



A Municipal Entity of the Nelson Mandela Bay Municipality

BUDGET 2017//18 – 2019/20



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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 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 2017/18 to 2019/20 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.

ASHWIN DAYA
ACTING 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 2017/18; and the indicative allocations for the projected outer years 2018/19 and 2019/20; 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 and security plans as well as various spatial feasibility study costs to be undertaken.

The Agency will also be embarking on the redevelopment of the Baakens River Valley Precinct which is anticipated to be a key catalytic node in Nelson Mandela Bay over the next few years.

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 are as follows:

2017/18	R61 475 950
2018/19	R61 217 509
2019/20	R64 864 319

Funding for operating costs is as follows:

	NMBM	kFW	MBDA
2017/18	R55.3 m	R3.7 m	R2.5 m
2018/19	R58.6 m	R0	R2.6 m
2019/20	R62.1	R0	R2.8 m

The Capital Budget totals are as follows:

2017/18	R49 655 920
2018/19	R38 848 920
2019/20	R41 179 860

Funding for capital costs is as follows:

NMBM	kFW
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2017/18	R36.6 m	R13 m
2018/19	R38.8 m	R0
2019/20	R41.2	R0

1.4 Annual Budget Tables

Mandela Bay Development Agency NPC - Table D1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17			Medium Term Revenue and Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	-	-	-	4 000	4 000	4 000	2 000	2 100	2 205
Transfers and subsidies	-	-	-	131 349	169 927	169 927	95 226	97 017	102 838
Other own revenue	-	-	-	450	450	450	500	525	551
Total Revenue (excluding capital transfers and contributions)	-	-	-	135 799	174 377	174 377	97 726	99 642	105 595
Employee costs	-	-	-	19 308	19 308	19 308	22 904	23 639	24 358
Remuneration of Board Members	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	-	-	-	50	50	50	50	58	65
Finance charges	-	-	-	215	215	215	228	242	256
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Other expenditure	-	-	-	44 047	63 455	63 455	37 894	36 855	39 736
Total Expenditure	-	-	-	63 620	83 028	83 028	61 076	60 794	64 415
Surplus/(Deficit)	-	-	-	72 179	91 349	91 349	36 650	38 849	41 180
Transfers and subsidies - capital (monetary allocations)	-	-	-	68 729	91 349	91 349	49 656	38 849	41 180
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	13 006	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	140 908	182 697	182 697	99 312	77 698	82 360
Taxation	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	-	-	-	140 908	182 697	182 697	99 312	77 698	82 360
Capital expenditure & funds sources									
Capital expenditure	-	-	-	-	-	-	50 056	39 273	41 629
Transfers recognised - capital	-	-	-	-	-	-	50 056	39 273	41 629
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total sources of capital funds	-	-	-	-	-	-	50 056	39 273	41 629
Financial position									
Total current assets	-	-	-	80 200	62 352	62 352	70 400	65 450	67 500
Total non current assets	-	-	-	7 700	924	924	594	248	782
Total current liabilities	-	-	-	15 821	14 549	14 549	21 338	26 849	27 103
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	-	-	-	72 079	48 727	48 727	49 656	38 849	41 180
Cash flows									
Net cash from (used) operating	-	-	-	76 845	73 966	73 966	57 156	41 474	48 936
Net cash from (used) investing	-	-	-	(65 745)	(81 864)	(81 864)	(47 959)	(41 424)	(41 886)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	45 200	26 202	26 202	35 400	35 450	42 500

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

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Source	1									
Property rates										
Service charges - electricity revenue										
Service charges - water revenue										
Service charges - sanitation revenue										
Service charges - refuse revenue										
Service charges - other										
Rental of facilities and equipment								300	315	331
Interest earned - external investments					4 000	4 000	4 000	2 000	2 100	2 205
Interest earned - outstanding debtors					-	-	-	-	-	-
Dividends received					-	-	-	-	-	-
Fines, penalties and forfeits					-	-	-	-	-	-
Licences and permits					-	-	-	-	-	-
Agency services					-	-	-	-	-	-
Transfers and subsidies					62 620	78 578	78 578	58 576	58 169	61 659
Other revenue					450	450	450	200	210	221
Gains on disposal of PPE					-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)					67 070	83 028	83 028	61 076	60 794	64 415
Expenditure By Type										
Employee related costs					19 308	19 308	19 308	22 904	23 639	24 368
Remuneration of Directors					-	-	-	-	-	-
Debt impairment	4				50	50	50	50	58	65
Depreciation & asset impairment					318	718	718	761	807	855
Finance charges					215	215	215	228	242	256
Bulk purchases	2				-	-	-	-	-	-
Other materials	5				-	-	-	-	-	-
Contracted services					-	-	-	-	-	-
Transfers and subsidies					-	-	-	-	-	-
Other expenditure	3				43 729	62 737	62 737	37 133	36 048	38 881
Loss on disposal of PPE					-	-	-	-	-	-
Total Expenditure					63 620	83 028	83 028	61 076	60 794	64 415
Surplus/(Deficit)					3 450	-	-	-	-	-
(National / Provincial and District)					68 729	91 349	91 349	36 650	38 849	41 180
Transfers and subsidies - capital (monetary allocations)										
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Transfers and subsidies - capital (in-kind - all)								13 005	-	-
contributions					72 179	91 349	91 349	49 656	38 849	41 180
Taxation										
Surplus/ (Deficit) for the year					72 179	91 349	91 349	49 656	38 849	41 180

