



A Municipal Entity of the Nelson Mandela Bay Municipality

BUDGET 2013/14 – 2015/16



TABLE OF CONTENTS

PART 1 – ANNUAL BUDGET

- 1.1 Chief Executive Officer's report**
- 1.2 Resolutions**
- 1.3 Executive Summary**
- 1.4 Annual budget tables**

PART 2 – SUPPORTING DOCUMENTATION

- 2.1 Overview of annual budget process**
- 2.2 Overview of alignment of annual budget with service delivery agreement**
- 2.3 Measurable performance objectives and indicators**
- 2.4 Overview of budget-related policies**
- 2.5 Overview of budget assumptions**
- 2.6 Overview of budget funding**
- 2.7 Expenditure on allocations and grant programmes**
- 2.8 Board member allowances and employee benefits**
- 2.9 Monthly targets for revenue, expenditure and cash flow**
- 2.10 Contracts having future budgetary implications**
- 2.11 Capital expenditure details**
- 2.12 Legislation compliance status**
- 2.13 Other supporting documentation**
- 2.14 Chief Executive Officer's quality certification**

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 i.e. 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 2013/14 to 2015/16 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 2012/13; and the indicative allocations for the projected outer years 2013/14 and 2014/15; 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 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.

It is important to note that in October 2011 Council approved that Helenvale Urban Renewal Programme (HURP) unit be transferred to the Agency in its entirety. Due to timing considerations no operational and capital budget for HURP has been included but forms part of the NMBM's budget, which will be transferred to form part of the Agency's budget from 2012/13 onwards.

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 R22.3 million. Funding for operating costs (R19.3 million) is obtained primarily from the NMBM being the parent municipality with the Industrial Development Corporation (IDC) being a minority funder of R3 million which will cover certain feasibility studies and operating costs.

The Capital Budget totals R41.5 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	2009/10	2010/11	2011/12	Current Year 2012/13			Medium Term Revenue and Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	3,563	2,804	2,167	1,800	2,400	2,400	2,500	2,500	2,500
Transfers recognised - operational	-	-	64,079	60,953	114,565	114,565	60,746	64,332	65,162
Other own revenue	69,311	95,528	(47,534)	(39,427)	(85,973)	(85,973)	(41,240)	(43,710)	(46,268)
Total Revenue (excluding capital transfers and contributions)	72,875	98,332	18,711	23,326	30,993	30,993	22,006	23,123	21,394
Employee costs	5,278	5,720	6,444	7,652	8,661	8,661	9,180	9,731	10,315
Remuneration of Board Members	-	-	-	-	-	-	-	-	-
Depreciation and debt impairment	166	10	10	10	10	10	10	10	8
Finance charges	52	164	236	180	180	180	180	180	160
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	67,298	92,400	59,878	54,370	108,039	108,039	53,875	56,911	57,179
Total Expenditure	72,795	98,293	66,568	62,213	116,890	116,890	63,246	66,832	67,662
Surplus/(Deficit)	80	39	(47,857)	(38,887)	(85,898)	(85,898)	(41,240)	(43,710)	(46,268)
Transfers recognised - capital	-	-	47,912	39,617	86,163	86,163	41,490	43,980	46,618
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	80	39	55	730	265	265	250	270	350
Taxation	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	80	39	55	730	265	265	250	270	350
Capital expenditure & funds sources									
Capital expenditure	-	2,265	8,112	39,617	86,428	86,428	41,994	44,541	47,214
Transfers recognised - capital	47,841	-	4,080	39,617	82,635	82,635	41,994	44,541	47,214
Public contributions & donations	-	2,265	4,032	-	3,793	3,793	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total sources of capital funds	47,841	2,265	8,112	39,617	86,428	86,428	41,994	44,541	47,214
Financial position									
Total current assets	91,677	64,007	60,164	36,130	46,430	46,430	40,195	36,180	30,175
Total non current assets	742	790	845	365	900	900	980	1,060	1,090
Total current liabilities	92,419	64,007	60,164	36,495	47,065	47,065	40,925	36,970	30,915
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	-	790	845	730	265	265	250	270	350
Cash flows									
Net cash from (used) operating	(3,752)	16,552	52,933	46,193	44,149	44,149	39,314	41,059	40,923
Net cash from (used) investing	(190)	(220)	(55,216)	(66,611)	(56,611)	(56,611)	(42,824)	(45,059)	(46,923)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	42,042	58,374	56,092	35,674	43,630	43,630	40,120	36,120	30,120

