



ANNUAL  
REPORT  

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2015/16

## ACRONYMS AND ABBREVIATIONS

ACH	Arts, Culture and Heritage
AFS	Annual Financial Statements
B-BBEE	Broad-Based Black Economic Empowerment
CBD	Central Business District
CCI	Cultural and Creative Industries
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DAC	Department of Arts and Culture
EDRS	Economic Development & Recreational Services (Directorate of NMBM)
EIA	Environmental Impact Assessment
EPRU	Eastern Province Rugby Union
FY	Financial Year
HURP	Helenvale Urban Renewal Programme
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
HRC	Helenvale Resource Centre
HURP	Helenvale Urban Renewal Programme
KfW	German Development Bank
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MBDA	Mandela Bay Development Agency
NAF	National Arts Festival
NDPG	Neighbourhood Development Partnership Grant
NLDTF	National Lottery Distribution Trust Fund
NMB	Nelson Mandela Bay
NMBM	Nelson Mandela Bay Municipality
NMMU	Nelson Mandela Metropolitan University
SDA	Service Delivery Agreement
SMME	Small, Micro, Medium-sized Enterprise
SoMAD	School of Music, Art & Design
SPUU	Safety & Peace through Urban Upgrading
SPV	Special Purpose Vehicle
SRA	Special Ratings Area
SSIF	Strategic Spatial Implementation Framework
dti	Department of Trade & Industry



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# SECTION 01:



# INTRODUCTION & ORGANISATIONAL OVERVIEW

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## FOREWORD: EXECUTIVE MAYOR OF NELSON MANDELA BAY, CLLR ATHOL TROLLIP

The MBDA has achieved commendable success since its establishment in 2003, with investments in its projects having yielded visible results and value for the people of Nelson Mandela Bay.

While on the whole, the Metro failed administratively in recent years to meet the expectations of citizens and industry, the Mandela Bay Development Agency contrastingly proved itself the proverbial jewel in the crown regarding service delivery. Expansion of the Agency's mandate since its founding, is testament thereto. Now, with service delivery improving daily since the period under review, it is envisaged that some undue burdens placed on the MBDA may be relieved. This will better enable it to focus on its actual core business.

Initially tasked with rejuvenation of the inner city, the MBDA steadily progressed to begin its work in the Metro's peripheries, with a principal goal to, "attain continuity of development between the inner city, urban centres and townships". The Singaphi Street upgrade undertaken in New Brighton laid fair groundwork for further development - including in the townships of Helenvale, Schauderville/Korsten and Veeplaas. Crucial lessons learned through these endeavours have instilled fundamental institutional knowledge - not least of all in terms of the Municipality's partnering with SMMEs within the development context. I am confident that in the long-term, the Metro will see its "townships transformed into suburbs".

Investment in Constitution Hill has breathed new life into decaying architectural heritage sites and has since, been met with positive private sector investment response. Completion of the Tramways Building's redevelopment has seen the establishment of a vibrant bi-monthly Baakens Valley Market. This has served not only in the Valley becoming user and pedestrian friendly, but also in small businesses being attracted there and supported. The positive outcomes of the Baakens Valley urban upgrades will no doubt be advanced upon as developments under conceptualization in the draft of the Port-Marina Masterplan later come to fruition.

The New Administration has promised development that sees the economy diversified. I am pleased that MBDA planning for its future projects has focused on seeing the Metro economy diversified. Upcoming development of the Telkom Park/Happy Valley precinct, together with the intended redevelopment of Bayworld offers much for citizens and local business to look forward to. Through the planning achieved in the period under review, these projects are well positioned to commence as scheduled for future promotion of the heritage, cultural and creative economy - in conjunction with tourism - as tools for economic growth and creation of visited public spaces. It is our intention to see the Telkom Park/Happy Valley, Port-Marina and Bayworld upgrade developments maximized upon to become key differentiators of Nelson Mandela Bay as a city of choice for investment, recreation and residence.

People-focused development is a firmly established cornerstone of the New Administration's planning and delivery. The MBDA's sound public participation record thus offers great optimism for its future undertakings as the Metro's Development Agency.

Credit is due to the MBDA for the well-maintained relationship between the Metro and KfW Bank. I further congratulate MBDA CEO, Mr Pierre Voges, CFO Mr Ashwin Daya, their team and the MBDA Board for their consistency in receiving a clean audit - the only clean audits this city has achieved in recent years have been the MBDA's.

The Nelson Mandela Metro Municipality wishes to thank the outgoing CEO Mr Pierre Voges for his professional service to the MBDA and the City and we wish him well for whatever the future may hold for him.

The New Administration is taking the Metro forward and much inroads have been made since the period under review. It is without doubt that as further progress is made, the MBDA's role will continue to prove invaluable to the success of Nelson Mandela Bay.

Thank you,

**CLLR ATHOL TROLLIP**  
EXECUTIVE MAYOR:  
NELSON MANDELA BAY





## 01. CHAIRPERSON'S REPORT

The MBDA was established in 2003 as a wholly owned municipal entity. Initially, the primary objective of the MBDA was to promote economic development in its mandate area, to reverse urban decay and once again attract investment into the CBD and beachfront area. In the 12 years of the existence of the MBDA, the CBD is now showing positive signs of transformation and private sector investment growth.

At the beginning of 2000, this historic inner city was well regarded as a 'no go' area for businesses and tourists alike. For an economic hub of its size, the inner city was short of facilities for attractions and events, and this downward spiral had a negative effect on the rates base of the NMBM. Through the volatile nature of the motor manufacturing sector, it often happened that parts of North End, particularly warehouses, became completely defunct, and the city was often called the "Ghost of the Coast" or the "Armpit of South Africa". Today, it is quite clear that these references have changed completely and Nelson Mandela Bay is now increasingly being referred to as the "City of Possibilities".

The NMBM was faced with immense developmental challenges, further impacted by severe financial constraints, and it was a clear situation where no one gave Nelson Mandela Bay any chance for revival. To instil confidence in the inner city, the NMBM acted pro-actively through the vision of its City Fathers, to find practical ways to invest in the CBD, and urban renewal thus became an important development strategy.

The MBDA always had a good plan in place, although through market changes the plan has evolved and grown over time. The Agency believes that public sector investment – that has the backdrop of effective market assessments through public participation – is a breeding ground for private sector investment. The CBD, beachfront and central urban upgrades provide perfect examples of the translation of such public investment into private investment.

Investment in the inner city has exponentially grown and the new face of the city is one of arts, culture and heritage, and is beginning to make an impact on local, national and international investors. Nelson Mandela Bay, and in particular the CBD, is beginning to reposition itself as a historic and cultural hub, with heritage buildings playing their part in this process.

A good master plan is one that works, and although bricks and mortar, through infrastructure projects investment, play a big role in the effective implementation of the master plan, it is also important to incorporate softer issues such as art, heritage, culture, special rating areas, good security and cleansing in upgraded areas to restore business confidence.

The MBDA is not only a project management house; it has also become a social transformation agent. The MBDA has played a critical role in facilitating and investing in the transformation of Nelson Mandela Bay. Many of the landmark initiatives and buildings that characterise a new Nelson Mandela Bay, is a stark reminder to transform the CBD. The upgrade of King's Beach and the Tramways Building are further elements in the transformation of former derelict areas. The Tramways Building is not only an investment into a building, but an investment into a complete new node, and a new lease on life for the Baakens Valley. These and other projects are testament to the MBDA and its team.

It also needs to be stated that the biggest portion of the MBDA's capital budget is now spent on township areas. Four townships were identified as key focus areas over the next five years, these include: Veeplaas, New Brighton, Helenvale and Schauderville/Korsten. These townships were carefully selected, for example, New Brighton offers infrastructure development against the backdrop of a strong struggle history, arts and culture, whereas Helenvale must be amongst the most deprived, crime ridden townships in South Africa. Any effort to transform Helenvale will show that other townships can go through a similar process.

The achievements of the MBDA over the past 12 years are best seen through the

increase in the levels of entertainment, tourism and leisure in the upgraded areas. These changes are measured annually in economic impact terms and it is clear that these projects are increasing private sector investment in the relevant areas.

The MBDA does not work alone though. Companies of this nature must be in strong partnerships with various public and private companies, as well as the City Fathers, who are the owners of the MBDA. It has forged important relationships in the broader communities out there, not only on a political level, but also on a social, economic and financial level. It has helped to develop areas, not only through infrastructure investment, but also greener, friendlier and historic conscious areas which have been achieved on a relatively low budget, resulting in high impact.

In taking Nelson Mandela Bay to its status goal of becoming a competitive city, both nationally and internationally, good examples of urban renewal will have to be replicated, expanded and sustained, and other obstacles will have to be overcome. The NMBM is therefore fortunate to have at its disposal, a team of experienced, skilled and committed development practitioners within the MBDA.

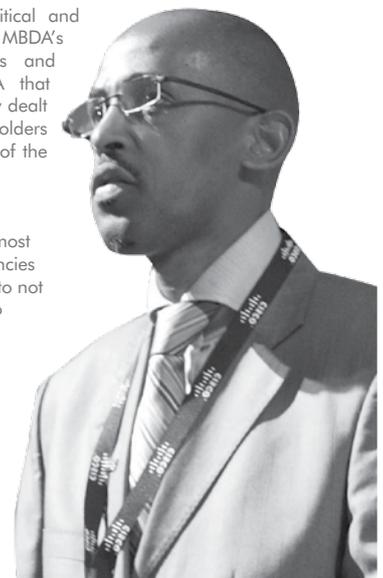
It is also important for the MBDA to raise the bar of its work. Projects such as Bayworld and Telkom/Happy Valley are examples of bigger capital projects that will raise the bar to truly international capital projects that can build the tourism real estate in the city – a sector which shows great room for improvement and is also becoming one of the cornerstones of the economy of Nelson Mandela Bay. At the moment the economy of Nelson Mandela Bay is very much based on motor manufacturing and a more diverse economy, based on a number of sectors, such as manufacturing and tourism real estate, will provide the national and international competitive edge that is needed.

As with any other organisation, MBDA has a set of key challenges. These challenges are often related to the risk of political interference and instability, sourcing of funding through the NMBM and other sources, building a stronger network of stakeholder relationships as well as branding the work of the Agency to further create a positive effect of private sector investment.

Before ending, a note of thanks needs to be given to the NMBM's political and administrative leadership, the MBDA's dedicated Board of Directors and the employees of the MBDA that committedly and enthusiastically dealt with the wide array of stakeholders to build the performance base of the MBDA.

National Treasury regards the MBDA as one of South Africa's most effectively run development agencies and it will be unwise for the city to not create the room for the MBDA to use its experience and skills to raise the levels of the economy through conceptualisation and implementation of catalytic projects.

**MOTSE MFULENI**  
CHAIRPERSON



A blue-tinted photograph of a mural. On the left, a figure is climbing a tall, thin structure. On the right, a group of people is gathered around a flagpole flying a flag, with birds flying in the sky above them.

Helenvale Art Mural

## 2. CHIEF EXECUTIVE'S REPORT

*"After climbing a great hill, one only finds that there are many more hills to climb" - Nelson Mandela*

*"Success is not final, failure is not fatal, it is the courage to continue that counts" - Winston Churchill*

*"It always seems impossible until it is done" - Nelson Mandela*

Recently, during a media conference I shared an extract from an article on liveable cities.

The makings of a liveable city are that it must be close enough to sea water that is warm enough to swim in. It must have great architecture, new and old. It must have hipster economics with youngsters being creative. It must have sleazy bars that are safe enough to go to, and big and little theatres. It must have lots of protests. It must be multi-cultural, accepting of the LGBTQ community and respectful of different religious and faiths, opinions, world views and ideas.

Nelson Mandela Bay has all the ingredients for such a city and there is nothing smart or sophisticated about the philosophy or path you follow to build a city that is liveable for all.

As driver and implementing agent of major urban renewal and related programmes for the Nelson Mandela Bay Municipality, the MBDA is spurring growth, protecting and attracting investment, strengthening the fabric of society, unlocking and promoting the full potential of the tourism economy, developing the creative economy, improving democracy and supplementing areas of municipal service delivery.

The sum of these parts is helping us unlock real social, economic and environmental utilisation of urban landscapes, city centres, townships and our other collectively-owned spatial assets. Importantly, this then becomes a golden thread weaving together the goal and desired end-state to which we aspire and commit: ensuring Nelson Mandela Bay becomes one of the greatest destinations along Africa's Indian Ocean coast. A place where all can safely live, happily play, productively work and comfortably invest; an internationally competitive city in manufacturing and tourism real-estate, catering for the middle-class.

MBDA urban renewal initiatives are having a major positive effect on investment, investor confidence and inner-city living as the findings of empirical research suggest. Residents, business and local government can hopefully see major improvements, investment and social cohesion emerging from MBDA's programmes which are creatively and strategically responding to urban decay and historic urban-spatial development policies which fragmented cohesion of South African communities.

I am pleased to announce that we performed well in 2015/16 financial across all spectra of our mandate areas and with additional responsibilities added to our plate. This year - again as we have done in the past since the inception of MBDA - we have ensured a clean audit. With limited and shrinking resources, the MBDA took a giant leap towards becoming a viable, effective project management implementation agent, fulfilling key functions on behalf of and with the NMBM.

It is also important to realise that the MBDA's work is not only about bricks and mortar, but also of being a change and transformation agent. The Agency has

explored a number of avenues to use culture and heritage as key features to upgrade decayed urban areas.

There is a key focus in mind, and that is if public sector investment does not lead to private sector investment, the efforts of the MBDA in the CBD and townships will not be effective. The extended mandate added another dimension to the MBDA's work. Although we believe that urban renewal in the CBD is not much different to urban renewal in township areas, the extent of public participation and the involvement of the communities are paramount in taking these projects forward.

We want to thank our staff, donors, the NMBM, rate-payers, the private sector, our board, strategic partners, suppliers, service providers and everyone else for being part of the journey of this remarkable year.

As will be discussed later in greater detail and depth, we continue to affect positive change, transformation, expansion and innovation in service delivery and infrastructure development, operations and local economic development, good governance and financial management, corporate social investment and sponsorship, township development as well as marketing, communications and stakeholder relations.

The period under review was a period beset by challenges and complexities. We operated under financial constraints, it became clear we needed to work more smartly with limited resources and we had to raise external funding for the conceptualisation and implementation of projects. Going forward, projects are unlikely to get ample funding and the cost of bulk infrastructure, for example, might need to be covered by external sources to allow private sector driven approach in residential, retail and office development. The local government election campaigning leading up to the elections in the period under review placed the MBDA in a difficult position, particularly in respect of township projects. The township infrastructure projects and the accommodation of emerging contractors was an unexpected challenge too. It is an integral part of construction work and does not need to be seen as a difficult element, but as a powerful means of social transformation.



Singaphi Street, New Brighton

The MBDA is an evolving organisation that requires continuous changing of gears. Our abilities, skills and track-record as an implementing agent, vision-caster and extension of NMBM have brought an entirely new set of projects and opportunities to the MBDA's front door, including:

- Developing the Nelson Mandela Bay Stadium precinct into a hive of outdoor, sports-related lifestyle activities;
- Driving a multibillion-rand project at the Happy Valley (Telkom Park) precinct;
- The Bayworld redevelopment;
- The revitalisation of the Baakens Valley precinct;
- Completing the Singaphi Street development into a thriving tourism and heritage area; and
- The Schauderville and Korsten master plan, which details projects to address socio-economic ills.

Looking ahead, the main challenges of urban renewal agencies in South Africa and emerging markets face are breaking down negative stereotypes through infrastructure and community based programmes in relation to inner-city renewal projects, developing precincts in townships and informal settlements which attract higher levels of private sector investment. As an organisation, we need to keep the credibility through clean audits remain focussed on the core business (we are already deviating with the stadium takeover) and continue the path of being a strong

social and economic transformation agent. It is not only about bricks and mortar, but focussed community programmes that underpin the infrastructure projects.

**Pierre Voges**  
Chief Executive Officer





### 3. MBDA OVERVIEW: VISION, MISSION, VALUES AND OBJECTIVES



#### VISION

The establishment of world-class, well-managed, sustainable and vibrant urban places in Nelson Mandela Bay.



#### MISSION

To revitalise and promote designated, sustainable urban places, in partnership with the NMBM, to the benefit of the whole community.



#### VALUES

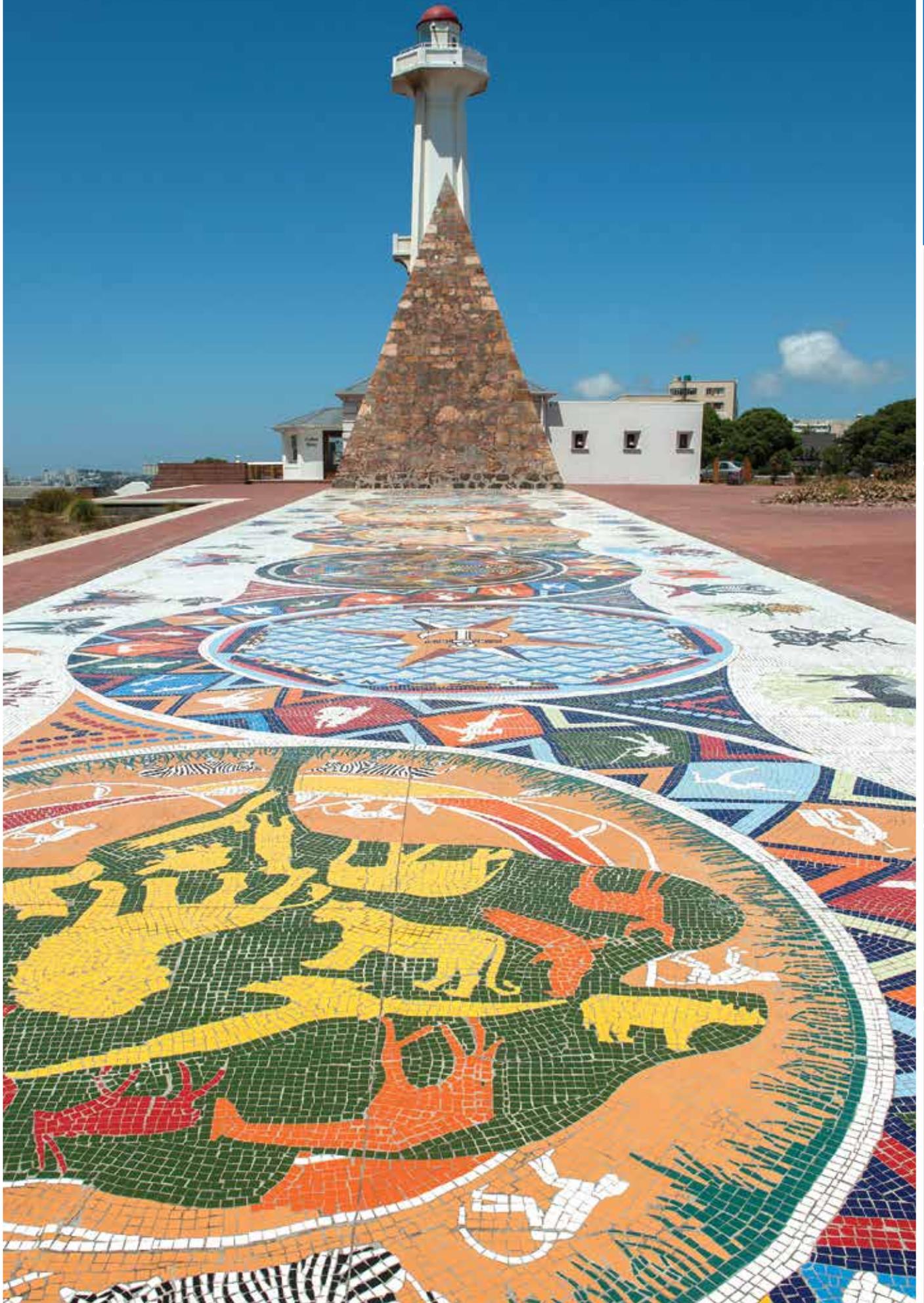
- Socio-economic development: We must be an agent of positive social and economic change.
- Inclusivity: We strive to understand and meet the needs of our diverse stakeholders.
- Value for money: We aim to deliver value on public expenditure and real returns for our stakeholders.
- Integrity: We act with openness, transparency and respect.
- Accountability: We take responsibility for our decisions and use of our resources.
- Collaboration: We work as a team and build partnerships as part of a wider team serving the city.
- Excellence: We continually seek ways to raise our standards.
- Innovation: We are open to new ideas and welcome our ideas being challenged.
- Sustainability: Everything we do makes optimal use of resources and has a lasting, positive impact.



