



A Municipal Entity of the Nelson Mandela Bay Municipality

BUDGET 2015/16 – 2017/18



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 township 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 2015/16 to 2017/18 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 2015/16; and the indicative allocations for the projected outer years 2016/17 and 2017/18; 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.

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 and 3-year budget

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 the Agency has expanded its mandate from the inner city to the township areas and the budget reflects operating and capital expenditure planned for areas such as New Brighton, Missionvale, Kwazakhele and Korsten/Schauderville. Furthermore, work is also planned for Uitenhage in respect of certain urban renewal interventions.

The masterplan for the Helenvale SPUU (Safety and Peace through Urban Upgrading) programme, funded by the German Development Bank KfW is also budgeted for.

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 R52.3 million. Funding for operating costs (R44.48 million) is obtained primarily from the NMBM being the parent municipality with the Industrial Development Corporation (IDC) being a minority funder of R2.5 million which will cover certain feasibility studies and operating costs as well as the German Development Bank KfW – R5.4 million for the Helenvale SPUU Masterplan and Consulting.

The Capital Budget totals R54.6 million. R32.6 million of this amount is funded from grants received from the NMBM and the balance of R20.9 million is funded by the German Development Bank KfW.

1.4 Annual Budget Tables

Mandela Bay Development Agency - Table D1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15			Medium Term Revenue and Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	2 167	2 600	2 540	2 600	3 300	3 300	3 300	3 300	3 300
Transfers recognised - operational	16 126	66 849	69 086	80 464	142 668	142 668	103 440	121 529	101 085
Other own revenue	378	(46 822)	(39 401)	(49 320)	(90 736)	(90 736)	(54 421)	(80 394)	(58 789)
Total Revenue (excluding capital transfers and contributions)	18 671	22 628	32 225	33 744	55 231	55 231	52 319	44 435	45 595
Employee costs	6 444	7 998	10 343	12 279	12 279	12 279	14 733	15 764	16 867
Remuneration of Board Members	-	-	-	-	-	-	-	-	-
Depreciation and debt impairment	172	24	56	30	30	30	50	58	65
Finance charges	195	159	167	150	184	184	103	109	116
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	59 911	61 349	61 302	70 415	132 616	132 616	99 054	108 038	86 413
Total Expenditure	66 723	69 529	71 868	82 874	145 108	145 108	113 940	123 969	103 461
Surplus/(Deficit)	(48 052)	(46 902)	(39 644)	(49 130)	(89 877)	(89 877)	(61 621)	(79 534)	(57 866)
Transfers recognised - capital	48 107	47 003	39 600	49 530	90 946	90 946	54 621	80 594	58 989
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	55	102	(43)	400	1 069	1 069	(7 000)	1 060	1 124
Taxation	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	55	102	(43)	400	1 069	1 069	(7 000)	1 060	1 124
Capital expenditure & funds sources									
Capital expenditure	511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989
Transfers recognised - capital	511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total sources of capital funds	511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989
Financial position									
Total current assets	60 164	66 927	71 678	48 195	55 129	55 129	47 235	54 237	50 240
Total non current assets	845	947	904	980	1 973	1 973	1 550	1 850	1 680
Total current liabilities	60 164	66 927	71 678	48 775	56 033	56 033	55 785	55 027	50 796
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	845	947	904	400	1 069	1 069	(7 000)	1 060	1 124
Cash flows									
Net cash from (used) operating	52 933	51 513	45 493	60 776	53 580	53 580	74 313	91 320	68 660
Net cash from (used) investing	(55 216)	(46 953)	(48 083)	(70 718)	(56 588)	(56 588)	(82 217)	(84 320)	(72 660)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	56 092	60 652	58 062	48 120	55 054	55 054	47 150	54 150	50 150