Mandela Bay Development Agency - Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands										
Revenue by Source										
Property rates	1	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-
Interest earned - external investments		3,563	2,804	2,167	1,800	2,400	2,400	2,500	2,500	2,500
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers recognised - operational		-	-	16,167	21,336	28,403	28,403	19,689	20,825	18,950
Other revenue		69,311	95,528	378	190	190	190	250	270	350
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		72,875	98,332	18,711	23,326	30,993	30,993	22,439	23,595	21,800
Expenditure By Type										
Employee related costs		5,278	5,720	6,444	7,652	8,661	8,661	9,180	9,731	10,315
Remuneration of Directors		-	-	-	-	-	-	-	-	-
Debt impairment	4	3	10	10	10	10	10	10	10	8
Collection costs		-	-	-	-	-	-	-	-	-
Depreciation & asset impairment		163	172	162	220	180	180	220	210	200
Finance charges		52	164	236	180	180	180	180	180	160
Bulk purchases	2	-	-	-	-	-	-	-	-	-
Other materials	5	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-
Transfers and grants		-	-	-	-	-	-	-	-	-
Other expenditure	3	67,298	92,227	59,716	54,150	107,859	107,859	54,159	57,263	57,575
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		72,795	98,293	66,568	62,213	116,890	116,890	63,749	67,394	68,258
Surplus/(Deficit)		80	39	(47,857)	(38,887)	(85,898)	(85,898)	(41,310)	(43,800)	(46,458)
Transfers recognised - capital		-	-	47,912	39,617	86,163	86,163	41,490	43,980	46,618
Contributions recognised - capital		-	-	-	-	-	-	-	-	-
Contributions of PPE		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		80	39	55	730	265	265	180	180	160
Taxation		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		80	39	55	730	265	265	180	180	160

Included in "Transfers recognized – operational" is operating expenditure budget (R19 259 160) and IDC funding (R3.0 million). This amount is reduced by Interest received and sundry income.

"Other expenditure" is made up of the sum of operating and capital budget as well as IDC funding, reduced by the amounts that have been individually shown i.e. employee related costs, debt impairment, depreciation as well as finance charges.

"Transfers recognized – capital" relates to approved capital expenditure budget.