#### STRATEGIC OBJECTIVES

To realise the vision, the regional economic strategy focuses on eight strategic objectives which address urban renewal in the mandate area:

- Public participation: Engaging effectively with stakeholders and partners in order to foster understanding, buy-in and shared delivery of urban renewal.
- Key services: Promoting, facilitating and managing the basics of security, cleansing and regulatory compliance to strengthen public and investor confidence.
- Turnaround potential: Implementing catalytic capital projects in designated urban places as a stimulus for private sector investment.
- Promotion of heritage, arts and culture as an economic growth tool: Promoting opportunities for heritage conservation and management, while simultaneously creating markets for the city's cultural industry to forge a unique identity for the place and its people.
- Promotion of products: Marketing the area as a first choice destination to live, work and play.
- Corporate values: Being an effective, accountable, learning, creative and caring organisation, respected by staff and stakeholders.
- Balance: Managing the area for environmental sustainability.
- Growth: Facilitating social and economic opportunities in all projects and activities in order to contribute to economic inclusion and growth.



## 4. 2015/16 Highlights

### i. Service delivery and infrastructure development

- The Tramways Building: Completion of the R38-million upgrade and ensuing private sector investment and building upgrades in the Baakens Valley.
- Baakens River Valley: Purchasing land with zoning rights for future residential, leisure, hospitality and places of worship development.
- Helenvale: Infrastructure delivery and safety and peace urban upgrading in Helenvale through R5 million provided by the German KfW bank.
- Nelson Mandela Bay Waterfront: Cooperation and engagement with Transnet in the completion of the Port/Marina Master Plan.
- Bayworld: The signing of the service delivery agreement with the Department of Sport Recreation Arts and Culture outlining the mandate of MBDA for the redevelopment of Bayworld.
- Long-term impact of MBDA programmes: R600-million spent on direct infrastructure and urban environmental upgrades since the inception of the MBDA.

### ii. Operations and local economic development

Increased private sector investment: Improved local business income, generation of property rates, rising property values and private sector investment based on empirical observation through MBDA's annual Economic Barometer.

The MBDA continues with its maintenance programme in designated areas. All maintenance targets were met on time and procurement followed stringent supply chain processes.

Implementation of the final stage of the Mobile Parking Meter Plan which will be introduced in selected areas of the Central Business District (CBD). This involves auctioning a number of objectives, such as the revenue streams, training of illegal parking attendants, increased security and proper regulation of parking in areas that have grown in visitation over the last five years.

Successes were achieved with the on-going regulation of informal trading and in supporting traders to become micro-enterprises as well as a continuation of the "Go Green" recycling initiatives in designated areas.

Continued growth in the success of the city's first Special Ratings Area (SRA) in Richmond Hill. This SRA is operating well and property owners have established a non-profit company which has started receiving special rates and levies via the NMBM municipal account. These funds will be used for the improvement of the Richmond Hill area.

The establishment of a SRA in Central to continue the successes achieved in Richmond Hill is in progress.

The establishment of a renewed security presence in the MBDA upgraded urban areas and also the introduction of a Canine Unit. As a result, crime has dropped significantly.

During the period under review, the MBDA continued to deliver security, cleaning, maintenance, and informal trading regulation and management services to completed MBDA projects in several key operational areas in the Port Elizabeth and Uitenhage CBD's – resulting in increased levels of residential and business confidence.

### iii. Good governance and financial management

The MBDA sustained its track-record in clean audits again in the 2014/2015 and 2015/16 financial years, illustrating strong governance and sound financial management.

During the 2015/2016 period, the staff complement within the MBDA grew by seven employees.

### iv. Corporate social investment and sponsorship

The MBDA has a board approved CSI Policy and budgets to spend in deserving areas.

The MBDA supports community and tourism related events, and invested in excess of R800 000 in sponsorships of events and also engaging people with emerging products.

Although the MBDA has established a strong project management house and infrastructure role, it also realised that softer initiatives are important once a project is completed. The MBDA CSI initiatives underpin and sustain the infrastructure investments leading to effective activation and later on utilization of these tourism real estate assets.

### v. Township development

The MBDA has slowly increased its footprint in township areas, which has culminated in a number of projects in four townships. These townships include: New Brighton, Helenvale, Schauderville/Korsten and Veeplaas.

The MBDA believes that the urban renewal recipe followed in the CBD and beachfront areas can also be applied in township areas to ensure that catalytic, well participated, and well researched infrastructure projects can lead to private sector investment.

Procurement of emerging contractors in township areas presents an opportunity for the MBDA to further develop small, micro and medium size enterprises and ensure that local people participate in local projects.

The Singaphi Street environmental upgrade is a good case in point. Here the MBDA worked closely with the Ward Councillor and with the respective community leaders in selecting emerging contractors to participate in the MBDA's R40 million upgrade.

### vi. Marketing, communications and stakeholder relations

The year 2015/2016 has been both an exciting and challenging year for brand Mandela Bay Development Agency. The first half of the year was dominated by the exciting move from rented offices to the newly built and redeveloped Tramways Building. This city asset, which was left decaying for many years, received a new lease on life when the MBDA earmarked its restoration as an important part of the Baakens Valley redevelopment project. Marketing and communications has been instrumental in positioning this move as a strategic investment into a new economic node for the city.

The latter part of the period was unfortunately dominated by a sustained period of negative publicity. In reaction to this, the marketing and communications team, working in conjunction with management, implemented a reputation building campaign that resulted in a significant shift in sentiment, from negative to neutral and eventually positive.

Marketing and communications in the MBDA's context has the responsibility to manage and promote a good image of the organisation, its projects and initiatives, as well as market and activate development notes through promotions, events, advertising, public relations and stakeholder engagements. The marketing unit's secondary role is to act as a service support department, assisting and implementing activities for, or on behalf of, the various divisions or departments within the MBDA and the Nelson Mandela Bay Municipality.



Majority of new businesses that started in Central during 2015 were restaurants and entertainment based

**27.3%**



**R1.13 billion**  
GDP-R in 2014 in Central



**26.7%** of businesses in Central made improvements to property in 2015

**86%** employed in Central



Tramways Building



# SECTION | 02

Route 67 Bus Station Mural

# 1. MANDATE

The MBDA was conceptualised by the Nelson Mandela Bay Municipality (NMBM) and the Industrial Development Corporation (IDC) and is a wholly-owned entity of the NMBM. It was created in 2003 following an acknowledgement by the city's leadership of the urgent need to reverse a trend towards urban decay in the inner city and to drive urban regeneration in the Nelson Mandela Bay CBD and other designated areas.

Since then, the mandate area has been expanded to include a number of key township projects, with the aim of transforming urban spaces to activate economic activity, create job opportunities and reshape urban development.

The CBD, however, remains critically important to the NMBM as one of the main contributors to the city's rates base. Disinvestment from the inner city would mean reduced revenue streams and limited growth for Nelson Mandela Bay. Moreover, vacant city centres scare off investment and constrain the city's ability to become competitive on national and global levels. Investment attraction is now no longer focused on mega-industries, but on developing scalable and diverse industries, inclusive of the cultural and creative industries (CCI) and knowledge economies, for greater economic security.

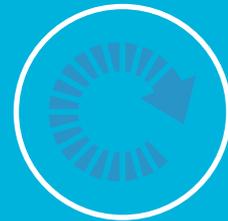
Informed by an overall philosophy that cities and their CBDs are the engines of growth in a region, the NMBM undertook firm measures to establish a special purpose vehicle (SPV) to drive development through catalytic infrastructure and capital projects that would, in turn, stimulate private sector (re)investment. The MBDA's overall role is not only that of promoter and supporter, but also of 'doer'. The Agency's mandate has widened over the years and now encompasses urban renewal in township areas, the beachfront, the NMB Stadium precinct and Uitenhage.

As a municipal entity, the MBDA is governed primarily by the Municipal Systems Act 32 of 2000, the Municipal Finance Management Act 56 of 2000 and the Companies Act No 71 of 2008. It operates under a specific, approved mandate document, which outlines a focused approach to be followed in respect of services provided, catalytic infrastructure projects and liaison with other parastatals and government departments in order to create a conducive investment environment in its mandate areas. With this in mind, the NMBM also has a Service Delivery Agreement (SDA) with the MBDA that is reviewed every three years and which formalises and governs the relationship between the two entities.



46.5%  
employed  
in Helenvale

R336.9  
million  
GDP-R in 2014  
in Helenvale



Route 67 White Road Wall

## 2. STRUCTURES

### I. POLITICAL GOVERNANCE STRUCTURE OWNERSHIP AND CONTROL

The MBDA was established as a municipal entity in 2003 as a joint initiative of the NMBM and the IDC. It is wholly owned by the NMBM.

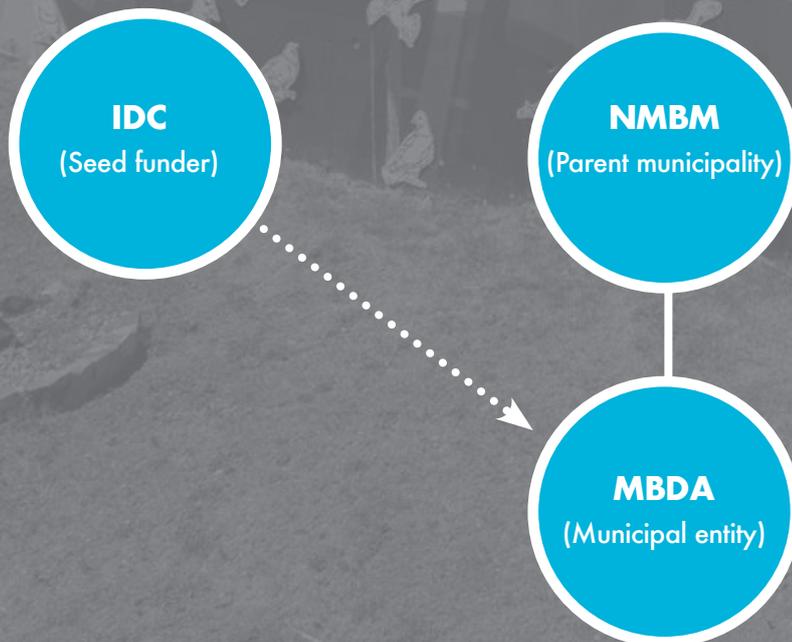
The MBDA, represented by its Board of Directors, receives its mandate from the NMBM, acting through the Executive Mayor, the City Manager and the NMB Metropolitan Council. The Agency is contractually accountable to the NMBM, to which it delivers compliance reporting in respect of its key performance indicator (KPI) targets being achieved. The MBDA relies on the NMBM for service delivery direction in terms of its contractual obligations contained in the SDA, and on the political dispensation for its political mandate.

As controlling shareholder, the NMBM provides corporate governance-related support, such as sustainability and compliance reporting and review. The MBDA Board is responsible for providing strategic

direction and guidance to management as well as ensuring oversight on corporate governance matters. The MBDA management is responsible for operational aspects in line with the strategic planning and mandate documents of the Agency as well as the Integrated Development Plan (IDP) of its parent municipality.

### II. ADMINISTRATIVE GOVERNANCE STRUCTURE BOARD OF DIRECTORS

The Board provides operational oversight to ensure that the MBDA reaches its objectives and delivers on its mandate.



### OWNERSHIP AND CONTROL

The MBDA was established as a municipal entity in 2003 as a joint initiative of the NMBM and the IDC. It is wholly owned by the NMBM.

## BOARD MEMBERS

**Motse Mfuleni** (Chairperson)  
Appointed to the Board: September 2014 –  
Resigned 20 June 2016

**Luvuyo Bono**  
Appointed to the Board: September 2014 –  
Resigned 22 June 2016

**Baphelele Mhlaba**  
Appointed to the Board: September 2014 –  
Resigned 04 April 2016

**Kasaven Govender**  
Appointed to the Board: September 2014 –  
Resigned 04 April 2016

**Khulile Nzo**  
Appointed to the Board: September 2014 –  
Resigned 04 April 2016

**Mcedisi Sitoto**  
Appointed to the Board: September 2014 –  
Resigned 04 April 2016

**Melikhaya Gosani**  
Appointed to the Board: September 2014 –  
Resigned 22 June 2016

**Monde Ngonyama**  
Appointed to the Board: September 2014 –  
Resigned 22 June 2016

**Samkelo Dlulane**  
Appointed to the Board: September 2014 –  
Resigned 22 June 2016

**Vuyo Zitumane**  
Appointed to the Board: September 2014 –  
Resigned 11 February 2016

**Nomalizo Mandaba**  
Appointed to the Board: September 2014 –  
Resigned 04 April 2016

## BOARD AS OF 30 JUNE 2016

**Mputumi William Goduka** (Chairperson)  
Appointed to the Board: 21 April 2016

**Derrick Swartz**  
Appointed to the Board: 21 April 2016

**Nomhle Tys**  
Appointed to the Board: 21 April 2016

**Kasaven Govender**  
Appointed to the Board: 21 April 2016

**Adrian Gardiner**  
Appointed to the Board: 21 April 2016

**Rojie Kisten**  
Appointed to the Board: 21 April 2016

**Khulile Nzo**  
Appointed to the Board: 21 April 2016

**Bongani Gxilishe**  
Appointed to the Board: 21 April 2016

**Rajesh Dana**  
Appointed to the Board: 21 April 2016

**Sithole Mbanga**  
Appointed to the Board: 21 April 2016

**Marsla Odayar**  
Appointed to the Board: 21 April 2016

## AUDIT COMMITTEE

Kevin Pather: Chairperson and independent member  
(Resigned 21 September 2015)

Vuyo Zitumane: Board member  
(Resigned 11 February 2016)

Stephen Nel: Independent member

Ronnie Ortlieb: Independent member  
(deceased 17 February 2016)

## HUMAN RESOURCES AND REMUNERATION COMMITTEE

Luvuyo Bono: Chairperson

Mcedisi Sitoto

Melikhaya Gosani

Nomalizo Mandaba

## EXCO

Motse Mfuleni (Chairperson)

Baphelele Mhlaba

Kasaven Govender

Monde Ngonyama

Samkelo Dlulane

Khulile Nzo

## EXECUTIVE MANAGEMENT

Pierre Voges Chief Executive Officer

Ashwin Daya Chief Financial Officer

Dorelle Sapere Planning and Development Manager: Inner city  
and special projects

Eldrid Uithaler: Planning and Development Manager:  
Township projects

Mcebisi Ncalu Operations Manager

Luvuyo Bangazi Marketing and Communications Manager

### 3. INTER-GOVERNMENTAL RELATIONS

#### i. GOVERNMENT STAKEHOLDERS AND ENGAGEMENTS

The MBDA regularly interacts with key NMBM directorates, namely; Economic Development; Tourism and Agriculture; Human Settlements; Budget and Treasury; Environmental Health; Infrastructure and Engineering; and Safety and Security.

The MBDA coordinates its area-based developments and other catalytic interventions with the NMBM. In addition, the MBDA engages with client departments that take ownership upon completion of infrastructure and assets created by the MBDA, particularly the Infrastructure and Engineering Directorate. The diagram below represents MBDA stakeholder engagement linkages with the NMBM.

### 4. PUBLIC ACCOUNTABILITY & PARTICIPATION

All MBDA projects follow an in-depth public participation process, particularly in the master plan and design phases but also, with increasing regularity, throughout the construction process. The Agency collaborates with key stakeholders in order to meet project design and implementation goals. Designs are finalised only after consideration of various inputs received and recorded through public participation processes. MBDA management further ensures that final designs and project concepts are in line with the Agency’s mandate and strategic plan, as well as the IDP of its parent municipality. Moreover, the MBDA is in constant conversation with various communities within its mandate areas and maintains a people-centred approach to its development

methodology. Perception surveys are performed periodically in order to gauge public sentiment and ensure that the MBDA always has the public’s interests at the centre of its initiatives.

### 5. CORPORATE PROFILE

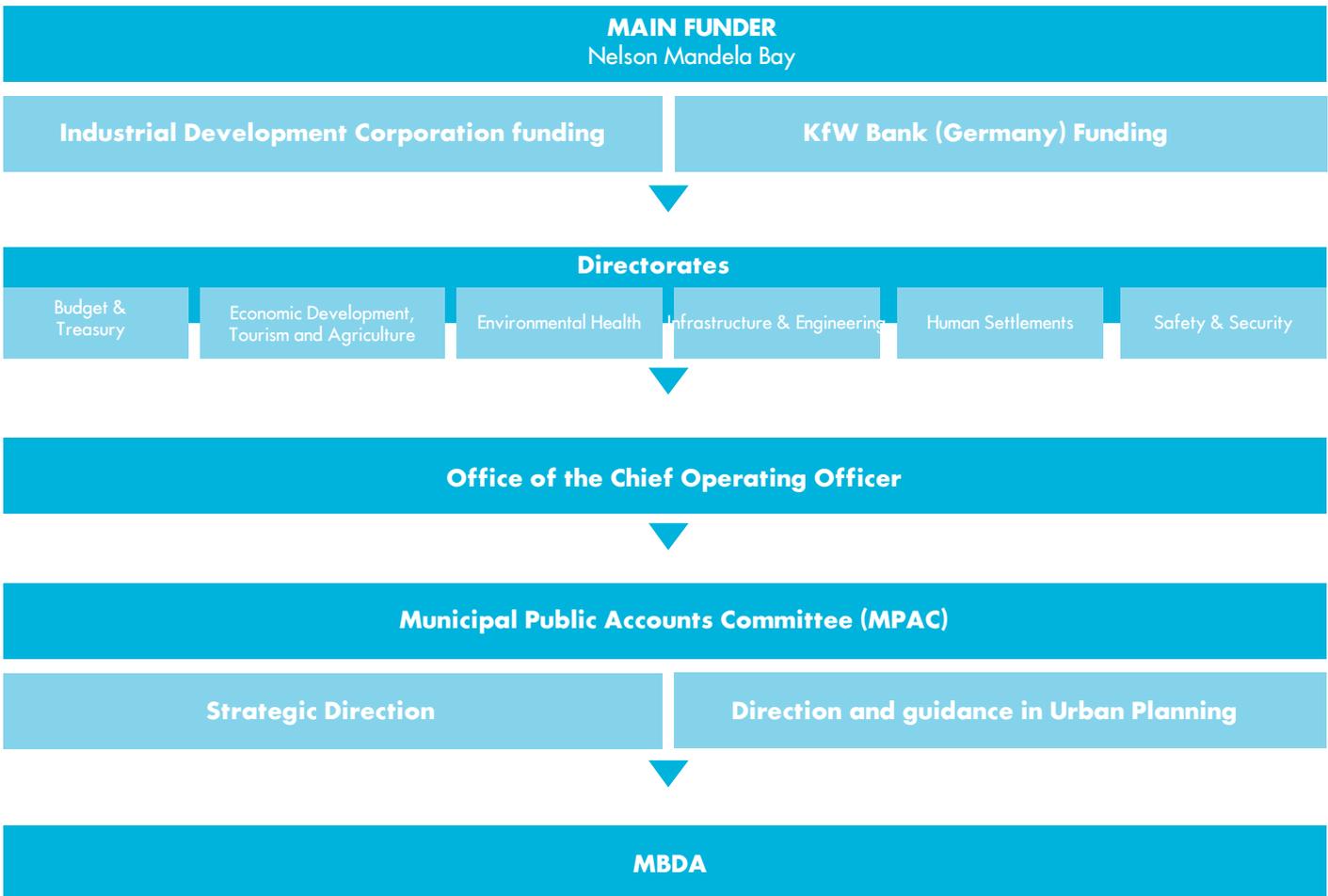
The MBDA stimulates, facilitates and supports area-based urban renewal initiatives throughout Nelson Mandela Bay. It is an entity wholly-owned by the NMBM. The Agency’s mandate areas are: the Port Elizabeth CBD and its linkages with the Port of Port Elizabeth and King’s Beach, as well as the NMB Stadium precinct and North End, Uitenhage, and the township areas of Helenvale, New Brighton, Veeplaas and Walmer-Gqebera.

