



A Municipal Entity of the Nelson Mandela Bay Municipality

MONTHLY BUDGET STATEMENT REPORT

31 DECEMBER 2016



FINANCIAL MONTHLY REPORT FOR DECEMBER 2016

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

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

Recommendation:

- 4.1 That the monthly in-year report for December 2016 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 2016 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.

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: Monthly Budget Statement Summary

This is a summary schedule for the month of December 2016 and total revenue of R2.8 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 2016 of R6.6 million reflects a favorable variance of R2.7 million to budget on a year to date basis.

Capital project expenditure of R3.4 million was incurred for December 2016.

TABLE F2: Monthly 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 2016 versus budget represents a favorable variance of R1.6 million 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 loss of R279 113. This represents the difference between the cost of the additions and depreciation for the year to date.

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

- NMBM – R6.6 million (R40.7 million on a year to date basis)
- National Lottery Fund – R0 (R49 980 on a year to year basis)
- KFW Grants – R0 (R1 811 754 on a year to year basis)

Expenditure for December 2016 of R6.6 million reflects a favorable variance of R2.7 million to budget on a year to date basis.

TABLE F3: Monthly 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 2016 capital project expenditure amounted to R3.4 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 2015/16 and which are still in progress during the 2016/17 period.

TABLE F4: Monthly Budget Statement – Financial Position

Total assets of the Agency for December 2016 amount to R46.7 million and relate mainly to bank and investments totaling R7.7 million, debtors of R31.5 million, property, plant and equipment of R7.4 million as well as intangible assets of R60 938.

Trade and other payables of R39 million include trade payables, provisions, retention creditors as well as unspent conditional grants. Unspent grants of R35 million are further broken down as follows: R33 million – NMBM, R39 668– National Lotteries Board R32 054 – ECDC.

TABLE F5: Monthly Budget Statement – Cash Flows

Table F5 provides details of the monthly cash inflows and outflows. For the month of December 2016 net cash from operating activities amounted to an unfavorable amount R7.5 million mainly due to no significant moneys received. Net cash flows from investing activities amounted to an unfavorable R3.6 million for December 2016 and R22.6 million on year-to-date basis. This is made up of payments made with respect to various capital projects as well as property, plant and equipment. However it must be borne in mind that grants for these projects have already been received in prior months.

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 in respect of quarterly operating grants and the ECDC. With respect to invoices to the ECDC regarding Baakens River precinct development feasibility study (R698 350) and NMBM funding of various projects (R25 588 217) 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 2016 except few incorrect invoices to suppliers which were in dispute.

Supporting Table F5 – Entity Investment portfolio monthly statement

At the end of December 2016 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 2016 totaled R1 633 640.

Supporting Table F7 – Entity monthly actual and revised targets

This schedule reflects actual figures for December 2016 as well as the estimates for January 2017 to June 2017.

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

This schedule reflects capital expenditure on new assets and reflects R1 million that was spent during December 2016.

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

This schedule reflects capital expenditure on existing assets and reflects R2.4 million that was spent during December 2016.

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 2016 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 'PV' with a large, sweeping flourish extending from the bottom left.

SIGNATURE:

DATE: 6 January 2017