



“To improve the general quality of life and the opportunities available to the people of Ntambanana”

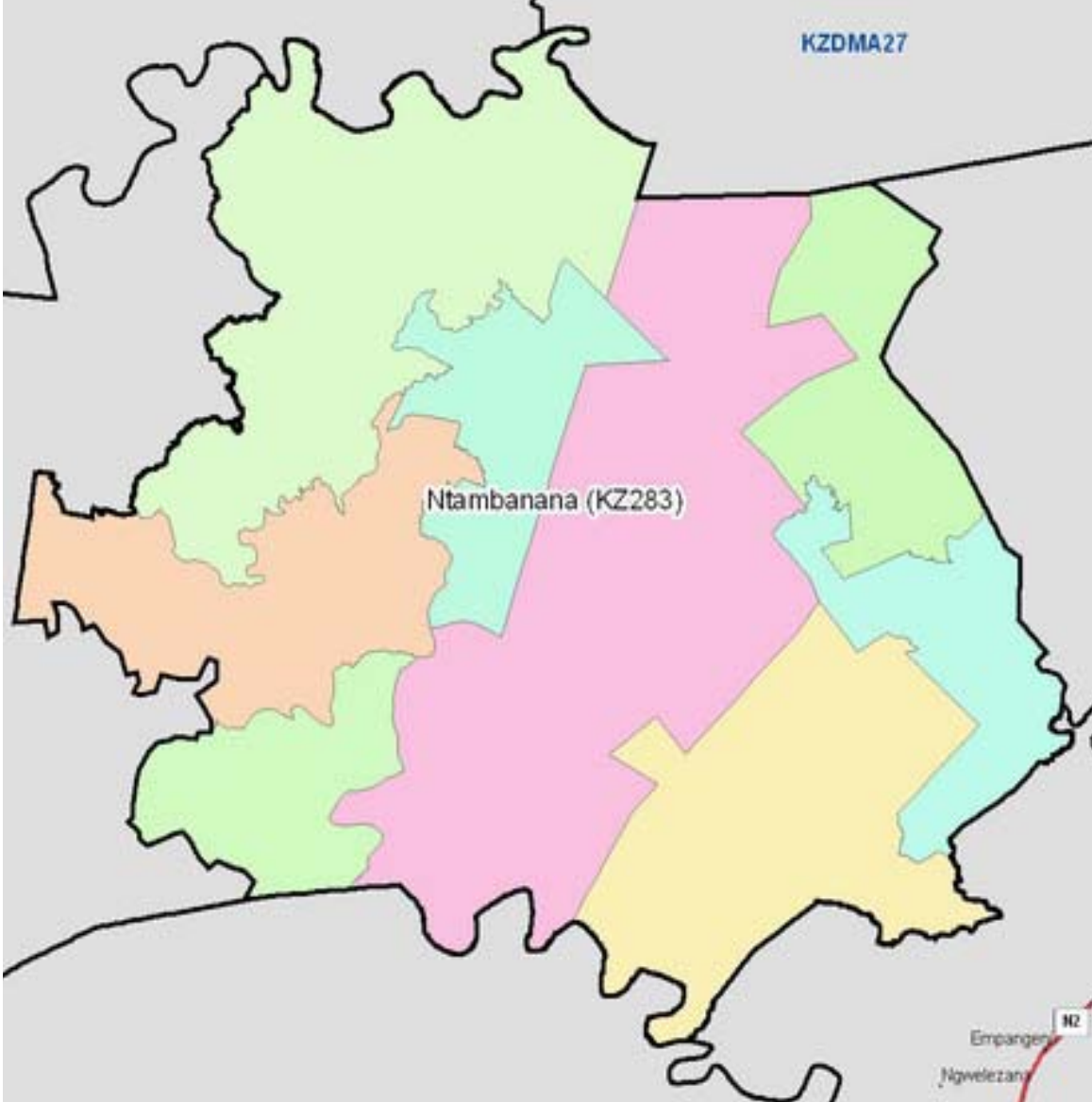
Ntambanana Local Municipality

FINAL ADJUSTMENT MEDIUM TERM

BUDGET REPORT

2011/12 – 2013/14

JANUARY 2012



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PART 1 – ADJUSTMENT BUDGET

1. DEFINITIONS

- (1) In this Budget Report, unless the context indicates otherwise –
- “accounting officer”**
- (a) in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Finance Management Act, 2003; and include a person acting as the accounting officer;
- “allocation”**, in relation to a municipality, means -
- (a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget;
- or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;
- “annual Division of Revenue Act”** means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution;
- “approved budget”** means an annual budget -
- (a) Approved by a municipal council; or
- (b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;
- “basic municipal service”** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;
- “budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality, including -
- (a) The tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) The credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- “budget year”** means the financial year for which an annual budget is to be approved in terms of section 16(1) of the Municipal Finance Management Act, 2003.;
- “chief financial officer”** means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act, 2003.
- “councillor”** means a member of a municipal council;
- “CPIX”** means Consumer price Index.
- “current year”** means the financial year which has already commenced, but not yet ended;
- “debt”** means -
- (a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or

(b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

“**delegation**”, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

“**district municipality**” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

“**DLGTA**” means Department of Local Government and Traditional Affairs of the Kwa-Zulu Natal Province

“**EXCO**” means Executive Committee of the Council of the District Municipality

“**GFS**” means General Financial Statistic.

“**financial year**” means a year ending on 30 June;

“**IDP**” means Integrated Development Plan

“**In year reports, in relation to-**

(a) a municipality means

(i) a monthly budget statement of the municipality contemplated in section 71(1) of the MFMA

(ii) a Quarterly report on the implementation of the budget and financial state of affairs of the municipality contemplated in section 52(d) of the act;

(iii) a mid-year budget and performance assessment of the municipality contemplated in section 72 of the act.

“**investment**”, in relation to funds of a municipality, means -

(a) The placing on deposit of funds of a municipality with a financial institution; or

(b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

“**lender**”, in relation to a municipality, means a person who provides debt finance to a municipality;

“**local community**” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“**local municipality**” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

“**long-term debt**” means debt repayable over a period exceeding one year;

“**MANCO**” means management committee of the district municipality

“**MFMA**” Municipal Finance Management Act, No. 56 of 2003

“**MFMA Regulations or (MBRR)**” means regulations relating to Municipal Budget and Reporting

“**MTEF**” means Medium Term Expenditure Framework

“**mayor**”, in relation to -

(a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or

(b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;

“**month**” means one of the 12 months of a calendar year;

“**municipality**” -

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“**municipal service**” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“**Municipal Systems Act**” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“**municipal tariff**” means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“**municipal tax**” means property rates or other taxes, levies or duties that a municipality may impose;

“**National Treasury**” means the National Treasury established by section 5 of the Public Finance Management Act;

“**past financial year**” means the financial year preceding the current year;

“**NER**”, means the National Electricity Regulator;

“**Provincial Treasury**” means a treasury established in terms of section 17 of the Public Finance Management Act;

“**quarter**” means any of the following periods in a financial year:

(a) 1 July to 30 September;

(b) 1 October to 31 December;

(c) 1 January to 31 March; or

(d) 1 April to 30 June;

“**Quality certificate**”, in relation to

(a) a municipality, means a certificate issued and signed by the municipal manager of the municipality confirming the accuracy and reliability of the contents of a document prepared or issued by the municipality

“**SDBIP**” means Service Delivery Budget Implementation Plan

“**standards of generally recognised accounting practice**” means an accounting practice complying with standards applicable to municipalities or municipal entities and issued in terms of Chapter 11 of the Public Finance Management Act;

“**vote**” means -

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2. MAYORAL BUDGET SPEECH

As required by section 24 of the Municipal Finance Management Act 56 of 2003, Sub section (l) the Municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

The Municipal Finance Management Act Section 21 sub section (2) goes on to say when preparing the annual budget, the mayor of a municipality must take into account the municipality's integrated development plan.

Take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of 34 of the municipal systems act, taking into account realistic revenue and expenditure projects for the future.

Taking into account the national budget, the relevant provincial budget, the national government's fiscal and micro-economic policy, the annual Division of revenue act and any agreement reached in the budget forum.

Consult the relevant district municipality and all other local municipality within the area of the district municipality, if the municipality is a local municipality. All local municipalities within its area, if it's the municipality is a district municipality. The relevant provincial treasury, and when requested, the national treasury; any national or provincial organs of state, as may be prescribed; and Provide, on request, any information relating to the budget.

To the national treasury and subject to any limitations that may prescribed, to the national departments responsible for water, sanitation, electricity and any other service as may prescribed.

Any other national provincial organ of the state, as may be prescribed and another municipality affected by the budget. For this high level summary I would like to draw the attention of the council to the executive summary of the budget for the 2011/2012 Municipal financial year.

Ntambanana Municipality is 99% dependent on grants and subsidies. R53 194 000.00 is the total anticipated grants from the national and provincial treasury for 2011/2012 financial year. This position puts a lot of pressure on the municipal activities and service delivery.

For 2010/2011 Ntambanana had to devise strategies that will ensure that the municipality can meet its obligations.

Refreshments were decrease by 30% whilst the year end function vote was frozen. This resulted in the pauper burial being increased from R 316 800 to R 280 800.

Free basic Electricity remained at R 745 717.60.