Figure : From CBD to CBD – the concentric approach to urban renewal linking two major urban nodes in the Nelson Mandela Bay Municipality.

#### HISTORY

The MBDA came into being at a critical point in the history of Nelson Mandela Bay, when urban decay in the CBD had led to a decline in occupancy and interest in real estate investment – a downward trend which had begun to impact negatively on the municipal rates base.

The Strategic Spatial Implementation Framework (SSIF) of the MBDA was developed in 2006 as a point of departure for reversing socio-economic decline in the Agency’s mandate area. The SSIF established the MBDA’s long-term vision and strategy, and was accepted by the NMBM Council as the blueprint for economic development and urban renewal in the mandate area.



Nelson  
Mandela Bay

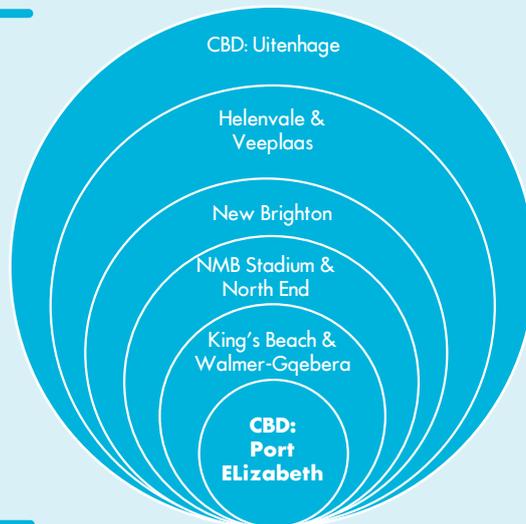


Figure 1: From CBD to CBD – the concentric approach to urban renewal linking two major urban nodes in the Nelson Mandela Bay Municipality.

## PURPOSE & STRATEGY

As an agent of the NMBM, the MBDA's work supports achievement of the goals in the IDP that were drawn up by the municipality for development of the city as a whole. The SSIF, and the five-year strategic plan derived from it, thus corresponds to the urban renewal, urban management and development planning sectors of the IDP.

The MBDA's five-year strategic plan charts the Agency's medium- to long-term strategic course. It is periodically reviewed to take into account, and respond to, prevailing local and global economic and political conditions. Drawing on the long-term vision of the SSIF, the five-year plan outlines development priorities and strategies, and is accompanied by Key Performance Indicators (KPIs) that set out short- to medium-term objectives and programmes that will ensure sustained progress towards achieving the MBDA's vision.

## GROWTH STRATEGY

The MBDA has accumulated a successful track record through the implementation of projects that have consistently achieved the goals of spurring socio-economic transformation, improving public confidence, and positively influencing private sector real estate and corporate investor decisions.

The increased enthusiasm of the private sector continues to present an opportunity for the MBDA. The Agency endeavours to encourage partnerships and involve corporate and private investors, public sector funders, and provincial and national governments in those capital project developments that stimulate private sector investment response. The MBDA was established expressly for facilitating such developments and encouraging private sector confidence and investment. Its cumulative and growing experience in the types of developments it conceptualises, implements and manages, represents a significant asset for the NMBM.

Moreover, the MBDA has partnered with various private sector businesses to collaborate on corporate social investment initiatives that also leave a lasting impact on communities. During the 2015/16 period the MBDA continued to deliver on its vision under the SSIF. It will also expand on and enhance its competence in meeting the urban renewal needs of the greater Nelson Mandela Bay area. In growing its influence, the MBDA will widen its focus into new mandate areas, concentrate on deepening the lasting economic and social impacts of its work, and ensure that projects are economically and environmentally sustainable.

## COMPETENCIES

As a development vehicle, the MBDA coordinates and manages capital investment projects and related initiatives such as cleansing, security and the regulation of informal trading, in partnership with public and private sector stakeholders. In particular, the MBDA has gained significant experience in the following aspects:

Inner city urban renewal – rejuvenation and development of decayed areas. A 'bottom up', concept-to-completion approach that involves affected communities in determining the outcome of development projects and the maintenance of developed infrastructure

Project management and coordination of diverse teams of consultants, contractors and service providers

Regeneration of historically marginalised areas  
Establishment of a particular brand of urban planning and renewal, with strong emphasis on public participation.

Other than being an implementing agent for the NMBM – with a particular emphasis on urban renewal – the MBDA has also become a key transformation agent in Nelson Mandela Bay, thanks to its strong social approach.

## 6. GOVERNANCE

The MBDA endeavours to ensure that the essentials of good governance are in place to facilitate smooth operation. These elements include risk management, anti-corruption initiatives, secure supply chain management, a digital presence for engagement and communications, and compliance with relevant legislation and by-laws.

In terms of risk management, the Agency has undertaken a risk review process and has compiled a risk register that is reviewed on a quarterly basis. This register is also tabled at board, audit and risk committee meetings for discussion and appropriate action where necessary. A board-approved fraud and corruption policy has also been implemented by the Agency with ongoing monitoring and evaluation checks and balances in place.

With respect to its various projects, the Agency applies strict and sound supply chain management policies and procedures to ensure that this critical business process is fully adhered to in an effective and efficient manner. The Agency's supply chain management policy is based on the policy of its parent municipality, which in turn, is based on the National Treasury model policy. Compliance with this is mandatory and necessary to ensure processes are legitimate and fair.

Municipal by-laws indirectly affect the entire city. However, besides matters relating to informal traders, security and the cleansing plan initiatives of the Agency, municipal by-laws do not directly impact the Agency's projects. The MBDA reports to the parent municipality's Economic Development, Tourism & Agriculture (EDTA) portfolio committee (as outlined above) on the progress of its various urban renewal projects. It also falls under the jurisdiction of the NMBM Municipal Public Accounts Committee (MPAC) as well as the NMBM's Budget Performance Monitoring Forum.

The Agency has its own website, which reflects the various activities in which it engages, records site visitor activity and publishes requests for proposals and tender announcements. In effect, the website is one of the MBDA's major tools for transparency and accountability as well as effective communication.

Public satisfaction is measured in the form of various informal and formal surveys, which highlight emergent trends in public and stakeholder perception of the MBDA's urban renewal initiatives.



# SECTION

SERVICE DELIVERY  
PERFORMANCE

# 03

Overall, the MBDA has facilitated and invested in excess of R600-million in direct infrastructure upgrades to date – a bold show of confidence in the city’s potential, and one that has yielded the desired result of increasing private sector investment, particularly in areas where projects are now completed.

## 1. PLANNING AND DEVELOPMENT: INNER CITY & SPECIAL PROJECTS

### i. Tramways Building

The redevelopment and launch of the 116-year-old Tramways Building is not just an investment in bricks and mortar, it is an investment in a completely new tourism real estate node, linking the Port of Port Elizabeth with the Brickmakers Valley. The project forms part of the development of a new inner city precinct which will link the Port-Marina-Baakens nexus. In addition, the project will create a strong arterial route to South End and King’s Beach and up toward the Belmont Terrace/Bird Street and Donkin Reserve precincts and nodes.

Also, given its centrality to major transport linkages – the Port of Port Elizabeth and the N2 highway interchange – the precinct also links with the other nodal developments the MBDA is involved in at Walmer Township, New Brighton/Singapi Street, Helenvale and Uitenhage.

The area under development is envisioned to produce on completion a water-green-cultural economic hub. This catalytic investment also integrates with the triple development of blue, green and golden economies.

The redevelopment of the building was completed and the MBDA moved into the new premises. In the period under review, a new fenced parking area was also upgraded which provides ample parking for visitors. The precinct has been completed with garaging for the MBDA and public art developed by entrepreneurial welders.

The redevelopment and launch of the Tramways Building is galvanizing private sector investment, interest and a new tourism economy, as this new asset is fast becoming a hub of activity within the Baakens River precinct as a trendy new destination for creatives and light industry. The venue is being marketed as an all-purpose venue destination by MBDA and has secured the support from the community. A very popular market is held in the building twice a month which attracts up to 3000 people. The building is also enabling a night time economy to grow in the area with various events taking place during the evening. The building is also home to the Wilderness Academy’s Youth Development Programme, which has a regular new intake of students as well as numerous events held in the upgraded halls where trams were once repaired.

**R259.4**  
million  
GDP-R in 2014  
in King’s Beach



**92%**  
employed  
in King’s Beach

## ii. SINGAPHI STREET

The Singaphi Street development in New Brighton is a strategic programme creating continuity between Route 67 in the inner city and the Red Location Museum in New Brighton. Singaphi Street is rich in arts, culture, heritage and the liberation struggle. It is home to a diverse and vibrant community life intertwined with residences from colonial and apartheid eras, informal settlements, flats, parks, businesses, sport facilities, schools, crèches, churches, community projects, and the Red Location Cultural precinct.

The street is seen as a catalyst project in terms of township development aligned to the public participation processes initiated in the inner city. The upgrade has seen a number of new infrastructure delivery and public art programmes which in turn has created job opportunities. Small businesses have also benefited through a 30% contract participation goal for SMMEs set by the MBDA.

The second phase of Singaphi Street, the gateway to the Red Location Museum, was completed in the financial year under review. Work has comprised the completion of the Road from Sandla Street to 7th Street, completion of kerbs, sidewalks and landscaping, including a netball court as per designs developed by the community and realised through the Workplace Consortium. Extensive soil drains and layer work was required to manage storm water runoff in the area. The objective is to develop a unique precinct and potential economic node, which can support the creative economy rooted in the art, culture and heritage of the area.

Singaphi Street, New Brighton



## iii. CAMPANILE BUILDING

The Campanile was erected to commemorate the landing of the 1820 Settlers and is situated at the entrance to the railway station and docks in Strand Street – the spot where it is said that the Settlers landed in Port Elizabeth. The Campanile Memorial has a climb of 204 steps that takes one to the Observation Room. At more than 52m above the city this room offers magnificent views of the harbour and surroundings. It has the largest carillon of bells in the country and its chiming clock conjures nostalgic cries of history. Route 67 starts at the Campanile and there has since been new art additions added around the tower to include the history leading up to the Settler's arrival and up to South Africa's democratic dawn.

However, over time the structure of the building had begun to deteriorate as a result of wear and tear. The cradle holding 23 bells rusted badly and the concrete slab below the bells had begun to spall. Erosion within the brickwork was extensive and the mechanism for both bells and clock were not working.

The first phase of work on the Campanile Building commenced in the 2015/2016 financial year. During the first phase, the 23 bells were removed by crane, in a very tricky and delicate operation of manoeuvring the bells from their cradle and lifting them down to safety. The bells were removed, renewed and placed on show at the Tramways Building for the public to view. Thousands of people visited the bells in a once in a lifetime opportunity to see them at closer range, to marvel at their size and beauty and to read the inscriptions on each bell. This attraction served to bring a greater awareness of the Campanile, the bells and the Tramways itself.

## iv. TELKOM PARK

The Telkom Park precinct, with its link to Happy Valley, is prime real estate and a significant asset of value to the citizens of Nelson Mandela Bay as it holds the potential to be a development node for the beachfront and surrounding area.

The Telkom Park Precinct Plan was developed in the 2015/16 financial year. It presents a unique lifestyle, business and leisure development opportunity with a link to Nelson Mandela Bay Beachfront via Happy Valley. The project is envisioned as an eco-friendly sustainable development focused around a green lung. The intention is for mixed use: residential, office/retail, tourism and leisure, together with public open spaces. The development seeks to create nodes and people centred spaces with a strong focus between Public and Green spaces through an architectural language that speaks to and of a great African city.

The Telkom Park Precinct will be a vibrant people orientated development where residents from different backgrounds will live, work and play together. The unique green lung – which extends the full extent of the site – allows for unique adventure and eco-tourism activities while providing public access to all amenities as well as specialist retail and conference facilities. These amenities will be complimented by high density residential development and Gaphousing opportunities. A new Village Centre could also house retail, specialist shops and offices.

The ecologically sensitive green areas are anticipated to benefit from a new tourist and educational interpretive centre which will engender and encourage a positive attitude towards conservation and sustainable living.

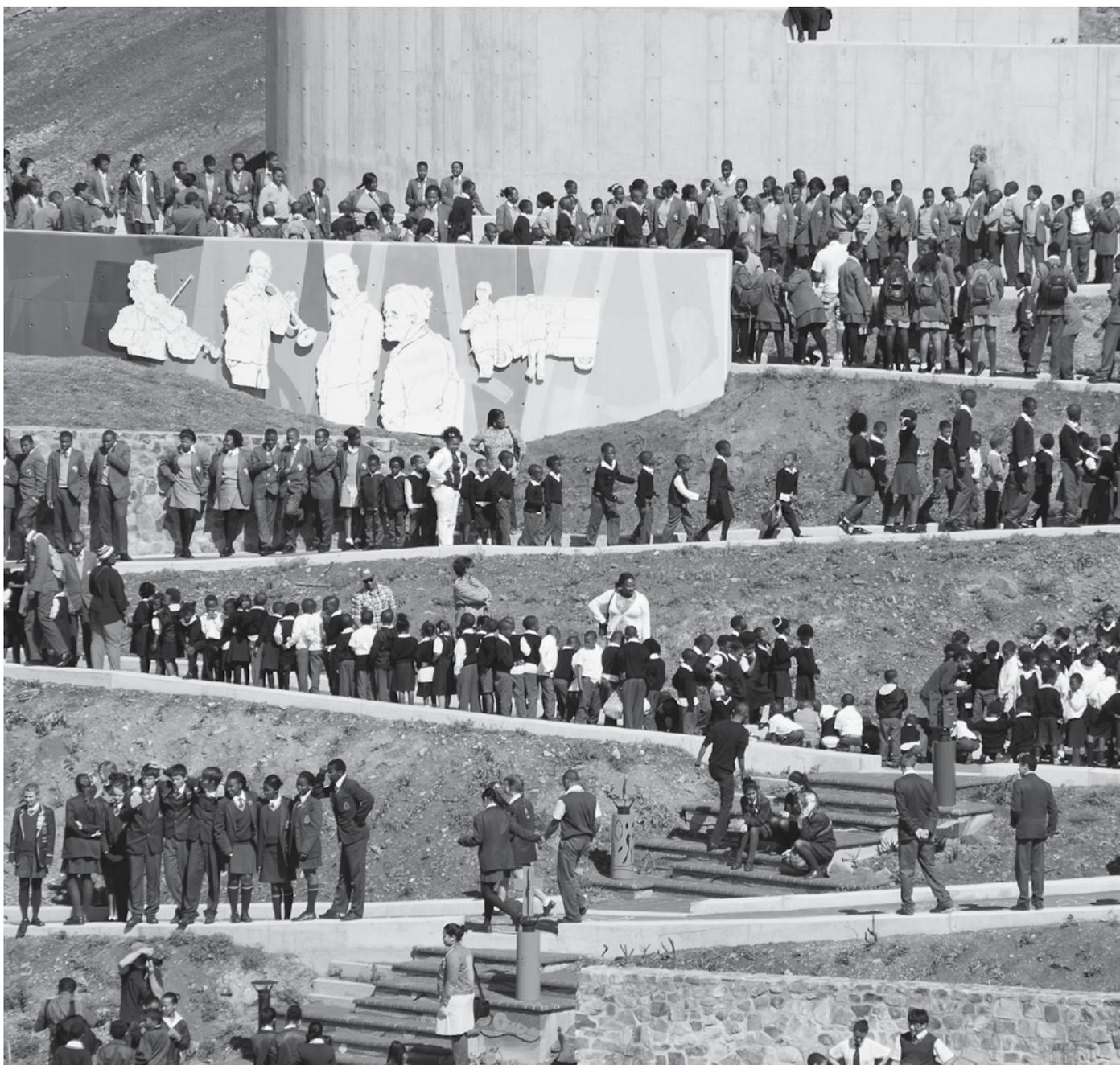
Architectural and development guidelines have been developed to set the physical built environment as a leading example for sustainable development and all aspects of placemaking have been considered to ensure a sense of ownership and belonging. Social redress is central to the thinking around the open green lung where all population groups from the metro and beyond will have access to the beachfront via Happy Valley.

The purpose envisaged for the guidelines is to ensure linkages to existing social fabric, the natural environment (Happy Valley and the "Green Space") and infrastructure, and to ensure that a Sustainable Community Concept is encouraged. These guidelines will have to specifically refer to "place making" and the "green lung" that runs through the development, and will have to further take reference from the LSDF with regard to the built environment, the "green lung" and Happy Valley.

The guidelines will be informed by case studies and basic graphics to explain concepts and principles. Safety and security within the proposed development will have to be integrated into the development of the guidelines. The guidelines will have to refer to an implementation process (how the guidelines could be enforced) and must clearly spell out an approval process, where the MBDA would be involved in the approvals. The guidelines will have to be specific to different development nodes (if applicable) – in terms of residential, commercial and retail.

#### iv. CONCLUSION

The 2015/16 financial year was a rewarding one for the MBDA. Significant projects drew nearer to a close, while others were completed within scope and budget. The emerging tapestry of linked precincts has texture and can be tangibly experienced. This adds impetus and real value to projects still under development, as citizens and visitors can start to draw on the visible transformation of one node in order to better understand future developments and how they are linked. The inner city has a different face – and many of the completed nodes are now set to catalyse further public and private investment. While many inner city projects now move under the MBDA operations unit, the MBDA will continue to unlock potential in the precincts to connect capital expenditure with job creation and the development of the creative and cultural industries to bring these projects to life.



