



NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD

**2023/2024
PROPOSED BUDGET**

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1. 2022/2023 BUDGET OVERVIEW

- a) Ntinga O.R. Tambo Development Agency SOC LTD is operating as a wholly owned implementing agent of the parent municipality, O.R. Tambo District Municipality (ORTDM). The amended mandate is mainly derived from the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) and Section 84(1)(a)(b)(d)(k)(m)(n) & (p) of Municipal Structures Act, 1998 (Act 117 of 1998).

The entity is mandated to carry out the following activities:

- i) Socio-economic development with special focus on agro-processing, manufacturing and oceans economy.
- ii) Fresh produce markets and abattoirs.

and any other activity agreed upon with the parent municipality, provincial and national government and the private sector (any other related function, in partnership with either Public or Private Sector)".

- b) In implementing the above mandate the Entity has developed a strategy anchored on the following four goals:-
- Goal 1: Enhanced and Enabled Full Value Chains (upstream and downstream) for Agricultural Produce, Markets, Abattoirs and Aquaculture.
 - Goal 2: Diversified Partnerships that Promote Inclusive Socio-economic Development and Growth.
 - Goal 3: Promoted trade and investment opportunities in the district.
 - Goal 4: Dynamic, Capable and Sustainable State Owned Company.

This budget is aligned to the four goals.

1.1 Municipal Grant Funding

The Entity's proposed grant funding for the financial year 2023/2024 amounts to R 52,5m excluding VAT.

The Entity's summarized budgeted statement of financial performance is as follows:-

Description	2022/23 Original Budget	2022/23 Adjustment Budget	2023/24	2023/24	2024/25
Grant funding (ORTDM)	49,553,214	49,553,214	52,526,407	55,677,991	59,018,671
Enterprises revenue	31,151,350	22,471,853	31,285,303	36,425,618	41,204,596
Other revenue	4,915,000	10,672,800	7,575,000	5,209,500	5,306,125
Total revenue	85,619,565	82,697,867	91,386,710	97,314,109	105,573,492
Total operational expenditure	82,463,426	79,906,102	88,206,015	96,048,574	99,571,924
Surplus/(Deficit) for the year	3,156,139	2,791,766	3,180,695	1,265,536	6,001,568

1.2 Trading Enterprises

Under Goal One, a strategic goal focusing on enhancing agricultural value chains is being pursued by the entity whereby local production is being facilitated. Furthermore, the entity is operating farms which are used as the production facility for crops that are sold at the fresh produce market as well as livestock that is slaughtered and sold at the abattoir. A budget is set for the purchase and exchange of cows to be fattened at the farms and then slaughter at the abattoir for sale.

In order to maximize the production capacity of the Abattoir, a Meat Market is planned in this financial year. The introduction of the Meat Market will significantly increase the abattoir revenue.

Meat sales make up the biggest component of revenue generated by trading enterprises as graphically presented below.



It must be noted that selling prices fluctuate from time to time during the year depending on open market conditions. Below are average prices/tariffs/rates that will be used by the trading enterprises in buying stock or servicing customers.

Description	2022/23 Budget year	2023/24 Budget year	2024/25 Budget year	2025/26 Budget year
Average prices for procurement of livestock				
Purchase of cattle (price per kg)	R21.22	R22.28	R23.40	24,57
Purchase of pigs (price per kg)	R25.73	R27.01	R28.36	29,78
Purchase of sheep (price per kg)	R29.40	R30.87	R32.41	34,03
Abattoir slaughter and cutting fees				
Cattle Slaughter fee	R560.00	R600.00	R650.00	R702.00
Beef Cutting fee	R2.50/Kg	R3.00/Kg	4.00/Kg	4.00/Kg
Sheep Slaughter Fee	R150.00	R165.00	R170.00	R175.00
Mutton Cutting Fee	R65.00	R75.00	R90.00	R105.00
Pigs slaughter Fee	3.50/kg	4.00/kg	4.00-4.50/kg	4.00-4.50/kg
Pork Cutting Fee	2.00/Kg	2.50/Kg	2.50/Kg	3.00/Kg
Parking daily rates				
Trailers	R 58.00	R 62.99	R 68.02	R 68.02
Kombi, Truck (less than 8tonne)	R 75.82	R 81.88	R 88.43	R 88.43
TLBS	R 58.32	R 62.99	R 68.02	R 73.00
Truck 8tonne	R 93.31	R 100.78	R 108.84	R 117,5
Tractor & Cars	R 69.98	R 75.58	R 81.63	R 88,16
Parking monthly rates				
Trailers	R 817.69	883.11	953.76	1030