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Revenue by Source	1									
Property rates		-	-	-	-	-	-	-	-	-
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		2 167	2 600	2 540	2 600	3 300	3 300	3 300	3 300	3 300
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers recognised - operational		16 126	19 846	29 485	30 934	51 721	51 721	48 819	40 935	42 095
Other revenue		378	182	199	210	210	210	200	200	200
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		18 671	22 628	32 225	33 744	55 231	55 231	52 319	44 435	45 595
Expenditure By Type										
Employee related costs		6 444	7 998	10 343	12 279	12 279	12 279	14 733	15 764	16 867
Remuneration of Directors		-	-	-	-	-	-	-	-	-
Debt impairment	4	10	24	56	30	30	30	50	58	65
Collection costs		-	-	-	-	-	-	-	-	-
Depreciation & asset impairment		162	184	160	150	213	213	100	106	112
Finance charges		195	159	167	150	184	184	103	109	116
Bulk purchases	2	-	-	-	-	-	-	-	-	-
Other materials	5	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-
Transfers and grants		-	-	-	-	-	-	-	-	-
Other expenditure	3	59 911	61 165	61 142	70 265	132 403	132 403	98 954	107 932	86 300
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		66 723	69 529	71 868	82 874	145 108	145 108	113 940	123 969	103 461
Surplus/(Deficit)		(48 052)	(46 902)	(39 644)	(49 130)	(89 877)	(89 877)	(61 621)	(79 534)	(57 866)
Transfers recognised - capital		48 107	47 003	39 600	49 530	90 946	90 946	54 621	80 594	58 989
Contributions recognised - capital		-	-	-	-	-	-	-	-	-
Contributions of PPE		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		55	102	(43)	400	1 069	1 069	(7 000)	1 060	1 124
Taxation		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		55	102	(43)	400	1 069	1 069	(7 000)	1 060	1 124
References										
1. Revenue includes sales of: (insert description)		-	-	-	-	-	-	-	-	-
2. Bulk purchases - electricity		-	-	-	-	-	-	-	-	-
2. Bulk purchases - water		-	-	-	-	-	-	-	-	-
3. Expenditure includes repairs & maintenance of:		-	-	-	-	-	-	-	-	-
4. Previously described as 'bad or doubtful debts' - amounts shown should reflect the change in the provision for debt impairment		-	-	-	-	-	-	-	-	-
5. All materials not part of 'bulk' e.g. road making materials, pipe, cable etc.		-	-	-	-	-	-	-	-	-

Included in "Transfers recognized – operational" is NMBM operating expenditure budget (R44.5 million), IDC funding (R2.5 million) and KfW funding (R4.5 million for 2015/16, R4.5 and R3.4 million for 2016/17 and 2017/18 respectively).

"Other expenditure" is made up of the sum of NMBM operating and capital budget, IDC funding, as well as KfW 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 budget from the NMBM (R32.6 million) and KfW (R20.9 million). The budget amounts for the two outer years are as follows:

- NMBM – R62.4 million (2016/17) and R52.4 million (2017/18)
- KfW – R17.0 million (2016/17) and R5.4 million (2017/18)

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

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			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										
Vuyisile Mini Square Upgrade Phase 1/2/3		-	-	-	-	-	-	3 000	15 000	10 000
Kleinskool Community Hall		-	-	-	-	-	-	-	3 000	-
Singapi Rd Upgrade - Phase 2 /3		-	-	1 841	10 000	15 635	15 635	12 000	10 000	-
Tramways Building Redevelopment & Refurbishment - Phase 2/3		319	6 424	20 108	7 500	22 011	22 011	7 000	10 000	10 000
Campanile Upgrade		-	-	-	-	-	-	5 000	-	-
Uitenhage Market Square - Electricity Building		-	-	-	-	-	-	-	1 000	4 000
Malanzima Square Uitenhage		-	-	-	-	-	-	-	1 000	4 000
Helenvale SPUU Capital Projects (KW Germany)		-	-	-	-	-	-	20 903	17 012	5 373
Korsten / Schauderville Parks		-	-	-	-	-	-	2 000	3 000	-
New Brighton Swimming Pool Upgrade		-	-	-	-	-	-	-	5 000	-
Other Township Projects		-	-	-	-	-	-	-	9 415	19 380
Acquisition of Immovable Property & Refurbishments		-	-	-	5 980	2 980	2 980	1 618	5 000	5 000
PPE acquired for use by the MBDA		192	306	118	550	1 283	1 283	1 100	1 166	1 236
Baakens River Pedestrian Bridge Design Plan		-	-	-	-	-	-	2 000	-	-
Capital multi-year expenditure sub-total	2	511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989
Single Year expenditure										
<i>Insert single year budgets and indicative estimates</i>										
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989
Funded by:										
National Government		-	-	-	-	-	-	-	-	-
Provincial Government		-	-	-	-	-	-	-	-	-
Parent Municipality		511	6 730	22 068	24 030	41 908	41 908	33 718	63 581	53 616
Other		-	-	-	-	-	-	20 903	17 012	5 373
Transfers recognised - capital		511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989
Public contributions & donations	6	-	-	-	-	-	-	-	-	-
Borrowing	3	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-
Total Capital Funding	4	511	6 730	22 068	24 030	41 908	41 908	54 621	80 594	58 989