Salaries and wages curves

Ntambanana municipality takes into account the salary and wage collective agreement 2009/10 to 2011/12. The municipality has revised a strategy at which minimise all possible excessive expenditure on salaries and wages. The

agreement provides for a wage increase based on the average CPI for the period 1 February 2010 until 31 January 2011, plus 2 per cent.

The wage increment of 2 cent will be added on the average CPI for this period is 4.08 per cent giving a wage increase of 6.08 per cent for the 2011/12 financial year, starting 1 July 2011

Shared services

Ntambanana has made estimate for this service up to R 964 114.99 Ntambanana Municipality will be entering into a new agreement with uThungulu District Municipality where the service will be shared at 60% for UDM and 40% for Ntambanana Municipality

An allocation of R 5 452 000.00 has been allocated towards refuse removal. This amount will be transferred to uThungulu District Municipality and then to Ntambanana Municipality.

Heatonberry farm

The farm has been sold to Eskom at an amount of R 6 270 000.00 and Ntambanana Municipality intends to invest the amount for a period of six months to the willing bank at an agreed interest rate.

Integrated National Electrification Programme

An allocation of R16, 000,000.00 has been budgeted for in 2011/2012

Conclusion

I would like to thank the council for the support given thus far especially with the adoption of a series of user friendly templates that have been developed by national treasury to make the implementation of the format reforms as easy as possible for Ntambanana Municipality.

The templates are designed to assist with the production of all schedule, tables, supporting tables and charts in compliances with the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) the municipal budget and reporting regulations issued on the 17 April 2009. (Government Gazette 32141) and the various MFMA Circulars issued by National Treasury.

This is our first year of implementation and it is still with difficulties.

3. EXECUTIVE SUMMARY OF THE BUDGET

NTAMBANANA MUNICIPALITY				
ADJUSTMENT BUDGET 2011/2012				
<u>EXECUTIVE SUMMARY</u>				
	2010/2011	2011/2012	2012/2013	2013/2014
INCOME				
Grants and Subsidies	55 488 000	53 194 000	40 581 000	69 947 000
Property Rates	2 000 000	2 200 000	2 288 000	2 379 520
Rent Facilities	125 133	245 000	242 840	252 554
Other Income	204 592	7 009 565	120 927	125 764
Less Income Forgone	-302 430	-1 010 000	-327 108	-340 192
Total Income	57 515 296	61 638 565	42 905 659	72 364 645
EXPENDITURE				
Employee Related Costs	7 775 342	8 437 507	10 672 437	11 099 334
Council Remuneration	2 367 410	2 744 943	3 206 626	3 334 891
General Expenses	7 473 576	8 594 857	7 507 645	7 807 951
Repairs & Maintenance	330 919	400 024	389 651	405 237
Depreciation	902 000	864 412	861 787	896 259
Contributions	170 206	200 000	208 000	216 320
Grant Expenditure on Operational Expanse	29 538 211	22 451 000	7 046 513	34 753 654
Total General Expenditure	48 557 664	43 692 743	29 892 659	58 513 645
CAPITAL BUDGET				
Funded from Internal Revenue				
Vehicles	500 000	600 000	0	0
Computers	30 000	50 000	20 000	0
Furniture and Equipment	4 000	200 000	0	0
TOTAL	534 000	850 000	20 000	0
Funded from Grants				
M.I.G	7 407 632	10 193 000	12 393 000	13 075 000
F.M.G	516 000	300 000	600 000	776 000
REFUSE REMOVAL GRANT	500 000	0	0	0
TOTAL	8 423 632	10 493 000	12 993 000	13 851 000
TOTAL CAPITAL BUDGET	8 957 632	11 343 000	13 013 000	13 851 000
Total Expenditure	57 515 296	55 035 743	42 905 659	72 364 645
Surplus/(Deficit)	-0	6 602 822	-0	-0

4. BUDGET RELATED RESOLUTIONS

These will be the resolutions recommended for approval:

1. The annual budget of the municipality for the financial year 2011/12; and indicative for the two projected outer years 2012/13 and 2013/14 be approved as set-out in the following schedules:
2. **Supporting tables**
3. That in terms of Section 17(3) (k) of the Municipal Finance Management Act, 56 of 2003, that the proposed cost to council of salary, allowances and benefits of each office bearer, councillor and senior officials is reflected in **Table SB11**
4. **Budget Related Charts**
5. Detailed Operational IDP Projects
6. In terms of section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003, the budget-related policies, including any amendments as set out in Budget Chapter 8 are approved for the budget year 2011/12.
7. Detailed Capital Budget
8. Council resolves that tariffs and charges are approved for the budget year 2011/12.

5. EXECUTIVE SUMMARY

In accordance with the Municipal Finance Management Act (MFMA), No.56 of 2003 section 16 (2) the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

In accordance with MFMA Circular No. 55, which states that “2011 has been declared a year of job creation. The Circular is also urged to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the Extended Public Works Programme.

Ntambanana municipality does not just employ more people without prior reference as to the staffing level requirement to deliver effective services.

The focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital project use labour intensive methods wherever appropriate
- Ensuring that service providers use labour intensive approaches
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme and
- Implementing interns programmes to provide young people with on-the-job training

Circular No. 55 emphasises the need to ensure that revenue projections are realistic and achievable taking into account affordability levels of the community; allocations from other sources of revenue are consistent with the Division of Revenue Act and provincial budgets and that tariffs and rates are raised in line with the prescribed increases. The backlogs in infrastructure must be addressed, whilst maintaining a balance between new assets and rehabilitation of existing assets. Sufficient provision must be made for maintenance of existing assets, provision for working capital and administrative overheads must be minimised.

Circular No. 55 issued on the 07 March 2011 provides a guide to all municipalities for the preparation of the 2011/12 budgets. The circular requires municipalities to take cognisance of the global economic crisis when preparing their budgets and emphasis is placed on municipalities that they should understand the implications of this crisis on their respective economies. The decisions taken by the municipality in compiling this budget is very important for the future. Therefore this budget is focused at the poor communities that the municipality provides services to and noting that the municipality covers an area of 1083km² and has a population of 94 194 people as per 2007 community survey. (Which is the basic needs approach and economic development). The inflation forecast per National Treasury for the 2011/12 and outer years is as follows:

Fiscal year	2009/10 Actual	2010/11 Estimate	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
Headline CPI Inflation	6.3%	4.2%	4.8%	5.3%	5.5%

The global economic crisis, the local economy and the quality of services that the municipality would like to deliver to its citizens plays an important role in

determining tariffs. National Treasury through Circular 51 has placed a capping on increases at 6 % and states that should a municipality want to approve more than the capping then the increase will have to be justified by that municipality.

The 2010/11 medium term revenue and expenditure framework (MTREF) report is submitted in a booklet format with increases in our basic services varying from 10% to 12%. Although the guidelines indicate a prescribed inflationary increase of 6%, it also goes on to state that the need to ensure financial sustainability must be borne in mind when formulating the budget. The regulations further emphasize that the tariff must reflect all the costs associated with the provision of the services by 2014. In preparation for this a gradual phase in approach to increases in tariffs has been adopted. This process ensures that the costs borne by the customer has minimal impact on their living standards.

The circular further outlines the implementation of the Regulations on Budget and Reporting. It must be noted that the 2011/12 MTREF has been drafted taking into account the Municipal Budget and Reporting Regulations issued on the 07 March 2011 per Government Gazette 32141. The objective of the regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters as required by the Act.

The Regulations are fully applicable to all municipalities in the country when preparing their 2011/12 budget. However, this is our first year of implementation and although the process is challenging every effort is being made to ensure compliance.

5.1 PAST AND CURRENT PERFORMANCE, ACHIEVEMENTS AND CHALLENGES

The Municipality over the previous financial year has had a lot of challenges associated with trying to improve the quality of life of the people within the Local Area. There were a number of obstacles which the municipality had to overcome and that, was characterised with the success of the municipality. It goes without saying that the vision of the municipality to a certain extent has been fulfilled obviously within the available resources of the municipality.

When reflecting at the years that have gone by the municipality has been able to reduce some backlogs in the provision of basic services to its citizens. Having said that, if additional resources were available to the municipality a great deal more would have been achieved.

It is also important to note some of the achievements that the municipality has received which can be summarised as being:

- Unqualified audit opinion was received for 2009/10 financial year (GRAP AFS)
- Completion of Mosopho Community Centre
- Completion of the Bhuchanana Indoor sport Centre
- Completion of Donda Sport field
- Completion of Bhadaza Paypoint

- Completion of Masangweni Sport field
- Completion of Mawanda Sport field

We are proud of the achievements as a local municipality in the uThungulu District, but are mindful of the challenges in the year ahead and will endeavour to raise the bar even further.

5.2 STRATEGIC FOCUS

The integrated development approach of the Ntambanana Local Municipality focuses on the combination of basic needs approach and economic development. As such, the Local Municipality has been investing in physical, social and economic development aspects. Its investment has been founded on the approach of responding to areas of greatest need and areas with potential for greatest returns in terms of economic development. As a result of our focus and in compliance with the MFMA and Municipal Systems Act the budget/IDP process occurred according to the budget timetable approved by council and was monitored by the Budget Steering Committee. The team further ensured compliance with the MFMA and subsequent circulars in the preparation and approval of the multi-year budget/IDP and SDBIP.

With the completion of the Quality of Life Survey 2007, initial discussions and alignment meetings, the 2010/11 multi-year budget and the IDP was prepared. The Municipality is committed in assisting those communities that do not have access to basic services by providing free and subsidised basic services. It is however important to note with regards to Water services as performed by the District municipality that there are areas that have water infrastructure but are without meters. This makes it even more difficult and challenging to measure what is consumed and by whom, and this will remain a challenge for the municipality until every household is connected to a water meter.