Description	2022/23 Budget year	2023/24 Budget year	2024/25 Budget year	2025/26 Budget year
Kombi, Truck (less than 8tonne)	R 1,184.58	1,279.35	1,381.70	1,492
TLBS	R 1,963.61	2,120.70	2,290.36	2,474
Truck 8tonne	R 2,140.35	2,311.57	2,496.50	2,696
Tractor & Cars	R 917.28	990.66	1,069.91	1,156
Bus	R 978.39	1,056.66	1,141.19	1,232
Forklift (Monthly Rental)	R 6,383.80	6,894.51	7,446.07	8,042
Forklift (Hourly Rate)	R 272.10	293.87	317.37	343
Horse & Trailer (Monthly)	R 5,668.70	6,122.20	6,611.98	7,141
Office space monthly rental				
Rater per square meter	R193.68	R209.17	R225.90	244
Market stalls monthly rental				
Flat rate	R 705.44	R 761.87	R 822.82	889.00
Storage monthly rental				
Rate per square meter for fully ventilated storage	R107.71	R115.79	R125.05	135.00
Rate per square meter for other storage facilities	R131.95	R142.51	R153.91	166.00
Open space (flat rate)	R 6,254.85	R 6,880.34	R 7,568.37	8,174.00
Potato washing and packaging				
Price per bag	R 4.55	R 4.91	R 5.30	R 6.00
Fresh Produce Market buyers' cards	R 32.50	35.00	37.80	41.00

1.3 Strategic Partnerships

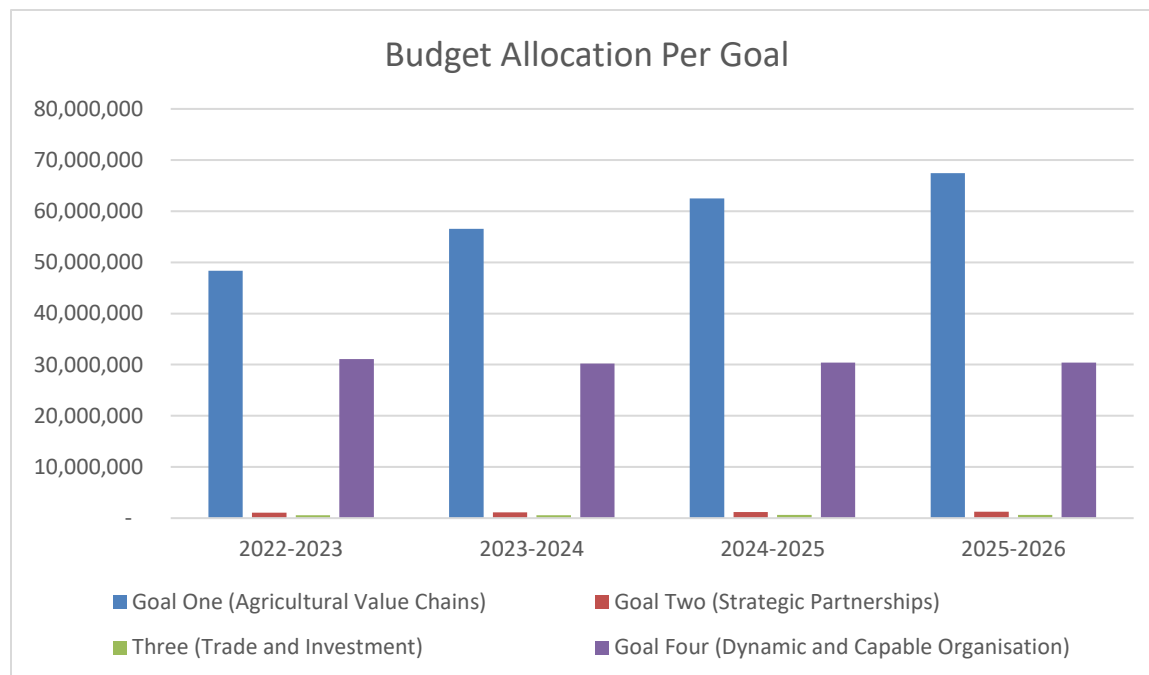
Under Goal Two,

The entity is playing a pivotal role in key local economic development initiatives such as oceans economy, special economic zone, industrial parks etc. It is working in collaboration with the rural economic development and planning department of the parent municipality as well as local municipalities.

