



A Municipal Entity of the Nelson Mandela Bay Municipality

BUDGET 2011/12 – 2013/14



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PART 1 – ANNUAL BUDGET

1.1 Chief Executive Officer's report

The MBDA works within a Council approved Mandate Document, i.e. basically responsible for the revitalization of the CBD / inner cities of Nelson Mandela Bay through the introduction / improvement of municipal infrastructure, the creation of new developmental as well as the provision of certain basic services such as cleansing and regulation of informal trading etc. The key motivation is that CBD's are the engines of growth of any city. It creates by far the biggest component of the rates base, and if a CBD dies, then the rates base is restricted to such an extent that there will be less funding for the upgrading of infrastructure and the provision of services in the whole of the NMBM area. On the other hand, if the infrastructure investment and the provision of services are improved in the CBD, it will not only increase the Gross Domestic Product (GDP) but will also increase employment opportunities and expand the all important rates base.

Key Priorities identified in the MBDA's target areas for the ensuing period are:

1. Promotion of basic services in the MBDA's target areas such as cleansing and informal traders
2. Municipal infrastructure upgrading to promote the development of residential, retail, office and tourism/leisure/entertainment nodes
3. Tourism development around heritage and culture
4. Economic development around the creative industry ie. Arts, music, craft etc
5. Redevelopment of derelict and unused NMBM buildings that have become a liability to the NMBM (as they are costing money) and is not an asset in their ability to add to the rates base
6. Ensuring that the new NMB multi-purpose stadium becomes a strong sport, leisure, entertainment, office, residential, tourism node
7. Urban renewal and transformation in the target areas of Nelson Mandela Bay.
8. Facilitating social housing developments with the NMBM

The MBDA increasingly has a project management role in urban renewal infrastructure projects on behalf of the Municipality and it has positioned itself as an agency for infrastructure project management purposes and support in Nelson Mandela Bay. This is further enshrined in the 5-year Strategic Plan developed by the MBDA and sanctioned by the Nelson Mandela Bay Municipality (NMBM) Mayoral Committee. The goal of the Strategic Plan over the five years is to act as an urban renewal agency, as well as to pay increased attention to the social transformation of the City.

The Agency as such has a developmental mandate, and it is in this context that we present the Agency's operating and capital budgets for the 2011/12 to 2013/14 periods. This budget is aligned to the NMBM's annual budget and Integrated Development Plan (IDP) in that it sets out various objectives that are meant to implement various projects that will encourage economic development, create employment, increase investor and stakeholder confidence and have the ultimate impact of creating a better life for all in Nelson Mandela Bay.

PIERRE VOGES
CHIEF EXECUTIVE OFFICER

1.2 Resolutions

1.2.1 *That in terms of section 87(3) of the Municipal Finance Management Act, 56 of 2003, the annual budget of the MBDA for the financial year 2011/12; and the indicative allocations for the projected outer years 2012/13 and 2013/14; and the multi-year and single year capital appropriations are approved as set-out in this report.*

1.2.2 *That the budget of the MBDA be adopted as tabled.*

1.3 Executive Summary

The MBDA was created as a municipal entity and special purpose vehicle for urban renewal by the NMBM in 2003 and commenced with its operations in 2004. The MBDA has a 5-year Strategic Plan that culminates in annual Business Plans approved by the Board of Directors. The Strategic Plan is intended as an overall 5-year strategic approach, whereas the annual Business Plans provide an outcomes-based plan that is measurable in terms of annual objectives achieved.

The Agency has also developed a Strategic Spatial Implementation Framework (SSIF) which serves as a development blueprint for the implementation of its projects and has been the result of extensive market research. This is currently being converted into a Local Spatial Development Framework (LSDF) in line with the Integrated Development Plan (IDP) of the NMBM.

The MBDA's projects and programmes are therefore governed by the following key documents:

- Mandate Document
- NMBM IDP
- 5-Year Strategic Plan
- Annual Business Plan

The Strategic Plan of the MBDA addresses the broad priorities and objectives of urban renewal and the potential economic impact thereof.

The Business Plan addresses the projects and programmes followed in respect of urban revitalization, the infrastructure projects implemented to be a catalyst for investment in retail, residential, office and tourism/leisure/entertainment, with an overall Gross Domestic Product (GDP), employment and rates and taxes objectives. Of key importance are the performance management information and key performance indicators (KPIs) of the Agency which are also reflected in this document and against which the NMBM measures the performance of the MBDA.

It also addresses urban renewal initiatives such as cleansing that underpin the broad approach of "getting the basics right". Further aspects covered in the Business Plan are the infrastructure development projects that are embarked upon to be the basis and catalyst for private sector investment as well as issues relating to the regulation of informal trading.