Included in "Transfers recognized – operational" is NMBM operating expenditure budget (R54.9 million), KfW funding (R3.7 million) and MBDA funding (R2.5 million) for 207/18.

"Other expenditure" is made up of the sum of NMBM, kFW and MBDA for operating budgets. The total of the above amounts has been 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 (R35.7 million) and KfW (R26 million). The budget amounts for the two outer years are as follows:

- NMBM – R37.8 million (2017/18) and R39.4 million (2018/19)
- KfW – R12.4 million (2017/18) and nil (2018/19)

Mandela Bay Development Agency NPC - Table D4 Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
ASSETS										
Current assets										
Cash					200	402	402	400	450	500
Call investment deposits					45 000	25 800	25 800	35 000	35 000	42 000
Consumer debtors					-	-	-	-	-	-
Other debtors					35 000	36 150	36 150	35 000	30 000	25 000
Current portion of long-term receivables					-	-	-	-	-	-
Inventory					-	-	-	-	-	-
Total current assets					80 200	62 352	62 352	70 400	65 450	67 500
Non current assets										
Long-term receivables	3				-	-	-	-	-	-
Investments					-	-	-	-	-	-
Investment property					-	-	-	-	-	-
Investment in Associate					-	-	-	-	-	-
Property, plant and equipment	1				6 900	824	824	474	95	593
Agricultural					-	-	-	-	-	-
Biological					-	-	-	-	-	-
Intangible					800	100	100	120	153	189
Other non-current assets					-	-	-	-	-	-
Total non current assets					7 700	924	924	594	248	782
TOTAL ASSETS					87 900	63 276	63 276	70 994	65 698	68 282
LIABILITIES										
Current liabilities										
Bank overdraft					-	-	-	-	-	-
Borrowing					-	-	-	-	-	-
Consumer deposits					-	-	-	-	-	-
Trade and other payables					15 756	14 256	14 256	21 188	26 669	26 903
Provisions	3				65	293	293	150	180	200
Total current liabilities					15 821	14 549	14 549	21 338	26 849	27 103
Non current liabilities										
Borrowing					-	-	-	-	-	-
Provisions	3				-	-	-	-	-	-
Total non current liabilities					-	-	-	-	-	-
TOTAL LIABILITIES					15 821	14 549	14 549	21 338	26 849	27 103
NET ASSETS	2				72 079	48 727	48 727	49 656	38 849	41 180
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)					72 079	48 727	48 727	49 656	38 849	41 180
Reserves					-	-	-	-	-	-
Share capital					-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2				72 079	48 727	48 727	49 656	38 849	41 180

Mandela Bay Development Agency NPC - Table D5 Budgeted Cash Flow

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates								-	-	-
Service charges								-	-	-
Other revenue					37 626	27 626	27 626	17 206	525	551
Government - operating					58 194	58 194	58 194	55 276	58 593	62 108
Government - capital					48 650	53 650	53 650	36 650	38 849	41 180
Interest					3 200	4 000	4 000	2 000	2 100	2 205
Dividends										
Payments										
Suppliers and employees	2				(70 825)	(69 504)	(69 504)	(53 976)	(58 593)	(57 108)
Finance charges										
Dividends paid										
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	76 845	73 966	73 966	57 156	41 474	48 936
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					(65 745)	(81 864)	(81 864)	(47 959)	(41 424)	(41 886)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	(65 745)	(81 864)	(81 864)	(47 959)	(41 424)	(41 886)
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	-	-	-	11 100	(7 896)	(7 896)	9 198	50	7 050
Cash/cash equivalents at the year begin:	2	-	-	-	34 100	34 100	34 100	26 202	35 400	35 450
Cash/cash equivalents at the year end:	2	-	-	-	45 200	26 202	26 202	35 400	35 450	42 500

The amount for "Ratepayers and other" includes KfW receipts, VAT refunds, Tramways and Helenvale Halls Rentals, RFP receipts, receipts from the street traders and other receipts.

