not being aware of what opportunities the industry presents in terms of SMME involvement.

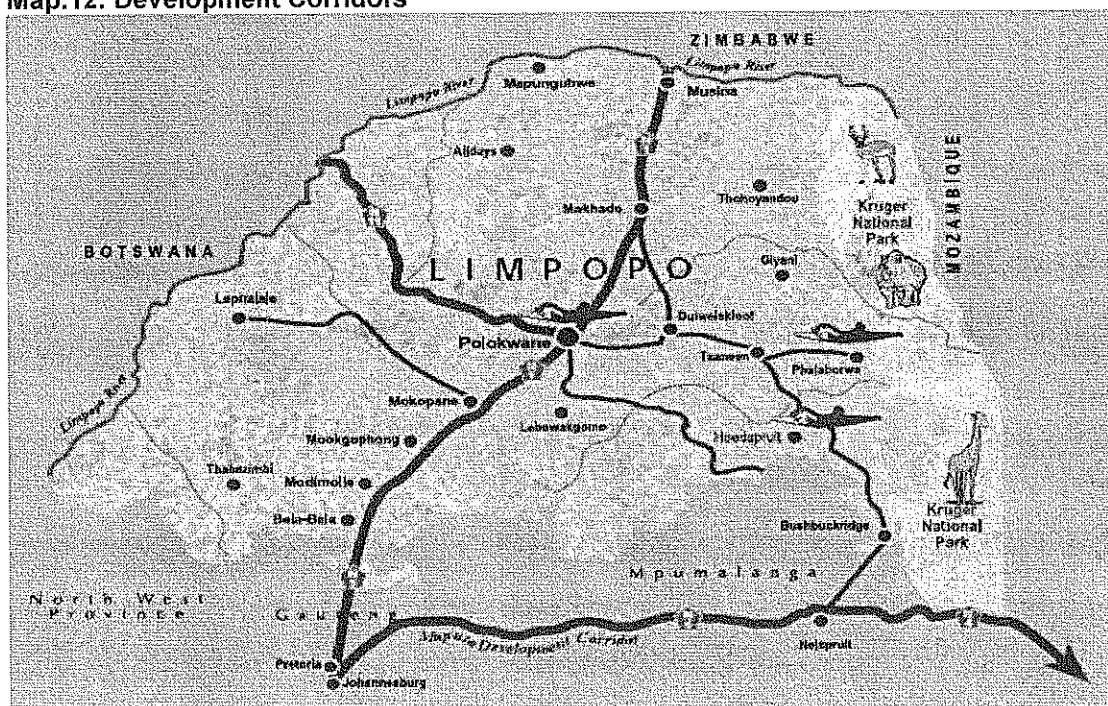
The above summarises the main constraints (but not all constraints) hindering economic development in the Municipality. Apart from identifying development opportunities and projects to facilitate economic growth and job creation, these issues need to be addressed in order to ensure the successful implementation of an economic development strategy.

10.2.2. Economic Development opportunities

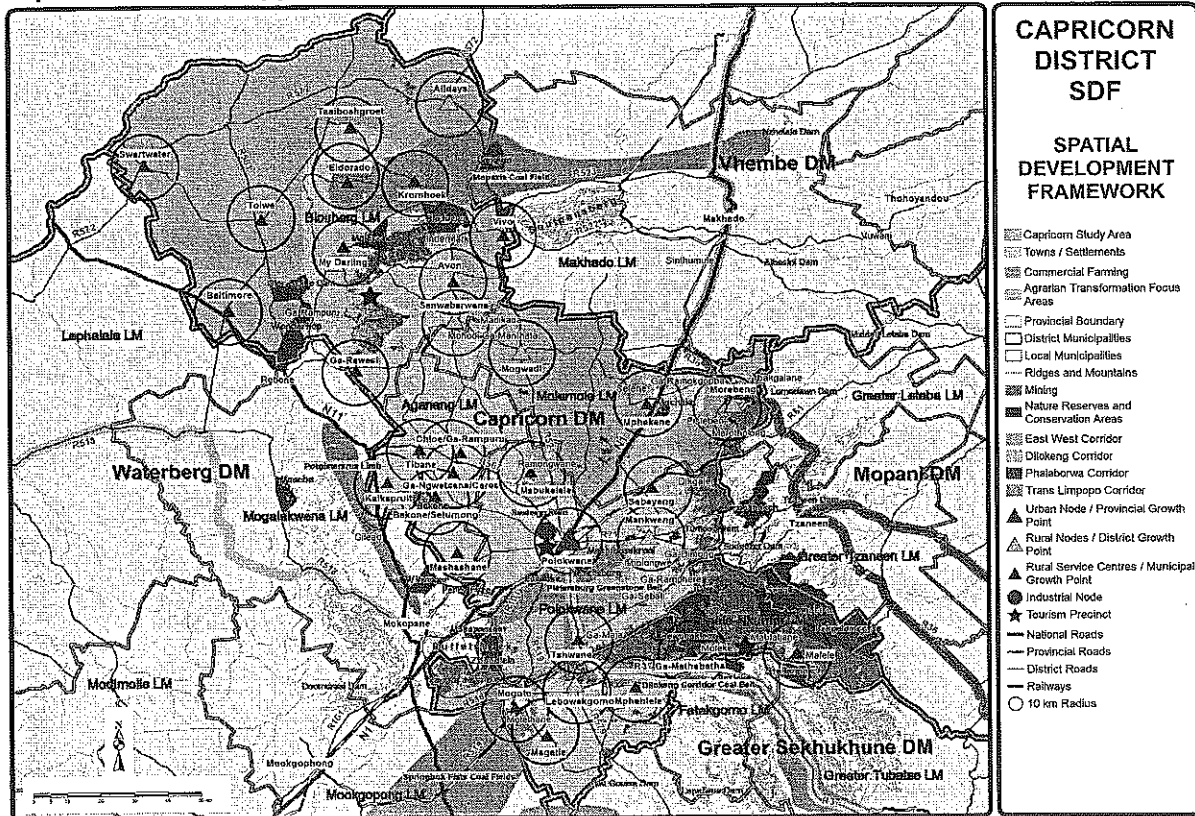
The following key development opportunities exist in the municipality:

- **Natural resource base:** Lepelle-Nkumpi has a natural resource base that consists of agricultural products. The development potential in the agricultural sector of the Municipality is contained in the expansion of the production of existing products in the region, particularly citrus, vegetables and livestock. In the northern parts of the municipality (which tends to have a drier climate) potential for development lies in livestock and game farming, which generally fare well in other areas of Limpopo. While land claims are associated with some level of uncertainty, the transfer of land to local communities could create opportunities for development of the land for farming enterprises, or for tourism-related enterprises such as conservancies, game farms, accommodation and other tourism activities. Furthermore, much of the land set aside for conservation could be developed with innovative tourism attractions, especially if the new land ownership regime will require that the land becomes more productive. There are several government-owned irrigation schemes that are operating considerably below potential. There is also extensive land and buildings for broiler farming that is not being utilized.
- **Agro-processing and cluster development:** Opportunities also exist in the Municipality, mainly in relation to the establishment of new industries, and expanding of existing enterprises, that are focused on the beneficiation of the existing agricultural products. There are a considerable number of LED opportunities in Agri-Business projects that could contribute substantially to the economic development of the area. Apart from value-adding activities to these products, there are also opportunities for the development of handling plants such as washing and packaging of fruit and vegetables. Customized factories for meat and hide processing that are currently vacant in the Lebowakgomo Industrial Park create the opportunity to participate in cluster development for meat production. Such a cluster could incorporate broiler and cattle feed production, livestock farming, slaughtering, processing, packaging and marketing. The cluster development concept should also include specialist skills training for local activity requirements and services to provide the necessary maintenance and support.