The 2011/12 to 2013/14 Budget preparation commenced in September 2009 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contains new or improvements to existing NMBM infrastructure assets such as roads, precincts, heritage assets, buildings, etc. The Operating Budget mainly comprises operating and administration expenses such as employee costs, advertising/marketing, travel & accommodation, legal fees, rental of premises etc. Furthermore it also contains operational project costs such as the PE and Uitenhage CBD cleansing plans as well as various feasibility study costs to be undertaken.

One of the objectives of the budget timetable is to ensure integration between the development of the IDP and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from Budget & Treasury who in turn have received such guidelines from National Treasury (expenditure growth) and other external bodies. The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals R25,7 million. Funding for operating costs (R16,7 million) is obtained primarily from the NMBM being the parent municipality with the Industrial Development Corporation (IDC) being a minority funder of R6 million which will cover certain feasibility studies and operating costs. A further R3 million is expected from the NLDTF (LOTTO) which relates to an arts grant balance that is payable.

The Capital Budget totals R56 million and is funded entirely from grants received from the NMBM.

1.4 Annual Budget Tables

Mandela Bay Development Agency - Table D1 Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11			Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousands									
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	2,185	3,202	3,563	2,800	2,800	2,800	2,500	2,300	2,200
Transfers recognised – operational	-	-	-	-	-	-	-	-	-
Other own revenue	12,674	13,252	13,123	16,075	12,860	15,860	25,778	17,807	18,954
Total Revenue (excluding capital transfers and contributions)	14,859	16,454	16,687	18,875	15,660	18,660	28,278	20,107	21,154
Employee costs	3,765	4,579	5,278	6,558	5,175	5,175	6,657	7,056	7,479
Remuneration of Board Members	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	114	-	-	-	-	-	-	-	-
Finance charges	-	-	-	-	-	-	-	-	-
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	10,981	11,875	11,409	12,317	10,485	13,485	21,621	13,051	13,675
Total Expenditure	14,859	16,454	16,687	18,875	15,660	18,660	28,278	20,107	21,154
Surplus/(Deficit)									
Transfers recognised - capital									
Contributions recognised - capital & contributed assets									
Surplus/(Deficit) after capital transfers & contributions									
Surplus/(Deficit) for the year									
Capital expenditure & funds sources									
Capital expenditure	25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000
Transfers recognised – capital	25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total sources of capital funds	25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000
Financial position									
Total current assets	38,056	52,536	91,677	45,120	42,120	42,120	36,130	33,145	29,145
Total non current assets	606	659	742	400	300	300	365	387	410
Total current liabilities	38,663	53,195	92,419	45,520	42,420	42,420	36,495	33,532	29,555
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	-	-	-	-	-	-	-	-	-
Cash flows									
Net cash from (used) operating	4,336	22,283	(3,752)	(21,622)	(21,622)	(21,622)	(3,625)	(599)	(590)
Net cash from (used) investing	(63)	(190)	(246)	(300)	(300)	(300)	(365)	(387)	(410)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	23,949	46,041	42,042	20,120	20,120	20,120	16,130	15,145	14,145

Mandela Bay Development Agency – Table D3 Capital Budget by vote and funding

Vote Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	1									
Multi-Year expenditure <i>Insert programme/projects description</i>										
Govan Mbeki Upgrade - Phase 1		14,466	2,986	145	-	-	-	-	-	-
Govan Mbeki Upgrade - Phase 2		7,224	23,343	14,762	-	-	-	-	-	-
Parliament Street Upgrade		4,017	14,296	367	-	-	-	-	-	-
Strand Street Environmental Upgrade		-	3,108	14,219	32,000	14,000	14,000	15,000	15,000	15,000
Uitenhage Market Square Upgrade		-	-	7,035	10,000	14,000	14,000	-	-	-
Donkin Reserve Environmental Upgrade		-	1,921	18,860	19,000	22,000	22,000	10,000	-	-
Whites Road Project		-	-	210	-	-	-	-	-	-
Bird Street/Belmont Terrace Project		-	-	-	15,000	3,000	3,000	15,000	15,000	-
Acquisition of Immovable Property		-	-	-	5,000	-	-	6,000	10,000	10,000
Rink Street/Art Gallery Upgrade		-	-	-	-	-	-	-	-	13,000
Kings Beach Triangle Upgrade		-	-	-	-	-	-	10,000	10,000	-
Despatch Station Precinct Development		-	-	-	-	-	-	-	10,000	10,000
Funicular Project - Chapel Lane/Donkin		-	-	754	-	-	-	-	-	15,000
Capital multi-year expenditure sub-total	2	25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000
Single year expenditure <i>Insert single year budgets and indicative estimates</i>										
Capital Single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000
FUNDED BY:										
Parent Municipality		25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000
Total Capital Funding	4	25,708	45,653	56,351	81,000	53,000	53,000	56,000	60,000	63,000