5.3 CONSULTATIVE PROCESS

The municipality embarked on a consultative process which was according to the budget/IDP timetable, initial alignment meetings have already occurred with major stakeholders, such as provincial and national government departments, and meetings with suppliers, EXCO, MANCO and Council, plus road shows held with communities in October 2010 and further road shows after the approval of the draft budget occurred in April 2011.

It must be noted that in order to remain financially viable and sustainable, sufficient resources must be generated. As limited scope exists to generate alternative revenue, it is necessary to increase tariffs for services. The determination of tariffs is the responsibility of council, as per the Local Government Systems Act. Although affordability is an important factor when considering any tariff increases. The municipality is currently dependant on National Treasury for its revenue; however, other revenue is raised from the property rates and interest charges and/or investments.

6 INFRASTRUCTURE OVERVIEW

6.1 Introduction

Infrastructural provision in the Ntambanana area has historically been provided in a haphazard and unstructured manner. The overall objective in the provision of infrastructure is in addressing the backlogs to provide for balanced growth in an equitable manner with the emphasis being on accessibility to basic services which need to be provided in a sustainable and affordable manner to the local communities. The municipality cooperates with the District Municipality and government departments to ensure that projects aimed at addressing this issue is actually planned and implemented.

6.2 Water and Sanitation Services

Adequate water supply in the Ntambanana Municipal area is a major problem. The majority of residents (64% to 100%) within the tribal areas have not adequately been provided with water supply, which need to be addressed urgently. Water supply in the tribal areas is basically provided from boreholes.

The basic human right of people having access to a potable source of water at a rate of 25l/capita per day within a walking distance of 200m as provided for in the Constitution, need to be recognized as the eventual goal in the provision of this service. The majority of the households (69 %) within the municipal area has inadequate access to potable water supply and has to use water from streams and rivers for human consumption. Only 1.28 % of the households have water connected to their houses. A backlog of almost 12000 households (11 850) with inadequate water supply has to be addressed.

The responsibility to provide water and sanitation services vests in the uThungulu District Municipality, being the appointed Water Services Provider and also the Water Services Authority. The function as Water Services Provider is undertaken in terms of a Service Agreement between the Ntambanana Local Municipality and the uThungulu District Municipality. In terms of this responsibility, uThungulu District Municipality is responsible for the implementation of new capital projects to extent water services to those communities that have not been served thereby, and is also responsible for the operation and maintenance of these facilities.

6.2.1 Water Services Backlogs

In terms of the most recent update of the Water Services Development Plan, it has been indicated that substantial backlogs still exists in respect of water services within the Ntambanana Local Municipality, the detail of which is as reflected in the table hereunder as follows:

Table: - 10 Water services backlog 2007

Population		Water		Sanitation	
Households	Population	HH Supplied	%backlog	HH supplied	% backlog
19,630	117,783	10,703	45%	2,420	87%

Water supply has in the past been effected predominantly through the Upper Nseleni pipeline to Buchanana, and also through an extensive scheme at Nomponjwana. The primary source for the eastern region was thus from Nseleni, whilst

the southwestern through the Nomponjwana scheme. The western and northwestern area were all served through smaller independent schemes, which were all susceptible to drought conditions and interruptions to a continuous supply have been experienced by most consumers.

An overview of the existing schemes is attached at the end of this chapter.

Access to water sources

	CS 07
Piped water inside dwelling	1,047
Piped water inside yard	2.580
Pipe water form access point outside the yard	3.439
Borehole	1.190
Spring	119
Dam/pool	138
River /stream	3.283
Water vendor	2.939
Rain water tank	70
Other	39

6.2.2 Future water supply

Due to the susceptibility of the existing water supply schemes to drought conditions and the failure thereof during such times, the uThungulu District Municipality has identified the Goedertrouw Dam as the only sustainable source to supply the western regions of the Ntambanana Local Municipality, and have thus embarked on a programme to establish a regional water supply scheme from this source. The scheme will be known as the Goedertrouw regional supply scheme and will provide water to the total tribal area of Biyela. The original intention of the regional water supply scheme was to develop this in 6 phases. Funding has already been received for the first 2 phases, which will allow for the construction of:

- A new treatment works at the Goedertrouw Dam.
- Pump stations and bulk pipelines from the treatment works in a northerly direction towards Mthonjaneni.
- Bulk reservoirs, gravity pipelines and reticulation network to the southern communities of Mthonjaneni ending at Nomponjwana.

Water supply to the eastern portion of the Ntambanana Local Municipality is currently effected through the Upper Nseleni pipeline, the capacity of which is currently insufficient. Upgrading to the bulk pipeline have already commenced through construction and it is anticipated that this will continue over a period of time until sufficient capacity has been established to provide to all of the communities up to the Buchanana town through this pipeline The free basic water of 6kl is still applicable in the coming financial year only to domestic consumers. The cost of providing the water function in the 10/11 year budget amounts to R204m and revenue generated is a mere R21m therefore R110m is funded from the equitable share and R73m from the levy replacement grant. However, budgeted expenditure had to be reduced for the budget to balance.

6.2.3 Sanitation Backlogs

In Ntambanana informal towns and settlements there is no formal sewerage disposal system. Sewerage disposal is causing harm to underground water. Study shows that water from the boreholes in most municipal wards is not suitable for human consumption due to unacceptable waste disposal system of Ntambanana municipal areas.

In terms of the Census '96, 57% of the households within the municipal area have no access to sanitation facilities. However a recent local study declared an 87% backlog in sanitation. Forty three percent of the households use Pit Latrines. The current backlog for adequate sanitation facilities are 6840 units. The lack of access to adequate sanitation facilities occur basically in the municipal area at schools, crèches, pension payout points, etc. From this it is apparent that the majority of the population does not adequately have access to a formalized service in this respect.

A programme for the implementation of sanitation in the form of ventilated improved pit latrines in ward 6, 7 and 8 respectively has been approved and funded by uThungulu District Municipality.

7. GENERAL

The budget was prepared taking into account the National Treasury's Medium Term Budget Policy in October/November last year, which indicated projected growth rates and CPIX.

8.1.1 OPERATING BUDGET KEY ISSUES

There are only 34 positions budgeted for in the 2011/12 budget. During the budget process positions required by departments were reviewed in terms of available funding, as well as vacant positions were frozen due budget constraints. A total of 1 new positions are included in the 2011/12 budget year.

The overall operational budget has decreased by 23%; however line items have increased by 6% with the exception of Salaries for staff (6.08%) and councillors' allowances (8.3%), section 57 employees (6.08%), Eskom by 24.85% and contracts by the SLA increases stipulations.

Ntambanana municipality occasionally experience high staff turnover and due to that has to budgets allocation of 2.3% of the total experience towards scares skills land retential strategy. SALGA is currently having discussion around issues of job evaluation and wage curve.

SALARY INCREASES

Permanent & contract staff salary increases have been budgeted for on an estimated 6.08 % for 2011/12

Section 57 employees' salary increases are set at 6.08% per annum for each of the 3 years, whilst councillors increases are budgeted for in terms of the upper limits for salaries, benefits & allowances for a member of a municipal council as per the Government Notice No.R1225 which was published in the Government Gazette No. 32833, with an estimated annual increase of 4.08%.

UNFUNDED MANDATES

Disaster Management

The Disaster Management Centre is currently being budgeted for by uThungulu District Municipality with no direct allocations from Government which is currently a legislative requirement in terms of the Disaster Management Act. uThungulu has to utilize funds from the levy replacement grant to fund the balance of the cost, as the function is not performed by any other sphere of Government in the District. It must be noted that the Provincial Government assisted with the purchase of assets for the centre when it was established.

8.1.2 HIGHLIGHTS OF THE 2011/12 MULTI –YEAR BUDGET/IDP

- Operational Revenue has decreased from year 2011/12, largely due to a decrease in the economic recession.
- Grants and subsidies have decreased from year 2010/2011 largely due to a decrease in the Integrated National Electrification.
- Operational expenditure for 2011/12 when compared to the 2010/11 full year forecast has increased, by 4.08%.
- Of concern is the income earning potential of the Municipality,

Various projects and programs have been identified by the community and local municipality. These projects are aimed at overcoming the challenges and to improve the quality of life for all residents. Detailed list of projects identified by the community is included in section J as an annexure

These projects have financial implication and need to be budgeted for, further they need to be aligned to the allocation of governmental and provincial funds. It is a reality that the needs of the Ntambanana area and the requirements in terms of service delivery of infrastructure, facilities and services far outweigh the availability of internal financial resources since Ntambanana municipality rely more on external funding. This section therefore indicates only projects with funding