The strategy is to forge strategic partnerships with relevant national and provincial departments that has funding for these initiatives. In the current financial year, the Entity has secured a tender with DALRRD to support them in their vegetable value chain development interventions.

1.4 Budget Breakdown per Goal

The 2023/2024 proposed annual budget is summarized as follows:-



The total proposed annual budget for the 2023/2024 financial year amounts to R88,2 million and the bulk of it relates to Goal One followed by Goal Four. The 2022/2023 budget has been adjusted from R82,4m to R79,9m.

1.5. Capital budget

The capital budget comprises of the following:-

	2022/23	2023/24
Plant and machinery	1,855,506	2,102,073
Computer equipment	361,000	369,800
Furniture and equipment	89,000	68,400
Motor vehicles	0	600,000
Total	2,305,506	3,140,273

The bulk amount under plant and machinery goes to the construction of the planned Meat Market at Kei Fresh Meat Market and the establishment of the new Market Agent.

Our computer equipment is aging and we need to replace it. We also need to buy a delivery van for the Abattoir for the 2023/24 financial year.

2. RESOLUTIONS

In compliance with Local Government: Municipal Finance Management Act Section, the Board of Directors approves the 2023/2024 proposed budget of the Entity. The Board of Directors submits the proposed budget not later than 150 days before the start of the entity's financial year. The parent municipality considers the proposed budget of the entity and assessed the entity's priorities and objectives. This will then be formalised in a service delivery agreement to be entered into by the two parties.

3. EXECUTIVE SUMMARY

The 2023/2024 proposed budget amounts to R 88,2 Million and capital budget amounts to R3,1 Million. This gives a total 2023/2024 budget of R91,3 Million compared to the previous 2022/2023 financial year budget of R82,2 Million.

Grant funding from the parent municipality for 2022/2023 financial year is R49,5 Million. For the 2023/2024 financial year is R 52,5 Million, R55,6 Million for the 2024/2025 financial year and R 59 Million for the 2025/26 financial year.

South Africa's GDP increased at an annualised rate of 3,5% in the first quarter (January to March) of 2022 when compared to the previous quarter (October to December) of 2021. Year to year budget increase is estimated to be approximately 4%. There is a 4% estimated increase in salaries and wages budget.

The introduction of the Meat Market at Kei Fresh Produce Market will increase the Abattoir revenue dramatically during the 2023/24 financial year, the meat will be supplied by the Abattoir. Abattoir revenue is expected to grow at an average rate of 16% on a year to year basis.

Funds that are not readily required for operational requirements are invested in call deposits in line with the investment policy. Net assets position is expected to be sound into the foreseeable future with assets exceeding liabilities.

4. SUPPORTING DOCUMENTATION

4.1 Overview of annual budget process

There is an agreement in place between the entity and the parent municipality. This agreement is based on the mandate given to the Entity. As part of the integrated development plan of the parent municipality activities to be carried out by the entity are outlined. In addition to this, the Board of Directors develops and adopts a strategy of implementing the mandate. All of these are then used to inform budget proposals. Heads of departments prepare departmental budgets for submission to Chief Financial Officer for checking alignment with the strategy as well as consolidation.

The consolidated budget is then considered by the Board Committee before it is discussed and approved by the Board of Directors.

4.2 Overview of alignment of annual budget with service delivery agreement

Ntinga is a wholly owned municipal entity of O.R. Tambo District Municipality. The parent municipality appoints the Board of Directors. As a means of oversight the parent municipality is represented in meetings of Board of Directors. Financial reports of the entity are submitted to the parent municipality monthly. Furthermore, quarterly performance reports and financial reports are subject of discussions by Council of the parent municipality. The entity is also subjected to Municipal Public Accounts Committee processes.

4.3 Overview of budget related policies

Listed below are Ntinga's budgeted related policies.