Mandela Bay Development Agency - Table D4 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
ASSETS										
Current assets										
Cash		112	372	726	120	120	120	150	150	150
Call investment deposits		55 980	60 280	57 335	48 000	54 934	54 934	47 000	54 000	50 000
Consumer debtors		-	-	-	-	-	-	-	-	-
Other debtors		4 025	6 275	13 616	75	75	75	85	87	90
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-
Inventory		47	-	-	-	-	-	-	-	-
Total current assets		60 164	66 927	71 678	48 195	55 129	55 129	47 235	54 237	50 240
Non current assets										
Long-term receivables	3	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-
Property, plant and equipment	1	805	930	879	900	1 498	1 498	1 100	1 450	1 300
Agricultural assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangible assets		40	17	24	80	475	475	450	400	380
Total non current assets		845	947	904	980	1 973	1 973	1 550	1 850	1 680
TOTAL ASSETS		61 009	67 874	72 582	49 175	57 102	57 102	48 785	56 087	51 920
LIABILITIES										
Current liabilities										
Bank overdraft		-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-
Consumer deposits		-	-	-	-	-	-	-	-	-
Trade and other payables		60 136	66 893	71 634	48 213	55 471	55 471	55 178	54 378	50 102
Provisions	3	28	34	44	562	562	562	607	649	695
Total current liabilities		60 164	66 927	71 678	48 775	56 033	56 033	55 785	55 027	50 796
Non current liabilities										
Borrowing		-	-	-	-	-	-	-	-	-
Provisions	3	-	-	-	-	-	-	-	-	-
Total non current liabilities		-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES		60 164	66 927	71 678	48 775	56 033	56 033	55 785	55 027	50 796
NET ASSETS	2	845	947	904	400	1 069	1 069	(7 000)	1 060	1 124
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		845	947	904	400	1 069	1 069	(7 000)	1 060	1 124
Reserves		-	-	-	-	-	-	-	-	-
Share capital		-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	845	947	904	400	1 069	1 069	(7 000)	1 060	1 124

References

1. Include 'Construction-work-in-progress' (disclosed separately in annual financial statements)
2. Net assets must balance with Total Community Wealth/Equity
3. Include deferred tax and tax provisions

Mandela Bay Development Agency - Table D5 Budgeted Cash Flow

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			Medium Term Revenue and Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		8 109	7 686	5 711	4 500	4 500	4 500	26 343	22 463	9 181
Government - operating		22 237	22 838	23 101	32 740	35 283	35 283	53 205	44 564	47 765
Government - capital		52 850	48 240	50 149	55 137	54 697	54 697	28 065	71 154	59 714
Interest		1 929	2 435	2 296	2 400	3 100	3 100	3 200	3 300	3 300
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees	2	(32 192)	(29 685)	(35 763)	(34 000)	(44 000)	(44 000)	(36 500)	(50 160)	(51 300)
Finance charges		-	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-
Transfers and Grants		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		52 933	51 513	45 493	60 776	53 580	53 580	74 313	91 320	68 660
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		(55 216)	(46 953)	(48 083)	(70 718)	(56 588)	(56 588)	(82 217)	(84 320)	(72 660)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(55 216)	(46 953)	(48 083)	(70 718)	(56 588)	(56 588)	(82 217)	(84 320)	(72 660)
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	(2 282)	4 561	(2 591)	(9 942)	(3 008)	(3 008)	(7 904)	7 000	(4 000)
Cash/cash equivalents at the year begin:	2	58 374	56 092	60 652	58 062	58 062	58 062	55 054	47 150	54 150
Cash/cash equivalents at the year end:	2	56 092	60 652	58 062	48 120	55 054	55 054	47 150	54 150	50 150