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

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
R thousands	1									
Multi-Year expenditure										
Donkin Reserve Environmental Upgrade Phase 4		-	-	2,022	-	8,950	8,950	2,000	-	-
Uitenhage Market Square Art Piece		-	-	-	-	500	500	-	-	-
Baakens Street Circle Art Piece		-	-	-	-	500	500	-	-	-
Strand / Baakens Street Circle Art Works		-	-	-	-	500	500	-	-	-
Vuyisile Mini Square Upgrade		-	-	-	-	-	-	5,000	10,000	10,000
Township Refurbishment and Upgrades - New Brighton Sports Field		-	-	-	1,000	2,000	2,000	-	-	-
Township Refurbishment and Upgrades - Veeplas Township Informal		-	-	-	2,642	2,642	2,642	-	-	-
Township Refurbishment and Upgrades - Walmer/Gqebera		-	-	-	2,500	2,500	2,500	-	-	-
Township Refurbishment and Upgrades - Other		-	-	-	-	-	-	6,490	8,980	11,618
Western Road Environmental Upgrade Phases 1 and Phase 2		-	-	-	-	-	-	-	10,000	10,000
Red Location Upgrade - Singapi & Olaf Palmer Roads		-	-	-	5,000	6,141	6,141	10,000	5,000	-
Bird Street/Belmont Terrace		-	-	737	5,000	19,250	19,250	8,000	-	-
Inner City Public Art Project		-	2,265	4,032	-	2,400	2,400	-	-	-
Refurbishment of Immovable Property (Tramways)		-	-	359	10,000	25,000	25,000	-	-	-
Rink Street/Art Gallery Upgrade		-	-	-	-	-	-	-	5,000	15,000
Kings Beach CCTV Equipment		-	-	-	-	600	600	-	-	-
Kings Beach Triangle Upgrade Phases 2A		-	-	727	-	2,000	2,000	-	-	-
Kings Beach Triangle Upgrade Phases 2B		-	-	-	13,000	13,000	13,000	-	-	-
Kings Beach Upgrade Phase 3		-	-	-	-	-	-	10,000	5,000	-
PPE acquired for use by the MBDA		-	-	234	475	445	445	504	562	596
Capital multi-year expenditure sub-total	2	-	2,265	8,112	39,617	86,428	86,428	41,994	44,541	47,214
Single Year expenditure										
<i>Insert single year budgets and indicative estimates</i>										
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	2,265	8,112	39,617	86,428	86,428	41,994	44,541	47,214
Funded by:										
National Government		-	-	-	-	-	-	-	-	-
Provincial Government		-	-	-	-	-	-	-	-	-
Parent Municipality		47,841	-	4,080	39,617	82,635	82,635	41,994	44,541	47,214
Other		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		47,841	-	4,080	39,617	82,635	82,635	41,994	44,541	47,214
Public contributions & donations	6	-	2,265	4,032	-	3,793	3,793	-	-	-
Borrowing	3	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-
Total Capital Funding	4	47,841	2,265	8,112	39,617	86,428	86,428	41,994	44,541	47,214

Mandela Bay Development Agency - Table D4 Budgeted Financial Position

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands										
ASSETS										
Current assets										
Cash		144	345	112	130	130	130	120	120	120
Call investment deposits		41,898	58,029	55,980	16,000	45,300	45,300	40,000	36,000	30,000
Consumer debtors		-	-	-	-	-	-	-	-	-
Other debtors		49,412	5,554	4,025	20,000	1,000	1,000	75	60	55
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-
Inventory		223	79	47	-	-	-	-	-	-
Total current assets		91,677	64,007	60,164	36,130	46,430	46,430	40,195	36,180	30,175
Non current assets										
Long-term receivables	3	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-
Property, plant and equipment	1	742	790	805	365	835	835	900	970	1,000
Agricultural assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangible assets		-	-	40	-	65	65	80	90	90
Total non current assets		742	790	845	365	900	900	980	1,060	1,090
TOTAL ASSETS		92,419	64,798	61,009	36,495	47,330	47,330	41,175	37,240	31,265
LIABILITIES										
Current liabilities										
Bank overdraft		-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-
Consumer deposits		-	-	-	-	-	-	-	-	-
Trade and other payables		92,072	63,983	60,136	36,045	46,669	46,669	40,515	36,560	30,585
Provisions	3	347	24	28	450	396	396	480	500	520
Total current liabilities		92,419	64,007	60,164	36,495	47,065	47,065	40,995	37,060	31,105
Non current liabilities										
Borrowing		-	-	-	-	-	-	-	-	-
Provisions	3	-	-	-	-	-	-	-	-	-
Total non current liabilities		-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES		92,419	64,007	60,164	36,495	47,065	47,065	40,995	37,060	31,105
NET ASSETS	2	-	790	845	-	265	265	180	180	160
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		-	790	845	730	265	265	180	180	160
Reserves		-	-	-	-	-	-	-	-	-
Share capital		-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	-	790	845	730	265	265	180	180	160