CURRENT PROJECTS FOR 2010/2011

National KPA	PROJECT NAME	BUDGET AMOUNT	SOURCE/ FUNDER	WARD	FINANCIAL YEAR	STATUS
Infrastructural Development	LUMBI CHRECHE	R 845 981.22	MIG	1	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	NSIMBAKAZI CRECHE	R 845 981.22	MIG	5	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	OGQABHIYENI CRECHE	R 845 981.22	MIG	3	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	QOMINTABA CRECHE	R 845 981.22	MIG	4	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	MONDINI CRECHE	R 845 981.22	MIG	5	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	BHILIYA COMMUNITY HALL	R 2 46304.31	MIG	6	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	NCWANE CRECHE	R 845 981.22	MIG	4	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	DLOMODLOMO CRECHE	R 845 981.22	MIG	3	2010/2011	Project Complete
			MIG		2010/2011	Project Complete
	MADUMA COMMUNITY HALL	R 845 981.22	MIG	2	2010/2011	70 % Complete
	Mquzankunzi Peace and Skills Centre	R650,000,00	Co funded by Divine Life Society and Ntambanana Municipality	Obizo Tribal Authority	2010/2011	
	Eziphambanweni Peace and Skills Centre	R650,000,00	Co funded by Divine Life Society and Ntambanana Municipality	Obuka Tribal Authority	2010/2011	
	Mningi Peace and Skills Centre	R650,000,00	Co funded by Divine Life Society and Ntambanana Municipality	Mambuka Tribal Authority	2010/2011	
	Songoyane Peace and Skills Centre	R650,000,00	Co funded by Divine Life	Somopho Tribal	2010/2011	

			Society and Ntambanana Municipality	Authority		
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2011/2012 PLANNED PROJECTS

NATIONAL KPA	PROJECT NAME	BUDGET AMOUNT	SOURCE/FUNDER	WARD	FINANCIAL YEAR	STATUS
	Maduma Community Hall	R 995,810.38	MIG	2	2011/2012	
	Macekane Crèche	R845,981.00	MIG	7	2011/2012	
	Mquzankunzi Southfield	R2,806,622.84	MIG	8	2011/2012	
	Maphukanqola Crèche	R972,379.26	MIG	1	2011/2012	
	Njomelwane Crèche	R972,379.26	MIG	3	2011/2012	
	Mancence Crèche	R972,379.26	MIG	5	2011/2012	
	Ntuzuma Multi-Purpose Centre	R2,413,035.87	MIG	6	2011/2012	
	Bhonkolo Crèche	R972,379.26	MIG	4	2011/2012	

2012/2013 PLANNED PROJECTS

NATIONAL KPA	PROJECT NAME	BUDGET AMOUNT	SOURCE/FUNDER	WARD	FINANCIAL YEAR	STATUS
	Mawanda Hall	R2,000,000.00	MIG		2012/2013	
	Gobihlahla Crèche	R845,981.22	MIG		2012/2013	
	Ngqungqu Crèche	R845,981.22	MIG		2012/2013	
	Bhonkolo Crèche	R845,981.22	MIG		2012/2013	
	Qhimbukhowe Crèche	R845,981.22	MIG		2012/2013	
	Obizo Crèche	R845,981.22	MIG		2012/2013	
	Makholwase Crèche	R845,981.22	MIG		2012/2013	
	Sidakaneni Crèche	R845,981.22	MIG		2012/2013	

Major Operational Projects for 2011/12 Highlights

No.	Operational Projects	VALUE (R000)
1	Pauper Burial	316 800.00
2	Free Basic Energy	745 717.60
3	UDM Rural Metro Shared Services	964 114.99
4	SALGA Games	220 000.00
5	Zulu Dance	50 000.00
6	Early Childhood Centres	30 000.00
7	Youth Council	230 000.00
8	HIV/Aids (Lac)	60 000.00
9	Disaster And Incidents	70 000.00
10	Senior Citizen Forum	27 520.00
11	Art & Culture	10 000.00
12	Community Engagement	70 000.00
13	Turn Around Strategy	12 000.00
14	Ward Participation	288 000.00
15	Municipal Audit Outcome	10 000.00
16	Waste Water Quality	-
17	By Laws, Policies And/Or Systems That Support Local Government Legislations.	40 000.00
18	Review And Maintenance Of The Municipal Valuation Roll	250 000.00
19	Road Show And Compliance Activities For IDP & Budget	140 000.00
20	Annual Report	120 000.00
21	Website	60 000.00
22	Training Workshop	150 00.00
23	Audit Committee	72 000.00
24	Financial Policies	60 000.00
25	Performance Management System	30 000.00
26	Rent-Plant & Vehicle	512 210.37
27	Fuel and Oil	416 200.00
28	Printing and Stationery	228 800.00
29	Subsistence and Travelling	500 000.00
30	Telephone	240 853.00
31	External Audit	650 000.00
32	Insurance	320 320.00
33	I.T Support	181 892.00
34	Security	420 000.00
35	LED	80 281.00

PART 2 – SUPPORTING DOCUMENTATION

5. ANNUAL BUDGET PROCESS OVERVIEW

10.1 INTRODUCTION

The 2011/12 medium term revenue and expenditure framework (MTREF) is one of the Budgets that have been drafted under huge severe financial constraints due the impact of the global recession and spiralling costs.

According to circular 55 of National Treasury issued on the 11 March 2011, municipalities are cautioned on the 2011/12 budget increases with respect to tariffs. Treasury encourages keeping increases as low as practically possible in line with CPI inflation. However, municipalities must also take into account the wage agreement SALGA that is 2 per cent plus 4.08 per cent , this comprised a increase of 6.08 per cent 01 July 2011 and a 2.5 per cent non-pensionable allowance, which is pensionable from July 2011.

Fiscal year	2009/10 Actual	2010/11 Estimate	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
Headline CPI Inflation	6.3%	4.2%	4.8%	5.3%	5.5%

The circular further capped increases on overall budgets to 6% with a proviso that should the increases on the municipal budget be above the capped rate, a justification must be done by that municipality to National Treasury.

Circular 51 outline the national priority challenge as follows:

- Each municipality is to do more within its existing resource envelope.
- In the run-up to the local government elections, Mayors and councils need to remain focused on the effective delivery of core municipal services, and steer away from seeking to buy political support through patronage.
- Each municipality must explore how it can contribute to job creation when revising their IDP's and preparing their 2010/11 budgets.
- Government is taking active steps to uproot the problem of corruption in all three spheres of government, particularly in the tender system. Municipalities must play their part. Municipalities are advised that National Treasury's supply chain compliance unit will also be focusing on municipal procurement processes.

According to the circular, Municipal revenues & cash flows are expected to remain under pressure in 2011/12 MTREF therefore municipalities should adopt a conservative approach when projecting their expected revenues and cash receipts. The choices for expenditure should consider the following:

- ❑ Municipalities must pay special attention to controlling unnecessary spending on nice-to have items and non-essential activities such as subsistence and travelling, councillor and staff perks, advertising and public relations activities. Municipalities must also ensure that their capital budgets reflect consistent efforts to address the backlogs in basic services & the refurbishment of existing network services.
- ❑ Municipalities must include a section on 'Drinking water quality and waste water management' in their 2011/12 budget supporting document.
- ❑ Allocations to "Mayoral Discretionary Funds", "Special Projects", "Special Events" or similar discretionary type funds are discouraged.
- ❑ Municipalities are discouraged from starting projects to build or renovate office buildings, but rather to prioritize service delivery infrastructure.
- ❑ Municipalities are allowed to use future conditional transfers as security for bridging finance to facilitate the implementation of capital projects financed by conditional grants, but only after getting approval from National Treasury.
- ❑ Each municipality must put in place a council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

In line with the above circular guidance and in order for the municipality to achieve a balanced budget the following decisions were taken at the Budget Steering Committee Meeting EXCO to highlight the challenges in the compilation of the 2011/12 MTREF.

BACKGROUND

The Ntambanana region is a quilt of contrasting landscapes where the African bushveld meets lush irrigated sugar cane plantations. The Ntambanana Municipal area is characterised by unemployment and with the low rainfall in the area, poverty is rife. The municipality is committed to uplifting the surrounding communities through the implementation of poverty alleviation projects. Due to the lack of industry in the region, the municipality is solely reliant on government funding to implement their projects.

A potential income generator for the municipality is eco-tourism. In order for this to be a success, the municipality is:

- Working together with the farming communities to eradicate poverty
- Developing a sound relationship with the private game reserves in the area to promote tourism
- Encouraging local schools to include arts and culture, agriculture and traditional music in their curriculum design
- Promoting an investor friendly environment

Vision and Mission for the Municipality

“To improve the general quality of life and the opportunities available to the people of Ntambanana”

The municipal mission is noted as follows:

We are determined to ensure long term growth of the community, by ensuring good governance in all aspects of service delivery, whilst being aware of the needs of the community and treating each member of the community with respect.