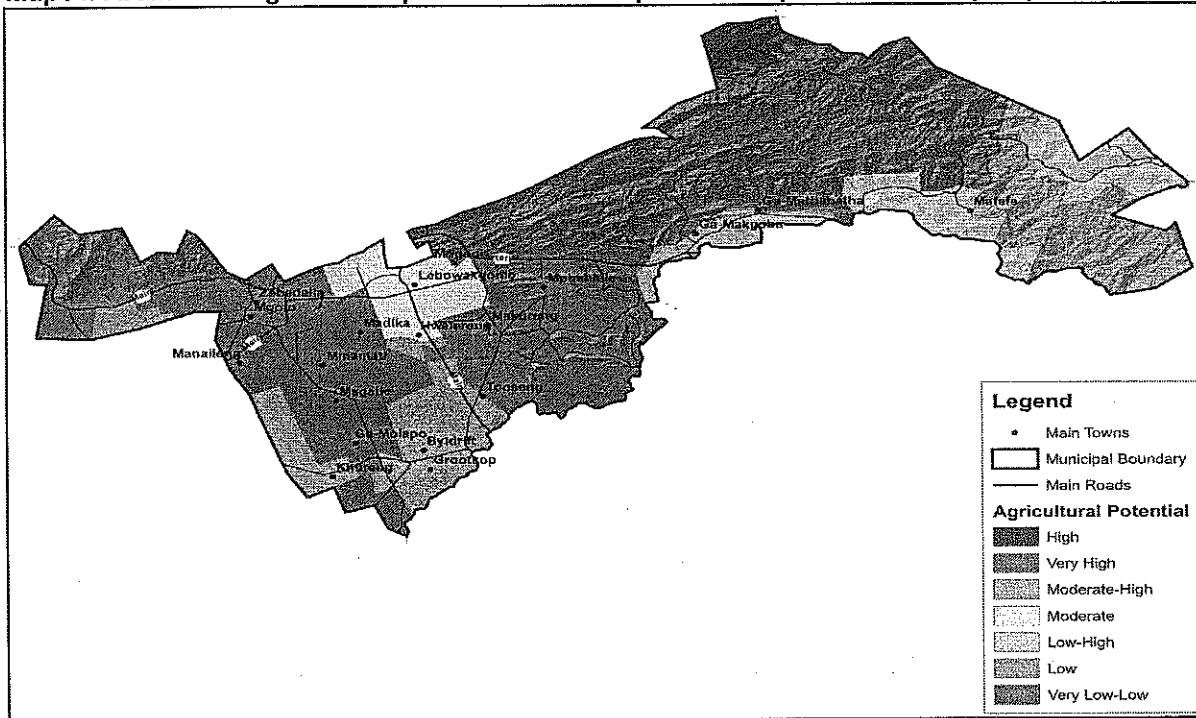
- **Mining and Manufacturing:** The processing of raw materials from mining will contribute significantly in expanding the manufacturing sector within the Municipality. The agglomeration of these activities will result in economies of scale and that would increase both economic development and employment opportunities. The platinum and diamond mining activities at Lebowakgomo and Zebediela could create opportunities for SMMEs. Negotiations with mine management would be required to unlock such opportunities. The Dilokong Platinum Corridor that extends through the area is a priority for provincial government and creates a range of opportunities for LED and support.
- **Existing skills:** Opportunities for development can also be found in existing local skills in the municipality. In this respect, it has been indicated that skills exist in beadwork and pottery. In some instances, raw materials such as clay can also be sourced locally. This creates opportunities for the development of co-operatives, as well as linkages with other sectors of the economy such as the tourism industry.
- **Retail and services:** Given the strong agricultural sector in the region opportunities arise for the trade of agricultural inputs. This includes inputs such as fertilizers, pesticides, machinery and seeds or seedlings. The development of the retail and services sectors should also be focused on serving the needs of the local residents and business support should be provided to ensure the development of viable and sustainable businesses.
- **Tourism development:** Tourism opportunities in the Lepelle-Nkumpi Municipal Area are vast. The Zebediela Citrus is one of largest citrus farms in the Southern Hemisphere. The Wolkberg Wilderness Area consists of 40 000 hectares of almost pristine Afromontane grasslands, indigenous forests, spectacular mountain scenery and clean, running streams and rivers. It is the largest wilderness area readily available to the public of South Africa. The Downs and Lekgalameetse Nature Reserves are located adjacent to the Wolkberg Wilderness Area, while the Bewaarkloof Nature Reserve is located to the west of the Wolkberg Wilderness Area. The biggest opportunity for development in the tourism industry is based on these nature reserves. The effective packaging, commercialisation and merging thereof could generate the opportunity to establish the Municipality as a tourist destination. Opportunities also exist for the promotion of adventure tourism in the Strydpoort Mountains. Such activities could include mountain-biking, caving, rock-climbing, etc.
- **Location:** When travelling from Polokwane to Burgersfort, one needs to drive through Lepelle-Nkumpi, making it ideally located for retail, mining support services, etc.
- **Map.12: Development Corridors**