## 2. PLANNING AND DEVELOPMENT: TOWNSHIP PROJECTS

The township projects are envisioned to replicate the development possibilities and outcomes achieved in more economically advantaged areas, creating a continuity and unification between the inner city, urban centres and townships. In this way, Nelson Mandela Bay can continue its transformation towards becoming a cohesive, multi-cultural community, linked through representative urban renewal and art. This has been the core focus of both planning and development during the 2015/16 financial year; and it will likely become central to the MBDA's working forward.

The MBDA hopes to empower residents in more peripheral and marginalised communities through integrated development projects within these localities. In turn, the hope is that through urban renewal in these areas, the social dynamics and community cohesion might improve, leading to improved daily living conditions. Enhanced public participation processes attached to spatial transformation is also intimately linked to the most common challenges encountered by the MBDA through raising awareness and expectations.

Township renewal initiatives have been identified as core to future development of the MBDA's mandate. Moving away from the past – where no clear methodology existed for selecting catalytic township development projects – the MBDA made a considered decision to select projects based on alignment with both its mandate and the NMBM IDP, in consultation with ward councillors and the responsible municipal directorates. This process is guided by Local Spatial Development Frameworks (LSDF) that identify development precincts and nodes.

### i. VEEPLAAS BUSINESS INCUBATOR

The Chatty River is a key beacon that traverses the semi-arid landscape of the northern inland areas of the city. Garden plots next to the Chatty River became known as Kleinskool and Veeplaas when this area was demarcated in 1879. Historically, this area was inhabited by isiXhosa speaking people, Indian and Coloured people. With the Group Areas Act, government separated these groupings, a selection of whom relocated to other areas. The isiXhosa speaking people remained in the area.

Over time the Veeplaas area provided a number of prominent leaders both politically and in the business landscape. However, the people always felt left behind, hence the establishment of the 'Veeplaas in Action' group that facilitate development initiatives for the community.

The Veeplaas Business Incubator was built by the EDTA directorate in 2009 but was never used and subsequently fell into a dilapidated state. The Veeplaas in Action (VIA) community expressed concern over the decay of this resource and requested intervention by the MBDA.

As a result, various projects for the area were identified in agreement with the local ward councillor, VIA and the MBDA. The EDTA also transferred the building to the MBDA for the purpose of revamping and making it operational. Due to various challenges with the zoning, the MBDA had to apply to the surveyor-general to have the erf consolidated and rezoned. As a result, the project was delayed for approximately nine months. The site development plans have been submitted following consolidation and MBDA is currently awaiting approval of plan to start revamping the facility.

MBDA is awaiting approval from NMBM to lease out these facilities and thereafter MBDA will go out on an open tender process to attract local entrepreneurs to occupy and operationalise these spaces.

The MBDA has designed an incubation programme to aid the development of entrepreneurial companies, by offering an array of support services, resources and infrastructure. Incubators are geared towards speeding up the growth and success of start-up and early stage companies.

The project will be completed at the end of September in the forthcoming 2016/17 financial year. The project looks at housing business development services, a satellite post office – a need identified by the community, communication services such as an Internet café as well as a printing and copying service centre. As such the project aims to create interlinked communications and sustainable economic development opportunities for the community.

#### Project highlights

- Submission of site development plans;
- Development of incubation programme.

## ii. VEEPLAAS CARWASH AND VEEPLAAS CREATIVE INDUSTRIES

MBDA consciously partnered with this group to enhance the economy of the area and the Agency is currently investigating the potential development of an Informal Trading Facility and a Car Wash. Due to the lack of facilities, the initial assistance provided to this group is a container with office equipment that will act as the base for this group to operate from.

The car wash is one of the projects identified to facilitate youth development and employment in Veeplaas. The space – which was originally occupied by the hawkers' facilities in Koyana Street – had become dilapidated and was handed to the MBDA by EDTA to construct a carwash.

The car wash project was completed in March 2015 of the financial year under review through contractor Lulama Caka Construction and Gilgal Development Consulting Engineers.

The Veeplaas Creative Industries project was initiated to assist the emergent arts, culture and heritage groups in Veeplaas. It is aligned with the MBDA's vision to create a thriving arts and culture sector through catalytic projects which stimulate sustainable job creation. This facility has been constructed on the adjoining property behind the Veeplaas Business Incubator and will house six industries. The contractor – Skhothahla Construction assisted by Gilgal Development Consulting Engineers – completed the project in March 2015.

#### Project highlights

- Completion of car wash project;
- Initiation of Veeplaas creative industries project.

## iii. SCHAUDERVILLE / KORSTEN

In line with its mandate of upgrading areas that have seen some form of environmental decay, the MBDA, through assistance with funding from the IDC, started with a master plan process in Schauderville and Korsten.

This environmental and urban residential upgrading project intends to redress the decay that persisted especially after the 1990 protest action in these areas. NOH Architects was appointed in the previous financial year to assist the MBDA with the development of a master plan that builds on a previous community process facilitated through Cities Network.

The aim of the master plan is to identify, through a broad public process, projects that are practicable and implementable and that are in tune with the context of the area, and which will assist in addressing some of the socio-economic ills plaguing the community. The plan was completed in September 2015.

In the period under review, the MBDA began rolling out its master plan through:

- a waste removal (cleansing) project, which started in 2015 and ran for a period of six months in support of the master plan and the needs identified in it;
- the development of the Schauderville / Korsten dialogue group which offers engagement with the community representatives on the progress regarding the MBDA projects and in support of combatting community social ills; and
- the construction of the Neave Street Multi-Purpose and Recreational Park tender that will close during the next financial year in September 2016. The park is also one of the needs identified in the overall Schauderville / Korsten master plan.

#### Project highlights

- Completion of master plan;
- Issuing of tender notice for multi-purpose and recreational centre;
- Waste removal and cleansing projects.

## iv. HELENVALE - SAFETY AND PEACE THROUGH URBAN UPGRADING (SPUU)

Helenvale is a suburb in the Northern Areas of Port Elizabeth. This vibrant, colourful, and at times dangerous and violent suburb that Patrick Palmer in his poem describes as 'The rough diamond of the Bay' is an area in need of substantial investment. Helenvale, like the rest of the Northern Areas



Helenvale

is a manifestation of the Apartheid legacy that uprooted and forcefully displaced people from South End, Fairview, Willowdene and other areas under the Group Areas Act.

Helenvale is the picture of peace and community life one day, and then suddenly it turns around when violence erupts.

This suburb, originally developed to accommodate 6000 people, now provides tenancy for approximately 30 000 people and has experienced persistent under-development due to its compact size in terms of residential space and house sizes that vary between 25 and 30m<sup>2</sup>. This has created an over-populated township and subsequent problems such as unemployment, crime, drugs, gangsterism, teenage pregnancy and other concerns that have abraded the social fabric and community cohesion.

The projects under the banner of Safety and Peace through Urban Upgrading (SPUU) are part of a finance agreement between KfW, a German Development Bank and the NMBM. The finance agreement for 5 million Euros over a five-year period is implemented by the MBDA through a separate agreement with the bank. The MBDA as the implementing agent is responsible for the planning and implementation of all aspects of the programme on behalf of both the KfW and NMBM.

Officially, the SPUU commenced in the 2014/15 FY. Prior to the official commencement, the Mandela Bay Development Agency (MBDA) had already put in place a number of interventions, programmes and a community participation structure.

The SPUU is currently running behind schedule, mostly due to the halt of activities between July 2015 and January 2016, and longer than expected processes of procurement of contractors.

MBDA has however mitigated the project risks of leadership contests, by facilitating the inclusion of both Ward Committee and Programme Advisory Committee (PAC) in the decision-making processes. The concept of a community participation structure was to maximize citizen participation by devolving leadership to the grassroots level. In pursuit of this objective, the MBDA proposed that citizen participation be organized around the four voting districts (VD) of Helenvale, with communities electing 5 leaders from each VD. The representative body is a group of vibrant and able individuals that voluntarily commit themselves to see change in their community. The core PAC, comprising 20 members, was thus set-up. The MBDA also invited ex-officio members to the PAC, namely the area Councillor, the area Social Development Officer, and the representative of GIZ, the latter due to GIZ expertise, and support to NMBM in the field of violence prevention.

The MBDA said that in relation to the project master plan, the overall SPUU project completion rate stood at 30% at the project half-way mark and that R20 million worth of projects have taken off. The completion rate of the project's strategic pillars was reported as follows:

- Public space and infrastructure delivery stood at 40% completion (original project target: 70%);
- Initiatives promoting safer schools were recorded at 45% (original project target: 60%);
- Youth employment promotion stood at 25% (original project target: 50%);
- Prevention of domestic violence was 30% (original target: 55%);
- Improvement of living spaces stood at 30% (original target: 45%).

A highlight during the period under review was several social development impact activities and soft skills initiatives under the Community Development Fund:

- Alternatives to Violence Prevention (AVP) training for Advisory Committee, Youth, Women, Ward Committee;
- Practical Tendering training for SMME's;
- Future Makers Business Development Training;
- Women and Youth Dialogues;
- Leadership camps and educational excursions by schools;
- Professional Counselling services from the HRC;
- Welding training for 10 unemployed youth;
- 6 computers at the HRC to support the youth;
- Youth trained in Media and Communications to assist with Community Newsletter;
- Youth Month Celebration Activities.

Three construction projects are about to begin in earnest in the 2016/17 FY, bringing job opportunities and a much needed stimulation into the economy of Helenvale. The construction projects about to get underway are:

- Construction of pedestrian walkways and sidewalks valued at R6 million;
- Extension of the sports fields valued at R3 million;
- Schools Improvement project valued at R3 million;
- Youth Employment Services valued at R4 million.

### 3. OPERATIONS & LOCAL ECONOMIC DEVELOPMENT

#### i. OPERATIONS

The MBDA maintains its completed projects and assets in its mandate areas such as the CBD, township areas and designated tourism precincts. Although outside the core of the Agency, the MBDA has taken ownership of maintenance of assets and infrastructure and other operational initiatives including security, cleaning, regulation and management of informal trading, and the maintenance of its key projects. This accepted approach in urban development, which puts the basics in place, ensures that regenerated and revived destinations are protected against future urban decay. This in turn helps the Agency to ensure that private and public sector investments are protected, that investor confidence is maintained and that the quality of life and the environment around venues and facilities are preserved and protected.

In the 2015/16 financial year, MBDA implemented programmes which included:

- security top-up services to that of the municipality in the Port Elizabeth CBD in the form of a private security company;
- provision of a tourism ambassadorial initiative through Tourism Ambassadors (Humewood CPF initiative) operating in Port Elizabeth & Uitenhage CBDs;
- provision of cleansing top-up services to those of the municipality in the CBDs of Port Elizabeth & Uitenhage;
- regulation and management of informal trading in the CBDs of Port Elizabeth and Uitenhage;
- general maintenance of all MBDA completed projects both in Port Elizabeth and Uitenhage CBDs, including plumbing, electricity, masonry, painting and steel work;
- helping communities within MBDA mandate area, as well as outside, with the establishment of Special Rating Areas (SRAs);
- introduction of a Mobile Parking Meter Plan encompassing 1329 meters in certain areas of the Port Elizabeth CBD.

#### ii. SECURITY

MBDA took a major step in creating a safer inner city through the launch of a multimillion-rand anticrime programme in the period under review. Through the MBDA Security Programme, an additional private sector security support layer was introduced to augment law enforcement capacity in the CBD to prevent and reduce crime.

This initiative, which complements work that is already being done by the South African Police Service (SAPS) has the following overarching goals and mandate to:

- promote community involvement in response to safety and security matters;
- provide protection to the general public, businesses and properties;
- create a safer environment for the community, residents and business owners;
- monitor and to analyse crime tendencies;
- design and implement strategic measures to reduce crime in the CBD;
- protect tourist attractions in the identified precincts;
- promote safety initiatives in the identified precincts amongst the various communities and interventionists;
- monitor and identify illegal traders;
- fulfil tourism ambassadorial roles; and
- participate in blitz raids in the MBDA mandate areas (in conjunction with law enforcement authorities).

The programme introduced 63 trained and accredited security officers for random and routine foot patrols as well as criminal apprehension and on-site detention (to facilitate arrests through law-enforcement agents). Five vehicle units were introduced, including two K9 reaction retrofitted vehicles for random and routine patrols and rapid response, eight trained dogs for criminal apprehension, patrolling, narcotics detection, officer protection, tracking and on-site detention (to facilitate arrests through law-enforcement agents), and six reaction officers for rapid response, criminal apprehension and on-site detention. Three roving information kiosks were also introduced.

The introduction of the business forum chat group saw Metro Security guards working even harder than before. In fact, it yielded a minimum of two apprehensions per day.

#### iii. INFORMAL TRADE REGULATION

Informal street trading is considered to be associated with visual unpleasantness, littering, obstruction, crime, unhygienic surroundings and infrastructure decay. However, informal trade is the livelihood of many individuals, households and communities on the periphery of society in terms of wealth and welfare. With this understanding in place, MBDA is committed to creating appropriate spaces where vendors can sell goods to earn a living. In the period under review, the MBDA's work has elicited strong and positive support from establishments such as NMMU's Institute of Law, which highlighted the fairness and transparent manner in which MBDA regulates and manages the informal trading in the CBD of Port Elizabeth.

#### iv. SPECIAL RATING AREAS

A SRA is an area in which property owners agree to pay a small additional amount in rates. These funds are then used to provide extra security and cleansing services. SRAs provide a formal structure, through which owners pay additional monthly rates for improvements. This allows property values to be maintained and/or improved and occupants to be safeguarded.

The MBDA has embarked on introducing Special Rating Areas "SRAs" in a bid to continue promoting economic development in areas prone to urban decay. Based on international best practices, the metro's first SRA was established in Richmond Hill in the previous financial year.

Richmond Hill is one of the Nelson Mandela Bay Metro's oldest suburbs, and has seen a significant redevelopment over the last five years. Driven exclusively by private investment, with the institutional support of the MBDA, small scale urban renewal has occurred which has seen the introduction of a number of new businesses into the area – particularly restaurants – focused in, and around Stanley Street. The introduction of these restaurants to the area, has also helped to stimulate the redevelopment of the surrounding residential area. Local residents have made a number of improvements to their properties, which has led to a corresponding increase in property values.

In the period under review, MBDA can report that the SRA is doing well, based on empirical observations, including maintenance and improvements to properties, a reduction in crime, and a more aesthetic setting through litter removal. The success of the SRA model has resulted in home owners and property investors in Central, Mount Croix, Walmer Heights and Walmer Links starting applications for SRAs, with the help of the MBDA.

#### v. TOURISM AMBASSADORS

Nelson Mandela Bay is enriched with well-known heritage sites, tourism hot spots and various upgraded urban spaces. The MBDA is fully committed to promoting economic and tourism development against the backdrop of urban renewal. To this end, tourism ambassadors (TAs), managed by MBDA, approach and welcome visitors and promote prominent tourist attractions in the city and other tourist hotspots. The initiative was launched in the previous financial year and continued into the period under review.

The initiative keeps in line with the municipality's objectives of promoting Nelson Mandela Bay's heritage, and recognising tourist attractions as important drivers of economic growth and job creation.

MBDA's tourism ambassadors deal with tourists from a customer service point of view. They also conduct scheduled cleaning up of sites, while generally providing security and guidance in terms of information and directions.

The programme also empowers unemployed youth and provides on-the-job skills development and employment opportunities.

programme and information sharing programme on the planned implementation of the first Inner City Mobile Parking Meter Programme in designated areas of the inner city of Port Elizabeth.

In a bid to maximise revenue collection, NMBM noted this project as a way to accrue new revenue streams and tasked the MBDA with the application process and vetting parties interested in the project.

The Agency created spaces and platforms to discuss the plan with all stakeholders, whether directly or indirectly affected. Through this process, MBDA provided the public and businesses with the opportunity to register ideas that will strengthen the programme and make it beneficial to all.

The intentions of the MBDA Inner City Mobile Parking Meter Programme are to ensure efficient, effective, fair and equitable use of parking bays. In addition, the public will be provided with a safe and secure parking environment through the programme.

The benefits of the Inner City Mobile Parking Meter Programme include: visible foot patrolling and monitoring of the designated parking bays to curb crime; patrollers/parking attendants acting as guides to visitors;

an additional layer of security, monitoring and reporting of suspected criminal activities; and a safer environment for the public to shop, work, park and visit.

### 30. CONCLUSION

In the 2015/16 financial year, great strides were made to proactively maintain current projects, and to implement support mechanisms that both complement and supplement the work of the parent municipality. The MBDA with limited budgets and resources is agile and strategically positioned to manage and maintain various operational programmes that are directly and indirectly linked to its mandate. It is positioned as an implementation agent of projects improving investment, aestheticism, and city security and safety, which improve existing and new/alternative income streams for the city. This work is only likely to escalate in the coming financial years.



Tourism Ambassador



## 4. MARKETING

### MARKETING AND COMMUNICATIONS

The year 2015/2016 has been both an exciting and challenging year for brandMandelaBayDevelopmentAgency. The first half of the year was dominated by the exciting move from rented offices to the newly built and redeveloped Tramways Building. This city asset which was left decaying for many years got a new lease of life when the MBDA earmarked it as part of the Baakens Valley redevelopment. Marketing and Communications has been instrumental in positioning this move as a strategic investment into a new economic node for the City. The latter part of the period unfortunately was dominated by a sustained period of negative publicity. The marketing and communications team, working with the rest of management implemented a reputation building campaign that resulted in a significant shift in sentiment, from negative to neutral and eventually positive.

Marketing and Communications in the MBDA's context has the responsibility to manage and promote a good image of the organisation, its projects and initiatives as well as market and activate development notes through promotions, events, advertising, public relations and stakeholder engagements. The marketing unit's secondary role is to act as a services support department, assisting and implementing activities for or on behalf of the various divisions or departments within the MBDA.

*Some of the marketing and communications activities for the past financial year include:*

- developing a comprehensive marketing and communications strategy;
- researching, writing and production of Agency literature;
- developing and maintaining the Agency's online platforms;
- conceptualising and implementing promotional campaigns;
- developing innovative ways to promote developed precincts;
- supporting the promotion of arts development;
- initiating, supporting or hosting strategic events that support the Agency's mandate;
- developing tools to monitor and manage the communication environment;
- representing the MBDA at relevant intergovernmental and civil society engagements;
- supporting all relevant and strategic internal and external stakeholder initiatives;
- management of the MBDA's stakeholder relations strategy; and leading and overseeing the annual economic impact assessment research project.

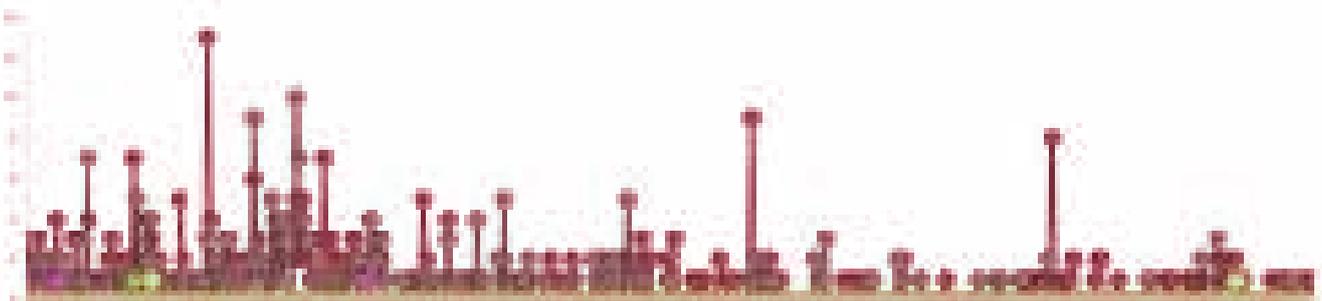
CLIP COURT  
1048

PRINT  
286

ONLINE  
328

BROADCAST  
434

 3







# SECTION | 04

The MBDA measures its success in five central key performance areas (KPA's) which incorporate specific key performance indicators (KPIs) that track the agency's ability to meet pre-determined targets and deadlines.