Ntambanana Municipality came into being in 2000. The municipality covers an area of 1083km² and has a population of 84 000 people. There are four Traditional Authorities that fall within the jurisdiction of Ntambanana Municipality, namely:

Obuka Tribal Authority to the West;

Somopho Tribal Authority to the North;

Mambuka Tribal Authority to the North East;

Obizo Tribal Authority in the eastern part of the Buchanana Village

The area is surrounded by numerous farming communities and private game reserves

Core Values include:

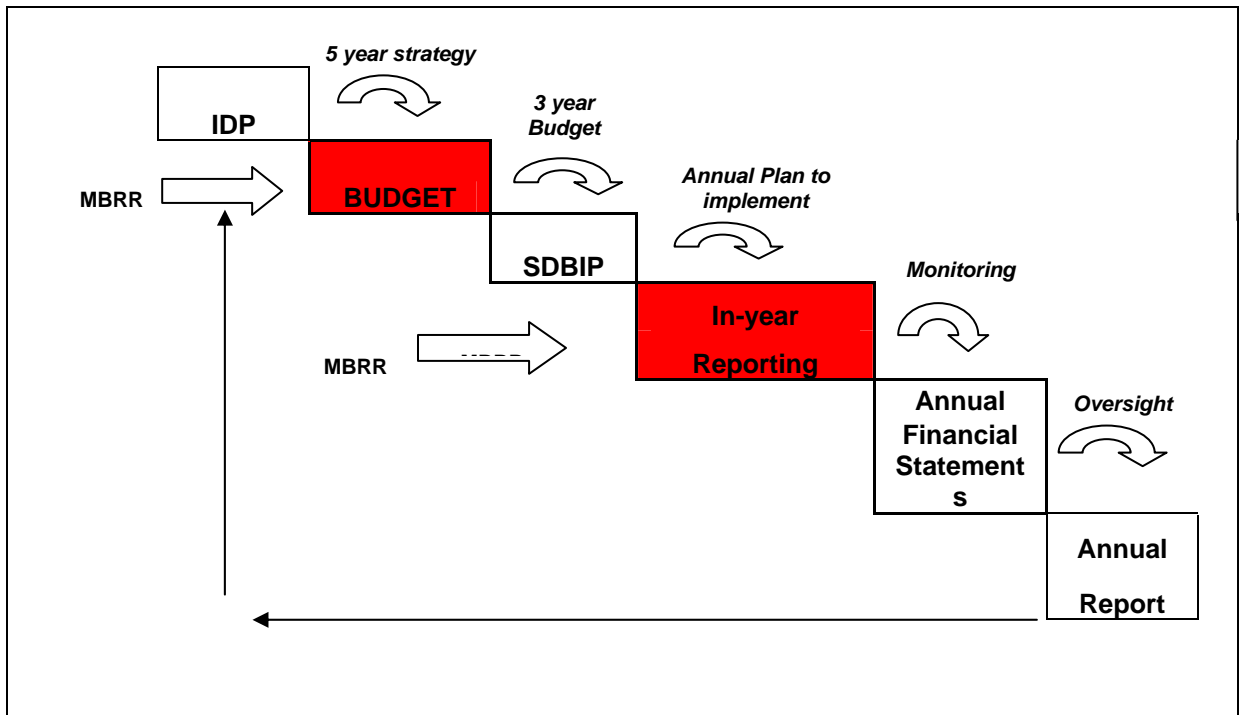
- Integrity
 - Transparency
 - Commitment
 - Co-operation
 - Innovation
 - Accountability

10.2 POLITICAL OVERSIGHT

Section 53 of the MFMA requires that the Mayor provides general political guidance over the budget process and the priorities that must guide the preparation of the budget. The Management committee has a significant role to play in the planning process of the Budget as directed by the Mayor. A budget is primarily about priorities and choices that the municipality has to make in deciding how to meet the agreed set policy objectives.

Therefore Political oversight of the budget process allows the municipality to manage the needs of the communities versus the fiscal realities. The accountability cycle illustrates the political oversight role that has to be played by council over administration and also to be able to hold management accountable to its stake holders.

ACCOUNTABILITY CYCLE



10.3 SCHEDULE OF KEY DEADLINES RELATING TO BUDGET [MFMA s 21(1) (b)]

The Act requires the formal budget process to start with the tabling by the Mayor in Council of a schedule showing the key budget deadlines. This was prepared for tabling in Council by the end of August 2010. The objective of the Budget timetable is to ensure integration between the development of the IDP and the Budget and also to ensure that a balanced budget is tabled at council for consideration and approval.

10.4 PROCESS FOR INTERGRATION OF THE IDP & PREPARATION OF THE BUDGET

The budget process is integrated with the review of the IDP through the IDP review mechanism. The outcome of consultation feeding into the IDP review is taken into account in the budget process.

Ntambanana Municipality arranged alignment meetings with each of the various sections, of which key outcomes were considered in the review of the IDP and for inclusion in the 2011/2012 Multi-Year Budget.

- (i) Consultation for the review of the Ntambanana Municipality IDP takes place mainly through the following structures: What is a Process Plan and its Function
- In simple terms “The process plan is a municipality’s schedule of events detailing all events and activities involved leading to the drafting and completion of the 5 Year Plan (Integrated Development Plan) (IDP). It is a statement that outlines in detail all the processes that the municipality will embark on in completing its IDP cycle.”
 - The Municipal Systems Act as promulgated in 2000 describes the various core processes that are essential to realizing a system of developmental local government. These aspects include participative governance, IDP, performance management and reporting, resource allocation and organisational change. These processes are linked into a single cycle at the local level that will align various sectoral initiatives from national and provincial government departments with municipalities own capacities and processes.
 - Therefore, the purpose of this document is to outline the operational plan (an integrated ‘Process plan “) for the development of Integrated Development Plan for Ntambanana Local Municipality. This process plan is based on the unique character and circumstances of Ntambanana Municipality, taking due cognisance of the process plan requirements as outlined in the Municipal Systems Act (S 34) and guidelines for Integrated Development Planning provided by National Department of Provincial and Local Government (DPLG).
 - In order to ensure certain minimum quality standards of the Integrated Development Plan (IDP), a proper coordination between and within spheres of government, the preparation of the Process Plan has been regulated in the Municipal Systems Act

(2000). The preparation of a Process Plan, which is in essence the IDP Process set out in writing, requires the adoption by Council. This plan has to include the following:

- A programme specifying the time frames for the different planning steps;
- Appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP drafting Process;
- An indication of the organisational arrangements for the IDP Process;
- Binding Process and planning requirements, i.e. policy and legislation; and
- Mechanisms and procedures for vertical and horizontal alignment.

(ii) Legislative Requirement for IDP Review

- Chapter 5 and Section 25 (1) of the Municipal Systems Act (2000) indicates that:

Each Municipal council must, within a prescribed period after the start of its elected term, adopt a single, all inclusive and strategic plan for the development of the municipality which-

- a. *Links integrates and coordinates plans and takes into account proposals for the development of the municipality;*
- b. *Aligns the resources and capacity of the municipality with the implementation of the plan;*
- c. *Complies with the provisions of this Chapter; and*
- d. *Is compatible with national and provincial development Plans and planning requirements binding on the municipality in terms of legislation.*

- In terms of the core components of integrated development Plans, Chapter 5 and Section 26) of the Municipal Systems Act (2000) indicates that:, An integrated development plan must reflect-

- a. *The Municipal council's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs;*
- b. *An assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic Municipal services;*
- c. *The council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs;*
- d. *The council's development strategies which must be aligned with any national and provincial sectoral plans and planning requirements binding on the municipality in terms of legislation;*
- e. *A spatial development framework which must include the provision of basic guidelines for a land use management system for the municipality;*
- f. *The council's operational strategies;*
- g. *Applicable disaster management plans;*
- h. *A financial plan, which must include a budget projection for at least the next three years; and*
- i. *The key performance indicators and performance targets determined in terms of section 41.*

(iii) Key Elements to be addressed during 2010/2011 review process

- (a) Draft IDP Assessment from Provincial steering committee

- Comments received from the various Provincial Steering Committee role-players including other stakeholders in the assessment of the Draft IDP Review documentation for 2009/2010
- (b) MEC Panel Comments
- Responding to comments to be issued by the MEC Panel on the Final IDP Review documentation for 2009/2010
- (c) Municipal Assessment
- Responding to shortcomings and weaknesses to be identified through municipal self-assessment.
- (d) New Council Priorities
- New Council Priorities will be identified during a Strategic Workshop for councilors and staff, to be conducted during the analyses phase. Where focus will be to review council's vision , mission , objectives and strategic components of the IDP.
- (e) The municipality's focus will also be to Identify and develop long outstanding policies/plans that are crucial in development of the municipality. In this financial year we will be looking at sourcing funding from other stakeholders for the development of identified new policies e.g. Environmental Management Plan funding to be sourced from DBSA

A. ORGANIZATIONAL /INSTITUTIONAL ARRANGEMENT

- (i) Established Internal Structures with roles and Responsibilities

- (a) Ntambanana Municipal Council

The Ntambanana municipal council is formed by eight (8) ward councilors and seven Party Representatives Councillors , the responsibility of Council in IDP Development is to

- To adopt a process plan ;
- Be responsible for the overall management and coordination of the planning process;
- Adopt and approve the final IDP and ;
- Ensure that annual business plans, budget and related development activities are based on approved IDP.