References

1. The end balance of Cash/cash equivalents must reconcile to detail in Table SD6
2. Cash equivalents includes investments with maturities of 3 months or less

The amount for "Ratepayers and other" includes KfW receipts, VAT refunds, RFP receipts, receipts from the street traders as well other receipts.

Receipts from "Government – operating" includes the operating grant receivable from the NMBM of R50 705 387 (VAT incl.) as well as a grant receivable from the IDC of R2.5 million.

Receipts from "Government – capital" is made up as follows:

- 2015/16 – R37 184 851 (VAT incl.) from the NMBM and R20.9 million from KfW
- 2016/17 – R71 153 545 (VAT incl.) from the NMBM and R17.0 million from KfW
- 2017/18 – R59 713 565 (VAT incl.) from the NMBM and R5.4 million from KfW

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 / June 2015.

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 was renewed and which is valid for a three (3) period which ends on 19 December 2015.

While the MBDA reports to its own board of directors in terms of the Companies Act, it also reports functionally to the EDTA directorate of the NMBM, and as such falls under the oversight of the Economic Development, Tourism & 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 2015/16 to 2017/18 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.

Measurable performance objectives and indicators

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</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	0.98	0.99		0.99	0.99	0.99
Liquidity Ratio	0.44	0.95	0.96		0.96	0.96	0.96
Other Ratio's							
Salaries as a % of Expenditure	24.0%	34.0%	36.0%		49.0%	50.0%	34%

2.3 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.

2.4 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:

	2015/16	2016/17	2017/18
	%	%	%
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	7.0	7.0	7.0

While the majority of the operating costs have increased at an average of 6%, employee related costs have increased by 7% in the 2015/16 financial year.

2.5 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 2014/15. In addition, the Agency has also secured funding from the ECDC and the German Development Bank, KfW to undertake specific projects.

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
- Staffing requirements and the impact on the personnel expenditure
- Related increases in operating expenditure as a result of such activities

2.6 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 2015/16. 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.

2.7 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	2011/12	2012/13	2013/14	Current Year 2014/15			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
		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	2 535	3 223	4 151	5 089	5 089	5 089	6 445	6 896	7 379
Pension Contributions		260	497	559	598	598	598	640	684	732
Medical Aid Contributions		193	370	137	146	146	146	157	168	179
Motor vehicle allowance		108	108	108	116	116	116	124	132	142
Cell phone allowance		-	-	-	-	-	-	-	-	-
Housing allowance		-	-	-	-	-	-	-	-	-
Performance Bonus		360	450	530	567	567	567	607	649	695
Other benefits or allowances		-	-	-	-	-	-	-	-	-
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Entities		3 457	4 647	5 485	6 516	6 516	6 516	7 972	8 530	9 127
% increase			0	0	0	0	0	0	0	7.0%
Other Staff of Entities										
Basic Salaries	1	2 387	2 591	3 651	4 554	4 554	4 554	5 467	5 850	6 260
Pension Contributions		307	371	498	533	533	533	571	611	653
Medical Aid Contributions		146	188	329	352	352	352	376	403	431
Motor vehicle allowance		-	-	-	-	-	-	-	-	-
Cell phone allowance		-	-	-	-	-	-	-	-	-
Housing allowance		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Other benefits or allowances		147	200	380	324	324	324	347	371	397
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Other Staff of Entities		2 988	3 351	4 858	5 763	5 763	5 763	6 761	7 234	7 741
% increase			0	0	0	0	0	0	0	7.0%
Total Municipal Entities remuneration		6 444	7 998	10 343	12 279	12 279	12 279	14 733	15 764	16 868