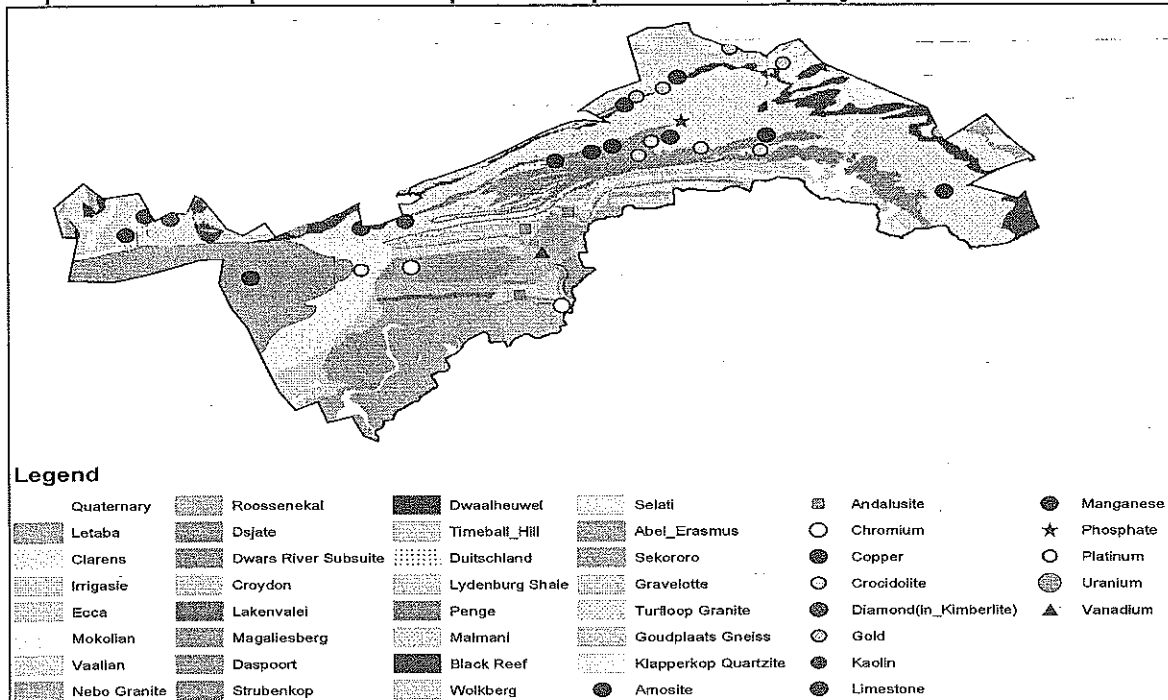
Map.13: Economic Opportunities



Map14. Areas with Agricultural potential within Lepelle-Nkumpi Local Municipality



Map 15: Mineral Deposits within Lepelle-Nkumpi Local Municipality



LED initiatives created 1068 jobs during 2012/13, which is an improvement from the previous year's (2011/12) 644 jobs. EPWP created 240 jobs in 2010/11 and 100 jobs again in 2011/12.

A further 1200 jobs were created through the Community Work Programme during 2012/13 and 900 during 2013/14 (2012/13 Annual Report). Building of local Lebo Mall crated 300 temporary jobs during construction and 1600 jobs permanent during 2013/14. .

11. FINANCIAL SUSTAINABILITY

11.1. Key Financial Management Policies

Council has approved the following policies for proper financial management in the municipality;

CREDIT CONTROL AND DEBT COLLECTION AND CUSTOMER CARE POLICY

The continuous provision of municipal services to residents and communities also poses a risk of poor collection if there are no credit control and debt collection policies to assist council to execute its constitutional obligations in terms of Chapter 7 of the Constitution of the Republic of South Africa. The Debt Collection and Credit Control by-laws have been gazetted in March 2008, Gazette No. 1454.

Purpose of the policy is;

- To distinguish between those who can pay for services and make them pay and those who genuinely cannot
- To get those who cannot pay for services to register with the municipality as indigents
- To enable the municipality to determine and identify defaulters

TARIFF POLICY

Section 74 of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, contains clear guidelines regarding the compilation of and principles for a tariff policy. An extract reads as follows:-

"Sec 74 (1) A Municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation."

The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to determining and levying of tariffs by Lepelle - Nkumpi Municipality.

BAD DEBTS AND WRITE-OFF POLICY

Section 96 of Municipal Systems Act 32 of 2000 provides that a municipality must collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation

Purpose of the policy;

- to provide the principles and procedures for writing off irrecoverable debt.
- to ensure that recovery would not cause undue hardship to the debtor or his/her dependants.
- to determine circumstances leading to the write-off of debts
- to provide framework for procedures for writing off of debts

INDIGENT POLICY

Section 27(1) (b) of the South African Constitution Act, 1996 (Act 108 of 1996) states that:

- Everyone has access to sufficient food and water.

Section 74.2(C) of the Local Government Municipal Systems Act, 32 of 2000 states that :

- Poor households must have access to at least basic services through
 - Tariffs that cover only operating and maintenance costs;
 - Special tariffs for basic levels of services; and
 - Any other direct or indirect method of subsidization of tariffs for poor households

The purpose of the policy is to determine how the municipality will assist members of the community who cannot afford basic municipal services as enshrined in the Constitution. And to ensure that lives of the underprivileged members of the community are improved through provision of affordable and quality services.

PROPERTY RATES POLICY

In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property. This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.

The primary goal of the investment of funds is to earn the returns on investment principal, an amount invested whilst managing liquidity requirements and providing the highest return on investment at minimum risk, within the parameters of authorised instruments as per the MFMA

ASSET MANAGEMENT POLICY

This policy is intended to define and provide a framework for the Asset Management within the guiding principles of sections 62(1)(a), 63(1)(a) and 63(2)(a) of the Municipal Finance Management Act (MFMA), National Treasury Guidelines, Generally Recognised Accounting Practices (GRAP), Accounting Standards and to promote good financial management practices.

Its aims are;

- To ensure the effective and efficient control, utilization, safeguarding and management of LNM's Property, Plant and Equipment (PPE)
- To set out the standards of physical management, recording and internal controls to ensure PPE are safeguarded against inappropriate loss or utilization
- To ensure that Fixed Assets are not written off and disposed off without proper authorization.

BUDGET POLICY

In terms of the Municipal Finance Management Act, No.56 of 2003, chapter 4 on the Municipal Budgets, Subsection (16), states that the council of a municipal must for each financial year approves an annual budget for the municipal before the commencement of that financial year.

The objective of the budget policy is:

- to set out the principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget
- to set the responsibilities of the Mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- to establish and maintain procedures to ensure adherence to Lepelle-Nkumpi Municipality's IDP review and budget processes.

Council approved reviewed Budget Policy in May 2014 to guide compilation of 2015/16 Budget.

CASH AND INVESTMENT MANAGEMENT POLICY

Council approved a Cash and Investment Policy in May 2014 in terms of MFMA section 13(2) that each municipal council and governing body shall adopt by resolution on investment policy regarding of its monies not immediately required. The primary goal of the investment of funds is to earn the returns on investment principal, an amount invested whilst managing liquidity requirements and providing the highest return on investment at minimum risk, within the parameters of authorised instruments as per the MFMA.

Long-term Investment is vested with the municipal council in terms of section 48 of the MFMA. Short-term Investment lies with municipal manager or chief financial officer or any other senior financial officer authorised by the municipal manager or chief financial officer/ relevant assignee.

BUDGET AND VIREMENT POLICY

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget
- Set the responsibilities of the Mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to Lepelle-Nkumpi Municipality's IDP review and budget processes.

Municipality compiles its budget in line with the following principles;

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget
- (or adjustment budgets) and within the limits of the amounts appropriated for each vote in the approved budget.
- The capital budget should be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
- Lepelle-Nkumpi Municipality shall prepare three year budget (medium term revenue and expenditure framework "MTREF" and that will be reviewed annually and approved by council.
- Lepelle-Nkumpi budgets shall have clear and unambiguous linkages to the IDP, LED & the Turnaround Strategies.

The policy was approved by council in line with Municipal Finance Management Act, No.56 of 2003, Chapter 4 Subsection (16) on the Municipal Budgets and reviewed annually.