Mandela Bay Development Agency - Table D5 Budgeted Cash Flow

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		16,384	3,000	8,109	11,565	12,111	12,111	8,565	8,565	5,565
Government - operating		10,023	25,995	22,237	17,136	21,806	21,806	19,259	20,415	21,640
Government - capital		37,474	85,776	52,850	39,142	41,283	41,283	41,490	43,980	46,618
Interest		3,563	2,804	1,929	1,800	2,400	2,400	2,000	2,100	2,100
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees	2	(71,144)	(101,023)	(32,192)	(23,450)	(33,450)	(33,450)	(32,000)	(34,000)	(35,000)
Finance charges		(52)	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-
Transfers and Grants		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		(3,752)	16,552	52,933	46,193	44,149	44,149	39,314	41,059	40,923
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-
Payments										
Capital assets		(190)	(220)	(55,216)	(66,611)	(56,611)	(56,611)	(42,824)	(45,059)	(46,923)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(190)	(220)	(55,216)	(66,611)	(56,611)	(56,611)	(42,824)	(45,059)	(46,923)
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	(3,943)	16,332	(2,282)	(20,418)	(12,462)	(12,462)	(3,510)	(4,000)	(6,000)
Cash/cash equivalents at the year begin:	2	45,985	42,042	58,374	56,092	56,092	56,092	43,630	40,120	36,120
Cash/cash equivalents at the year end:	2	42,042	58,374	56,092	35,674	43,630	43,630	40,120	36,120	30,120

The amount for "Ratepayers and other" includes receipts from the IDC of R3 million as well other receipts including VAT refunds, RFP receipts and receipts from the street traders. All government receipts relate to the grants from the NMBM.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of annual budget process

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 2013.

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 2013.

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 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 & Recreational Services (EDRS) 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 2013/14 to 2015/16 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>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
	<u>Original</u>	<u>Original</u>	<u>Original</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>			
Liquidity Ratio's						
Current Ratio	0.99	0.99	0.99	0.98	0.99	0.99
Liquidity Ratio	0.47	0.44	0.44	0.95	0.96	0.96
Other Ratio's						
Salaries as a % of Expenditure	28.0%	24.0%	24.0%	34.0%	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 Virement 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 Standards 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:

	2013/14	2014/15	2015/16
	%	%	%
Expenditure			
Operating Expenses	6.0	6.0	6.0
Audit fees	6.0	6.0	6.0
Public Relations / Marketing	6.0	6.0	6.0
Legal fees	6.0	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%, employee related costs have also increased by 6% in the 2012/13 financial year.

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 2014.

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 2014. 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.

2.8 Board member allowances and employee benefits

Mandela Bay Development Agency - Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
		A	B	C	D	E	F	G	H	I
R thousands										
Remuneration										
Board Members of Entities										
Basic Salaries	1	-	-	-	-	-	-	-	-	-
Pension Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Motor vehicle allowance		-	-	-	-	-	-	-	-	-
Cell phone allowance		-	-	-	-	-	-	-	-	-
Housing allowance		-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-
In-kind benefits		-	-	-	-	-	-	-	-	-
Board Fees		-	-	-	-	-	-	-	-	-
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase										
Senior Managers of Entities										
Basic Salaries	1	2,194	2,303	2,535	3,349	3,829	3,829	4,005	4,260	4,532
Pension Contributions		295	202	260	408	480	480	509	539	572
Medical Aid Contributions		79	230	193	109	129	129	137	145	154
Motor vehicle allowance		108	108	108	108	108	108	108	108	108
Cell phone allowance		-	-	-	-	-	-	-	-	-
Housing allowance		-	-	-	-	-	-	-	-	-
Performance Bonus		307	266	360	480	396	396	480	500	520
Other benefits or allowances		-	-	-	-	-	-	-	-	-
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Entities		2,982	3,109	3,457	4,454	4,942	4,942	5,238	5,552	5,886
% increase			0	0	0	0	0	0	0	6.0%
Other Staff of Entities										
Basic Salaries	1	1,770	2,040	2,387	2,574	2,874	2,874	3,047	3,230	3,423
Pension Contributions		201	326	307	229	409	409	433	459	487
Medical Aid Contributions		232	194	146	270	310	310	329	348	369
Motor vehicle allowance		-	-	-	-	-	-	-	-	-
Cell phone allowance		-	-	-	-	-	-	-	-	-
Housing allowance		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Other benefits or allowances		92	-	147	126	126	126	133	141	150
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Other Staff of Entities		2,295	2,560	2,988	3,199	3,719	3,719	3,942	4,179	4,429
% increase			0	0	0	0	0	0	0	6.0%
Total Municipal Entities remuneration		5,277	5,669	6,444	7,652	8,661	8,661	9,180	9,731	10,315