- (b) Ntambanana Executive Committee

The Executive Committee is formed by three councillors (3) and it is therefore responsible for :-

- Manage through the Municipal Manager
- Ensure legislative compliance by recommending the IDP review process to the Council and
- Recommending the IDP revision and adoption to the Council
- The Mayor , as an Executive Committee Chairperson is also responsible for chairing the IDP Representative Forum
- Allocate resources for reviewing the IDP

- (c) IDP Steering Committee

An IDP Steering Committee is formed by all Heads of Department and other senior officials, their responsibility is to :

- Prepare the IDP review process plan
- Identify resources people
- Coordinate and manage the components of the planning process, including **Stakeholders meetings, Meeting deadlines, Horizontal and vertical aligns, Compliance with national and provincial requirements**
- Provide terms of reference for all reviewing and planning activities
- Commission IDP planning studies, programs and projects
- Process, summarize and document outputs from subcommittees, teams etc
- Recommend amendments to the contents of the IDP
- Prepare, facilitate and document meetings and workshops
- Ensure alignment and participation in the determination and prioritization of plans and programs in the spirit of cooperative governance

(ii) Identified Internal Role players and their responsibilities

(a) The Mayor

As the Chairperson of the Executive Committee has to

- Ensure legislative compliance by, recommending to the Municipal Council the adoption of the process plan, and of the IDP.
- Have an input on the process plan
- Approve structures of communication to be established e.g. Representative Forum, Steering Committee and other committees.
- Chair the IDP Representative Forum (Mayor)

(b) The Municipal Manager

The Municipal Manager will delegate these functions to the IDP Manager, but remain accountable for the overall IDP process as dictated by Municipal Systems Act 2000. Amongst other, the following responsibilities have been allocated to the IDP Manager for the IDP Process:

- To ensure that the Process Plan is finalised and adopted by Council;
- To adjust the IDP according to the proposals of the MEC;
- To identify additional role-players to sit on the IDP Representative Forum;
- To ensure the continuous participation of role players;
- To monitor the participation of role players;
- To ensure appropriate procedures are followed;
- To ensure documentation is prepared properly;
- To carry out the day-to-day management of the IDP process;
- To respond to comments and enquiries;
- To ensure alignment of the IDP with other IDP's within the District Municipality;
- To co-ordinate the inclusion of Sector Plans into the IDP documentation;
- To co-ordinate the inclusion of the Performance Management System (PMS) into the IDP;
- To submit the reviewed IDP to the relevant authorities

(c) Officials

All municipal officials are responsible for implementing the IDP through:

- Provision of full support to the Assistant Manager: IDP Manager; by

- Submitting all departmental plans , budget and other relevant information for the compilation of the IDP
- Senior officials to seat on the IDP Steering Committee
- Ensure proper alignment of departmental plans
- To be committed in providing ideas, opinions with regard to the accessing of funds for developmental projects

(d) Ward Councillors

Ward councillors will play a crucial role in the preparation of the IDP process, both in terms of the technical and community participation process. They will act as the main interface between the council and communities. Primary responsibilities would include:

- Organising public consultation and participation at ward level;
- Dissemination of the information from council to constituents and visa versa ;
- Identification of issues and projects at a ward level;
- Participating in the approval and ongoing monitoring of approved IDP;
- Identify and encourage unorganised groups to participate in the IDP process.

(e) Ward Committees

Ward Committees are the structures established to ensure proper flow of information between the municipalities, ward Councillors and the community, they are responsible for:

- Submission of community priorities to the ward councillor at ward committee meetings;
- Effective in all programs of the municipality, e.g IDP, Budget, Events etc
- Participating in the IDP Forum

(f) Traditional Leaders (Amakhosi)

The are four Traditional Leaders with jurisdiction of Ntambanana Municipality

- Form part of the municipal planning and Implementation programs, as per MSA S29
- Co-operation with the local municipality
- Participate in the IDP Representative Forum

B. EXTERNAL ROLE PLAYERS

(i) uThungulu District Municipality

uThungulu District Municipality will have the same role as Ntambanana's but only in the preparation of District IDP framework , but the role of district municipality on a local level is the coordination of IDP processes of local municipalities and this include :

- Ensuring the horizontal alignment of IDP's of the municipalities in the district area;
- Ensuring the horizontal alignment between the district and local planning;
- Facilitation of vertical alignment of IDPs with the sphere of government and the sector departments;
- Preparation of joint strategy workshops with local municipalities, provincial and national role players and other subject specialists;
- Providing a technical support to the local municipalities within the district;
- Establishment of intergovernmental structures

- (ii) National and Provincial Department for Local Government (DPLG & KZN LGTA) is responsible for :-
 - Provision of financial support to the Local Municipality in the form of grants,
 - Provide training and workshops on IDP
 - Participate on IDP Representative Forum
 - Assist in provision of sector plans
 - Assist in proving relevant and update of departments yearly programmes.
 - Supervise the progress of the IDP process
 - Provide comments on Draft IDP
 - Continuously interact with Local Municipalities

- (iii) Professional Service Providers
 - Provision of technical expertise to the municipality
 - Assist in facilitation of IDP workshops
 - Assist in Spatial Development Framework and Land Use System
 - Assist in drafting of business plans

C.MECHANISMS FOR PUBLIC PARTICIPATION

Four major functions can be aligned with the public participation process namely:

- Needs identification;
- Identification of appropriateness of proposed solutions;
- Community ownership and buy-in; and
- Empowerment.

(i) Ward Committees

- Ward Committees are utilized as communicating agents to the community.
- They were and are continuously trained on IDP, Budget and PMS and also on the reporting style, further they seat on IDP Forums and participate in all Strategic Workshops of the municipality.

(ii) IDP Representative Forum

- This forum will represent all stakeholders and will be as inclusive as possible. Efforts will be made to bring additional organizations into the IDP RF and ensure their continued participation throughout the process.

(iii) Road shows

- The venues for these meetings will be publicized at the IDP RF as well as through the media
- There are 8 sessions of road shows scheduled for the first round IDP Road shows
- And, there are also 8 sessions scheduled for the second round IDP road shows
- For the maximum community participation the municipality holds road shows per ward, and rotates venues for the benefit of the community at large

(iv) Media

- Community Radio Station will be utilised to make public announcements where necessary

- Indlovu – internal newsletter publicise all dates of roadshows and reports regarding IDP Matters and provides a space for enquiries.
- Flyers – to be distributed on Public Facilities
- Local Newspaper is commonly used to advertised dates and venues of meetings and other notices
- Word of mouth – we rely more on ward committees

D. ALIGNMENT MECHANISMS

(i) Alignment with stakeholders

(a) Vertical Alignment

- The District responsible for Facilitation of vertical alignment of IDPs with the sphere of government and the sector departments;

(b) Horizontal Alignment

The district municipality is responsible to ensure alignment through Horizontal alignment

A. MECHANISM FOR MAXIMISED COMMUNITY PARTICIPATION

The following structures and media are the means of communication set for maximized community involvement.

B. ROLES AND RESPONSIBILITIES FOR INTERNAL AND EXTERNAL ROLE PLAYERS

In preparing the 2011/12 IDP, various role players have been identified and given responsibility to

IDENTIFIED INTERNAL ROLE PLAYERS	
PLAYERS	ROLES AND RESPONSIBILITIES
The Mayor (Executive Committee)	<p>As the Chairperson of the Executive Committee has to</p> <ul style="list-style-type: none"> - Ensure legislative compliance by, recommending to the Municipal Council the adoption of the process plan, and of the IDP. - Have an input on the process plan - Approve structures of communication to be established e.g. Representative Forum, Steering Committee and other committees. - Chair the IDP Representative Forum (Mayor)
Municipal Manager (Assistant Manager: IDP)	<p>The Municipal Manager (accounting officer) or a delegated official in charge of the IDP is responsible for:</p> <ul style="list-style-type: none"> - Managing and co-ordination of the IDP process - Compile IDP Process plan and submit to council for adoption;

	<ul style="list-style-type: none"> - Ensure maximized community participation, - Ensure the involvement of affected stakeholders in the IDP Process - Respond to comments received internal and externally regarding the draft IDP. - Ensure legislative compliance with regard to preparation of the IDP; - Ensure proper alignment of plans with the District Municipality and of the Sector Departments; - Attending all workshops and meetings relating to IDP in order to make informed decisions; and - Secure funding for prioritized projects - Submit the draft IDP to DTLGA within the deadline.
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- Growth & Development Summit: **5, 6 November 2011**
- IDP/Budget Road Shows: **October 2011**
- Service Provider Alignment: **8 December 2011**
 - Department of Education
 - Department of Land Affairs
 - Department of Agriculture, Environmental Affairs and Rural Development
 - Department of Social Development
 - Department of Health
- Ongoing Management Discussions
- Budget Steering Committee:
- Presentation to EXCO & Council: **25 March 2011**
- Road shows in **April 2011**
- Public Comment period on the IDP/Budget: **01 April to 23 April 2011**
- Final approval of IDP/Budget by Council: **5th May 2011**
- Final approval of Adjustment Budget **25th January 2012**

10.5 PROCESS FOR TABLING THE BUDGET IN COUNCIL FOR CONSIDERATION AND APPROVAL

According to the MFMA, section 16 (2), the budget is required to be tabled to council 90 days before the commencement of the New Year. The draft multi-year 2011/12 budget was tabled to council on the 25th of March 2011.

In addition the MFMA, section 22 prescribes that immediately after the budget is tabled to council per section 16 (2), the municipality must make public the annual budget and invite the local community to submit representations, as such members of the community will be invited to comment on the tabled budget. The municipality has selected a period of 21 days commencing on the 1st of April 2011 and ending on the 23rd of April 2011, whereby the public is invited to comment on the tabled budget and IDP. (Per Regulation 15 (3) of the MSA)

10.6 PROCESS FOR TABLING THE BUDGET IN COUNCIL FOR CONSULTATION

The 2011/12 multi-year budget/IDP was reported to the Finance Services Portfolio on the 24th of March 2011 and then tabled to Council on the 25th of March 2011 in terms of section 16 (2) and 22 of the MFMA.

In addition the MFMA prescribes per section 23, that the municipality consider any views since the budget was tabled to council, from the local community and National and Provincial Treasury.

During the period 1st of April to the 23rd April 2011, public hearings on the budget will be open for comment together with road shows that took place during the month of April 2011

10.7 PROCESS FOR APPROVING THE ADJUSTMENT BUDGET

In accordance with the MFMA, section 24, the budget will be required to be approved at least 30 days before the commencement of the budget year.