11.2. Revenue Management and Credit Control

The main sources of own revenue are property rates, traffic and licensing services, refuse removal, and some short to medium term investments. Municipality collects revenue on water and sewerage services on behalf of CDM which is the Water Services Authority as per Service Level Agreement signed. Other than these own revenue sources, the municipality receives the following major grants;

- Equitable Share
- Municipal Infrastructure Grant
- Municipal System Improvement Grant
- Financial Management Grant
- Integrated National Electrification Fund

- EPWP Incentive Grant
- CDM: Landfill Site Management

Table.36: Revenue Collection Rate-

2010/2011			2011/2012			2012/13			2013/14		
Amount Billed	Actual Collected	%	Amount Billed	Actual Collected	%	Amount Billed	Actual Collected	%	Amount Billed	Actual Collected	%
R 86 606 069.64	R 13 059 807.92	15	R 88 649 370	R 19 049 532	22	R 24 746 700	R 4 636 684	19	R28 m	R2.8 m	10

Annual Report 2013/14

The poor revenue base and none collection makes the municipality 80% dependent on grants. Plans are underway to expand revenue base through collection in identified rural villages, starting with property rates, water and refuse removal. The challenge has also been boycott of payment of services by a certain sector of the residents of Lebowakgomo Township, which is the only area where rates are being collected. Council has developed a credit control policy to deal with the defaulters and is being implemented. A Venus billing system is being used for revenue management

11.3. Budget and Expenditure Patterns

Each year the municipality compiles three year budget that is aligned to IDP, compliant with Treasury Budget Framework and is approved by council and submitted to Provincial and National Treasury.

The following expenditure patterns are recorded for previous financial years on municipal budget as per audited Annual Financial Statements;

Table.37: Budget and Expenditure Patterns

GRANT	2010/11 Budget	2010/11 EXP	%	2011/12 Budget	2011/12 EXP	%	2012/13 Budget	2012/13 EXP	%	2013/14 Budget	2013/14 EXP	%
Municipal Infrastructure Grant	22 427 732.45	14 829 064.00	66.12	36 316 668.00	34 127 567.00	93.9 7	34 836 000.00	34 836 000.00	100	42 903 000.00	10 602 343.64	24.71
Municipal System Improvement Grant	777 264.00	522 200.00	67.18	1 045 064.00	993 121.00	95.0 3	800 000.00	800 000.00	100	890 000.00	889 943.15	99.99
Financial Management Grant	4 192 429.00	3 918 707.00	93.47	1 523 722.00	1 256 034.00	82.4 3	1 500 000.00	1 500 000.00	100	1 550 000.00	1 549 999.30	100.00
Equitable Share	93 673 613.00	93 673 613.00	100.00	109 337 000.00	106 099 000.00	97.0 4	124 157 001.00	124 156 668.00	100	138 190 000.00	138 190 000.00	100.00
DME Electricity Grant	4 873 098.25	3 479 712.00	71.41	4 393 386.00	1 146 622.00	26.1 0	4 000 000.00	4 000 000.00	100	5 000 000.00	3 989 129.39	79.78
Total on Grants:	125 944 136.70	116 423 296.00	92.40	152 615 840.00	143 622 344.00	94.1 1	165 293 001.00	165 292 668.00	100	188 533 000.00	155 221 415.48	80.89

The challenge with regard to municipal budget and its spending is that the expected revenue is not being collected as consumers have of recent past failed to pay for services even though they so happily receive and use.

11.4. Supply Chain Management

The Municipality is implementing the Supply Chain management policy as prescribed by MFMA and approved by council in May 2014. An SCM unit has been established and bid committees (specification, evaluation and adjudication) also appointed. The SCM policy is reviewed annually to align with new legislative framework and the changing needs of the municipality.

Some of the challenges with respect to SCM processes at Lepelle-Nkumpi are delays that are a result of uninformed budgets from user departments that do not get favourable quotes from service providers. Also some suppliers commit to contracts that they are unable to honour.

11.5. Assets management

The Municipality keeps an asset register that is largely compliant to GRAP standards. The asset management policy and procedures which encompass the asset disposal have been developed and are reviewed on an annual basis. Asset management and disposal committees have been appointed and a unit established to ensure that there is prompt disposal of redundant assets. The challenges on the assets register are that it needs to be updated with regards to immovable assets.

11.6. Cash Flow Management

Council approved a Cash and Investment Policy in May 2014 in terms of MFMA section 13(2). Long-term Investment is vested with the municipal council in terms of section 48 of the MFMA. Short-term Investment lies with municipal manager or chief financial officer or any other senior financial officer authorised by the municipal manager or chief financial officer/ relevant assignee.

In-Depth Analysis and Key Findings on Financial Viability

Constraints

- Low rate of revenue collection and lack of wide revenue base
- No programme to encourage consumers to pay for services
- Lack of powers and functions on water services
- Ageing and dysfunctional water supply and billing infrastructure
- Metering technology does not restrict water to deal with defaulters
- Non adherence to procurement plan
- Poor and non-responsive bids
- Lack of suppliers' database
- Shortage of funds for service delivery programmes
- Lack of budget management systems

Strengths and Opportunities

- There is huge revenue base at Lebowakgomo Township and a potential to expand to rural areas
- Budget and Treasury office has been established and fully staffed with financial systems
- Creditors are mostly paid within 30 days

12. GOOD GOVERNANCE

12. 1. Internal Audit and Audit Committee

The Municipality has established internal audit office which monitors and ensures compliance of the Municipality to legislation and policy guidelines. An audit committee has been appointed to advise council on compliance and performance management issues. An internal audit charter was approved by the audit committee.

12.2. Communication and Community Participation

The Municipality has a communication unit that facilitates internal and external communication of municipal programs to stakeholders on a continuous basis. Communication in the Municipality is done through municipal newsletters, public notices and meetings, two local radio stations and regional stations, regional and national newspapers, website and phones to local and external stakeholders. All the 29 wards have been allocated Community Development Workers, appointed from Provincial CoGHSTA, who serve as conduits between the municipality and the community on public participation messages and services delivery matters. Council has also appointed a Spokesperson in the Mayor's office to this effect. Communication and Public Participation Strategy was reviewed by council during the 2012/13 financial year.

The major challenge with regard to public participation has been poor turn-out of community members during public/community meetings, even though transport is being arranged by municipality to ferry people from their respective villages to meetings venues.

12.3. Complaints Management and Customer Care

A customer call centre has also been established with a Toll Free number for the communities to raise issues on service delivery. This is an electronic Complaints Management System supported by Fujitsu to

deal with matters that community members would like to see resolved while also being afforded a chance to register complains that are followed up by management.

12.4. Ward Committees

All the 29 wards have functional ward committees which were established in 2011. Ward committee members support the work of an elected ward councillor and report on the work of their respective portfolios on a monthly basis. Together with CDW's, they serve as conduits between the community and the municipality. Ward committee members receive a monthly stipend of R1000, 00 to compensate the work that they do in their respective wards and the municipality.

Ward committees hold monthly committee and community meetings in their wards and a ward forum at municipal level convened by the Speaker at least once each quarter (i.e. every three months).

12.5 Oversight Committee

Council has established a Municipal Public Accounts Committee (MPAC) that plays oversight over the work of council, its committees and administration.

12.6. Financial Reporting

The Municipality endeavours to comply with the prescriptions of MFMA and MSA for financial reporting at all times. Monthly, quarterly and annual reports are submitted to council and sent to Treasury Department and other legislative bodies. Annual financial statements are also submitted with the annual reports and later on subjected to audit by the office of the Auditor General. The municipality received an improved audit opinion of a qualified report for 2013/14 financial year from a disclaimer audit opinion for 2012/13 financial year.