Mandela Bay Development Agency – Table D5 Budgeted Cash Flow

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		2,608	302	16,384	-	-	3,000	9,046	-	-
Government – operating		10,318	22,334	10,023	36,304	12,860	12,860	16,732	17,807	18,954
Government - capital		23,516	57,189	37,474	62,500	53,000	53,000	56,000	60,000	63,000
Interest		2,185	3,202	3,563	-	-	2,800	2,500	2,300	2,300
Dividends										
Payments	2									
Suppliers and employees		(34,291)	(60,741)	(71,144)	(120,426)	(87,483)	(93,283)	(87,903)	(80,706)	(84,844)
Finance charges		(1)	(2)	(52)	-	-	-	-	-	-
Transfers and Grants		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		4,336	22,283	(3,752)	(21,622)	(21,622)	(21,622)	(3,625)	(599)	(590)
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		10	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-
Payments										
Capital assets		(73)	(190)	(246)	(300)	(300)	(300)	(365)	(387)	(410)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(63)	(190)	(246)	(300)	(300)	(300)	(365)	(387)	(410)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	1	4,273	22,092	(3,999)	(21,922)	(21,922)	(21,922)	(3,990)	(986)	(1,000)
Cash/cash equivalents at the year begin:	2	19,676	23,949	46,041	42,042	42,042	42,042	20,120	16,130	15,145
Cash/cash equivalents at the year end:	2	23,949	46,041	42,042	20,120	20,120	20,120	16,130	15,145	14,145

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of annual budget process

The Budget process started in September 2010 after the approval of a timetable and strategy to guide the preparation of the 2011/12 to 2013/14 Operating and Capital Budgets.

The timetable provided broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, State departments, other municipalities, business and labour, during April 2011.

The consultation will take the form of a series of public meetings in the various wards (clustering certain wards) under the direction and leadership of the Executive Mayor and his Mayoral Committee. Taking the inputs of the aforementioned consultations into account, the Executive Mayor will table the IDP and Budget for final approval at a Council meeting to be held in May 2011.

The draft budget will also be considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account.

2.2 Overview of alignment of annual budget with service delivery agreement

The NMBM is a 100% / controlling shareholder of the MBDA. As such there is a new service delivery agreement (SDA) between the parties which came into effect from 20 December 2009 and which is valid for a three (3) period which ends on 19 December 2012.

While the MBDA reports to its own board of directors in terms of the Companies Act, it also reports functionally to the EDRS directorate of the NMBM, and as such falls under the oversight of the Economic Development Tourism and Agriculture (EDTA) portfolio committee. The mandate of the MBDA is to introduce urban renewal initiatives and projects in the inner cities as well emerging business nodes in Nelson Mandela Bay.

The Agency has an existing Service Delivery Agreement (SDA) with the NMBM and the salient aspects of this agreement are:

- That the MBDA acts as a strategic implementation agent of the NMBM
- That it works in collaboration with other entities and directorates of the NMBM
- That it acts in accordance with constitution and is guided by the IDP of the NMBM
- Ensure that programmes and projects are supportive of the key thrusts of the EGDS
- Ensure that its 3 year budget and business plan is approved by NMBM council

The 2011/12 to 2013/14 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the draft budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the MBDA for their attention and action where necessary.

2.3 Measurable performance objectives and indicators

	<u>2008/9</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
	<u>Audited</u>	<u>Original</u>	<u>Original</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
	<u>Outcome</u>	<u>Budget</u>	<u>Budget</u>			
Liquidity Ratio's						
Current Ratio	0.99	0.99	0.99	0.99	0.99	0.99
Liquidity Ratio	0.87	0.45	0.47	0.44	0.45	0.48
Other Ratio's						
Salaries as a % of Expenditure	28.2%	31.6%	28.0%	24.0%	35.0%	35.0%

2.4 Overview of budget-related policies

The following policies of the MBDA were taken into consideration during the preparation of the budget:

- Local & Overseas Travel Policy
- Study Assistance Policy
- Cell Phone Policy
- Leave Policy & Procedure
- Fixed Asset Policy & Procedure
- Human Resource Policy & Procedure
- Induction Policy
- Labour Relations Policy & Procedure
- Expense Claim Policy
- Creditors Payments Policy & Procedure
- Petty Cash Payment Policy
- RFP Policy
- Electronic Payment Policy
- Password Policy
- Back-up Policy
- Staff Development Policy
- Social Responsibility Policy