In terms of the budget timetable, Finance Services Portfolio will review the budget on the 26th of May 2011 and Exco and Council will consider the approval of the adjustment budget 2011/12 Budget on the 25st of January 2012.

10.8 MODELS USED FOR PRIORITISING RESOURCE ALLOCATION

The following criteria are used in the technical prioritisation of projects in the Ntambanana Municipality:

- (1) Status of the proposed project
- (2) The public benefit associated with the project
- (3) Income benefit to Council
- (4) The impact on the operating budget
- (5) Planning and approval status

The above criteria are discussed briefly hereunder:

- The **status of the project** relates mainly to whether it is a compulsory or critical, i.e. a legislative requirement or very important to alleviate a health or safety hazard. Other considerations relate to the necessity of a proposed project, whether the district is acting on behalf of another or whether a project is strategic to unlock potential.
- When evaluating the **public benefit** of a project, the most important consideration is the provision in basic needs of a community. Other considerations relate to improving existing basic facilities to a higher standard and the creation of an enabling environment, i.e. a project serves as a catalyst and provides critical linkages.
- Projects are also evaluated in terms of the **potential income benefit to Council**. In this regard, a differentiation is made whether a project received grant funding, covers its own expenses or generates tax or levy income. Another consideration is whether a project could leverage or attract outside investment.
- The impact of a project on the **operating budget** is another important criterion. Hereunder the most important considerations are a potential reduction on the operating budget. Caution is also taken with regard to projects that could become a liability due to a significant increase in the operating budget.

- The final criteria relates to the **planning and approval status** of a project. The main consideration here relates to the approval status of a sector plan – the sector plans being legislative requirements.

From the above it is observed that the above is a technical prioritisation model that focuses on the municipal core functions, the millennium targets as well as backlog eradication.

10.9 PROCESS TO RECORD AND INTEGRATE INPUTS FROM THE COMMUNITY

The Assistant Manager IDP recorded inputs from the community based on initial alignment meetings and with Road shows held in August 2010. Further road shows are to be held in April 2010 in each Local Municipality Area to provide feedback on the tabled Budget / IDP as follows:

The second round of the IDP Was done in April 2011.

WARD	Venue	Oct/November Road shows	Time
1	Maduma Tea-Room	11 April 2011	10H00
2	Somopho Traditional Court	12 April 2011	10H00
3	Mambuka Traditional Court	13 April 2011	10H00
4	Obizo Traditional Court	14 April 2011	10H00
5	Kwagamu Creche	15 April 2011	10H00

10.10 PROCESS AND MEDIA USED TO PROVIDE INFORMATION ON THE BUDGET AND IDP TO THE COMMUNITY

Some of the tools used for communicating the Budget/IDP, as contained in the Public Relations / Communication Strategy, are:

- Road shows – one in each of the four wards – annually in April during the Budget/IDP comment phase and in June after Council approval of the IDP/Budget
- Radio talk shows by the Mayor on CORA FM
- External newsletter *INDLOVU*
- Internal E-mails
- Ntambanana website www.ntambanana.org.za
- Annual Service Commitment Charter booklet published annually.

- Annual Report – publication planned for January each year.
- Print media press releases as and when required to local and provincial newspapers and radio stations
- Adverts in local and provincial newspapers as required
- IDP Alignment Stakeholder Forum meetings
- District LED Forum meetings
- District Mayors' Forum meetings

12 ALIGNMENT OF BUDGET WITH IDP

11.1 ALIGNMENT OF BUDGET WITH IDP

The budget was prepared using the following IDP inputs:

- Situational Analysis
- The outputs of the consultations with the various stake holders.
- Priority Development Issues
- Strategic approach

The information from the above processes was included in the budget according to the IDP prioritisation model. A review of the municipal Integrated Development Plan (IDP) has been prepared 2011/2012 as required by the Municipal Systems Act and the MFMA. The complete process of IDP preparation was followed, and the content of the previous IDP was taken into account.

The document contains information on the following:

- Vision for the Ntambanana Local Municipality
- Strategic Focus Areas
- Long-term goals or outcomes for the resident communities
- Alignment with national, provincial and district plans
- Consideration of service delivery and funding of housing, health and transport
- Description of prioritisation systems used for allocating resources to objectives
- Amendments to the IDP
- The consultative process undertaken to review the IDP

An IDP/Budget Steering Committee (SC) has been operational since the inception of the IDP preparation process. The SC acts as a support to the IDP Representative Forum, making technical decisions and inputs, to the Municipal Manager and the IDP Manager.

The outline terms of reference for the SC are as follows:

- Provide terms of reference for the various planning activities associated with the IDP;
- Commission research studies as may be required;
- Considers and comments on:
 - Inputs from sub-committee/s, study teams and other;
 - Inputs from provincial sector departments and support providers; and
 - IDP RF members.
- Processes, summarise and document outputs;
- Makes content and technical recommendations; and
- Prepare, facilitate and documents meetings.

It is important to note that a forum has been in existence for some time in the District that performs the functions of the IDP/Budget Steering Committee. With the 2010/2011 IDP Review this Forum has been formalized in terms of the Regulations of the MFMA.

11.2 IDP FOCUS AREAS

The integrated development approach of the Ntambanana Local Municipality focuses on the combination of basic needs approach and economic development. As such, the municipality has been investing in physical, social and economic development aspects. Its investment has been founded on the approach of responding to areas of greatest need and areas with potential for greatest returns in terms of economic development.

❑ PROBLEMS EXPERIENCED BY THE MUNICIPALITY

1. Huge number of backlogs still to be addressed by the municipality
2. Ageing infrastructure in the area
3. Vast areas without water requiring water tanker intervention
4. Diminishing underground water causing boreholes to dry or affecting water quality
5. Negative impact on water supply due to high demand arising from excessive garden watering due to the “One House One Garden” National Government campaign.

❑ STEPS TO ADDRESS THE ABOVE PROBLEMS

All the problems reflected above are covered in detail in the WSDP. The main intervention required to fast track the eradication of these problems is the topping up at least 30% of MIG funding to cover the increasing operational cost.

It should also be noted that as the new infrastructure is implement, more funding is required for the operation of these assets.

12. BUDGET RELATED POLICIES OVERVIEW & AMENDMENTS

The **detailed policies** are not included in this budget documentation. However they are available on request by Councillors and by the public at the Council offices at Ntambanana and on the website www.ntambanana.org.za/policies . This section gives a **broad overview** of the budget policy framework and highlights the amended policies to be approved by Council resolution.

NAME OF POLICY	LAST DATE OF APPROVAL	NEW ADOPTION DATE	PURPOSE / BASIC AREAS COVERED BY POLICY	STATUS
REVENUE RELATED				
Tariff	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	Details of all tariffs and charges for new financial year	Reviewed
Credit control and debt collection bylaws	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	Principles and guidelines to be followed with respect to arrear consumer debt control	Reviewed
Incentive	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	To improve the principal of paying for services received.	Reviewed
Indigent	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	Guidelines and procedures for the subsidization of rates and basic services to indigent households	Reviewed
EXPENDITURE AND BUDGET RELATED				
Asset Management Control Policy	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	Sets out the asset management policy that the municipality will follow when considering any form of acquisition, maintenance and disposal of any asset.	No Changes
Whistle Blowing Policy	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	Guideline of procedures to be followed when investing or lending money.	No Changes
Virement	14 December 2005 (NTMC:124)		Sets out guidelines and procedures to be followed when transferring budget savings between votes	No Changes
Supply chain management	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC: 93)	Dictates procedures for the procurement of goods and services	Reviewed
Property Plant and equipment	25 th February 2010 (NTMC: 124)		Defines the management of fixed assets.	No Changes

Budget	25 th February 2010 (NTMC: 124)	05 May 2011 (NTMC:93)	Set out budgeting principles.	No Changes
HUMAN RESOURCES RELATED POLICIES				
Succession and Retention Policy	12 th March 2008		Defines the organisations role with human assets	No Changes
Recruitment and selection Policy	12 th March 2008		Defines the recruitment process	No Changes

13. BUDGET ASSUMPTIONS

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. The section provides a comprehensive summary of all the assumptions used in preparing the budget. Key assumptions to be summarised here for past, current and projected years (budget year plus at least 2 projected outer years) include but are not limited to:

External factors (population migration, employment, health, development of businesses, and new residential areas, etc)

14.1 GENERAL INFLATION OUTLOOK & ITS IMPACT ON THE MUNICIPAL ACTIVITIES

According to circular 51 of National Treasury issued on the 19 February 2010, municipalities are cautioned on the 2011/12 budget increases with respect to tariffs. Treasury encourages keeping increases as low as practically possible in line with CPI inflation.

Fiscal year	2009/10 Actual	2010/11 Estimate	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
Headline CPI Inflation	6.3%	4.2%	4.8%	5.3%	5.5%

The circular further encourages municipalities to keep increases in tariffs and other charges as low as practically possible.

14.2 INTEREST RATES FOR BORROWING

The MFMA specifies that borrowing can only be used to fund capital. The municipality currently has no loans from any institutions:

14.3 INVESTMENT OF FUNDS

Short term investments are currently made with the following bank, with an average of 6.5 % p.a. earned from the investments and are invested between call and 30 days,

- ABSA

14.4 Average salary increases

Permanent & contract staff salary increases have been budgeted for at an estimated 6.08% per the South African Local Bargaining Council Agreement. whilst Section 57 employees are budgeted at an increase of 6.08% per annum for the next three years and councillors an annual increase of 82 % of Gazette.