The five main key performance areas are:

KPA 1:

Basic Service Delivery and Infrastructure Development

KPA 2:

Transformation and Organisational Development

KPA 3:

Local Economic Development

KPA 4:

Financial Viability and Management

KPA 5:

Good Governance and Public Participation

A number of these areas have sub-indicators which include project-level outputs such as the Helenvale Urban Renewal Programme (HURP); service delivery integration; cleansing services (CBDs, Central and Uitenhage); facilitation of public capital projects; human resource transformation; job creation and Expanded Public Works Programme (EPWP); budgeting and financial accounting; risk management; and internal controls.

**R594.9**  
million  
GDP-R in 2014  
in New Brighton



**49.9%**  
employed  
in New Brighton

## SECTION B: 2015/16 PERFORMANCE PLAN (MANDELA BAY DEVELOPMENT AGENCY)

1.	KEY PERFORMANCE AREA (KPA)	KEY PERFORMANCE ELEMENT (KPE)	KPI NO	KEY PERFORMANCE INDICATOR (KPI)	TARGET - QUARTER ENDING 30 SEPTEMBER 2015	ACTUAL - QUARTER ENDING 30 SEPTEMBER 2015	TARGET - QUARTER ENDING 31 DECEMBER 2015	MID-TERM ACCUMULATIVE / AVERAGE TARGET (1 JULY 2015 - 31 DECEMBER 2015)
2.	KPA 1: Basic Service Delivery and Infrastructure Development	KPE 1.1: Cleansing and Security Services (Central Business Districts in Central and Uitenhage)	1.1.1	% satisfaction with cleansing services in Port Elizabeth and Uitenhage Central Business Districts	Survey conducted by Mandela Bay Development Agency	Survey conducted by Mandela Bay Development Agency	85% satisfaction achieved	85% satisfaction achieved
3.	KPA 1: Basic Service Delivery and Infrastructure Development	KPE 1.1: Cleansing and Security Services (Central Business Districts in Central and Uitenhage)	1.1.2	% satisfaction with security services in Port Elizabeth Central Business District	Survey conducted by Mandela Bay Development Agency	Survey conducted by Mandela Bay Development Agency	65% satisfaction achieved	65% satisfaction achieved
4.	KPA 1: Basic Service Delivery and Infrastructure Development	KPE 1.2: Facilitating Public Capital Projects	1.2.1	% completion of inner city renewal capital development projects	10% (in line with project plan)	0%	10% (in line with project plan)	20% (in line with project plan)
					2% (in line with project plan)	0%	3% (in line with project plan)	5% (in line with project plan)
5.	KPA 1: Basic Service Delivery and Infrastructure Development	KPE 1.2: Facilitating Public Capital Projects	1.2.2	% completion of township rejuvenation projects	10% (in line with project plan)	30%	20% (in line with project plan)	30% (in line with project plan)
					10% (in line with project plan)	10% (in line with project plan)	20% (in line with project plan)	30% (in line with project plan)
					5% (in line with project plan)	Target not met	5% (in line with project plan)	10% (in line with project plan)
6.	KPA 1: Basic Service Delivery and Infrastructure Development	KPE 1.2: Facilitating Public Capital Projects	1.2.3	Number of Helenvale precinct areas upgraded through construction of sidewalks and pedestrian walkways	Contractor appointed	Target not met	10% (in line with project plan)	10% (in line with project plan)

ACTUAL - QUARTER ENDING 31 DECEMBER 2015	TARGET - QUARTER ENDING 31 MARCH 2016	ACTUAL - QUARTER ENDING 31 MARCH 2016	TARGET - QUARTER ENDING 30 JUNE 2016	ANNUAL ACCUMULATIVE / AVERAGE TARGET (1 JULY 2015 - 30 JUNE 2016)	ACTUAL - QUARTER ENDING 30 JUNE 2016	COMMENTS (IF TARGET NOT MET, PLEASE PROVIDE REASONS WHY; MITIGATING MEASURES; ANTICIPATED DATE THAT TARGET WILL BE MET)
87.5% satisfaction achieved	Survey conducted by service provider	In progress (Survey for PE CBD conducted by service provider)	85% satisfaction by June 2016	85% satisfaction by June 2016	88.5% satisfaction achieved	The internal survey that was conducted by the Mandela Bay Development Agency during the period under review to determine the baseline for satisfaction levels with cleansing services in the Port Elizabeth and Uitenhage Central Business Districts yielded the following results: 89% satisfied, and 11% not satisfied from a sample of 100 businesses selected in the Port Elizabeth Central Business District (CBD). The Uitenhage CBD responses are as follows: 88% satisfied and 12% not satisfied, from a sample of 60 businesses surveyed. This resulted in an overall satisfaction level of 88.5%. The overperformance reported against this Key Performance Indicator is attributed to the close monitoring of the cleaning programme by the MBDA to ensure that acceptable service levels are achieved. In this regard, town rangers frequently visit the PE/Uitenhage CBDs to solicit complaints and feedback from businesses in respect of the cleaning programme.
65% satisfaction achieved	Survey conducted by service provider	Survey conducted by the service provider.	65% satisfaction by June 2016	65% satisfaction by June 2016	74% satisfaction achieved	The internal survey conducted by the Mandela Bay Development Agency during the period under review to determine the baseline for satisfaction levels with security services in the Port Elizabeth Central Business District (CBD) area yielded the following results: 74% satisfied and 26% not satisfied, from a sample of 100 businesses in the Port Elizabeth CBD. The reason for the overperformance reported against this Key Performance Indicator is attributed to the close monitoring of the security programme by the MBDA to ensure that acceptable service levels are achieved. In this regard, town rangers frequently walk about the PE CBD to solicit complaints and feedback from businesses in respect of the security programme.
20% (in line with project plan)	20% (in line with project plan)	68%	30% (in line with project plan)	70% of Tramways Building Phase 2 redevelopment completed (in line with project plan) - Walkway, parking area, landscaping, fencing and garages	95%	The Tramways Building (Phase 2) redevelopment is 95% complete. The 95% completion is made up following: Guard House (100% complete); Fencing (100% complete); Car Parking Lighting (100%); Garage Area (100% complete); Entrance Area and Steps (100% complete) and Paraplegic Area (100% complete). The contractor is expected to achieve Practical Completion at the inspection.
0% of Vuyisile Mini Square Phase 1 development completed	5% (in line with project plan)	0% of Vuyisile Mini Square Phase 1 development completed	5% (in line with project plan)	15% of Vuyisile Mini Square Phase 1 development completed (in line with project plan)	0% of Vuyisile Mini Square Phase 1 development completed	The Vuyisile Mini Square (Phase 1) development project is 0% complete. The underperformance against the key performance indicator is as a result of delays experienced in the approval of the project by the Economic Development, Tourism and Agriculture (EDTA) Committee. The EDTA Committee only approved the project for implementation on 29 September 2015. The tender for professional services has been advertised and a preferred consultant was identified. The Supply Chain Management process was, however, halted by an objection lodged by an unsuccessful bidder. The matter was sent to an independent legal expert for mediation and has since been favourably resolved. The design work has commenced. The annual target is envisaged to be met by 30 June 2017.
48% (in line with project plan)	20% (in line with project plan)	38% (in line with project plan)	40% (in line with project plan)	90% of Red Location Singapi Road upgrade Phase 2 completed (in line with project plan)	99%	99% of the Red Location Singapi Road Upgrade (Phase 2) is 99% complete. The remaining 1% relates to the defects liability period. Street lights must be installed and fully operational to achieve practical completion. Contractor to prepare a list of items to be done before practical completion can be issued.
15% (in line with project plan)	20% (in line with project plan)	0%	50% (in line with project plan)	100% of Veeplaas Business Incubator Building upgrade completed (in line with project plan)	63%	Project progress at 61%. The underperformance reported against this Key Performance Indicator is attributed to community protests against the project experienced during the third quarter. Various meetings were held with the community members, the Ward Councillor and all aggrieved parties (in the third quarter) to address their concerns. The SMME's could possibly post a challenge as they have not taken up their responsibilities
0% (in line with project plan)	5% (in line with project plan)	0% of New Brighton Swimming Pool completed (in line with project plan)	10% (in line with project plan)	25% of New Brighton Swimming Pool completed (in line with project plan)	0%	The underperformance reported against this Key Performance Indicator is due to the fact that the identified site is not zoned for recreational purpose. An alternative site has been identified and the site development plans have been approved. Baseline Project Execution plan has been submitted by the Consultant and various public participation meetings with the community has commenced. It is envisaged that this target will only be completed in the next financial period.
0% (in line with project plan)	35% (in line with project plan)	0%	55% (in line with project plan)	3 (Gate to Hillcrest Primary School, Fitchard Street to Bayview Primary School, Reginald to Helenvale Primary School)	0%	Contractors only appointed in June 2016. This is due to a delay in provision of a Non Objection by KfW Bank as well as delayed response from Contractors in respect of their acceptance letters.

## 1. HUMAN RESOURCES

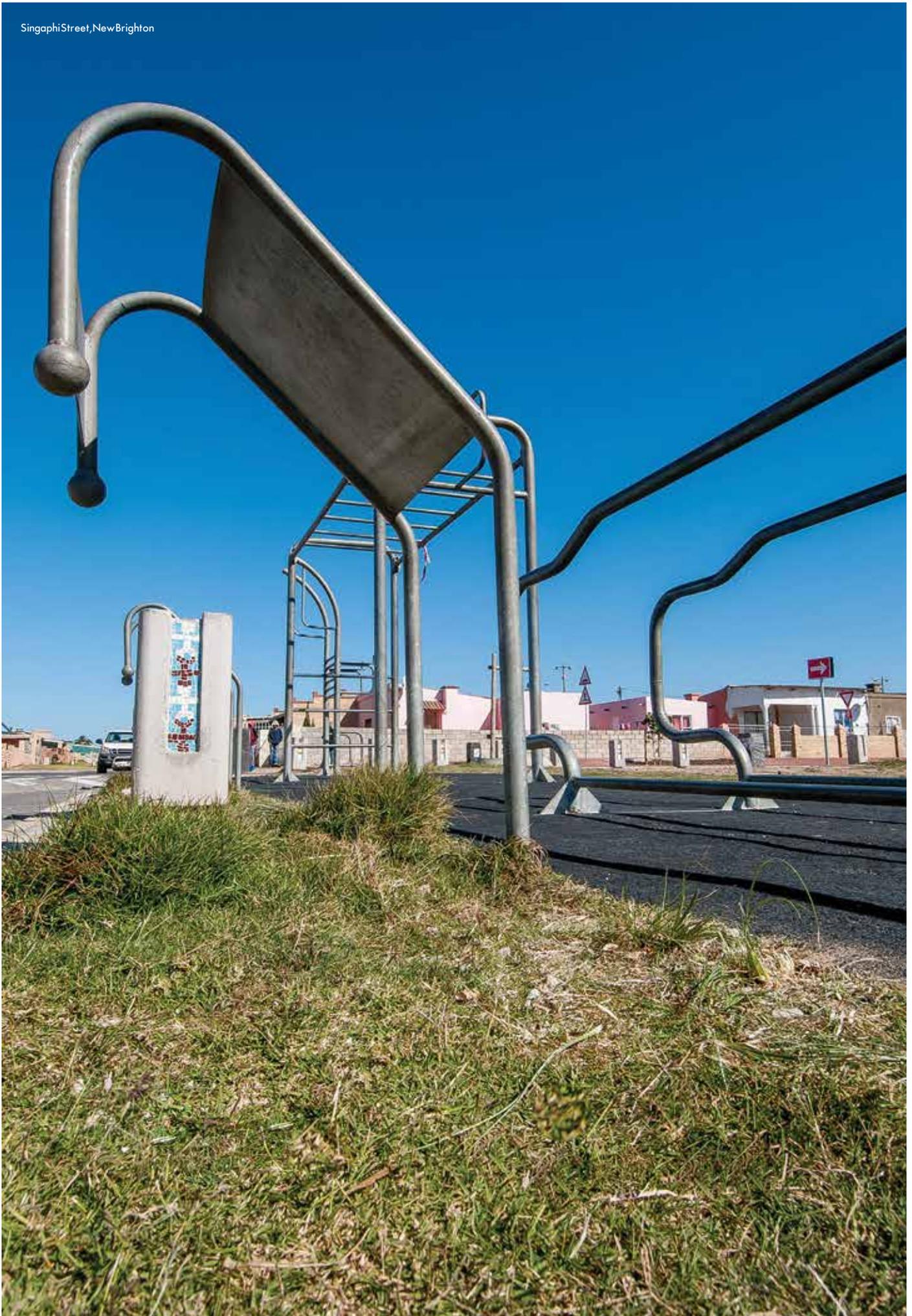
During the 2015/16 period, the staff complement grew, with five new employees coming on board. The MBDA's staff complement as of 30 June 2016 and as per employment equity principles is reflected below:

### RACE

LEVEL	BLACK	WHITE	COLOURED	INDIAN	TOTAL
Senior Management		1		1	2
Professionally qualified and experienced specialists and mid-management	3	1	2		6
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	2	5	1	15
Semi-skilled and discretionary decision making	4	3			7
Unskilled and defined decision making	2				2
<b>TOTAL</b>	<b>16</b>	<b>7</b>	<b>7</b>	<b>2</b>	<b>32</b>



LEVEL	MALE	FEMALE	TOTAL
Senior Management	2		2
Professionally qualified and experienced specialists and mid-management	5	1	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	5	10	15
Semi-skilled and discretionary decision making	2	5	7
Unskilled and defined decision making		2	2
<b>TOTAL</b>	<b>14</b>	<b>18</b>	<b>32</b>



**Board of Directors**  
Chairperson Motse Mfuleni

**Co. Sec / Legal Officer**  
TBA

**Chief Executive Officer**  
Pierre Voges

**Chief Financial Officer**  
Ashwin Daya

**Personal Assistant**  
Pam Fraser

**Receptionist**  
Beullah Bedeshe

**General Assistant**  
Nompumeleo Thabe

**General Assistant**  
Ntombavuyo Gwathi

**Chief Accountant**  
Zwelithini Gagayi

**Accountant**  
Hazel Mingo

**Accountant**  
Siyabulela Sogcwayi

**Finance Assistant**  
Brenda Ngqokwe

**Practitioner:  
Company Admin**  
Charmel Bush

**Senior Admin Assistant**  
Nwabisa Mapapu

**Practitioner: SCM & IT**  
Pamela Govender

**SCM Administrator**  
Tarryn Jones

**SCM Admin Assistant**  
Alicia Magwada

**Project Accountant**  
TBA

**HR Specialist**  
TBA

**Planning & Development  
Manager**  
Dorelle Sapere

**Project Leader**  
Monica Martin

**Project Leader**  
Oyama Vanto

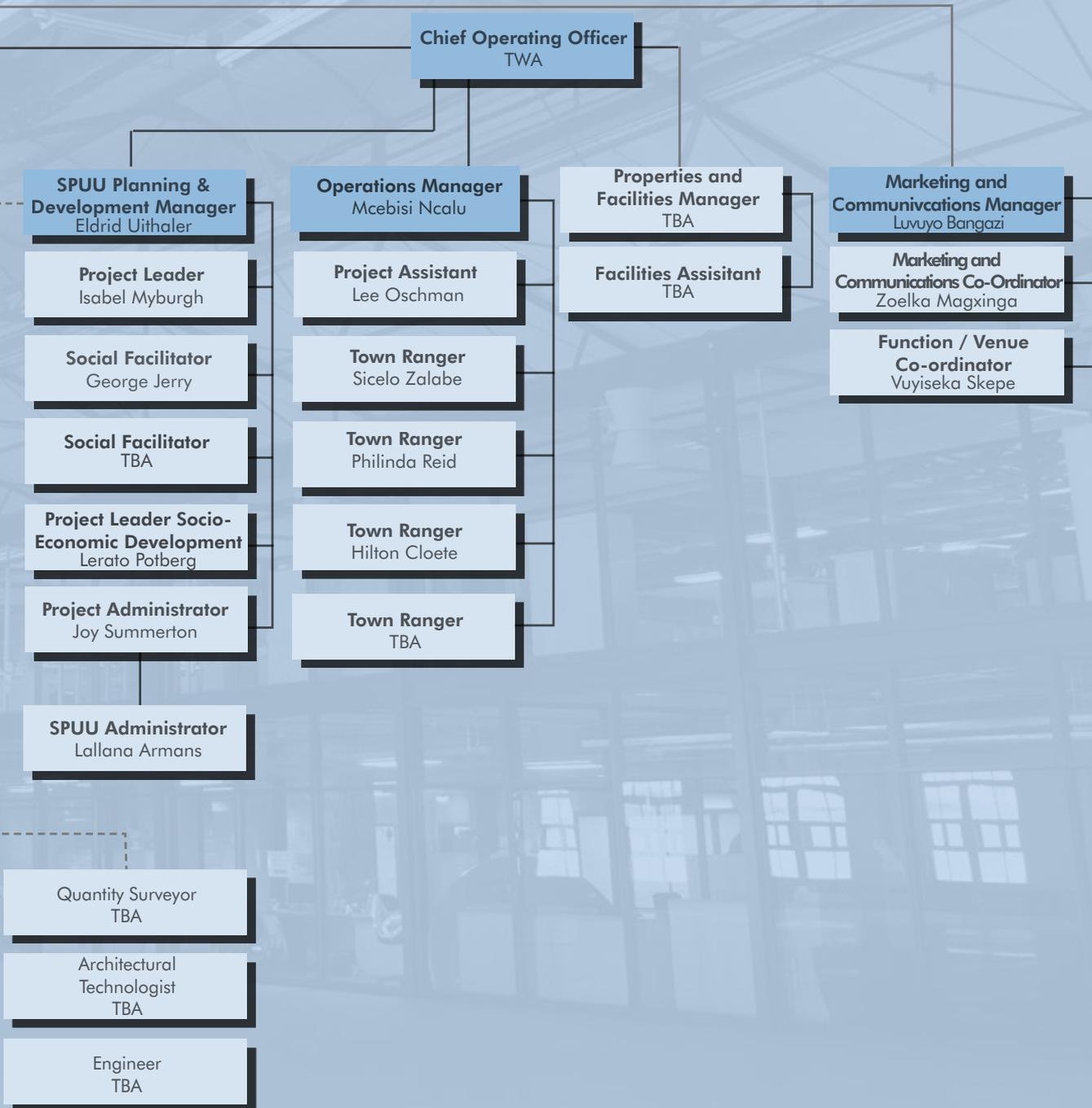
**Engineers Rep/ SMME  
Consultant**  
Giovanni Taft

**Project Administrator**  
Lorielle Stokes

**Facilities Co-ordinator**  
Asanda Mlata

## 2. ORGANISATIONAL STRUCTURE

The MBDA staff organogram as at 30 June 2016 is reflected in the following diagram.