Table.35: Audit Opinion for Last Five Financial Years

Financial Year	2009/10	2010/11	2011/12	2012/13	2013/14
Audit Opinion	Qualified	Disclaimer	Disclaimer	Disclaimer	Qualified

EMPHASIS OF MATTER PARAGRAPHS

The following matters of emphasis were made in the 2013/14 audit report;

Restatement of corresponding figures

- As disclosed in note 31 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of an error discovered during 2014 in the financial statements of the municipality at, and for the year ended, 30 June 2013.

Material underspending of the conditional grant

- As disclosed in note 11 to the annual financial statements, the municipality has materially underspent the budget on Municipal Infrastructure Grant to the amount of R 13 450 757.

Material Impairments

- The municipality had consumer debtors totalling R106 818 465 at 30 June 2014. The recoverability of R71 675 412 debtors is doubtful.

ADDITIONAL MATTER PARAGRAPHS

The following additional matter paragraphs were included in the auditor's report:

Unaudited supplementary schedules

- Supplementary information does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

- In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

An action plan has been developed by management and the Mayor of the municipality to deal with specific matters raised in the AG's audit report so as to improve levels of compliance, accounting and reporting for an improved positive audit opinion. The Audit Committee is playing its role of actually reviewing the AFS's and Annual Report.

12.7. Anti-Corruption and Fraud Prevention Strategy

Council has also approved a reviewed Anti-Corruption and Fraud Prevention Strategy in June 2012. It is a policy and a plan of the municipality guiding it on how to deal with issues around fraud risk management; proactive defence of assets; and fraud response plan. Risk Unit has been established as part of implementation of the municipal anti-fraud plan.

A District Fraud and Corruption Hotlines were relaunched in November 2012 to provide tool to anybody who might have to report fraud and corruption activities taking place in the municipality. The Hotline (0800205053) is managed by the District Municipality with whom campaigns on the subject are conducted on an ongoing basis.

12.8. Risk Management

Municipal council has approved a reviewed Risk Management Strategy in June 2012. A Risk Unit has been established and a Risk Officer appointed to operationalise the risk management strategy. The following risks have been identified as top ten risks from 2014/15 Risk Profile of the municipality;

Name of Risk	Department
Inadequate Revenue Collection	Budget and Treasury
Inability to deliver services to community	Municipal Manager
Ineffective management of assets	Budget and Treasury
Inadequate fleet management	Corporate Services
Inadequate controls over properties (land)	Planning and LED
Possible injury or loss of life (security)	Corporate Services
Ownership squabbles over SMME's and cooperatives	Planning and LED
Invasion and encroachment on municipal land	Planning and LED
Ageing infrastructure	Infrastructure Development
Inability to reach clean audit	Budget and Treasury

Risk Mitigation Strategies are available in the risk profile of the municipality as tabled to council.

12.9. Performance Management System (PMS)

The Municipality reviewed its PMS framework during the 2011/12 financial year. Individual performance assessments were done to senior managers in line with the Performance Regulations during the 2013/14 financial year. Senior managers do sign performance agreements at the beginning of the financial year, outlining what is expected of them as acceptable standards of performance. To this effect, assessment panel was appointed to conduct the individual performance assessments of municipal managers and managers reporting to him for in-year and annual performance. Performance bonuses have not been paid for 2013/14 financial year performance.

Quarterly and annual organisational performance reviews are conducted and reports submitted to council and other legislative bodies to track progress on the IDP and budget implementation. An audit committee was appointed by council in 2014 with an additional mandate to serve also as municipality's performance audit committee. MPAC conducts oversight on the annual report and in-year reports.

In-Depth Analysis and Key Findings on Good Governance

Constraints

- Poor community/stakeholders participation in meetings
- Negative audit opinion that shows non compliance to legislation, systems and policies governing municipal operations

Strengths and Opportunities

- Management systems have been established
- Supply chain management policy is approved and bid committees appointed
- PMS is being implemented at senior management level

13. INSTITUTIONAL ANALYSIS

13.1 ESTABLISHMENT, CATEGORY AND TYPE OF MUNICIPALITY

The Municipality was established in terms of the Municipal Structures Act (Act No. 117 of 1998) on 05 September 2000 - Provincial Government Notice No. 275 of 2000. It is a Category B municipality as determined in terms of Chapter 1 of the Municipal Structures Act, 1998 and has a Collective Executive System as contemplated in Section 2(a) of the Northern Province Determination of Types of Municipalities Act, 2000 (Act No. 2 of 2000).

13.2 COUNCILLORS

The Council of the municipality consists of 28 proportionally elected councillors and 29 ward councillors as determined in Provincial Notice No. 62 of 2005. Council has designated the Mayor, Speaker, Chief Whip and two Portfolio Chairpersons as full time councillors in terms of section 18(4) of the Municipal Structures Act, 1998.

The African National Congress is in the majority and the Congress of the People is the official opposition party. The composition of political parties' representation within the municipality is as reflected below.

Table.32: Political Parties Representation in Lepelle-Nkumpi

Political Party	Male	Female	Number of Councillors	Vacancies	Total Seats
African National Congress (ANC)	22	23	45	2	47
Congress of the People (COPE)	3	1	4	-	4
Democratic Alliance (DA)	1	1	2	-	2
Pan Africanist Congress (PAC)	-	1	1	-	1
Azanian People Organisation (AZAPO)	1	-	1	-	1
African Christian Democratic Party (ACDP)	1	-	1	-	1
Independent	1	-	1	-	1
Total Municipal Councillors	30	27	55	2	57

