

ANNEXURE “A6”



A Municipal Entity of the Nelson Mandela Bay Municipality

BUDGET STATEMENT REPORT
DECEMBER 2014



FINANCIAL REPORT FOR DECEMBER 2014

Report by the Chief Financial Officer

1. In terms of Section 71 of the MFMA the accounting officer must no later than 10 working days after the end of each month submit the monthly budget statement report in the prescribed format as specified in of the Municipal Budget and Reporting Regulations under Schedule F which must include the required tables, charts and explanatory information.
2. The monthly in-year report on the implementation of the Annual Budget in accordance with the Service Delivery Budget Implementation Plan to be submitted to the Executive Mayor, National Treasury and the relevant Provincial Treasury consists out of two parts containing the following information and which is attached as an annexure hereto:

2.1 PART 1 – IN YEAR REPORT

Executive Summary

In-year Budget Statements tables (see attached annexure)

2.2 PART 2 – SUPPORTING DOCUMENTATION

Supporting Table F2 – Entity Financial and non-financial indicators
 Supporting Table F3 – Entity Aged Debtors
 Supporting Table F4 – Entity Aged Creditors
 Supporting Table F5 – Entity Investment portfolio monthly statement
 Supporting Table F6 – Entity Board member allowances and staff benefits
 Supporting Table F7 – Entity monthly actual and revised targets
 Supporting Table F8a – Entity capital expenditure on new assets by asset class
 Supporting Table F8b – Entity capital expenditure on existing assets by asset class
 Chief Executive Officer's quality certification
 In-year budget statements supporting tables (see attached annexure)

Recommendation:

- 4.1 That the monthly in-year report for December 2014 be noted.
- 4.2 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 Financial Officer regarding the monthly in – year report for December 2014 of the MBDA 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.

It should however, be noted that this is a draft report and it is anticipated that it will change on receipt of outstanding financial information pertaining to December 2014.

PART 1 – IN YEAR 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 F1: Budget Statement Summary

This is a summary schedule for the month of December 2014 and total revenue of R3.4 million was realized which relates to revenue recognized from operating expenditure incurred in line with the requirements of the accounting standards as well as interest earned on investments being mainly short term call and notice deposits.

Expenditure for December 2014 of R8.4 million reflects a favourable variance of R4.7 million to budget on a year to date basis.

Capital project expenditure of R5.0 million was incurred for December 2014.

TABLE F2: Budget Statement – Financial Performance (revenue and expenditure)

This table measures the monthly actual revenue and expenditure against the budgeted revenue and expenditure costs for the month in question as well as on a year to date basis.

Revenue actual for December 2014 versus budget represents a favourable variance of R560 000 on a year to date basis mainly due to timing of expenditure incurred on operating expenditure. It must be further noted that revenue is recognized against expenditure incurred for each month and that fixed assets (PPE) purchased are reflected against revenue earned in the month it is incurred and effectively the financial statements reflects an accumulated surplus of R814 997. This represents the undepreciated cost of the fixed assets (PPE) in line with this accounting treatment.

As the Agency is funded from various sources, the following breakdown of revenue recognized is made per funding source:

- NMBM – R8.1 million (R34.8 million on a year to date basis)
- National Lotteries Board – R0 (R96 772 on a year to date basis)
- ECDC – R72 460 (R86 567 on a year to date basis)
- Department of Arts & Culture – R0 (R64 831 on year to date basis)

Expenditure for December 2014 of R9.6 million reflects a favourable variance of R4.8 million to budget on a year to date basis.

TABLE F3: Budget Statement – Capital Expenditure

This table indicates the monthly actuals as well as year to date actuals versus the year to date budget figures on capital expenditure for the various capital projects being implemented by the Agency as well as property, plant and equipment purchased for use by the Agency.

For the month of December 2014 capital project expenditure amounted to R5.0 million. It must also be borne in mind that the Agency's capital projects are all multi-year in nature and the schedule also reflects projects that were committed in 2013/14 and which are still in progress during the 2014/15 period.

TABLE F4: Budget Statement – Financial Position

Total assets of the Agency for December 2014 amount to R70.3 million and relate mainly to bank and investments totaling R46.3 million, debtors of R23.2 million, property, plant and equipment of R801 949 as well as intangible assets of R23 757.

Trade and other payables of R69.2 million include trade payables, deposits received, provisions, retention creditors as well as unspent conditional grants. Unspent grants of R62.0 million are further broken down as follows: R61.3 million – NMBM, R49 426 – National Lotteries Board, R645 163 – ECDC and R42 824 – Department of Arts & Culture.

TABLE F5: Budget Statement – Cash Flows

Table F5 provides details of the monthly cash inflows and outflows. For the month of December 2014 net cash from operating activities amounted to an unfavorable R4.2 million mainly due to payments to suppliers and employees. Net cash flows from investing activities amounted to an unfavourable R7.8 million for December 2014 and an unfavourable R10.5 million on a year-to-date basis. This is made up of payments made with respect to various capital projects as well as property, plant and equipment.

PART 2 – SUPPORTING DOCUMENTATION

Supporting Table F2 – Entity Financial and non-financial indicators

This schedule reflects certain financial indicators and Creditors Management is reflected as being 98%. Many of the other indicators are not applicable to the MBDA in view of the nature of its activities.

Supporting Table F3 – Entity Aged Debtors

The entity's debtors were comprised mainly of the invoices to the NMBM with respect to the second quarter grant allocation as per the approved budget (R18 352 352.70), an invoice relating to the NMBM's Rugby Sevens profit share receivable by the MBDA (R3 538 175), last tranche of the DAC grant (R48 243.83) as well as street traders' fees for the kiosk rentals in Govan Mbeki Avenue.

Supporting Table F4 – Entity Aged Creditors

All creditors were settled within 30 days of receipt of invoice during December 2014.

Supporting Table F5 – Entity Investment portfolio monthly statement

At the end of December 2014 the Agency did not have any long-term investments.

Supporting Table F6 – Entity Board member allowances and staff benefits

The total remuneration including allowances and benefits paid to management and staff for December 2014 totaled R952 416.

Supporting Table F7 – Entity monthly actual and revised targets

This schedule reflects actual figures for July to December 2014 as well as the revised estimates for January 2014 to June 2015.

Supporting Table F8a – Entity capital expenditure on new assets by asset class

This schedule reflects capital expenditure on new assets and reflects R808 502 that was spent during December 2014.

Supporting Table F8b – Entity capital expenditure on existing assets by asset class

This schedule reflects capital expenditure on existing assets and reflects R4.2 million that was spent during December 2014.

Chief Executive Officers quality certification

Quality certificate

I, PIERRE VOGES, Chief Executive Officer of Mandela Bay Development Agency, hereby certify that the monthly budget statement and supporting documentation for the month of December 2014 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

PIERRE VOGES

Chief Executive Officer - Mandela Bay Development Agency

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

SIGNATURE:

DATE: 07 January 2014

ANNEXURE:

In-year budget statement tables and supporting tables (see attached annexure)