Receipts from "Government – operating" includes the operating grant receivable from the NMBM of R46 047 120 as well as a grant receivable from the IDC of R1 million.

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

- 2016/17 – R35 675 390 (VAT incl.) from the NMBM and R26 million from KfW
- 2017/18 – R37 815 920 (VAT incl.) from the NMBM and R12.4 million from KfW
- 2018/19 – R39 410 720 (VAT incl.) from the NMBM and R0 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.

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 2016.

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 2018.

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 2016/17 to 2018/19 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>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>		<u>2017/18</u>	<u>2018/19</u>	<u>2018/20</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	0.98	0.99	0.98		1.77	2.42	2.95
Liquidity Ratio	0.95	0.96	0.98		1.77	2.42	2.94
Other Ratio's							
Salaries as a % of Expenditure	34.0%	36.0%	36.0%		24.0%	26%	29%

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 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:

	2017/18	2018/19	2019/20
	%	%	%
Expenditure			
Operating Expenses	6.0	6.0	6.0
Audit fees	6.0	6.0	6.0
Public Relations / Marketing	0.0	6.0	6.0
Legal fees	6.0	6.0	6.0
Employee Related costs	8.0	8.0	8.0

The majority of the operating costs have increased at an average of 6% in the 2017/18 financial year.

2.6 Overview of budget funding

The MBDA is funded predominantly by the NMBM 2017/18 financial year, in addition, the Agency has also secured funding from 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

2.7 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 2017/18. 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 NPC - Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
		A	B	C	D	E	F	G	H	I
R thousands										
Remuneration										
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance										
Cellphone Allowance										
Housing Allowances										
Other benefits and allowances										
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	1									
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase										
Senior Managers of Entities										
Basic Salaries and Wages					6 960	6 960	6 960	8 256	8 521	8 780
Pension and UIF Contributions					737	737	737	874	902	929
Medical Aid Contributions					233	233	233	276	285	294
Overtime					-	-	-	-	-	-
Performance Bonus					761	761	761	902	931	960
Motor Vehicle Allowance					100	100	100	119	122	126
Cellphone Allowance										
Housing Allowances					-	-	-	-	-	-
Other benefits and allowances										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	1									
Sub Total - Senior Managers of Entities		-	-	-	8 791	8 791	8 791	10 428	10 762	11 069
% increase					#DIV/0!	#DIV/0!	#DIV/0!	0	0	3.0%
Other Staff of Entities										
Basic Salaries and Wages					8 723	8 723	8 723	10 348	10 680	11 005
Pension and UIF Contributions					1 299	1 299	1 299	1 541	1 591	1 639
Medical Aid Contributions					495	495	495	587	606	625
Overtime					-	-	-	-	-	-
Performance Bonus					-	-	-	-	-	-
Motor Vehicle Allowance					-	-	-	-	-	-
Cellphone Allowance					-	-	-	-	-	-
Housing Allowances					-	-	-	-	-	-
Other benefits and allowances					-	-	-	-	-	-
Payments in lieu of leave					-	-	-	-	-	-
Long service awards					-	-	-	-	-	-
Post-retirement benefit obligations	1									
Sub Total - Other Staff of Entities		-	-	-	10 517	10 517	10 517	12 476	12 877	13 268
% increase					#DIV/0!	#DIV/0!	#DIV/0!	0	0	3.0%
Total Municipal Entities remuneration		-	-	-	19 308	19 308	19 308	22 904	23 639	24 358

2.9 Monthly targets for revenue, expenditure and cash flow

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, 2017/18 to 2019/20, capital spending is projected at R50 million in 2017/18, R39 million in 2018/19 and R41.6 million in 2019/20.

The MBDA's capital program for 2017/18 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:

- Singaphi Road Upgrade Phase 4
- Various Township Refurbishment and Upgrade Initiatives e.g. New Brighton Swimming pool precinct.
- Urban Renewal Interventions in the metro e.g. Vuyisile Mini node.

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 71 of 2008

Generally there is compliance with the above acts.

2.13 Other supporting documentation

None

2.14 Acting Chief Executive Officers quality certification

Quality certificate

I, ASHWIN DAYA, Acting 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: ASHWIN DAYA

Acting Chief Executive Officer of Mandela Bay Development Agency

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

SIGNATURE:

DATE: 17 MARCH 2017