



*A Municipal Entity of the Nelson Mandela Bay Municipality*

## **ADJUSTMENTS BUDGET REPORT**

**2017/2018**



## ADJUSTMENTS BUDGET REPORT FOR 2017/2018 FINANCIAL YEAR

### Report by the Chief Executive Officer

In terms of Section 87(6) of the MFMA, the board of directors of a municipal entity may, with the approval of the mayor, revise the budget of the municipal entity, but only for the following reasons:

- a) To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- b) To authorise expenditure of any additional allocations to the municipal entity from its parent municipality;
- c) To authorise, within a prescribed framework, any unforeseeable and unavoidable expenditure approved by the mayor of the parent municipality;
- d) To authorise any other expenditure within a prescribed framework.

### PART 1 – ADJUSTMENTS BUDGET REPORT

- Executive Summary
- Adjustments Budget Statements tables (see attached annexure)

### PART 2 – SUPPORTING DOCUMENTATION

- Supporting Table SE2 – Financial and non-financial indicators
- Supporting Table SE4 – Board member allowances and staff benefits
- Supporting Table SE5 – Monthly cash and revenue/expenditure
- Supporting Table SE6a – Capital expenditure on new assets by asset category
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- Supporting Table SE6d – Adjustments Depreciation by asset category
- Supporting Table SE6e – Capital expenditure on upgrading existing assets by asset category
- Supporting Table SE7 – Capital programmes and projects affected by Adjustments Budget
- Chief Executive Officer's quality certification

### Recommendation:

- That the adjustments budget for 2017/18 financial year be noted.
- That the report be submitted in both an electronic and hard copy format to the National and Provincial Treasury.

### Recommendation by the Chief Executive Officer

That the report by the Chief Executive Officer regarding the adjustments budget of the MBDA for the 2017/18 financial year be noted and that this report be submitted by its parent municipality the NMBM in both electronic and hard copy format to the National and Provincial Treasury.

## **PART 1 – ADJUSTMENTS BUDGET REPORT**

### **1. Executive Summary**

The Mandela Bay Development Agency (**MBDA**) is a municipal entity of Nelson Mandela Bay Municipality (**NMBM**) and was formed in 2003 by the NMBM and the Industrial Development Corporation as a special development vehicle to introduce urban renewal projects in Nelson Mandela Bay.

#### **TABLE E1: Adjustments Budget Summary**

This is a summary schedule of the major adjustments that were made in the 2017/2018 financial year. The details of the adjustments are reflected in the schedules as outlined below.

#### **TABLE E2: Adjustments Budget – Financial Performance (revenue and expenditure)**

This schedule shows the entity's budgeted revenue and expenditure for the 2017/2018 financial year.

##### **Revenue**

Revenue has reduced on E2 mainly due to an overall reduction in the budget for the period and which has been adjusted accordingly. It must be noted that MBDA does not generate its own revenue as such but that it recognizes revenue as and when it incurs expenditure from the grants that it receives predominantly from its parent municipality.

Revenue is also recognized from the grants that it receives from foreign donor funded projects.

##### **Expenditure**

"Total expenditure" mainly represents the operating and capital project expenditure that gets expenses as and when it gets incurred, as well as expenditure incurred on its foreign donor funded project Helenvale SPUU.

Important to note is that the Agency has identified budget savings of R10 million from its original 2017/18 operating and capital budgets and this will in effect be returned to the NMBM.

Furthermore an amount of approximately R18.5 million has been identified predominantly relating to its capital projects whereby these funds are anticipated to be rolled over to 2018/19 financial year by virtue of the project having commenced and costs committed but not fully spent by 30 June 2018. These roll overs represent a cash flow savings for the NMBM as they will only be required to be paid during 2018/19 and this situation will be closely monitored and managed between the MBDA and Budget & Treasury directorate.

**TABLE E3: Adjustments Budget – Capital Expenditure by vote and funding**

This table indicates the budget on capital expenditure for the various capital projects being implemented by the Agency as well as the funding sources of such projects. The adjustments made comprise mainly of the roll overs from the previous financial period 2016/17 as well as budget reductions in 2017/18 which amounts will be returned to NMBM.

The adjustments Budget is funded as follows

NMBM	R67 320 593
KFW	R 5 039 500

**TABLE E4: Adjusted Budget – Financial Position**

Call investment deposits are expected to decrease to R12.5 million whilst other debtors to increase to R40 million and property plant and equipment increased by R1.5 million and intangible assets were increased by R500 000.

Trade and other payables have been decreased by R7.4 million. This represents the unspent grants at financial year end, trade payables, other creditors as well as retention creditors.

**TABLE E5: Adjusted Budget – Cash Flows**

Table E5 provides details of the budgeted cash inflows and outflows. The following adjustments were made on the schedule:

Cash receipts from “Other Revenue” like KfW Bank was increased by R18.3 million, as well as decrease in “Government – Capital” receipts by R5 million and “Government – Operating” decreased by R5 million as a result of various budget adjustments.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **Supporting Table SE2 – Financial and non-financial indicators**

This schedule reflects certain financial indicators and Creditors Management was adjusted downwards to 95%. This is because of previous experiences where creditors submit incorrect or incomplete information and the length of time it takes to resolve this. The other indicators are not applicable to the MBDA in view of the nature of its activities.

### **Supporting Table SE3 – Investment portfolio**

The Agency does not have any long-term investments in the 2017/2018 financial year as it places any surplus cash into short-term money market investments.

### **Supporting Table SE4 – Board member allowances and staff benefits**

The employee related costs budget also reflects directors fees anticipated for the financial year.

### **Supporting Table SE5 – Monthly cash and revenue/expenditure**

This schedule reflects actuals for the 6 month period (July to December 2017) as well as the revised targets for the remaining 6 months of the financial year.

### **Supporting Table SE6a – Capital expenditure on new assets by asset category**

This schedule reflects the budgeted capital expenditure on new assets by asset category. The adjustments in this schedule comprise mainly the inclusion of the 2016/2017 roll-overs as well as the correction of the categories of assets. This budget also includes the capital expenditure of the NMB Stadium of R1.6 million for Property, Plant and Equipment as well as R900 000 other capital expenditure'

### **Supporting Table SE6b – Capital expenditure on existing assets by asset category**

The assets that were originally budgeted in this category have been re- categorized to other categories of assets.

### **Supporting Table SE6d – Depreciation by asset category**

Depreciation budgeted for the period amounts to R761 080.

### **Supporting Table SE6e – Capital expenditure on upgrading of existing assets by asset category**

The budget for these assets has increased due to roll over from 2016/17 as well correction of the categories of assets. The budget includes R775 000 capital expenditure in NMB Stadium.

### **Supporting Table SE7 – Capital programmes and projects affected**

This schedule indicates the capital projects that have been affected by the adjustments budget as indicated above in SE6a and SE6e.

**Chief Executive Officers quality certification**

**Quality certificate**

**I hereby certify that the adjustments budget for the 2017/18 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.**

**ASHRAF ADAM**

**Chief Executive Officer - Mandela Bay Development Agency**

**SIGNATURE:**

**DATE: 05 FEBRUARY 2018**

**ANNEXURE:**

***Adjustments budget tables and supporting tables (see attached annexure)***