2.9 Monthly targets for revenue, expenditure and cash flow

Mandela Bay Development Agency - Supporting Table SD6 Budgeted monthly cash and revenue/expenditure

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands															
Revenue By Source															
Service charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	1,900	2,200	1,200	900	1,100	2,100	2,300	2,000	2,800	2,300	2,100	1,106	22,006	23,123	21,394
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	1,900	2,200	1,200	900	1,100	2,100	2,300	2,000	2,800	2,300	2,100	1,106	22,006	23,123	21,394
Expenditure By Type															
Employee related costs	765	765	765	765	765	765	765	765	765	765	765	765	9,180	9,731	10,315
Remuneration of Board Members	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt impairment	-	-	-	-	-	-	-	-	-	-	-	10	10	10	8
Collection costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	18	18	19	19	19	19	18	18	18	18	18	18	220	210	200
Finance charges	15	15	15	15	15	15	15	15	15	15	15	15	180	180	160
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	3,998	3,898	4,299	3,799	3,999	4,679	3,698	5,648	4,648	4,498	4,498	5,993	53,655	56,701	56,979
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	4,796	4,696	5,098	4,598	4,798	5,478	4,496	6,446	5,446	5,296	5,296	6,802	63,246	66,832	67,662
Capital expenditure															
Capital assets	3,200	3,100	3,500	3,000	3,200	3,880	2,900	4,850	3,850	3,700	3,700	3,114	41,994	44,541	47,214
Total capital expenditure	3,200	3,100	3,500	3,000	3,200	3,880	2,900	4,850	3,850	3,700	3,700	3,114	41,994	44,541	47,214
Cash flow															
Ratepayers and other	75	1,550	60	3,000	800	755	920	45	900	50	60	350	8,565	8,565	5,565
Grants	-	15,187	-	-	15,187	-	-	15,187	-	-	15,187	-	60,749	64,394	68,258
Interest	160	155	170	160	175	180	160	160	180	160	160	180	2,000	2,100	2,100
Suppliers, employees and other	(2,000)	(2,100)	(2,600)	(2,500)	(2,800)	(2,400)	(3,000)	(2,100)	(3,100)	(2,800)	(2,900)	(3,700)	(32,000)	(34,000)	(35,000)
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	(1,765)	14,792	(2,370)	660	13,362	(1,465)	(1,920)	13,292	(2,020)	(2,590)	12,507	(3,170)	39,314	41,059	40,923
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets	(3,800)	(3,000)	(2,900)	(2,400)	(3,700)	(3,000)	(4,000)	(3,200)	(3,500)	(4,200)	(4,500)	(4,624)	(42,824)	(45,059)	(46,923)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(3,800)	(3,000)	(2,900)	(2,400)	(3,700)	(3,000)	(4,000)	(3,200)	(3,500)	(4,200)	(4,500)	(4,624)	(42,824)	(45,059)	(46,923)
Borrowing long term/refinancing/short term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(5,565)	11,792	(5,270)	(1,740)	9,662	(4,465)	(5,920)	10,092	(5,520)	(6,790)	8,007	(7,794)	(3,510)	(4,000)	(6,000)

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, 2013/14 to 2015/16, capital spending is projected at R41.5 million in 2013/14, increasing to R44 million in 2014/15 and reaching R46.6 million in 2015/16.

The MBDA's capital program for 2013/14 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:

- Vuyisile Mini Square Upgrade
- Township Refurbishment and Upgrade Initiatives
- Kings Beach Triangle Upgrade Phase 3

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

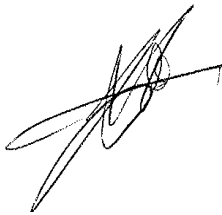
None

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: 11 MARCH 2013