References

1. If benefits in kind are provided (e.g. provision of living quarters) the full market value must be shown as the cost to the municipality

Column Definitions:

A. Audited actual for prior year (3 years before current year) as per the audited financial statements

B. Audited actual for prior year (2 years before current year) as per the audited financial statements

C. Audited actual for prior year (1 year before current year) as per the audited financial statements

D. The original budget approved by council for the current year

E. The budget for current year as adjusted by council resolution in terms of section 28 of the MFMA

F. An estimate of final actual amounts (pre audit) for the current year at the point in time of preparing the next MTREF. This may differ from E

G. The amount to be appropriated for the budget year

H. The indicative projection for the 2nd year of the MTREF

I. The indicative projection for the 3rd year of the MTREF

2.8 Monthly targets for revenue, expenditure and cash flow

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

Description	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands															
Revenue By Source															
Service charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	11 693	52 319	44 435	45 595
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	11 693	52 319	44 435	45 595
Expenditure By Type															
Employee related costs	1 228	1 228	1 228	1 228	1 228	1 228	1 228	1 228	1 228	1 228	1 228	1 228	14 733	15 764	16 867
Remuneration of Board Members	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt impairment	-	-	-	-	-	-	-	-	-	-	-	50	50	58	65
Collection costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	8	8	8	8	8	8	8	8	8	8	8	8	100	106	112
Finance charges	9	9	9	9	9	9	9	9	9	9	9	9	103	109	116
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	8 263	8 283	8 313	8 313	8 313	8 313	8 313	8 363	8 543	8 713	8 663	15 563	107 954	107 932	86 300
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	9 507	9 527	9 557	9 557	9 557	9 557	9 557	9 607	9 787	9 957	9 907	16 857	122 940	123 969	103 461
Capital expenditure															
Capital assets	6 202	6 202	6 202	6 002	5 202	5 202	5 202	5 202	4 702	4 402	4 302	4 183	63 003	80 594	58 989
Total capital expenditure	6 202	6 202	6 202	6 002	5 202	5 202	5 202	5 202	4 702	4 402	4 302	4 183	63 003	80 594	58 989
Cash flow															
Ratepayers and other	6 586	-	-	-	6 586	-	-	-	6 586	-	-	6 586	26 343	22 463	9 181
Grants	2 500	24 538	-	-	-	27 388	-	-	-	27 388	-	18 838	100 650	115 717	107 479
Interest	260	270	280	260	260	260	280	260	260	260	450	100	3 200	3 300	3 300
Suppliers, employees and other	(4 700)	(4 700)	(4 700)	(4 700)	(4 700)	(4 700)	(4 700)	(4 700)	(4 700)	(4 700)	(4 400)	(4 480)	(55 880)	(50 160)	(51 300)
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	4 646	20 108	(4 420)	(4 440)	2 146	22 948	(4 420)	(4 440)	2 146	22 948	(3 950)	21 043	74 313	91 320	68 660
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 845)	(82 217)	(84 320)	(72 660)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 852)	(6 845)	(82 217)	(84 320)	(72 660)
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	(2 206)	13 256	(11 272)	(11 292)	(4 706)	16 096	(11 272)	(11 292)	(4 706)	16 096	(10 802)	14 198	(7 904)	7 000	(4 000)

2.9 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.

2.10 Capital expenditure details

Over the next three financial years, 2015/16 to 2017/18, capital spending is projected at R54.62 million in 2015/16, increasing to R80.59 million in 2016/17 and reaching R58.9 million in 2017/18.

The MBDA's capital program for 2015/16 comprises of further infrastructure upgrades that will take place in the inner cities of Nelson Mandela Bay and various township areas 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:

- Redevelopment of the Tramways Building
- Various Township Refurbishment and Upgrade Initiatives e.g. Singapi Road Upgrade
- Urban Renewal Interventions in Uitenhage

2.11 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 71 of 2008

Generally there is compliance with the above acts.

2.12 Other supporting documentation

None

2.13 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: 2 JUNE 2015