14.5 Depreciation

Depreciation on assets is budgeted for as a result of the implementation of GRAP/GAMAP from 1st July 2005, in compliance with MFMA Circular 18. According to Chapter 2. Accounting for Property, plant and equipment, per National Treasury's Guidelines for the implementation of accounting standards, a "Government Reserve" (non-cashed back) has been created equal to grant received to fund future depreciation. An amount of **R 1 M** is included provisionally in operational expenditure for depreciation. The straight line method of determining depreciation has been utilized in this budget in terms of the proposed accounting policy for assets and depreciation to be presented to Council with other GRAP alignments.

15. INVESTMENTS – CASH BACKED ACCUMULATED SURPLUS

The investment policy of the Municipality is in line with the Municipal Finance Management Act, Act 56 of 2003 and the Regulations and Investment Framework issued by the Minister of Finance.

The main objective of the investment policy is to gain optimum return on investment without incurring undue risks during the period when cash revenues are not needed for capital or operational purposes.

The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management which must identify the surplus amounts to be invested and when those funds will be needed by the municipality's operations.

The municipality's investments are divided into the following categories:-

1. Interest Earned on Investment

- It is the municipality's policy to appropriate all interest earned from investments to priorities as detailed in the Integrated Development Plan.

2. Short Term Investment

- All reserves and creditors form part of short term investments of the municipality.
- The Municipality has a conservative approach in investing only in short term investment; however the investment policy has a provision of long term investments.

16. GRANT ALLOCATIONS

16.1 DETAILS OF GRANTS ALLOCATED TO THE MUNICIPALITY

Grant Revenue By Source	Adjusted Budget 11/12 R'000	Budget 12/13 R'000	Budget 13/14 R'000
Operating Income	-	439,000	-
Rates	2 200 000.00	2 288 000.00	2 379 520.00
	2 200 000.00	2 288 000.00	2 379 520.00
Operating Grants and Subsidies			
Refuse Removal	5 452 000.00	6 043 000.00	6 431 000.00
Equitable share	16 548 000.00	18 325 000.00	19 528 000.00
Equitable share-Councillors Allowance	1 126 000.00	1 190 000.00	1 259 000.00
LED Grant-UDM	-	-	-
Integrated National Electrification Programme	16 000 000.00	-	26 400 000.00
Municipal Infrastructure Grant(MIG)	10 193 000.00	12 393 000.00	13 075 000.00
Municipal Systems Improvement Grant	790 000.00	800 000.00	900 000.00
National Treasury - Financial Management Grant	1 450 000.00	1 500 000.00	1 750 000.00
Support for Thusong Service Centres (COGTA)	500 000.00	-	-
Provincial Security (MPCCs) (COGTA)	667 000.00	-	-
Provincialisation of Libraries (Arts & Culture)	233 000.00	245 000.00	514 000.00
Community Library Service Grant (Arts & Culture)		85 000.00	90 000.00
Infrastructure-Sport Facilities (Sport & Recreation)	150 000.00		
Community Library Services	85 000.00	-	
TOTAL	53 194 000.00	40 581 000.00	69 947 000.00



16.2 GRANT ALLOCATIONS PURPOSE AND OUTPUTS

Grant	Purpose	Measurable Outputs	Future revenue and cost implications
Equitable Share	To enable municipalities to provide basic services and perform the functions allocated to it.	No. of: <ul style="list-style-type: none"> Households receiving free water and electricity. Households receiving basic services such as water, sanitation, environmental health, refuse and electricity. 	The allocation is increased by
Municipal Systems Improvement Grant	For Implementing new system that would assist in building in-house capacity.	No. of: <ul style="list-style-type: none"> Development and implementation of municipal turn around strategy Strengthening administrative system for effective implementation of ward participation systems. Support interventions for municipal viability, management and improvement of the municipal audit outcomes. Households receiving basic services such as water, sanitation, environmental health, refuse and electricity.	
Municipal Infrastructure	To supplement municipal capital budgets to eradicate backlogs in basic municipal infrastructure utilised in providing basic services for the benefit of poor households. To eradicate the bucket sanitation system mainly in urban townships.	No. of: <ul style="list-style-type: none"> New households receiving water and sanitation service per annum. Households where the bucket sanitation system has been replaced with an alternative system. No of jobs created using EPWP 	Future Revenue: Tariffs from new households (water and sanitation). Future cost: Repairs and maintenance. Billing and collection of revenue.
Local Government Financial Management Grant	To promote and support reforms to municipal financial management and the implementation of the MFMA Act.	<ul style="list-style-type: none"> Financial recovery plans. Internship programme Progressive improvements of audit outcomes. Improvements in internal and external reporting on budgets, finances, in-year reporting and annual reports. Upgrading of IT systems for Financial management improvement 	Future Cost: The cost of including the interns within the organisation.

17. DISCLOSURE ON IMPLEMENTATION OF MFMA & OTHER LEGISLATION

The Municipal Finance Management Act, 2003 (Act No.56 of 2003) became effective on 1 July 2004. Elements of the act have been phased in according to capacity of each municipality – high, medium and low. As a high capacity municipality, Ntambanana was required to comply with the earliest implementation dates, the majority of which are now effective.

The MFMA has introduced significant changes to the financial management of local government. One of the main changes in budget preparation is that the single year, line item budgeting – which was a common feature of the previous practices – has been replaced by multi-year budgeting at a more strategic level.

The MFMA aims to modernise budget and financial practices at all spheres of government, thereby facilitating effective service delivery. The general public plays an important role in ensuring a budget is set to reflect targeted service delivery. For example, during the budget preparation process, Section 21 of the MFMA requires communities and residents within the municipal jurisdiction to be part of the Budget and Integrated Development Planning (IDP) processes. Section 8 of this report describes how this has been achieved.

Communities can also monitor the performance of the approved budget through regular reporting of the Service Delivery & Budget Implementation Plan (SDBIP) and the performance contracts of senior managers. These are prepared at the same time as the budget, thus ensuring alignment at the start of the financial year. Section 15 of this report provides some detail of the departmental SDBIP's that have been prepared. These highlight the key service delivery and performance targets that senior managers are accountable for.

Some of the key budget reforms encapsulated within the MFMA, that Ntambanana has applied, are:

- Forward looking, multi-year budgets with strategic focus;
- Clear links between budget allocations and agreed policies;
- Improved integration of budget and planning processes;
- New budget process timetable with earlier adoption of budgets by council and earlier audits of Annual Financial Statements;
- Improved in-year reporting according to vote/ function;
- Improved financial management information;
- Service Delivery and Budget Implementation Plans (SDBIP) developed and approved with budgets;
- New accounting norms and standards;
- Improvements to procurement and Supply Chain Management policies and processes;
- Establishment of a new audit committee and oversight process reforms; and
- Focus on performance measurement.

The MFMA implementation is monitored through regular reporting including:

- Quarterly reviews of MFMA implementation plans and the 12 urgent implementation priorities checklist;
- Monthly returns to National Treasury and monthly reports to the Mayor & Council, as required by section 71;
- Publication of information on the municipality's website (www.ntambanana.org.za); and
- Mid-year budget and performance assessment as required by section 72.

The 2011/12 Budget was prepared taking into account the Budget Regulations gazetted in April 2009 dealing with Budgeting and reporting as well as the MFMA circular 51.

The objective of the regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters as required by the Act.

OTHER LEGISLATION

The other important pieces of legislation when considering the budget processes are:

- The Division of Revenue Act 2010; and
- The Municipal Systems Act (Act No.32 of 2000), together with the Municipal Systems Amendment Act (Act No. 44 of 2003).

Division of Revenue Act 2010

This Act issued in April annually, provides the three year allocations from national government to local government. It sets out all the reporting requirements and conditions relating to the grants. Alongside this Provincial Departments allocate funding to local government by means of a provincial gazette.

These allocations are used when preparing the three year budget in order to comply with section 18 of the MFMA (relating to reasonably anticipated revenues to be collected). Additional allocations – both nationally and provincially – are sometimes made to municipalities. However, these are not included in the original budget as the allocations are not certain. When confirmed they will be included in an adjustments budget in accordance with section 28 of the MFMA.

The Municipal Systems Act (Act No.32 of 2000) and the Municipal Systems Amendment Act (Act No. 44 of 2003)

These Acts form the basis of the links between the budget and the integrated development Plan (IDP). In particular, the aspects that have been considered in preparing the budget are:

- Community participation (Chapters 4 & 5);
- Performance management (Chapter 6), providing also the basis for measurable performance objectives in the Service Delivery and Budget Implementation Plan (SDBIP); and
- Tariff policy (Chapter8).

18. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I **Raymond, Phiwamandla Mnguni**, municipal manager of **Ntambanana Local Municipality**, hereby certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act to a certain extent with the budget document as set out in schedule A of the regulations including the main tables (SB1 – SB20), and that the adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name.....

Municipal Manager of.....

Signature.....

Date.....

CONTACT DETAILS

Ntambanana Municipality

**Private Bag X20066
EMPANGENI 3880**

**Bhuchanana Reserve
Ntambanana
Empangeni**

**Contact Person:
Thembeke Ruth Nompumelelo Myeza
Telephone: 035 792 7093
Fax: 035 792 7094**

Website: www.ntambanana.org.za

Email: myezat@ntambanana.org.za