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PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT

PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118
www.parliament.gov.za

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BRIEF ANALYSIS OF THE INGONYAMA TRUST BOARD STRATEGIC PLAN AND BUDGET, 2014/2015

1. INTRODUCTION

The Ingonyama Trust, an entity of the Department of Rural Development and Land Reform (hereafter referred as the Department) was established in 1994 in terms of KwaZulu-Natal (KZN) Trust Act 1994 (Act 3 of 1994). The Act was amended in 1997 to provide for the establishment of the Ingonyama Trust Board (ITB, hereafter referred as the Board), which was established in 1999. The main objective of the Board is to administer Ingonyama Trust Land, which is about 2.8 million hectares spread throughout KZN for the benefit of traditional authorities and communities residing thereon.

2. STRATEGIC OBJECTIVES

As an entity reporting to the Department, the Board's performance is aligned with Outcome 7. The aim of Outcome 7 is to build vibrant, equitable and sustainable rural communities with food security for all. It is also aligned with Outcome 8, which seeks to achieve sustainable human settlements and improved quality of life for households. In line with these government priorities, the ITB's main objective is to administer the Trust land for the material benefit and social wellbeing of the communities living on Trust land. The ITB identified the following strategic objectives for the Medium Term Expenditure Framework (MTEF) period:

- Unlocking an enabling environment for conducive to development on Trust land;
- Effective and efficient asset management services;
- Provide Human Resource Management; and
- Support to Traditional Councils in capacity building programs.

3. CHALLENGES

The key challenges experienced by the Board include the following:

- Inadequate staff was identified as major challenge for the past years with the staff complement less than 30 until the review of the staff establishment, which started in 2012/13. Currently the Board has staff complement of 55 of which 25 are full time employees and 30 are on fixed-term contracts.
- The on-going challenge to amend the Ingonyama Trust Act to enhance the responsibility of the Board to play an important role to development as a landowner.
- Decentralisation of the offices of the Board has been in the pipeline but only one office was opened at Ulundi in 2012/13. However, the concern with decentralisation of Board's offices is that it might create tension between the Board and local municipalities.



- The Board received a qualified opinion from the Auditor-General (AG) based on non valuation of land holding and incompleteness of royalty revenue. In response the Board argued that it will be a waste of money to spend on valuing land for no tangible benefit to the Board. It promised it will consider alternative measures that are not costly to value its land. The fact that the EThekweni Municipality was mandated by the Constitutional Court to base its rates on valuation roll will force the Municipality to value properties of the Ingonyama Trust. On the issue of incompleteness of royal revenue the Board reported that it does not have staff capacity to monitor each ton of mineral extruded at each site to verify the completeness of income. At the same time it has also not been successful in obtaining the audit certificates from mining operations.

4. BUDGET

The total budget of the Board is made up of its own income and transfer of payments it receives from the Department. Its revenue income is earned from leases, royalties and investment. In terms of the Board's disbursement policy, 90 per cent of the income earned through trading activities is to be used for the benefit of communities and 10 per cent of the income should be used for the Board's expenses. The internal administrative costs of the Board are met through a transfer payment from the Department.

The focus of expenditure over the medium term will be on optimal land management and use for material benefit and social wellbeing of the local communities on Trust land.

Table 1: Budget Allocation for 2014/15-2017/18

Income	2014-2015	2015-2016	2016-2017	2017-2018	Average growth rate over 2014/15-2017/18
Rental income: non-mining	15 329 922.00	16 096 418.00	16 901 339.00	17 746 301.00	5.0%
Royalties & Prospecting Income	9 696.00	10 181.00	10 690.00	11 224.00	5.0%
Investment Income	9 722 851.00	10 208 993.00	10 719 443.00	11 255 415.00	5.0%
Interests on overdue debtors Accounts	88 491.00	92 916.00	97 561.00	102 439.00	5.0%
Rates due from Lessee	12 561.00	13 188.00	13 848.00	14 540.00	5.0%
From Reserves (for operating and capital expenditure)	20 232 143.00	14 339 962.00	15 795 431.00	17 183 539.00	-5.3%
ITB own Funds	45 395 664.00	40 761 658.00	43 538 312.00	46 313 458.00	0.7%
Transfers	17 294 000.00	18 069 000.00	18 788 000.00	19 727 400.00	4.5%
Investment Income	12 336.00	12 953.00	13 601.00	14 281.00	5.0%
Department of Rural Development funding	17 306 336.00	18 081 953.00	18 801 601.00	19 741 681.00	4.5%
Total income	62 702 000.00	58 843 611.00	62 339 913.00	66 055 139.00	1.8%

Source: adapted from ITB (2014).

Table 1 above indicates that the total budget for the ITB in 2014/15 is R62.7 million and is going to increase slightly over the MTEF by an annual average rate of 1.8 per cent. It also shows that while funds from its own revenue is to increase at average growth rate of 0.7 per



cent over the medium term transfer from the Department is going to increase by 4.5 per cent average growth rate. This implies that the percentage of its own funds over the total expenditure for the Board is decreasing while transfers from the Department are gradually increasing.

Income from the Board's funds has decreased from R52.7 million in 2013/14 to R45.4 million in 2014/15, which is a decrease of 15.41 per cent. Also the Board's funds as percentage of total expenditure of the Board have decreased from 87.53 % in 2013/14 to 72.4 % in 2014/15. The decrease is influenced by the decrease in rental revenue due decline in leases as number of people become property owners. It is also influenced by the decline in reserves.

Transfer from the Department was adjusted from R7.5 million to R14. 5 million in 2013/14 and has increased to R17.3 million in 2014/15.

7. ISSUES OF CONCERN

- The vision of the ITB is to improve the quality of life for people living on the Ingonyama Trust Land and to ensure that land usage is to their benefit. How far has this vision been actualised since the ITB has been in existence. Has there been a study done to assess the impact of the activities undertaken by ITB on communities on Trust land.
- The issue of amending the Ingonyama Trust Act has been on the pipeline for a long time. When is this expected to take place?
- Linked to the strategic objective of Board to administer land for the material welfare and social wellbeing of communities living on Ingonyama Trust Land is the disbursement of funds to Traditional Councils. The slow uptake of funds by the Traditional Councils has been a challenge for many years. What kind of assistance is provided to communities to ensure they are able to claim these funds? The Board should provide more information on the monies disbursed to Traditional Councils.
- There is a gradual decrease of the Board's own funds as percentage of the total budget while transfer from the Department is increasing. There is a gradual decrease of the Board's own funds as percentage of the total budget while transfer from the Department is increasing. Does this imply that the Board is becoming more dependent on transfers instead of being sustainable?
- Besides identifying and implementing 5 land projects what other projects are targeted towards improving the wellbeing of communities living on Ingonyama Trust land?

REFERENCES

Ingonyama Trust Board (2014). *Ingonyama Trust Board Strategic Plan, 2014-2019*.