SECTION  
AUDIT REPORT AND ANNUAL  
FINANCIAL STATEMENTS

05



The total value invested by businesses into their properties between 2013 and 2015 was

**R 2.2 million**  
in New Brighton

With residents investing a further

**R 5.8 million**  
in New Brighton





## Report of the auditor-general to the Eastern Cape Provincial Legislature and the council of the Nelson Mandela Bay Metropolitan Municipality on the Mandela Bay Development Agency NPC

### Report on the financial statements

#### Introduction

1. I have audited the financial statements of the Mandela Bay Development Agency NPC set out on pages 44 to 73 which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mandela Bay Development Agency NPC as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and the Companies Act.

#### Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### Post balance sheet events

8. As disclosed in note 23 to the financial statements, the mayoral committee of the Nelson Mandela Bay Metropolitan Municipality (NMBMM) resolved during October 2016 that the management of the NMB multi-purpose stadium be transferred to the municipal entity.

#### Additional matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Other reports required by the Companies Act

10. As part of my audit of the financial statements for the year ended 30 June 2016, I have read the directors' report to determine whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report, I have not identified material inconsistencies between the report and the audited financial statements. I have not audited the report and, accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

### Report on other legal and regulatory requirements

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the municipal entity for the year ended 30 June 2016:
  - KPA 1: basic service delivery and infrastructure development on pages x to x
14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information.
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objective:
  - KPA 1: basic service delivery and infrastructure development

### Additional matter

17. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matter:

## Achievement of planned targets

18. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

### Compliance with legislation

19. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance plan and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor General*

East London  
30 November 2016





# MANDELA BAY DEVELOPMENT AGENCY NPC

## DIRECTOR'S REPORT

The Directors have pleasure in submitting their report for the entity, which forms part of the audited financial statements of the Non Profit Company for the year ended 30 June 2016.

### ESTABLISHMENT

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC) established the Mandela Bay Development Agency (the entity) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development. The original geographical area for which the entity was responsible was the Port Elizabeth Central Business District (CBD) and the inner city surrounds and this was later expanded to various other developing nodes in Nelson Mandela Bay. Over the past twelve years, the MBDA has implemented a number of urban renewal projects, precinct upgrades, security and cleansing programmes as well as other strategic assignments that are collectively changing the face of Nelson Mandela Bay and reinvigorating the economic life in key developing nodes and precincts and which has resulted in an expansion of its mandate and strategic objectives in line with the Integrated Development Plan (IDP) of its parent municipality.

### GENERAL REVIEW

The entity has received conditional grants during the period under review from the NMBM for urban regeneration projects, operational expenses and property, plant and equipment in terms of the budget submitted to them.

The MBDA mandate has been expanded to include the rejuvenation of neglected township areas, from the initial focus on the inner city and its surrounds only and this initiative has now gained much momentum as the challenges of inequalities in townships and other previously disadvantaged areas are addressed by the NMBM. To date the MBDA has played a key role particularly in addressing the urban decay and degeneration in the inner cities of Port Elizabeth and Uitenhage and the recent municipal infrastructure and environmental upgrading projects that it has implemented in the townships have been widely welcomed and positively received by various key stakeholders.

### LEGISLATION

The entity complied with all the relevant sections of the Companies Act 71 of 2008, the Companies Amendment Act 3 of 2011, the Local Government: Municipal Finance Management Act 56 of 2003, and the Local Government: Municipal Systems Act 32 of 2000.

### FINANCIAL RESULTS

The financial results are set out in the attached annual financial statements.

### KEY ACTIVITIES

#### *In Progress / Completed Projects*

During the period under review the Agency completed the Zola Nqini Statue on Uitenhage Market Square, as well as the Bird Street / Belmont Terrace Upgrade project Phase 4. The Tramways Building Phase 1 construction was also completed with the Agency taking occupation of its new office headquarters in an exciting new Baakens River Valley node which is anticipated to see huge development over the next few years. The Singapi Rd Phase 1 development has also been completed and this is expected to become a gateway to the Red Location Museum in time to come with this node becoming a vibrant arts and cultural precinct attracting both local and foreign tourists.

The Agency also purchased the St Peters property in the Baakens Valley and this heritage asset is planned to be redeveloped into a multi-use facility that will celebrate the people of South End who were forcibly removed by the apartheid government in the 1970s. In Veeplaas three community projects were completed in the form of a carwash, a creative industries hub as well as a business incubator, all of which will have to be operationalised in the new financial period. The Qaqawuli Community Hall in New Brighton was also completed during this period.

### NEW PROJECTS

Township renewal projects are a significant addition to the MBDA's responsibilities and have been identified as core to future evolution of the agency's mandate. Township populations are increasing, putting pressure on already-stressed infrastructure, alongside the social problems that come with high levels of poverty and unemployment. There is a need to ensure that these previously-marginalised areas, a geospatial legacy of apartheid, are integrated equitably into the city and are able to offer amenable living, working and recreation environments. The Singapi Street Upgrade project is the MBDA's first major project in the Black townships and is progressing well with the second phase commencing in the 2015/16 period. The Zola Nqini Statue concept and design for Uitenhage Market Square has now received approval from the community and military veterans and the bust will be cast and installed during the 2015/16 period. The Veeplaas carwash, creative industries and business incubator projects have progressing fairly well despite some challenges with regard to municipal regulations and these will be carried forward into 2015/16 for completion and operation. The Qaqawuli Community Hall is also progressing well and will be completed in 2015/16.

### FUTURE PROJECTS

During 2016/17 the Agency plans to commence with the construction of the Vuyisile Mini Square Upgrade which is a key project planned in the City Hall precinct and which forms part of the civic and cultural precinct that is planned for that node, with linkages to the Baakens Valley and port precincts. Three Helenvale SPUU infrastructure projects will commence in line with the approved Masterplan and is funded by KfW Bank in Germany. Planning for the redevelopment of the New Brighton Swimming Pool Precinct is advancing well and construction of phase 1 will commence in 2016/17 while the Neave Street Park in Schauderville / Korsten will be upgraded in line with a masterplan that was finalised in the period under review. The NMBM has also mandated the Agency to commence a process of inviting artists to submit expressions of interest for a public art piece depicting the Rivonia Trial and this will be initiated during the 2016/17 financial period. A memorandum of understanding has been signed between the NMBM and provincial government in respect of the redevelopment of Bayworld and MBDA will be appointed during 2016/17 as the implementing agent to redevelop this vital catalytic tourism asset for the City. The redevelopment of the Telkom Park site is also expected to gain momentum in 2016/17 with a call for expressions of interest from developers planned to be released.

## DIRECTORS AND SECRETARY

### DIRECTORS

Non-executive directors of the company as at 30 June 2016, after having being appointed by Council on 21 April 2016, were:

Mputumi William Goduka (Chairperson)

Derrick Ian Swartz

Nomhle Theodora Tys

Kasaven Govender

Adrian John Faulkner Gardiner

Renganayagee Kisten

Khulile Vuyisile Nzo

Bongani Gxilishe

Rajesh Dana

Sithole Mabi Mbanga

Masalamani Odayar

The following non-executive directors of the company resigned during the financial year:

Motse Maxwell Mfuleni Resigned on 20 June 2016

Nomalizo Jessie Mandaba Resigned on 04 April 2016

Melikhaya Lucky Gosani Resigned on 22 June 2016

Monde Dugmore Ngonyama Resigned on 04 April 2016

Samkelo Dlulani Resigned on 22 June 2016

Mncedisi Griffiths Sitoto Resigned on 04 April 2016

Khulile Vuyisile Nzo Resigned on 04 April 2016

Vuyo Zitumane Resigned on 11 February 2016

Nqaba Mhlaba Resigned on 04 April 2016

Kasaven Govender Resigned on 04 April 2016

Luvuyo Livingstone Bono Resigned on 22 June 2016

### SENIOR MANAGEMENT

The Chief Executive Officer's employment contract came to an end on 31 March 2016 and was extended on a month to month basis. The new board of directors will review his employment status during 2016/17 financial year.

During the period under review four of the six senior managers in the agency completed the minimum finance competency level requirements for senior officials within the entity. This requirement is in terms of a National Treasury regulation (Government Gazette 29967).

Preparer of annual financial statements: Zwelithini Gagayi (Chief Financial Accountant)

The company secretary is Ashwin Badra Daya whose business and postal addresses are:

Postal Address:  
Mandela Bay Development Agency  
P.O. Box 74  
Port Elizabeth  
6000

Business Address:  
1st Floor  
Tramways Building  
Corner Lower Valley Road and South Union Street  
Central  
Port Elizabeth  
6001



MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

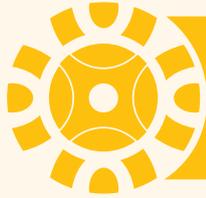
	NOTES	2016 R	2015 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>NET ASSETS</b>			
Accumulated Surplus		7,509,717	1,496,677
<b>Non Current Liabilities</b>			
Construction Contract Retention Creditors	2	-	505,468
Deferred Income	5	609,071	-
<b>Current Liabilities</b>		60,676,322	60,958,727
Trade and Other Payables	3	7,416,825	9,231,194
Provisions	4	228,330	32,481
Unspent Conditional Grants	5, 27	51,345,910	48,994,792
Current Portion Deferred Income	5	166,110	-
Current portion of Construction Contract Retention Creditors	2	1,519,146	2,700,260
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>68,795,110</b>	<b>62,960,872</b>
<b>ASSETS</b>			
Non-current Assets		7,509,717	1,496,677
Property, Plant & Equipment	6	7,421,139	1,352,480
Intangible Assets	7	88,578	144,197
Current Assets		61,285,392	61,464,195
Trade and Other Receivables	8	27,182,838	7,805,341
Deposits	9	2,100	2,100
Cash and Cash Equivalents	10	34,100,454	53,656,754
<b>TOTAL ASSETS</b>		<b>68,795,110</b>	<b>62,960,872</b>

# MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016



	NOTES	2016 R	2015 R
<b>Revenue from Exchange Transactions</b>		<b>41,135,320</b>	<b>53,325,614</b>
Nelson Mandela Bay Municipality Grants		41,135,320	53,325,614
<b>Revenue from non Exchange Transactions</b>		<b>59,050,063</b>	<b>46,002,906</b>
Industrial Development Corporation Grants		1,540,951	-
Nelson Mandela Bay Municipality Grants		47,009,033	31,799,579
Eastern Cape Development Corporation Grants		25,304	3,089,743
KfW Bank Grants		6,392,985	7,669,853
National Lotteries Board Grants		80,060	110,772
Interest Received		4,001,730	3,332,959
<b>TOTAL REVENUE</b>		<b>100,185,383</b>	<b>99,328,520</b>
<b>OTHER INCOME</b>			
Other Income	12	506,269	394,203
<b>TOTAL INCOME</b>		<b>100,691,652</b>	<b>99,722,723</b>
<b>EXPENDITURE</b>		<b>94,678,612</b>	<b>99,129,787</b>
Advertising & Media		460,624	-
Audit Fees		789,735	440,287
Arts, Culture & Heritage Activation		261,670	-
Athenaeum Building Operating Costs		712,707	88,949
Bad Debts		26,821	16,794
Bank Charges		16,697	17,429
Capital Projects Cost		42,367,936	53,128,564
CBD Facilities		3,062,625	2,650,051
Cleaning & Safety		58,198	24,767
Cleansing Plan Project		4,418,061	4,062,139
Consumables		22,590	7,966
Course Fees, Education & Training		229,551	231,317
Department of Arts and Culture Expenses	29	-	64,831
Depreciation and Amortisation	6, 7	414,955	195,598
Directors' Expenses		105,144	50,894
Donations & Social Responsibility		830,659	484,927
ECDC Project Expenses		25,304	201,272
Electricity, Water & Rates		83,915	187,397
Employee Related Costs	13	13,903,235	11,691,724
Entertainment		81,550	105,061
EPWP Projects		1,462,685	1,949,563
Operating Leases & Rentals	25	46,537	75,102
Helenvale Urban Renewal Program		339,023	625,459
Helenvale Resource Centre Operating Costs		1,335,686	1,184,516
Helenvale SPUU Expenses	30	5,425,953	7,669,853
Insurance		127,766	94,106
Interest Paid	15	3,743	197,050
IT Support Costs & Computer Expenses		204,834	119,343
Legal Fees		495,494	319,035
Loss on disposal of Property, Plant and Equipment		37,107	-
Motor Vehicle expenses		114,371	93,628
National Lotteries Board Expenses	27	80,060	110,772
Office Decor & Fittings		5,996	23,455
Office Relocation costs		134,176	11,435
Office Rentals		343,875	858,640
Postage & Courier		7,919	8,142
Printing & Stationery		183,659	133,538
Professional & Consultant Fees		716,758	625,838
Provision for Doubtful Debts		41,739	48,585
Public Relations & Marketing		4,670,214	3,533,031
Recruitment Costs		17,403	30,370
Refreshments		58,547	48,661
Repairs & Maintenance		585,752	4,835
Security Plan Project		6,802,563	2,732,806



## MANDELA BAY DEVELOPMENT AGENCY NPC

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	2016 R	2015 R
SPUU Expenses		967,033	-
Staff Welfare		17,260	-
Strategic Spatial Framework Studies	28	1,846,190	3,934,161
Subscriptions		140,400	128,783
Sundry Expenses		94,043	70,812
Telephone & Fax		304,752	222,320
Travel & Accommodation		195,099	625,982
<b>SURPLUS FOR THE YEAR</b>		<b>6,013,040</b>	<b>592,936</b>



## MANDELA BAY DEVELOPMENT AGENCY NPC

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	R <b>Accumulated Surplus</b>	R <b>Total</b>
Balance at 01 July 2014	903,741	903,741
Surplus for the year	592,936	592,936
<b>Balance at 01 July 2015</b>	<b>1,496,677</b>	<b>1,496,677</b>
Surplus for the year	6,013,040	6,013,040
<b>Balance at 30 June 2016</b>	<b>7,509,717</b>	<b>7,509,717</b>

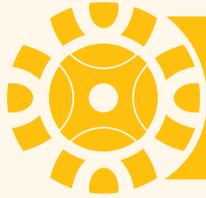
Note: The accumulated surplus of the entity represents revenue relating to grants received for the purchase of property, plant and equipment. The accumulated surplus will increase when new assets are purchased and reduce as these assets are depreciated over their useful lives.

# MANDELA BAY DEVELOPMENT AGENCY NPC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016



	NOTES	2016 R	2015 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Gross cash receipts from Nelson Mandela Bay Municipality		75,312,306	93,516,161
Gross cash receipts from ECDC, DAC and others		19,722,758	6,034,582
Cash paid to suppliers and employees		(111,628,818)	(106,475,270)
Cash utilised in operations	14	<b>(16,593,753)</b>	<b>(6,924,528)</b>
Interest received		2,769,114	3,332,959
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(13,824,639)</b>	<b>(3,591,569)</b>
<b>CASH FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		(99,885)	9,742
Purchase of property, plant and equipment	6	(5,622,946)	(678,544)
Purchase of intangible assets	7	(8,830)	(144,619)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(5,731,661)</b>	<b>(813,420)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(19,556,300)</b>	<b>(4,404,989)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		53,656,754	58,061,743
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>34,100,454</b>	<b>53,656,754</b>



MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

<b>Budget on Cash Basis</b>						
<b>Statement of Financial Performance</b>						
	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual Amounts on Comparable Basis</b>	<b>Difference Between Final Budget and Actual</b>	<b>Explanations</b>
	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	
<b>REVENUE</b>						
Revenue from Exchange Transactions						
Nelson Mandela Bay Municipality Grants	91,567,457	(10,742,084)	80,825,373	41,135,320	39,690,053	
Agency Services	300,000	-	300,000	334,066	(34,066)	
Tender Fees	50,000	-	50,000	61,154	(11,154)	
Interest Received	2,500,000	-	2,500,000	4,001,730	(1,501,730)	
Sundry Income	50,000	-	50,000	111,049	(61,049)	
	<b>94,467,457</b>	<b>(10,742,084)</b>	<b>83,725,373</b>	<b>45,643,318</b>	<b>-</b>	
Revenue from non Exchange Transactions						
Nelson Mandela Bay Municipality Grants	45,000,000	-	45,000,000	47,009,033	(2,009,033)	
Eastern Cape Development Corporation Grants	20,000	-	20,000	25,304	(5,304)	
Industrial Development Corporation Grants	1,500,000	-	1,500,000	1,540,951	(40,951)	
KfW Bank Grants	5,500,000	-	5,500,000	6,392,985	892,985	
National Lotteries Board Grants	50,000	-	50,000	80,060	30,060	
	<b>52,070,000</b>	<b>-</b>	<b>52,070,000</b>	<b>55,048,333</b>	<b>(2,978,333)</b>	<b>-</b>
<b>TOTAL REVENUE</b>	<b>146,537,457</b>	<b>(10,742,084)</b>	<b>135,795,373</b>	<b>100,691,652</b>	<b>35,103,721</b>	<b>-</b>
<b>EXPENDITURE</b>						
Advertising & Media	200,000	280,000	480,000	460,624	(19,376)	
Audit Fees	736,833	65,000	801,833	789,735	(12,098)	
Arts, Culture & Heritage Activation		270,000	270,000	261,670	(8,330)	
Athenaeum Building Operating Costs	711,051	50,000	761,051	712,707	(48,344)	
Bad Debts		30,000	30,000	26,821	(3,179)	
Bank Charges	16,960	-	16,960	16,697	(263)	
Capital Projects Cost	91,567,457	(10,742,084)	80,825,373	42,367,935.81	(38,457,437)	Note 31 (1)
CBD Facilities	5,055,070	50,000	5,105,070	3,062,625	(2,042,445)	Note 31 (2)
Cleaning & Safety	160,722	(100,000)	60,722	58,198	(2,524)	
Cleansing Plan Project	5,443,996	-	5,443,996	4,418,061	(1,025,935)	Note 31 (3)
Consumables		30,000	30,000	22,590	(7,410)	
Course Fees, Education & Training	250,000	100,000	350,000	229,551	(120,449)	Note 31 (4)
Department of Arts and Culture Expenses			-	-	-	
Depreciation and amortisation	200,000	220,000	420,000	414,955	(5,045)	
Directors' Expenses	200,000	-	200,000	105,144	(94,856)	
Donations & Social Responsibility	715,332	120,000	835,332	830,659	(4,673)	
ECDC Project Expenses	20,558	9,442	30,000	25,304	(4,696)	
Electricity, Water & Rates	308,665	-	308,665	83,915	(224,750)	Note 31 (5)
Employee Related Costs	14,763,170	(455,000)	14,308,170	13,903,235	(404,935)	Note 31 (6)
Enterprise Development Project	2,500,000	(2,500,000)	-	-	-	
Entertainment	100,000	50,000	150,000	81,550	(68,450)	
Emerging contractor development programme	1,500,000	(750,000)	750,000	-	(750,000)	
EPWP Projects	1,842,436	520,000	2,362,436	1,462,685	(899,751)	Note 31 (7)
Operating Leases & Rentals	150,000	(50,000)	100,000	46,537	(53,463)	
Helenvale Urban Renewal Program	425,565		425,565	339,023	(86,542)	
Helenvale Resource Centre Operating Costs	1,542,473	-	1,542,473	1,335,686	(206,788)	Note 31 (8)
Helenvale SPUU Expenses	4,530,400	1,525,643	6,056,043	5,425,953	(630,090)	Note 31 (9)
Insurance	300,000	-	300,000	127,766	(172,234)	Note 31 (10)
Interest Paid	103,000	100,000	203,000	3,743	(199,257)	
IT Support Costs & Computer Expenses	644,426	(400,000)	244,426	204,834	(39,592)	
Legal Fees	457,154	50,000	507,154	495,494	(11,660)	
Loss on disposal of Property, Plant and Equipment		35,000	35,000	37,107	2,107	
Motor Vehicle expenses	148,680	-	148,680	114,371	(34,309)	
National Lotteries Board Expenses	176,028	20,558	196,586	80,060	(116,526)	Note 31 (11)