Source: 2013/14 Annual Report

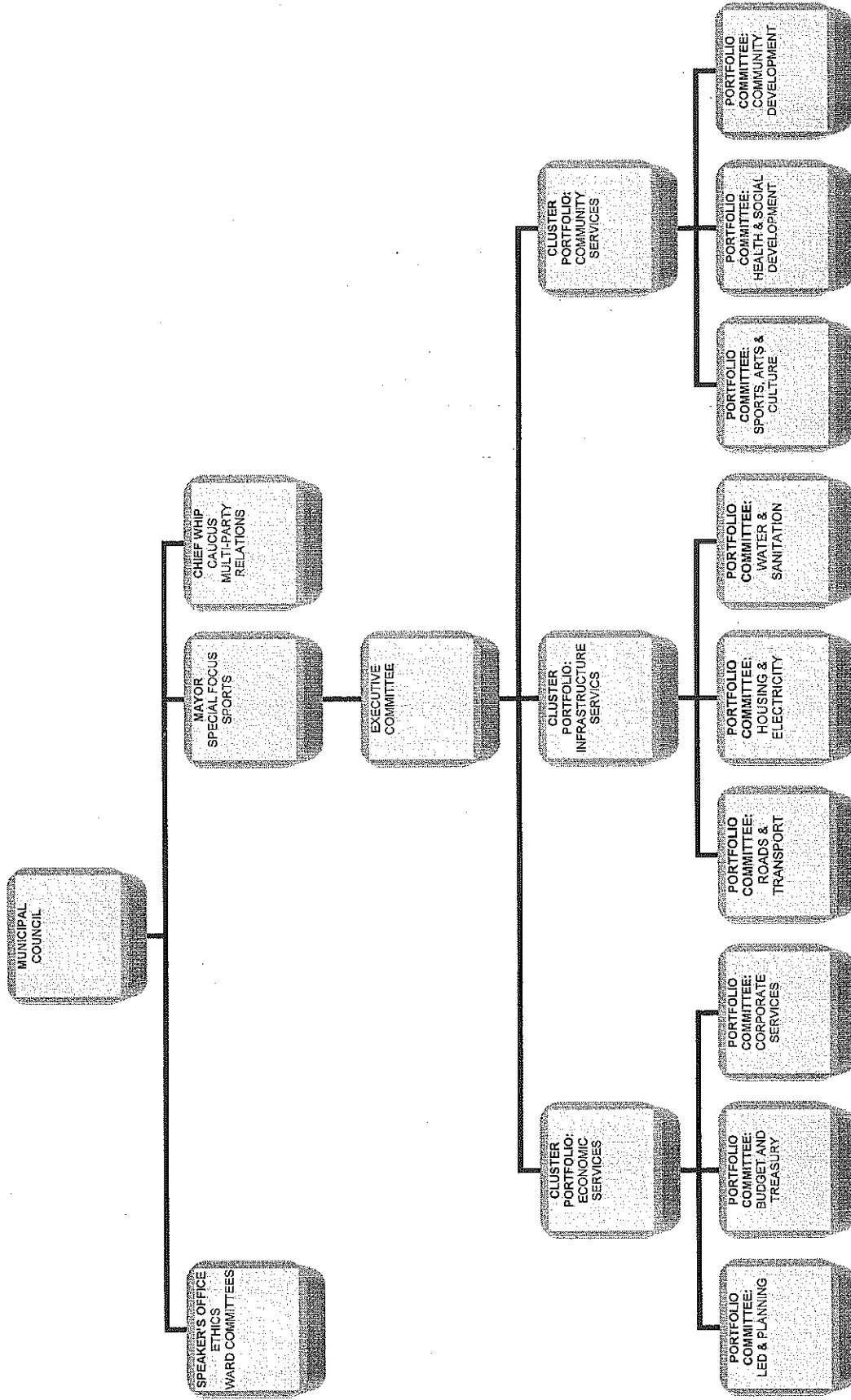
The following traditional leaders are participating in the council the Lepelle-Nkumpi municipality as ex-officio in terms of Section 81(2) (a) of the Municipal Structures Act, 1998 and Provincial Government Notice No. 55 of 2001:

- ◆ Kgoshi Kekana III
- ◆ Kgoshigadi Ledwaba
- ◆ Kgoshi Mathabatha
- ◆ Kgoshigadi Mphahlele
- ◆ Kgoshigadi Seloane
- ◆ Kgoshi Thobejane

The municipality enjoys a healthy working relationship with all the six traditional authorities. The Council Executive Committee that is chaired by the Mayor has nine portfolio committees, with the following gender representation among their chairpersons;

PORTFOLIO	GENDER
▪ Budget and Treasury Portfolio	Male
▪ Community Services and Sports, Arts and Culture Portfolio	Male
▪ Roads and Transport Portfolio	Male
▪ Corporate Services Portfolio	Male
▪ Health and Social Development Portfolio	Male
▪ Planning and Local Economic Development Portfolio	Female
▪ Housing and Electricity Portfolio	Female
▪ Water and Sanitation Portfolio	Female
▪ Chairperson without Portfolio	Female

Diagram.1: POLITICAL STRUCTURE

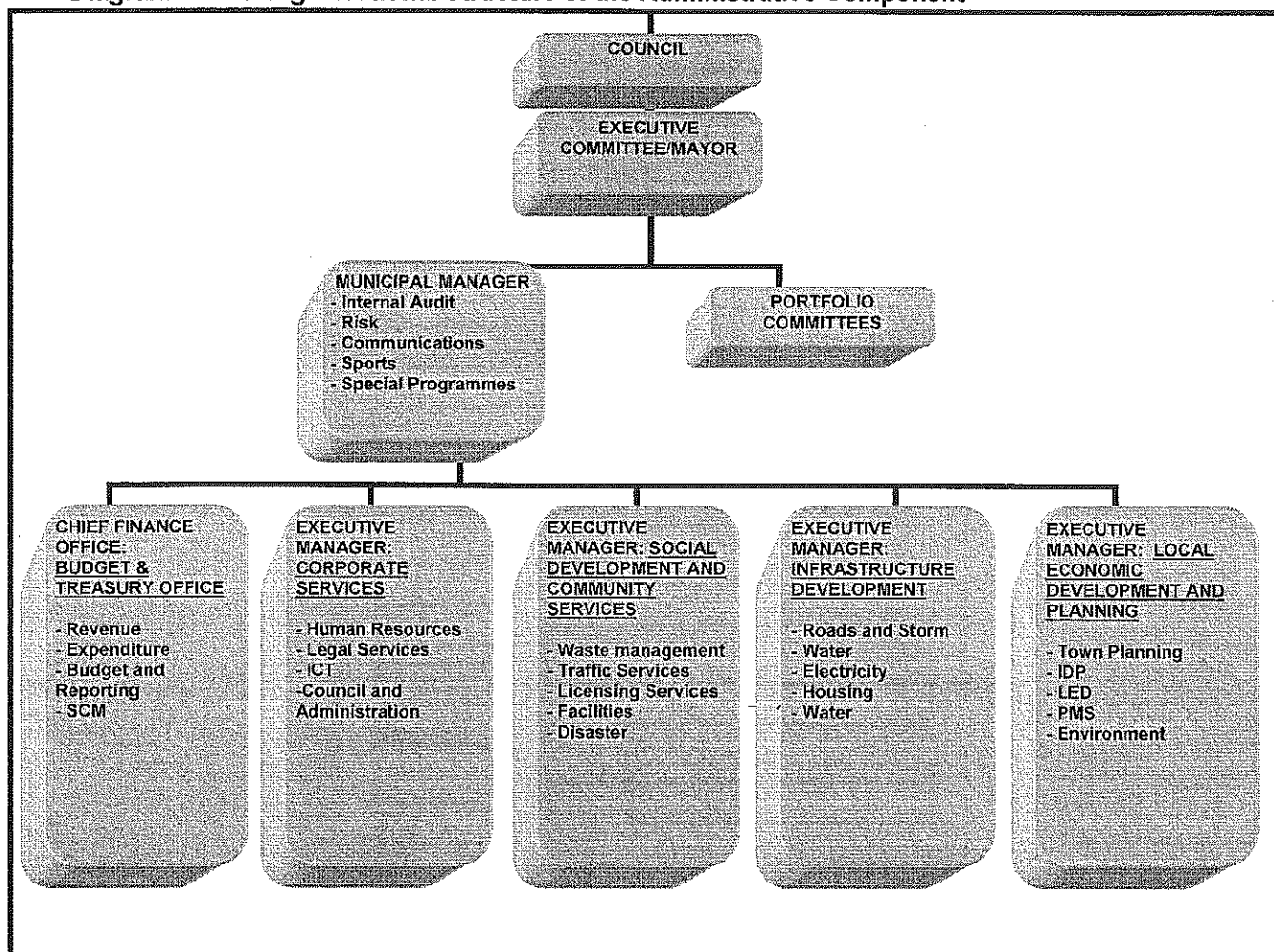


13.3. ADMINISTRATIVE STRUCTURE

13.3.1. Organogram

The Municipal Manager is the municipality's accounting officer and head of the administrative component. The administrative structure is divided into five departments, i.e. Local Economic Development and Planning, Corporate Services, Social Development and Community Services, Infrastructure Development and Budget and Treasury. Council has approved an organizational structure with 304 positions in 2014. The organizational structure is aligned to municipal powers and functions.