First Aid Policy
 Grievance Policy
 Confidentiality Policy
 Harassment Policy
 Investment Policy
 Aids Policy
 Salary payment Policy & Procedure
 Electronics communications Policy
 Emergency Evacuation Policy
 Supply Chain Management Policy
 Company Vehicle Policy
 Performance Appraisal Policy
 Termination of Employment Policy
 Fraud & Corruption Policy
 Acting Allowance Policy

Correspondence System Policy
 Petrol Claim Policy
 Budget Virament Policy
 Safety and Security Policy
 Telephone usage Policy
 Informal Traders Kiosks Policy
 Office equipment usage Policy
 Company Medical Aid Policy
 Environment Policy
 Document Filing Policy
 Management Performance
 Management Policy
 VAT Recon Policy
 Debtors Policy & Procedure
 Staff Performance Management Policy
 Executive Performance Management
 Policy

Furthermore, it is to be noted that the Budget has been prepared and based on Generally Recognised Accounting Practice (GRAP) as issued by the Accounting Practices Board.

2.5 Overview of budget assumptions

Budget assumptions/parameters are determined in advance of the budget process. The municipal fiscal environment is influenced by a variety of macro economic control measures and National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget.

The multi-year budget is therefore based on the following assumptions:

	2011/12	2012/13	2013/14
	%	%	%
Expenditure			
Operating Expenses	6.0	6.0	6.0
Audit fees	10.0	6.0	6.0
Public Relations / Marketing	10.0	10.0	10.0
Legal fees	10.0	6.0	6.0
Employee Related costs	6.0	6.0	6.0

While the majority of the operating costs have increased at an average of 6%, audit fees for 2011/12 has increased by 10% due to the high costs that are incurred during the financial audit by the Auditor-General. Due to the Agency improving its social and brand profile PR/Marketing costs are budgeted to increase by 10% in 2011/12. Legal fees are budgeted to increase by 10% in 2011/12 due to the complex nature of some of the projects and initiatives of the MBDA which on a continuous basis requires legal opinions and which in some instances need to also go before senior counsel for an opinion. Employee related costs have increased on average by 6% but will also be supplemented by the IDC grant should this be exceeded once salaries and related costs are reviewed in July 2011.

2.6 Overview of budget funding

The MBDA is funded predominantly by the NMBM and the Industrial Development Corporation (IDC) is a minority funder of the Agency which will come to an end in 2012. In addition the NLDTF (LOTTO) have approved an arts grant for which a remaining balance will be paid in 2011.

The MBDA in the past has concentrated primarily on municipal infrastructure projects and developed a new strategic plan in 2009 that focuses its future capital projects around more people-centred urban planning, creating partnerships and networks, looking at heritage management and preservation as well as promotion of the creative industry, ensuring that its projects are driven by a strong social and public participation process.

The entity is also closely monitoring such issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the MBDA will have to adjust its spending plans to maintain its financial position. The items listed below could have a major and permanent impact on the operating budget, and would therefore require increases in funding:

- A change in focus of the Agency's mandate area and the types of projects that it may have to implement in future eg. urban renewal work in the townships etc.
- Staffing requirements and the impact on the personnel expenditure
- Related increases in operating expenditure as a result of such activities

2.7 Expenditure on allocations and grant programmes

Conditional grants are received by the Agency from both the NMBM and the IDC. The IDC grant totals an amount of approx. R20 million over a 5-year period and which comes to an end in 2012. This grant is used for certain operational costs as well as feasibility studies with a view to becoming bankable projects. The IDC performs an internal audit on the funds expended to ensure that this has been done in line with the funding agreements in place, and only hereafter will the next tranche of funds be approved and drawn down. The NLDTF (LOTTO) has also approved an arts grant to the MBDA for inner city art promotion and the final tranche of this grant is expected towards the end of 2011.