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS



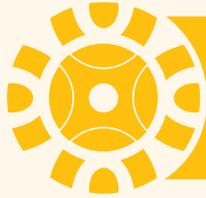
<b>Budget on Cash Basis</b>						
<b>Statement of Financial Performance</b>	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual Amounts on Comparable Basis</b>	<b>Difference Between Final Budget and Actual</b>	<b>Explanations</b>
	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	
Office Decor & Fittings	150,000	(120,000)	30,000	5,996	(24,005)	
Office Relocation costs	335,565	(195,565)	140,000	134,176	(5,824)	
Office Rentals	501,453	-	501,453	343,875	(157,578)	Note 31 (12)
Postage & Courier	33,431	-	33,431	7,919	(25,513)	
Printing & Stationery	100,000	90,000	190,000	183,659	(6,341)	
Professional & Consultant Fees	806,741	200,000	1,006,741	716,758	(289,983)	Note 31 (13)
Provision for Doubtful Debts		50,000	50,000	41,739	(8,261)	
Public Relations & Marketing	4,000,000	700,000	4,700,000	4,670,214	(29,786)	
Recruitment Costs	78,880	96,000	174,880	17,403	(157,477)	Note 31 (14)
Refreshments	54,599	4,000	58,599	58,547	(52)	
Repairs & Maintenance	850,000	(264,435)	585,565	585,752	187	
Security Plan Project	7,734,613	710,000	8,444,613	6,802,563	(1,642,050)	Note 31 (15)
SPUU Expenses	910,000	2,021,900	2,931,900	967,033	(1,964,867)	Note 31 (16)
Staff Welfare	-	50,000	50,000	17,260	(32,740)	
Strategic Spatial Framework Studies	4,400,695		4,400,695	1,846,190	(2,554,505)	Note 31 (17)
Subscriptions	75,000	70,000	145,000	140,400	(4,600)	
Sundry Expenses	25,000	75,000	100,000	94,043	(5,957)	
Telephone & Fax	367,679	-	367,679	304,752	(62,927)	
Township Project Operating Cost	710,000	(710,000)	-	-	-	
Travel & Accommodation	400,000	(100,000)	300,000	195,099	(104,901)	Note 31 (18)
<b>TOTAL EXPENDITURE</b>	<b>156,303,632</b>	<b>(8,794,541)</b>	<b>147,509,091</b>	<b>94,678,612</b>	<b>(52,830,479)</b>	
<b>NET SURPLUS FOR THE YEAR</b>	<b>(9,766,175)</b>	<b>(1,947,543)</b>	<b>(11,713,718)</b>	<b>6,013,040</b>		

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015



	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual Amounts on Comparable Basis</b>	<b>Difference Between Final Budget and Actual</b>	<b>Explanations</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	
Computer Equipment	441,335	-	441,335	192,670	(248,665)	
Computer Software	575,761	(200,000)	375,761	8,830	(366,931)	
Office Equipment	299,243	1,700,000	1,999,243	737,912	(1,261,331)	
Furniture & Fittings	591,243	(400,000)	191,243	43,005	(148,238)	
CCTV Cameras	1,000,000	(1,000,000)	-	-	-	
Motor Vehicles	153,997	(100,000)	53,997	-	(53,997)	
Land & Buildings	4,697,800	-	4,697,800	4,649,358	(48,442)	
Leasehold Improvements	900,000	-	900,000	830,551	(69,449)	
<b>TOTAL EXPENDITURE</b>	<b>8,659,379</b>	<b>-</b>	<b>8,659,379</b>	<b>6,462,327</b>	<b>(2,197,052)</b>	<b>Note 31 (19)</b>



## 1.1 REPORTING ENTITY

Mandela Bay Development Agency is a municipal entity (registered non-profit company) with the Nelson Mandela Bay Municipality (NMBM) as its parent municipality. The entity's registered address is The City Hall, Port Elizabeth. The entity is situated in the Nelson Mandela Bay Municipality of the Eastern Cape Province. The entity has been established by the NMBM with the assistance of the Industrial Development Corporation (IDC) to project manage urban regeneration of the inner metro precinct and emerging development nodes in Nelson Mandela Bay with a view to promoting economic and tourism development.

## 1.2 BASIS FOR PRESENTATION

### 1.2.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) Financial Reporting Framework as set by the Accounting Standards Board (ASB) and prescribed by the Minister of Finance in Directive 5.

### 1.2.2 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention or fair value if stated as such.

### 1.2.3 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

#### Note 4 – Provisions

Workmen's compensation provision is calculated as a percentage of total earnings for the year.

#### Note 6 – Property, Plant & Equipment

The estimated useful lives of all property, plant and equipment were revised as part of the annual assessment process and was based on latest replacement cost.

#### Note 11 – Amounts due to Funders of Construction Contracts

This represents the total value of unspent conditional grant funding that has been received by the entity and which is reflected as payable to funders of construction contracts and other capital projects.

## 1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

## 1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.



**1.5 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of financial performance as incurred. Land is not depreciated.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal useful lives used for this purpose are:

Assets	Useful life in Years
- Computer Equipment	3 - 8
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5
- Containers	15

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date

Heritage assets refer to works of art that have been acquired or constructed by the entity and are not depreciated, but are assessed at each balance sheet date whether there is an impairment, in which case the entity shall estimate the recoverable amount of the heritage asset.

**1.6 INTANGIBLE ASSETS**

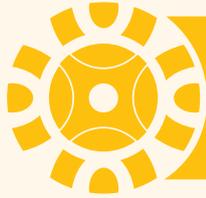
Intangible assets are identifiable non-monetary assets without physical substance and are carried at cost less accumulated amortisation and impairments.

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. The annual amortisation rates are based on the following estimated average asset lives:

Assets	Useful life in Years
- Computer Software	3 - 5

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.



## 1.7 CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Where contract costs incurred to date exceed capital grants received, the deficit is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent conditional grants. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

## 1.8 FINANCIAL INSTRUMENTS

### 1.8.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The entity had no financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets.

### 1.8.2 Trade and other Receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

### 1.8.3 Impairment of Financial Assets

The company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.



#### 1.8.4 Derecognition of financial assets and liabilities

##### 1.8.4.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired; or the entity retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either

(a) the entity has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

##### 1.8.5 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The entity’s financial liabilities include trade and other payables as well as construction contract retention creditors.

##### 1.8.5.1 Construction Contract Retention Creditors

The entity received grant funding from its parent municipality to undertake certain infrastructure development projects. It accounts for costs incurred on construction of these infrastructure development projects using the percentage of completion method which is certified by the consulting engineer.

Retentions payable within 12 months after financial year end is treated as current and any retentions payable over 12 months after financial year end is treated as long term.

##### 1.8.6 Loans and Borrowings

After initial recognition, trade and other payables and construction contract retention creditors are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well through the amortisation schedule.

## 1.9 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Cash in the statement of financial position comprises of cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at fair value.

## 1.10 PROVISIONS AND CONTINGENCIES

A provision is recognised when the entity has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the estimate of the expenditure required to settle the present obligation at the statement of financial position date.

After their initial recognition contingent liabilities recognised are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised but disclosed in the annual financial statements.





## 1.11 REVENUE RECOGNITION

### 1.11.1 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion.

When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

#### Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit.

### 1.11.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**1.12 VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amount of Value Added Tax except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and - receivables and payables that are stated with the amount of Value Added Tax included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of trade and other receivables or trade and other payables in the statement of financial position.

**1.13 UNSPENT CONDITIONAL GRANTS**

Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Conditional Grants. The cash received is invested until it is utilised.

**1.14 COMPARATIVE INFORMATION****1.14.1 Current year comparatives:**

Budgeted amounts have been included in the annual financial statements for the current year only.

**1.14.2 Prior year comparatives:**

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. (Refer to note 27 for the impact of the prior period restatement on the prior year comparatives).

**1.15 TAXATION**

The entity has received a tax exemption certificate from South African Revenue Services.

**1.16 OPERATING LEASES**

Operating leases do not transfer to the entity substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

**1.17 RETIREMENT BENEFITS**

The policy of the company is to provide retirement benefits for all its employees. The company has a defined contribution plan. Current contributions to the retirement benefit plan operated for employees are charged against the income in the period to which they relate.

**1.18 STATEMENTS IN ISSUE BUT NOT YET ADOPTED**

The following standards of GRAP in issue have not yet been adopted. Management has not yet had an opportunity to consider the potential impact of adoption of these standards.

Standard of GRAP	Effective Date
GRAP 20 Related party disclosures	No effective date gazetted to date
GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor	No effective date gazetted to date
GRAP 108 Standard of GRAP on Statutory Receivables	No effective date gazetted to date
GRAP 109 Standard of GRAP on Accounting Principles and Agents	No effective date gazetted to date



	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>2 CONSTRUCTION CONTRACT RETENTION CREDITORS</b>		
Mawethu Civils - Kings Beach Triangle Upgrade Phase 2B	-	52,484
Techni Civils - Bird Street/Belmont Terrace Upgrade Phase 2	-	218,776
Techni Civils - Bird Street/Belmont Terrace Upgrade Phase 3	273,345	356,074
GVK Siyazama - Tramways Building Redevelopment Phase 1A	-	1,785,129
Qingqani MaAfika - Sakhasonke Village Park	-	31,597
Skhothahla Construction - Veeplaas Creative Industries	-	32,255
Lulama Caka - Veeplaas Carwash	-	28,782
Techni Civils - Singapi Street Upgrade Phase 1	-	513,217
Techni Civils - Singapi Street Upgrade Phase 2	588,636	-
Gau Flora - Sawule Street Park	-	38,019
Tewo Building & Civil - Qaqawuli Community Hall	36,266	91,818
Alex Maintenance - Helenvale Precinct Phase 3	-	57,576
GVK Siyazama - Tramways Building Redevelopment Phase 2	620,899	-
	<u>1,519,146</u>	<u>3,205,727</u>
Less: Current portion transferred to Current Liabilities	<u>(1,519,146)</u>	<u>(2,700,260)</u>
	<u><b>-</b></u>	<u><b>505,468</b></u>

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 3 to 12 months after official sign off of the project, and are non-interest bearing.

### 3 TRADE AND OTHER PAYABLES

Trade Creditors	4,585,508	6,774,526
PAYE	-	175,058
UIF	-	16,026
Audit fees	-	479,888
Staff leave	469,376	458,738
Performance Bonuses	484,300	597,707
13th Cheque	232,817	182,409
Provident Fund	-	104,484
Accruals	1,600,708	442,357
Receipts in Advance	44,117	-
	<u><b>7,416,825</b></u>	<u><b>9,231,194</b></u>

Trade and other payables are non-interest bearing and are settled within 30 days of receipt of invoice.

### 4 PROVISIONS

#### Workmen's Compensation

Balance at beginning of year	32,481	44,109
Current year provision	41,801	32,481
Adjustment for underprovision	(10,440)	(17,583)
Expenditure incurred	(22,041)	(26,526)
Balance at end of year	<u>41,800</u>	<u>32,481</u>
Performance Bonuses Provision	186,530	-
<b>TOTAL</b>	<u><b>228,330</b></u>	<u><b>32,481</b></u>

### 5.1 DEFERRED INCOME

#### Operating Lease

Non-Current Portion	775,181	-
Less: Current Portion transferred to current liabilities	(166,110)	-




**5.2 UNSPENT CONDITIONAL GRANTS**

	2016 R	2015 R
	<b>51,345,910</b>	<b>48,994,792</b>
National Lotteries Board (NLB)	<b>89,648</b>	<b>169,708</b>
Opening Balance	169,708	280,480
Grants for the year	-	-
Capital expenditure portion of grant recognised as Revenue	-	-
Operating expenditure portion of grant recognised as Revenue	(80,060)	(110,772)
Eastern Cape Development Corporation (ECDC)	<b>32,054</b>	<b>57,358</b>
Opening Balance	57,358	36,800
Grants for the year	-	3,110,301
Recognised as Revenue	(25,304)	(3,089,743)
Industrial Development Corporation (IDC)	<b>1,959,049</b>	-
Opening Balance	-	-
Grants for the year	3,500,000	-
Recognised as Revenue	(1,540,951)	-
HURP/SPUU (KfW Funded)	-	-
Opening Balance	(1,760,255)	-
Transferred from/to Accounts Receivable	176,192	1,760,255
Grants for the year	5,103,707	-
Operating expenditure portion of grant recognised as Revenue	(3,519,644)	(1,760,255)
Nelson Mandela Bay Municipality (NMBM)	<b>49,265,159</b>	<b>48,767,726</b>
Opening Balance	<b>48,767,726</b>	<b>59,996,908</b>
Grants for the year	89,809,571	73,896,011
Capital project expenditure portion of grant recognised as Exchange Revenue	(42,367,936)	(53,325,614)
Operating and capital expenditure portion of grant recognised as Non-Exchange Revenue	<b>(46,944,202)</b>	<b>(31,799,579)</b>
Interest Received	2,769,114	3,332,959
Sundry Income	506,269	394,203
Property Plant & Equipment (excl Heritage Assets)	(6,462,327)	(823,162)
Operating expenses	(43,757,258)	(34,703,578)
<i>Made up as follows:</i>		
	<b>51,345,910</b>	<b>48,994,792</b>
Capital Projects in progress - Contract Creditors ( Refer to note 11 )	94,558,388	38,238,440
Other (Operating grants, interest received, sundry income etc)	(45,293,229)	10,529,286
Industrial Development Corporation	1,959,049	-
National Lotteries Board Grant	89,648	169,708
Eastern Cape Development Corporation Grant	32,054	57,358



**5.2 UNSPENT CONDITIONAL GRANTS (CONTINUED)**

\* The Agency's capital projects typically are multi-year in nature and span over 24 to 36 months with the first year normally starting slowly due to the complexities around planning, legislative compliance (EIA/Heritage), public participation, design, masterplanning and tender document preparation phases. The Unspent Conditional Grants total at 30 June 2016 comprised mainly of:

Project Name	Unspent Grants at 30 June 2016	Project Status
Bird Street / Belmont Terrace Upgrade Phase 4	315,485	Project in progress and rolled over to 2016/17 financial year .
Campanile Restoration	4,521,299	Project in progress and rolled over to 2016/17 financial year .
Korsten Schauderville Neave St Park Upgrade	2,000,000	Project rolled over to 2016/17 financial year .
Donkin Reserve Environmental Upgrade Phase 4	64,452	Project in progress and rolled over to 2016/17 financial year .
Red Location Upgrade - Singaphi Road Phase 1/2	2,066,105	Project in progress and rolled over to 2016/17 financial year .
Refurbishment of Tramways Phase 2	2,989,021	Project in progress and rolled over to 2016/17 financial year .
Tramways Art Piece	189,775	Project in progress and rolled over to 2016/17 financial year .
New Brighton Swimming Pool Precinct	2,484,532	Project rolled over to 2016/17 financial year .
Veeplaas Carwash	759,506	Project in progress and rolled over to 2016/17 financial year .
Veeplaas Creative Industries	1,719,472	Project in progress and rolled over to 2016/17 financial year .
Veeplaas Business Incubator	1,492,614	Project rolled over to 2016/17 financial year .
Vuyisile Mini Square Upgrade	4,976,362	Project rolled over to 2016/17 financial year .
Rivonia Trial Art Piece	8,000,000	Project rolled over to 2016/17 financial year .
Helenvale SPUU Construction Contracts	-	Project rolled over to 2016/17 financial year
Interest & Sundry Income	3,269,897	Rolled over into the 2016/17 financial year
Operating Costs	11,848,788	Committed costs / savings, rolled over into the 2016/17 financial year


**6. PROPERTY, PLANT AND EQUIPMENT**
**2016**  
**R**

	Cost			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal		Closing Balance
Computer Equipment	837,782	192,670	(114,987)	915,465	456,642	129,526	(100,181)	485,987	429,478
Office Equipment	222,715	737,912	(27,640)	932,988	116,027	50,260	(12,726)	153,561	779,426
Furniture & Fittings	413,683	43,005	-	456,689	313,343	17,716	-	331,059	125,629
Motor Vehicles	657,367	-	-	657,367	189,944	98,932	-	288,876	368,491
Containers	62,120	-	-	62,120	15,731	3,313	-	19,044	43,076
Heritage Assets	250,500	-	-	250,500	-	-	-	-	250,500
Land & Buildings	-	4,649,358	-	4,649,358	-	-	-	-	4,649,358
Leasehold Improvements	-	830,551	-	830,551	-	55,370	-	55,370	775,181
	<b>2,444,168</b>	<b>6,453,497</b>	<b>(142,627)</b>	<b>8,755,038</b>	<b>1,091,688</b>	<b>355,117</b>	<b>(112,907)</b>	<b>1,333,899</b>	<b>7,421,139</b>

**2015**  
**R**

	Cost			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal		Closing Balance
Computer Equipment	743,336	258,780	(164,334)	837,782	510,044	76,303	(129,705)	456,642	381,140
Office Equipment	213,959	8,757	-	222,715	87,471	28,556	-	116,027	106,688
Furniture & Fittings	410,679	3,004	-	413,683	290,644	22,699	-	313,343	100,340
Motor Vehicles	249,364	408,003	-	657,367	150,014	39,931	-	189,944	467,423
Containers	62,120	-	-	62,120	12,418	3,313	-	15,731	46,389
Heritage Assets	250,500	-	-	250,500	-	-	-	-	250,500
	<b>1,929,958</b>	<b>678,544</b>	<b>(164,334)</b>	<b>2,444,168</b>	<b>1,050,592</b>	<b>170,801</b>	<b>(129,705)</b>	<b>1,091,688</b>	<b>1,352,480</b>

**NOTE**

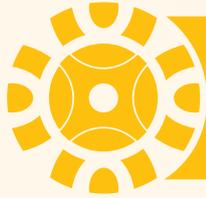
No item of Property, Plant and Equipment has been pledged as security for liabilities.