Diagram 2: The Organisational Structure of the Administrative Component



Council has also recognised the skills shortage in terms of specialised fields like town planning, financial management and engineering that are essential to enable it to respond to development needs of the area.

13.3.2. Staff Composition and Employment Equity Plan for 2014/15 Financial Year

Table.33. Current Staff Composition

DEPARTMENT	FILLED POSTS			VACANT POSTS
	MALE (57.7%)	FEMALE (42.3%)	TOTAL (100%)	
Municipal Manager's Office	10	7	17	5
Corporate Services	21	32	53	8
Finance	14	19	33	2
LED & Planning	10	7	17	5
Community Services	48	28	76	24
Infrastructure Development	32	5	37	26
TOTAL POSTS (304)	135	99	234	70

(LNM 2014/15 Mid-Year Report)

Table.34. Senior Management Composition for 2014/15 Financial Year

POSITION	FILLED POSTS	
	MALE (33.3%)	FEMALE (66.6%)
Municipal Manager	1	
Chief Finance Officer		1
Corporate Services Executive Manager		1
LED & Planning Executive Manager	1	
Community Services Executive Manager		1
Executive Manager		1
Infrastructure Development Executive Manager		1
TOTAL POSTS	2	4

(LNM 2014/15 Mid-Year Report)

One serious challenge that the municipality is struggling with is the issue of equitable representation of the previously disadvantaged groups in all levels of municipal structure, especially people with disability. The table below depicts the current equity status in relation to designated categories of employees at level 0- 3 (i.e. middle to senior managers)

Table.34: Employment Equity Status and Targets for 2014/15 Financial Year

Occupation category	Male (61%)				Female (39%)				Total	People with Disabilities	
	African	Coloured	Indian	White	African	Coloured	Indian	White		Number	Percentage
Managers and senior officials level 0-3	14	0	0	0	9	0	0	0	23	1	4.3%
Percentage	61%	0	0	0	39%	0	0	0	100%	4.3%	-

Data Source: LNM 2014/15 Mid-Year Report

Council reviewed its Employment Equity Plan during 2014/15 financial year.

13.4. MANAGEMENT SYSTEMS

13.4.1. Information and Communication Technology

An ICT Unit has been established to effectively support and coordinates the municipality's information management systems and technology needs. The municipality has implemented the following ICT systems for the purpose of enhancing its institutional capacity;

- E-mail
- Website
- Internet and intranet
- Disaster Recovery Plan
- Wireless Technology Network
- Financial Management System
- ICT Kiosk, in the Library for community use
- Disaster Recovery Switching Centre
- Customer Care Call Centre
- EnviroRac
- Electronic Fleet Management

13.4.2. Code of Conduct

The code of conduct for councillors is as per the prescription of the Municipal Structures Act. Code of conduct for employees has been drawn and adopted deriving from the framework of the Municipal Systems Act 23 of 2000. It clarifies on the description of misconducts, processes to be followed and sanctions to be meted in attending to disciplinary procedures.

13.4.3. OCCUPATIONAL HEALTH AND SAFETY

Municipality has a functional OHS unit and OHS Committee to look into issues of health and safety at the workplace in compliance with OHS Act 181 of 1983.

13.4.4. HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

- **Workplace Skills Development Plan:** Council compiled a WSDP for 2014/15 and annually submits it to relevant authorities as a basis for training and development of staff under its employment.

- **HR Policies:** Among others, council developed policies on overtime, car and travel allowance, smoking, cellphone, telephone, recruitment and selection, staff code of conduct, staff bursary and performance management.

13.5. IN-DEPTH ANALYSIS

In-Depth Analysis and Key Findings

Constraints

Shortage of staff with 23% vacancy rate

Outdated employment equity plan

Women constitute 54% of the municipality's total population of 230350. However, in the staff composition of the municipality, female constitutes 42% of total staff and 39% of management

Skills gap

Lack of electronic records / document management system

Strengths and Opportunities

- Critical positions have been filled at senior management level and below
- Women constitute two third of senior management.
- PMS is being implemented at senior management level
- Management systems are established and functional.

14. CROSS-CUTTING ISSUES

Cross cutting issues refer to those issues, which require a multi-sectoral response and thus need to be considered by all departments.

14.1 HIV/AIDS

See item 3 here above.

14.2 Local Agenda 21

Lepelle-Nkumpi municipal programmes are approached, from planning until implementation, with greater concern on effective use of natural resources to benefit current population while being preserved for future generations. This is in line with the decisions of Kyoto Protocol, World Summit on Sustainable Development, Rio De Janeiro, and COP 17 among others. See environmental analysis here above.

14.3. Disaster Management

Municipality has developed a Disaster Management Plan in 2013. The District Municipality is the one with powers and functions on Disaster Management. However, according to National Disaster Management Framework, there are eight requirements that must be applied and documented by all spheres of government. These are;

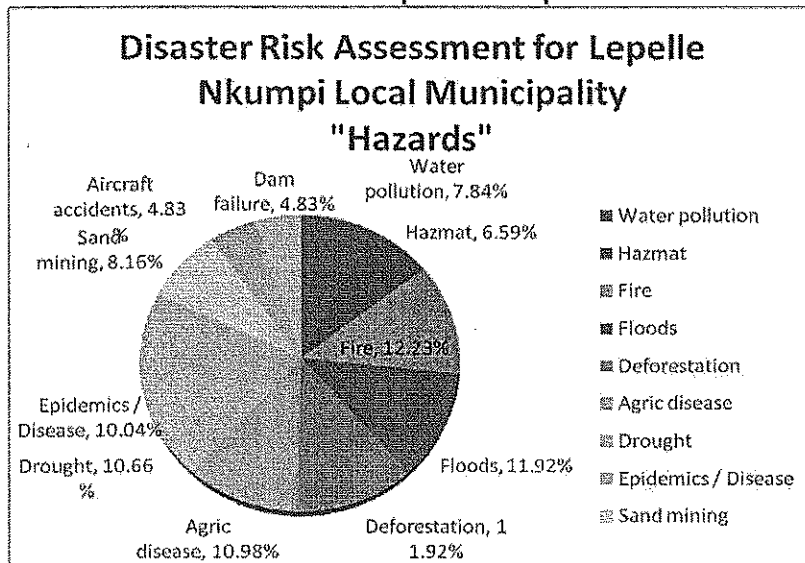
- Use disaster risk assessment findings to focus planning efforts
- Establish an informed multidisciplinary team with capacity to address the disaster risk and identify a primary entity to facilitate the initiative
- Actively involve communities or groups at risk
- Address multiple vulnerabilities wherever possible
- Plan for changing risk conditions and uncertainty, including the effects of climate variability
- Apply the precautionary principle to avoid inadvertently increasing disaster risk
- Avoid unintended consequences that undermine risk avoidance behavior and ownership of disaster risk
- Establish clear goals and targets for disaster reduction initiatives, and long monitoring and evaluation criteria to initial disaster risk assessment findings