2.8 Board member allowances and employee benefits

	Precedin g Year	Current Year			Medium Term Revenue and Expenditure Framework		
		2008/09	2009/10		Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
	Audited Actual	Approved Budget	Adjusted Budget	Full Year Forecast	Budget	Budget	Budget
SUMMARY OF TOTAL SALARIES, WAGES, ALLOWANCES etc							
<u>Board Members of Entities</u>							
Basic Salaries	0	0	0	0	0	0	0
Board Fees	0	0	0	0	0	0	0
Sub Total - Board Members of Entities	0	0	0	0	0	0	0
<u>Senior Managers of Entities</u>							
Basic Salaries	1,963,000	2,259,000	0	2,259,000	2,375,000	2,613,000	2,874,000
Pension Contributions	191,000	210,000	0	210,000	231,000	254,000	279,000
Medical Aid Contributions	70,000	85,000	0	85,000	85,000	94,000	103,000
Allowances	108,000	131,000	0	131,000	131,000	144,000	158,000
Performance Bonus	210,000	254,000	0	254,000	254,000	279,000	307,000
Sub Total - Senior Managers of Entities	2,451,000	2,939,000	0	2,939,000	3,076,000	3,384,000	3,722,000
<u>Other Staff of Entities</u>							
Basic Salaries	1,566,000	2,507,000	0	2,507,000	2,915,000	3,207,000	3,526,000
Pension Contributions	211,000	232,000	0	232,000	255,000	281,000	309,000
Medical Aid Contributions	262,000	288,000	0	288,000	317,000	349,000	384,000
Allowances	0	0	0	0	0	0	0
Overtime	0	0	0	0	0	0	0
Performance Bonus	0	0	0	0	0	0	0
Sub Total - Other Staff of Entities	2,038,000	3,027,000	0	3,027,000	3,487,000	3,836,000	4,219,000

2.9 Monthly targets for revenue, expenditure and cashflow

Revenue:

- July 2011 – R1,1 million
- Aug 2011 – R 0,9 million
- Sept 2011 – R 0,5 million
- Oct 2011 – R 1,4 million
- Nov 2011 – R 1,1 million
- Dec 2011 – R1,1 million
- Jan 2011 – R0,9 million
- Feb 2011 – R 3,4 million
- Mar 2011 – R 4,2 million
- Apr 2011 – R 4,4 million
- May 2011 – R 4,5 million
- June 2011 – R4,9 million

Expenditure:

- July 2011 – R1,7 million
- Aug 2011 – R 1,0 million
- Sept 2011 – R 1,1 million
- Oct 2011 – R 1,5 million
- Nov 2011 – R 1,7 million
- Dec 2011 – R1,5 million
- Jan 2011 – R1,3 million
- Feb 2011 – R 1,4 million
- Mar 2011 – R 1,5 million
- Apr 2011 – R 1,8 million
- May 2011 – R 2,0 million
- June 2011 – R11,7 million

2.10 Contracts having future budgetary implications

Contracts having future budgetary implications relate to banking service provider costs, as the MFMA supply chain management regulations allow for such services to be provided on a 5-year contract basis.

2.11 Capital expenditure details

Over the next three financial years, 2011/12 to 2013/14, capital spending is projected at R56 million in 2011/12, increasing to R60 million in 2012/13 and reaching R63 million in 2013/14.

The MBDA's capital program for 2011/12 comprises of further infrastructure upgrades that will take place in the inner cities of Nelson Mandela Bay and as such will have the impact of improving investor and stakeholder confidence in these areas resulting in the private sector investing further into these nodes. The Agency's work in Port Elizabeth has already seen a huge boost in confidence and the new capital program will focus, *inter alia*, on the following new projects:

- Belmont Terrace / Bird Street environmental upgrade
- Strand Street environmental upgrade Phase 3
- Donkin reserve environmental upgrade Phase 4
- Kings Beach Triangle development

The Capital budget also allows for the purchase of immovable property as the Agency plans to purchase its own building /office premises in the near future as this will also demonstrate a

further commitment towards the redevelopment of the inner city, not to mention the economic benefits of owning against the rental of premises. In addition there are plans to purchase / take transfer of derelict buildings in the inner city and to redevelop them.

2.12 Legislation compliance status

The following legislation has been considered and complied with in respect of the preparation of the MBDA's budget:

- Local Government Municipal Finance Management Act 56 of 2003
- Local Government Systems Act 32 of 2000
- The Companies Act 61 of 1973

Generally there is compliance with the above acts. In the past financial period the Agency did not establish measurable performance indicators and objectives as required by sec 121(4)(d) of the MFMA. This has now been established with the assistance of the internal audit department of the NMBM and the Agency reports on a quarterly basis to the NMBM as part of its SDBIP process.

2.13 Other supporting documentation

None

2.14 Chief Executive Officers quality certification

Quality certificate

I, PIERRE VOGES, Chief Executive Officer of Mandela Bay Development Agency, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documentation are consistent with the Integrated Development Plan of the parent municipality and the business plan of the entity.

Print Name: PIERRE VOGES

Chief Executive Officer of Mandela Bay Development Agency

A handwritten signature in black ink, appearing to be 'P. Voges', written over a horizontal line.

SIGNATURE:

DATE: 15 MARCH 2011