**7. INTANGIBLE ASSETS**
**2016**  
**R**

	Cost			Accumulated Amortisation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal		Closing Balance
Computer Software	324,858	8,830	(6,670)	327,018	180,661	59,837	(2,058)	238,440	88,578
	<b>324,858</b>	<b>8,830</b>	<b>(6,670)</b>	<b>327,018</b>	<b>180,661</b>	<b>59,837</b>	<b>(2,058)</b>	<b>238,440</b>	<b>88,578</b>

**2015**  
**R**

	Cost			Accumulated Amortisation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal		Closing Balance
Computer Software	180,239	144,619	-	324,858	155,865	24,796	-	180,661	144,197
	<b>180,239</b>	<b>144,619</b>	<b>-</b>	<b>324,858</b>	<b>155,865</b>	<b>24,796</b>	<b>-</b>	<b>180,661</b>	<b>144,197</b>



MANDELA BAY DEVELOPMENT AGENCY NPC

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>8 TRADE AND OTHER RECEIVABLES</b>		
Trade Debtors	24,142,522	3,159,308
Provision for Bad debts	(188,408)	(146,669)
Interest Receivable	224,396	484,697
HURP/SPUU (KfW Funded)	176,192	1,760,255
Prepaid Expenses	241,151	14,859
Sundry Debtors	112,500	20,000
SAR - VAT	2,474,487	2,512,892
	<b>27,182,838</b>	<b>7,805,341</b>
Trade debtors: Ageing		
Current (0 - 30 days)	121,160	1,177,876
31 - 60 days	22,015,397	496,590
61 - 90 days	16,180	462,030
91 + days	1,989,785	1,022,812
	<b>24,142,522</b>	<b>3,159,308</b>
NOTE		
Interest receivable, sundry debtors and VAT are all current.		
<b>9 DEPOSITS</b>		
Telkom	2,100	2,100
	<b>2,100</b>	<b>2,100</b>
<b>10 CASH AND CASH EQUIVALENTS</b>		
The entity has the following bank accounts		
Current Accounts (Primary Accounts)		
NedBank, Govan Mbeki Avenue, Port Elizabeth Account Number - 1084853833/1084866064		
Call account balance at beginning of year	435,692	-
Call account balance at end of the year	<b>4,568,254</b>	<b>435,692</b>
Bank statement balance at beginning of the year	435,692	-
Bank statement balance at end of the year	<b>4,568,254</b>	<b>435,692</b>
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - 62244870748		
Call account balance at beginning of year	83,628	726,410
Call account balance at end of the year	-	<b>83,628</b>
Bank statement balance at beginning of the year	83,628	726,410
Bank statement balance at end of the year	-	<b>83,628</b>
<i>Call Accounts Balances</i>		
Nedbank, Port Elizabeth Account Number - 03/7881116285/000002		
Call account balance at beginning of year	24,142,826	-
Call account balance at end of the year	<b>320,801</b>	<b>24,142,826</b>
Bank statement balance at beginning of the year	24,142,826	-
Bank statement balance at end of the year	<b>320,801</b>	<b>24,142,826</b>
Rand Merchant Bank, Port Elizabeth Account Number - X021906134		
Call account balance at beginning of year	28,994,607	57,335,333
Call account balance at end of the year	<b>29,211,400</b>	<b>28,994,607</b>
Bank statement balance at beginning of the year	28,994,607	57,335,333
Bank statement balance at end of the year	<b>29,211,400</b>	<b>28,994,607</b>



	<b>2016 R</b>	<b>2015 R</b>
Which are disclosed in the Statement of Financial Position as follows:-		
Cash and Cash Equivalents	<b>34,100,454</b>	<b>53,656,754</b>
Current Account (Primary Account)	4,568,254	519,320
Call Account Balances	29,532,200	53,137,434

All amounts of Cash and Cash Equivalents are available for use by the entity.

**11. AMOUNTS DUE TO FUNDERS OF CONSTRUCTION CONTRACTS**

Cumulative Construction costs incurred	(119,511,840)	(122,845,304)
Cumulative Advances received	214,070,228	161,083,744
Amounts due to funders of construction contracts (Refer to note 5)	<u>94,558,388</u>	<u>38,238,440</u>



MANDELA BAY DEVELOPMENT AGENCY NPC

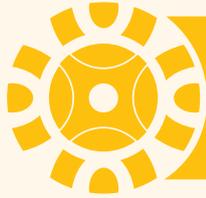
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>12 OTHER INCOME</b>		
Request for Proposal Document Fees	61,154	51,347
Sundry income	218,919	69,441
Kiosk Rentals	66,055	68,450
Helenvale Resource Centre Income	115,247	32,582
Public Toilet Fees	19,219	20,617
Tramways Event Space Rental	25,676	-
Donations Received	-	151,767
	<b>506,269</b>	<b>394,203</b>
<b>13. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	10,595,281	8,758,631
Employee related costs - Social Contributions	2,513,994	2,119,771
Car allowances	108,000	108,000
Long Service Bonus	15,130	107,615
Performance bonus	670,830	597,707
<b>Total Employee Related Costs</b>	<b>13,903,235</b>	<b>11,691,724</b>
<b>Remuneration of the Chief Executive Officer</b>		
Annual Remuneration including social contributions	1,635,727	1,532,381
Car allowance	60,000	60,000
Long Service Bonus (5/10 years)	-	55,877
Performance bonus	186,530	175,321
<b>Total</b>	<b>1,882,257</b>	<b>1,823,579</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration including social contributions	920,521	861,418
Car allowance	24,000	24,000
Long Service Bonus (5/10 years)	-	32,463
Performance bonus	122,667	101,823
<b>Total</b>	<b>1,067,188</b>	<b>1,019,704</b>
<b>Remuneration of Planning &amp; Development Manager (Inner City)</b>		
Annual Remuneration including social contributions	813,531	748,361
Car allowance	24,000	24,000
Long Service Bonus (5 years)	-	11,436
Performance bonus	108,742	92,683
<b>Total</b>	<b>946,273</b>	<b>876,480</b>
<b>Remuneration Operations Manager</b>		
Annual Remuneration including social contributions	615,948	494,749
Performance bonus	66,698	56,896
Long Service Bonus (5/10 years)	15,130	7,839
<b>Total</b>	<b>697,776</b>	<b>559,484</b>
<b>Remuneration of Planning &amp; Development Manager (Townships)</b>		
Annual Remuneration including social contributions	829,025	731,765
Performance bonus	93,581	84,153
<b>Total</b>	<b>922,606</b>	<b>815,918</b>
<b>Remuneration of Marketing and Communications Manager</b>		
Annual Remuneration including social contributions	776,761	723,580
Performance bonus	92,612	86,830
<b>Total</b>	<b>869,374</b>	<b>810,410</b>



	2016 R	2015 R
<b>14. CASH GENERATED FROM / (UTILISED IN) OPERATIONS</b>		
Surplus for the year	6,013,040	592,936
Depreciation	414,955	195,598
Loss on disposal of property, plant and equipment	37,107	24,887
Interest Received	(2,769,114)	(3,332,959)
Increase in provisions for doubtful debts	41,739	48,585
(Decrease)/Increase in provisions	195,849	(11,628)
<b>Operating loss before working capital changes:</b>	<b>3,933,576</b>	<b>(2,482,581)</b>
Increase in deferred income	-	-
Increase/(Decrease) in Trade and other Payables	(1,814,369)	2,993,775
(Decrease)/Increase in Unspent Conditional Grants	2,351,118	(11,319,396)
Increase/(Decrease) in Construction Contract Retention Creditors	(1,686,582)	1,191,218
Decrease / (Increase) in Trade and other Receivables	(19,377,497)	2,692,456
<b>Cash generated from / (utilised in) operations</b>	<b>(16,593,753)</b>	<b>(6,924,528)</b>
<b>15 INTEREST PAID</b>		
Interest on present valuing Retention Creditors	3,743	197,050
	<b>3,743</b>	<b>197,050</b>

This amount relates to a book entry with respect to the valuation of retention creditors at financial year end and is reversed once the retention is paid.



MANDELA BAY DEVELOPMENT AGENCY NPC

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>16 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>16.1 Audit fees</b>		
<b>Opening balance</b>	479,888	5,863
Current year audit fee	638,517	20,325
Amount paid - current year	(638,517)	(20,325)
Previous year audit fees adjustment	262,104	479,888
Amount paid - previous year	(741,992)	(5,863)
<b>Balance unpaid</b>	<u><u>-</u></u>	<u><u>479,888</u></u>
<b>16.2 PAYE and UIF</b>		
<b>Opening balance</b>	191,085	149,718
Current year payroll deductions	2,441,801	2,386,999
Amount paid - current year	(2,441,801)	(2,195,914)
Amount paid - previous year	(191,085)	(149,718)
<b>Balance unpaid</b>	<u><u>-</u></u>	<u><u>191,085</u></u>
<b>16.3 Performance Bonuses</b>		
<b>Opening balance</b>	597,707	604,878
Amount paid	(597,707)	(604,878)
Amount - Current year	687,787	597,707
<b>Balance unpaid</b>	<u><u>687,787</u></u>	<u><u>597,707</u></u>
<b>16.4 Provident Fund</b>		
<b>Opening balance</b>	104,484	91,874
Amount paid	(1,397,089)	(1,210,444)
Expenditure	1,292,605	1,223,054
<b>Balance unpaid</b>	<u><u>-</u></u>	<u><u>104,484</u></u>

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 25 members belong to the fund.

**16.5 Supply Chain Management Policy**

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R474 910.24

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R979 101.25

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R500 000

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R764 956.61

**16.6 Non-Compliance**

Management is not aware of any non-compliance with the Municipal Finance Management Act 56 of 2003.



**17 VALUE ADDED TAX**

**2016 R**      **2015 R**

As at 30 June 2016 all VAT returns have been submitted timeously to the South African Revenue Services, with the exception of SPUU foreign donor funded project which was registered as a VAT vendor during the financial year after experiencing delays with SARS. These returns will be processed in September 2016.

**18 RELATED PARTIES**

**18.1 Relations**

Parent Municipality	Nelson Mandela Bay Municipality
Funder	Industrial Development Corporation
Funder	National Lotteries Board
Funder	Eastern Cape Development Corporation
Funder	Department of Arts and Culture
Funder	KfW Bank

**18.2 Related party balances**

Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties

Nelson Mandela Bay Municipality	22,843,504	900,587
Eastern Cape Development Corporation	1,099,952	2,070,442
KfW Bank	-	1,760,255

These balances have no fixed terms and conditions. Refer to note 5 relating to NMBM, IDC, ECDC, NLB and KfW unspent conditional grants.

**19 KEY MANAGEMENT PERSONNEL**

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, including any director of MBDA:

Chief Executive Officer:	Dr Pierre Voges
Chief Financial Officer:	Mr Ashwin Daya
Planning and Development Manager:	Ms Dorelle Sapere
Operations Manager:	Mr Mcebisi Ncalu
Planning and Development Manager:	Dr Eldrid Uithaler
Marketing and Communications Manager:	Mr Luvuyo Bangazi

Their short term employee benefits are disclosed in note 13.

**20 CONTINGENT LIABILITY**

We are not aware of the existence of any contingent liabilities at the financial year end.

**21 CONTINGENT ASSETS**

We are not aware of the existence of any contingent assets at the financial year end.

**22 IN-KIND DONATIONS**

No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial statements.

**23 POST BALANCE SHEET EVENTS**

The NMBM mayoral committee resolved during October 2016 that the management of the NMB Multi-purpose stadium be transferred to the MBDA effective January 2017. Management is unable at this stage to estimate what the financial effect of this decision will be to the entity. The parent municipality has however committed to making budget available for such purposes.



# MANDELA BAY DEVELOPMENT AGENCY NPC

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

<b>24</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>	<b>2016 R</b>	<b>2015 R</b>
24.1	UNAUTHORISED EXPENDITURE No such expenditure was incurred by the entity.		
24.2	IRREGULAR EXPENDITURE No such expenditure was incurred by the entity.		
24.3	FRUITLESS AND WASTEFUL EXPENDITURE		
	Balance at beginning of year	55,191	-
	Incurred during the year	3,743	55,191
	Condoned by the Board	(55,191)	-
	Balance at end of year	<u><b>3,743</b></u>	<u><b>55,191</b></u>

Fruitless and wasteful expenditure incurred during the year related to interest charges incurred on a late invoice payment to the Auditor-General. The Board subsequently wrote off this expenditure in August 2016.

## 25 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years	
Office plants rental	20,580	17,999	-
Public toilets rental	90,254	-	-
Copiers rentals	46,164	73,093	
Office Rental	1,000	4,000	

NOTE: The entity is the lessee for all these leases.



**26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**2016  
R**

**2015  
R**

The entity's principal financial liabilities comprise Trade and Other Payables. The entity's financial assets comprise Trade and Other Receivables (excluding VAT Receivables) and cash and short-term deposits.

**Classification of Financial Instruments**

**Financial Assets**

Loans and Receivables*	58,632,614	57,188,948
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**Financial Liabilities**

At amortised cost	8,935,971	12,436,921
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\* Loans and receivable excludes VAT Receivable

**26.1 Interest Rate Risk**

The entity's exposure to the risk of changes in market interest rates relates primarily to the entity's positive bank balance. As part of the process of managing the entity's interest rate risk, the entity's income and operating cash flows are substantially independent of changes in the market rates.

**Interest Rate Risk table**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on profit before taxation (through the impact on floating rate borrowings). There is no impact on equity.

Cash and cash equivalents	34 100 454	53 656 754
Effect of a 100 basis point movement in the interest rate	( 34 1 005)	( 536 568)

**26.2 Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity mainly transacts with entities who provide grants to fund operations and projects. Trade Receivables at year end consist mainly of the Nelson Mandela Bay Municipality.

**26.3 Liquidity Risk**

**Liquidity Risk Management**

The entity manages its liquidity risk by ensuring sufficient cash reserves to settle liabilities.

**Liquidity Tables**

The following table details the entity's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the debt can be required to pay. Tables include both interest and principal cash flows.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
<b>30 June 2016</b>				
Trade and Other Payables	7,416,825	-	-	-
Construction Contract Retention Creditors	-	-	1,519,146	-
	<u>7,416,825</u>	<u>-</u>	<u>1,519,146</u>	<u>-</u>
<b>30 June 2015</b>				
Trade and Other Payables	9,231,194	-	-	-
Construction Contract Retention Creditors	-	-	2,700,260	505,468
	<u>9,231,194</u>	<u>-</u>	<u>2,700,260</u>	<u>505,468</u>

**26.4 Foreign Currency Risk**

The entity is not exposed to foreign currency risk as all trading was done in local currency.



**27 NATIONAL LOTTERIES BOARD EXPENSES**

These expenses relate to an arts grant that was awarded to the entity by the National Lotteries Board (NLB).

**28 STRATEGIC SPATIAL FRAMEWORK STUDIES**

These expenses relate to economic feasibility and development studies and are funded by the Eastern Cape Development Corporation (ECDC) and Industrial Development Corporation (IDC).

**29 DEPARTMENT OF ARTS AND CULTURE EXPENSES**

These expenses relate to an arts grant that was awarded to the entity by the Department of Arts and Culture (DAC).

**30 HELENVALE SPUU EXPENSES**

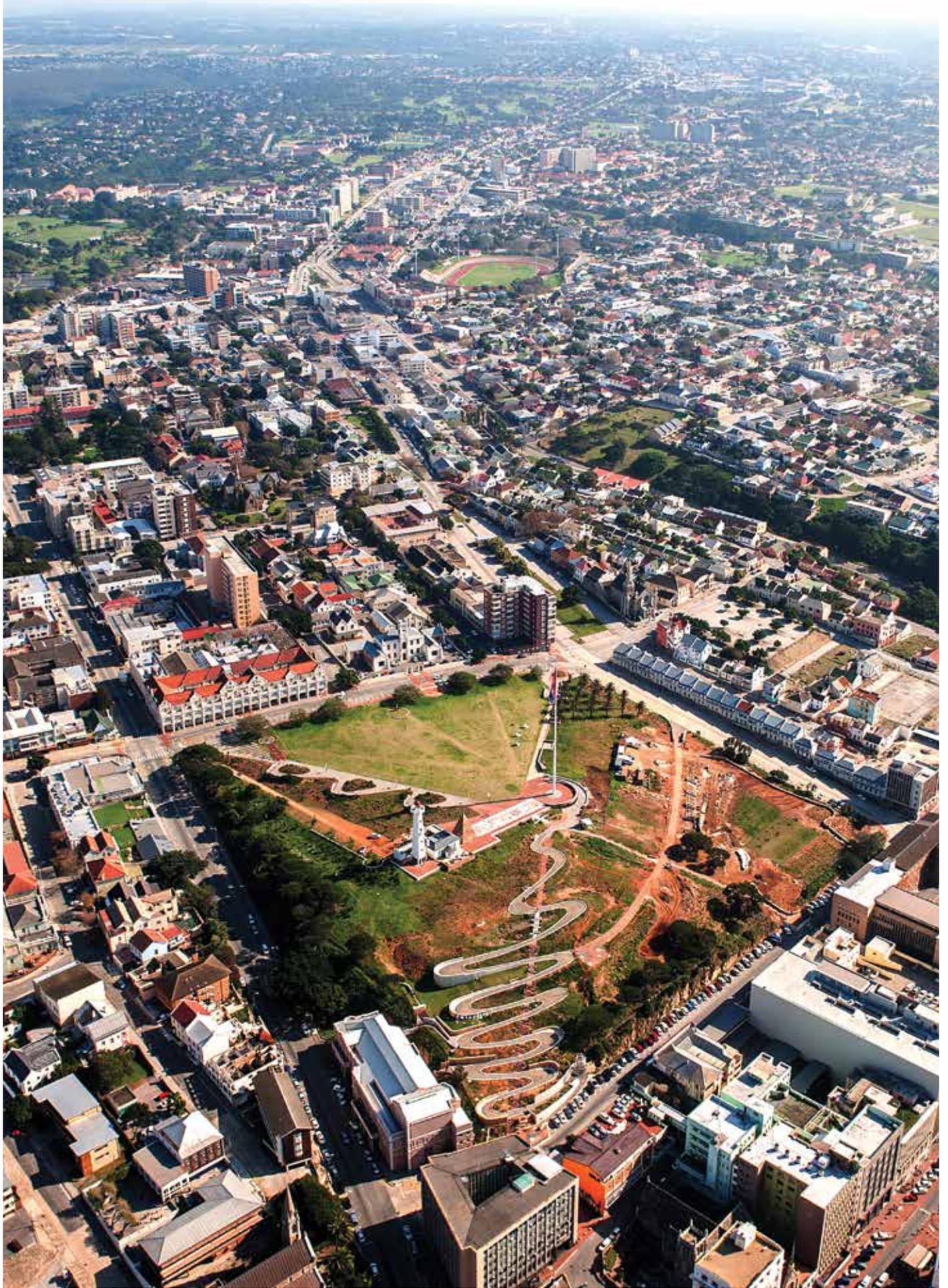
These expenses relate to a foreign donor funded project between Nelson Mandela Bay Municipality and KfW Bank, Germany where the entity has been appointed to be the project implementation agent on behalf of the parent municipality.



**NOTE 31 - VARIANCE EXPLANATION OF STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

1. Refer to note 5 on page 59 - 62.
2. Committed and rolled over to 2015/16 financial year.
3. Committed and rolled over to 2015/16 financial year.
4. Savings incurred rolled over into 2016/17 financial year.
5. Savings incurred rolled over into 2016/17 financial year.
6. Savings incurred rolled over into 2016/17 financial year.
7. Committed and rolled over to 2015/16 financial year.
8. Savings incurred rolled over into 2016/17 financial year.
9. kFW Bank - Timing of expenditure.
10. Savings incurred rolled over into 2016/17 financial year.
11. Committed and rolled over to 2015/16 financial year.
12. Savings incurred rolled over into 2016/17 financial year.
13. Committed and rolled over to 2015/16 financial year.
14. Savings incurred rolled over into 2016/17 financial year.
15. Committed and rolled over to 2015/16 financial year.
16. Committed and rolled over to 2015/16 financial year.
17. Timing of expenditure - re-studies.
18. Savings incurred rolled over into 2016/17 financial year.
19. There was an overall saving of 25% on the property, plant and equipment budget for the financial year, and which related to savings and timing of capital expenditure incurred during the financial period.







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