Capricorn District Municipality has, in accordance with Chapter 5 of Disaster Management Act, established Disaster Management Centers throughout the whole of its area, including one in Lepelle-Nkumpi which is at Lebowakgomo. Through this the District provides support and guidance to Lepelle-Nkumpi in the event of a disaster occurring or threatening to occur. The centre is equipped with the necessary equipment and personnel in order to deal promptly with disasters. The challenge is that the

municipal area is vast with settlements of small populations scattered throughout. This makes it difficult to respond to disaster as quickly as desired by the National Disaster Management Framework.

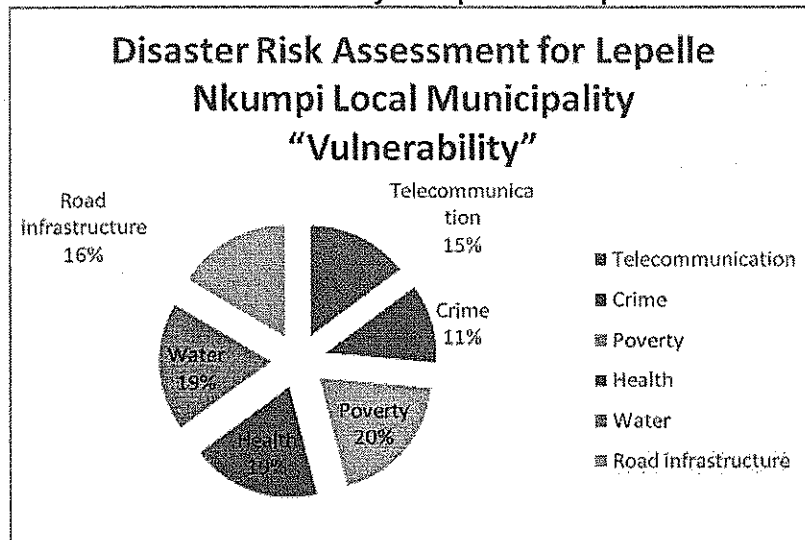
14.3.1. Disaster Risk Assessment

Chart.6: Disaster Hazards in Lepelle-Nkumpi



Veld fires, floods, deforestation, potential agricultural diseases, drought and epidemics are the highest priority threats in Lepelle-Nkumpi.

Chart.7: Disaster Vulnerability in Lepelle-Nkumpi



Poverty and lack of basic services are the main contributors to the high vulnerability of people and are higher priorities for all municipalities in Capricorn. Appropriate poverty alleviation programmes, health, water, road infrastructure, telecommunication programme are required to reduce the vulnerability status of communities and to help build community resilience. High crime rate in the area also requires appropriate prevention programmes.

14.4. Poverty Alleviation

The high levels of poverty are apparent as shown by the statistics from Census 2011 where about 79% of households have an income of less than R3200 per month (the household subsistence level) or no income at all. Poverty alleviation is a central issue for the municipality and is addressed, within the available resources, through various IDP programmes and projects. Examples of these include the municipality's LED programme, EPWP, War on Poverty, community work's programme, labour intensive infrastructure and social programmes and provision of free basic services to qualifying households.

The following Monthly Free Basic Services have been provided to households;

Free Basic Service	Number of Households Provided With
Free Basic Water	412
Free Basic Electricity	10066
Free Basic Sanitation	412
Refuse Removal	412
Property Rates	372

Data Source: 2013/14 Annual Report

An indigent policy was approved by council with an intention to provide subsidy to households with an income of up to R3 500.00 per month to access basic services. This guided the compilation and review of the indigent register by council in 2013.

14.5 Gender Equity

Gender inequalities exist in the social, economic, physical and institutional environment of the municipality. Women constitute 54.48% of the population (Census 2011), yet there is poor representation of women in community structures.

Women constitute 47% of municipal councillors and 50% of its Executive Committee. In fact both the Mayor and the Speaker of the municipality are women councillors. At ward committee level, out of 261 members, 150 are women.

In terms of employment equity, the municipality has put in place an employment equity plan with monitoring indicators that are gender disaggregated. They show that women comprise two third of senior management, 39% of management (i.e. level 0-3) and 42% of the total staff. Within the municipality, several initiatives have been undertaken to advance the national gender agenda. Amongst others, a gender desk has been established in the Mayor's office, a gender procurement scoring system is in place to encourage the economic empowerment of women entrepreneurs and companies. Moral Regeneration Movement was also launched during the 2011/12 financial year.

14.6 Children & Youth

According to Census 2011, approximately 69% of the municipality's population can be categorized as either children or youth (below 35 years old). This group is the most vulnerable and is greatly affected by the social ills facing our society today. The municipality is experiencing a number of youth-related problems, namely HIV/AIDS; crime; teenage pregnancy; alcohol and substances abuse; unemployment; and the non-completion of schooling. Children's Forum and Youth Council have been established to deal with issues that affect young people in the municipality. Service delivery programmes are also mainstreamed to benefit the youth at various levels.

14.7 People Living with Disabilities

According to Census 2011, 3.4% of the population is living with disabilities. A Disability forum was launched and is actively advocating for the needs and rights of people with disabilities. A disability strategy is currently being developed.

14.8 Older Persons

7.8% of the population of Lepelle-Nkumpi is older than 64 years (Census 2011).

A forum for the aged was formed in 2007 to promote the needs and interests of this important sector of our society.

14.9 An In-Depth Analysis and Key Findings of Cross-cutting Issues.

i. Weaknesses and Threats

There is lack of facilities and staff to deal with HIV / AIDS testing, counselling, treatment and care.

Government Health Department is strained with understaffing at clinics and hospitals, home based care facilities are under- resourced and non-existence in some areas.

There is no employee assistance programme to deal with those affected.

There are high levels of poverty and unemployment

There is too little budget available from the municipality to fund coordination of special focus programmes

The municipality does not have an integrated strategy or plan to deal with matters relating to gender, youth, children and disabled

ii. Strengths and Opportunities

- Coordination of Special Programme is placed in the Mayor's Office. Issues in respect of gender, youth, children, and disabled are being addressed through a well staffed special focus unit within the municipality and through involvement community based structures in the wards
- There are strong partnerships with local CBO's, local mine and government departments to implement HIV / AIDS community outreach programmes of education, training and counselling.
- Opportunity with regard to Local Agenda 21 lies in the devolution of environmental management function and transfer of environmental officers from province to municipalities. This was further strengthened with the approval of environmental management plan.
- Municipality has a dedicated official dealing with Disaster Management