- Asset management policy
- Credit control policy
- Fleet management policy
- Banking and Investment policy
- Leave policy
- Performance management policy
- Budget policy

4.4 Overview of budget assumptions

The budget proposals are based on the following assumptions:-

- a) Medium Term Expenditure Framework (MTEF) Guide was used to inform some of the budget proposals.
- b) Improved returns on investments made on projects such as the abattoir and the fresh produce market are expected in the 2023/2024 financial year.
- c) Year to year price increase is estimated to be approximately 3,5%. This is informed by the struggling economic outlook.
- d) The Entity is attending to operational challenges in service centers such as the farms, fresh produce market and the abattoir. There is a strategy that links operations of the three trading enterprises being Adam Kok Farms, Abattoir and the Fresh Produce Market thereby maximizing return on investment.
- e) The Entity has budgeted for depreciation in value of assets.

4.5 Overview of budget funding

The budget is partly funded from grant funding from the Parent Municipality.

Own revenue in the form of the fresh produce market commission, crop and livestock sales and the abattoir operations is expected to improve.

5. Legislation compliance status

Ntinga is fully implementing all legislation that is applicable to it. There are no delays in implementation and there is no application for such.

6. Other supporting information on expenditure

- a) Estimates of year to year budgets are based on the costing of projects and programmes.
- b) Accommodation and travel budget will be utilized for all employees within the institution. This is mainly based on travelling to be done by staff when performing their duties as well as training requirements and workshops that will be attended to skill and capacitate employees.
- c) Board and committees' fees budget have been made available for board and committee meetings. It is expected that the Board and its Committees will hold a minimum of four meetings each during the year. The budget includes all board related expenses such as travelling and accommodation.

7. QUALITY CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Loyiso Mbiko, Chief Executive Officer of Ntinga O.R. Tambo Development Agency SOC LTD hereby certify that the 2023/2024 proposed budget has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the proposed annual budget is consistent with the integrated development plan of the parent municipality and the Entity's strategy.



L. Mbiko

Chief Executive Officer

8. Budget Tables

NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD PROPOSED BUDGET FOR THE 2023/2024 FINANCIAL YEAR
BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

Description	2019/20	2020/21	2021/22	Medium Term Revenue and Expenditure Framework				
	Audited Outcome	Audited Outcome	Audited Outcome	Budget year 2022/2023	Adjusted Budget 2022/2023	Budget year 2023/2024	Budget year 2024/2025	Budget year 2025/2026
Rands								
Revenue by Source								
Fresh Farm Products - Meat and slaughter services	10,873,350	10,775,676	12,963,761	23,713,445	18,137,155	21,354,020	24,405,356	28,310,213
Kei Fresh Produce Market revenue	1,571,310	729,411	545,683	2,805,338	486,414	3,769,771	5,304,348	5,569,565
Interest earned - external investments	385,520	194,956	112,397	250,000	250,000	300,000	315,000	330,750
Special Projects and other conditional grants	0			2,400,000	2,000,000	5,000,000	2,500,000	2,500,000
Transfers and Subsidies (ORTDM)	46,514,585	46,443,139	46,718,154	49,553,214	49,553,214	52,526,407	55,677,991	59,018,671
Water Services - Debt recovery	-			-	6,192,800	-	-	-
Other revenue	1,152,419	238,304	451,956	75,000	40,000	85,000	95,000	105,000
Sales of Fresh Farm Products - Animals and crops	1,334,445	476,914	243,380	4,632,568	3,848,284	6,161,512	6,716,914	7,324,818
Water Services (Operational, Refurbishment Grants and Peri-urban billing)	9,467,045	5,343,027	670,824	-	-	-	-	-
Adjustments to biological assets	6,604,567	2,956,707	5,716,732	2,150,000	2,150,000	2,150,000	2,257,500	2,370,375
Gains on disposal of PPE	4,731	299,169	1,203,559	40,000	40,000	40,000	42,000	44,100
Donation of Assets by parent municipality	2,463,783			-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	80,371,755	67,457,303	68,626,446	85,619,565	82,697,867	91,386,710	97,314,109	105,573,492
Expenditure By Type								
Employee related costs	45,031,065	44,944,690	44,339,701	42,771,483	43,209,237	44,910,057	47,869,382	48,424,636
Board of Directors Allowances	800,069	827,482	840,769	850,000	960,000	1,002,500	1,070,000	1,090,000
Board of Directors Travelling, Accommodation & other	132,037	-	-	338,305	359,890	350,600	392,000	172,000
Depreciation	5,466,038	5,415,041	5,265,370	3,756,922	3,756,922	3,756,922	3,942,568	4,137,497
Finance charges	70,020	263,153	110,166	50,312	50,312	55,343	58,110	61,016
Repairs and Maintenance	145,654	108,028	56,533	151,250	162,315	160,000	179,000	180,000
Fresh Produce Market Operations	3,397,771	2,384,612	1,701,424	3,730,928	2,955,354	4,422,895	4,644,040	4,876,242
Abattoir Operations	2,225,089	7,545,318	11,222,771	3,891,926	4,964,970	5,341,625	5,847,499	6,372,449
Farms Operations	11,695,200	5,570,508	4,526,002	16,977,318	14,138,022	17,519,601	20,476,721	22,738,095
Water Services Operations	3,590,866	2,447,425	193,183	-	-	-	-	-
Special Projects (Transfers and Grants)	5,027,807	1,396,745	670,434	800,000	800,000	-	-	-
Other Operating Expenditure	8,663,699	7,619,394	14,197,203	9,044,980	8,469,080	10,586,472	11,464,253	11,404,990
Adjustments to Biological Assets	241,200	477,300	460,180	100,000	80,000	100,000	105,000	115,000
Total Expenditure	86,486,515	78,999,695	83,583,736	82,463,426	79,906,102	88,206,015	96,048,574	99,571,924
Surplus/ (Deficit) for the year	-6,114,760	-11,542,392	-14,957,290	3,156,139	2,791,766	3,180,695	1,265,536	6,001,568
Capital Expenditure			15	2,671,200	2,305,506	3,140,273	686,950	870,641
Surplus/(deficit)	-6,114,760	-11,542,392	-14,957,290	484,939	486,260	40,422	578,586	5,130,927
Accumulated surplus at the beginning of the year	79,377,058	73,262,298	61,719,906	46,762,616	49,918,755	49,918,755	53,099,450	54,364,986
Accumulated surplus at the end of the year	73,262,298	61,719,906	46,762,616	49,918,755	52,710,521	53,099,450	54,364,986	60,366,554

NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD PROPOSED BUDGET FOR THE 2023/2024 FINANCIAL YEAR

Table D4 - Budgeted Statement of Financial Position

Description	2019/2020	2010/2021	2021/2022	Medium Term Revenue and Expenditure Framework				
	Audited Outcomes	Audited Outcomes	Audited Outcomes	Budget year 2022/2023		Budget year 2023/2024	Budget year 2024/2025	Budget year 2025/2026
				Original Budget	Adjusted Budget			
Rands								
ASSETS								
Current assets								
Cash and Cash Equivalents	13,278,532	3,309,325	4,926,922	5,710,833	764,515	1,200,000	4,362,594	10,003,018
Receivables from Exchange Transactions	752,164	69,942	108,886	640,000	100,000	180,000	200,000	220,000
Receivables from Non-Exchange Transactions	1,187,705	8,096,955	259,409	192,418	192,578	210,000	220,000	230,000
Inventory	3,235,871	4,060,041	4,215,315	4,100,000	4,100,000	4,500,000	4,600,000	4,700,000
Total current assets	18,454,272	15,536,263	9,510,532	10,643,251	5,157,093	6,090,000	9,382,594	15,153,018
Non current assets								
Property, plant and equipment	59,420,271	56,174,980	50,963,836	55,991,434	49,512,420	48,895,771	45,640,152	42,373,297
Biological assets	15,089,530	13,173,660	14,567,854	9,785,816	9,304,245	10,500,000	10,800,000	13,500,000
Intangible assets	671,228	483,522	220,360	700,000	200,000	196,280	190,000	188,000
Non current assets held for sale	-		282,369	-	-	-	-	
Total non current assets	75,181,029	69,832,162	66,034,419	66,477,250	59,016,665	59,592,051	56,630,152	56,061,297
TOTAL ASSETS	93,635,301	85,368,425	75,544,951	77,120,501	64,173,758	65,682,051	66,012,746	71,214,315
LIABILITIES								
Current liabilities								
Taxes (VAT)	4,751,979	8,470,750	13,502,173	390,000	1,372,402	700,000	850,000	950,000
Unspent Conditional Government Grants and F	5,748,198	2,506,652	2,189,401	2,500,000	2,500,000	2,500,000	2,100,000	1,900,000
Payables from exchange transactions	5,834,200	7,071,895	6,915,042	4,600,000	5,600,000	5,500,000	4,100,000	4,000,000
Payables from non-exchange transactions	446,973	446,974	446,974	446,973	446,973	446,973	446,973	446,973
Current employee benefits	4,586,855	4,788,007	5,661,468	3,800,000	4,700,000	3,800,000	2,600,000	2,000,000
Current portion of long term- liabilities	87,536	296,953	67,281					
Total current liabilities	21,455,741	23,581,231	28,782,339	11,736,973	14,619,375	12,946,973	10,096,973	9,296,973
Non current liabilities	122,420	67,281	-	-		-	-	
TOTAL LIABILITIES	21,578,161	23,648,512	28,782,339	11,736,973	14,619,375	12,946,973	10,096,973	9,296,973
NET ASSETS	72,057,140	61,719,913	46,762,612	65,383,528	49,554,383	52,735,078	55,915,773	61,917,342
COMMUNITY WEALTH/EQUITY			16					
Accumulated Surplus/(Deficit)	72,057,140	61,719,906	46,762,617	65,383,529	49,554,383	52,735,078	55,915,773	61,917,341
TOTAL COMMUNITY WEALTH/EQUITY	72,057,140	61,719,906	46,762,617	65,383,529	49,554,383	52,735,078	55,915,773	61,917,341

NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD PROPOSED BUDGET FOR THE 2023/2024 FINANCIAL YEAR

Table D5 - Budgeted Cash Flow Statement

Description	2019/2020	2020/2021	2021/2022	Medium Term Revenue and Expenditure Framework							
				Audited Outcome	Audited Outcome	Audited Outcome	Budget year 2022/2023		Budget year 2023/2024	Budget year 2024/2025	Budget year 2025/2026
							Original Budget	Adjusted Budget			
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Sales of goods and services	16,370,736	11,336,306	14,549,332	31,151,351	30,954,653	36,670,303	39,336,618	44,140,346			
Grants and public contributions	34,505,610	45,002,446	46,767,379	51,853,214	49,553,214	52,526,407	55,677,991	59,018,671			
Interest	1,155,693	194,956	112,397	250,000	250,000	300,000	315,000	330,750			
Payments											
Suppliers and employees	-70,891,815	-66,591,455	-60,580,464	-78,258,118.00	-82,634,456	-92,226,155.00	-92,885,856	-98,758,967.72			
Finance charges	-40,571	-263,153	-110,166	-50,312	-50,312	-55,343	-58,110	-61,016			
Transfers and Grants	-	-	-	-	-	-	-	-			
NET CASH FROM/(USED) OPERATING ACTIVITIES	-18,900,347	-10,320,900	738,478	4,946,135	-1,926,901	-2,784,788	2,385,643	4,669,784			
CASH FLOWS FROM INVESTING ACTIVITIES											
Proceeds on disposal of Property, Plant and Equipment	702,431	1,243	1,256,240	80,000	70,000	80,000	90,000	100,000			
Proceeds on disposal of Biological Assets	2,668,856	3,126,062	264,291	-	-	-	-	0			
Purchase of Intangible Assets	-315,580	-68,523	-	-	-	-	-	0			
Purchase of Biological Assets	-1,112,402	-2,096,900	-218,347	-	-	-	-	-			
Purchase of Property, Plant and Equipment	-7,640,902	-764,470	-126,114	-2,671,200	-2,305,506	3,140,273	686,950	870,641			
NET CASH FROM/(USED) INVESTING ACTIVITIES	-5,697,597	197,412	1,176,070	-2,591,200	-2,235,506	3,220,273	776,950	970,641			
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts	-	377,094	-	-	-	-	-	-			
Repayment of borrowing	-	-222,815	-296,951	-150,000	-	-	-	-			
NET CASH FROM/(USED) FINANCING ACTIVITIES		154,279	-296,951	-150,000	-	-	-	-			
NET INCREASE/ (DECREASE) IN CASH HELD	-24,597,944	-9,969,209	1,617,597	2,204,935	-4,162,407	435,485	3,162,593	5,640,425			
Cash/cash equivalents at beginning of the year:	30,880,253	13,278,532	3,309,325	3,505,898	4,926,922	764,515	1,200,000	4,362,593			
Cash/cash equivalents at the year end:	6,282,309	3,309,323	4,926,922	5,710,833	764,515	1,200,000	4,362,593	10,003,018			

