

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

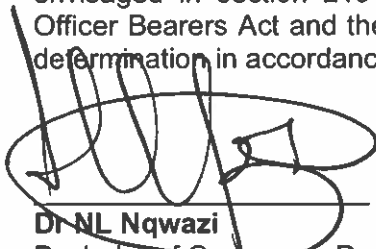
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2021

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 105, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.



Dr NL Nqwazi
Bachelor of Commerce Degree
B. Ed (Hons) Degree
Masters: Development Studies
Doctorate: Business Administration

28 February 2022

Acting City Manager

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

General Information

Legal form of entity	It is a Metropolitan Municipality established in terms of section 155 of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Government
	The principal activities are:
	- To provide democratic and accountable government to the local communities;
	- To ensure sustainable service delivery to communities;
	- To promote social and economic development;
	- To promote a safe and healthy environment; and
	- To encourage the involvement of communities and community organisations in the matters of local government.
	The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 117 of 1998), the Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.
Executive Mayor	Cllr B M Bhanga
Deputy Executive Mayor	Cllr L Namette
Speaker	Cllr J Lawack
Chief Whip	Cllr M G Steyn
Members of the Mayoral Committee	Cllr T C S Buyeye (Infrastructure and Engineering) Cllr L Namette (Electricity and Energy) Cllr R Kayser (Roads and Transport) Cllr A Lovemore (Corporate Services and Human Resources) Cllr J Best (Safety and Security) Cllr S Sijadu (Economic Development, Tourism and Agriculture) Cllr H C Van Staaden (Sports, Recreation Arts and Culture) Cllr L P Grootboom (Public Health) Cllr M M Zinto (Human Settlements) Cllr M J Figg (Budget and Treasury)
Accounting Officer (City Manager)	NB Xhego (Acting)
Chief Financial Officer (Acting CFO)	S Thys

Chief Operating Officer (COO)	M George
Chief of Staff	W Senekal
Metro Police Chief	Y Faro
Executive Directors	N Xhego (Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) S Mvunelwa (Public Health) T Mfeya (Human Settlements) L Magalela (Electricity and Energy) J Tsatsire (Infrastructure and Engineering) K Meyer (Safety and Security)
Members of the Audit Committee	Mr YE Amod (Chairperson) Mr D De Lange Ms M Wait Ms R Shaw Mr S Nyenyiso
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Business Address	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Postal Address	P O Box 116 Port Elizabeth 6000
Bankers	ABSA
Auditors	Auditor-General (SA)
Physical Address of Auditors	69 Frere Road Vincent East London 5247
Postal Address of Auditors	P O Box 13252 East London 5217

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2021	2020	2021	2020
		R	R	R	R
NET ASSETS AND LIABILITIES					
Net Assets					
Total Accumulated Funds		18,854,716,926	18,201,821,999	18,831,041,677	18,178,471,073
Non-current Liabilities					
		3,646,279,277	3,268,058,142	3,645,373,327	3,267,973,435
Long-term Liabilities	2	991,072,467	1,016,456,460	990,166,517	1,016,371,753
Non-current Provisions - Employee Benefits	3.1	2,153,655,673	1,819,824,249	2,153,655,673	1,819,824,249
Non-current Provisions - Other	3.2	501,551,137	431,777,433	501,551,137	431,777,433
Current Liabilities					
		3,475,127,593	3,225,907,150	3,485,546,940	3,219,346,551
Current Provisions - Employee Benefits	4.1	185,496,240	181,660,593	183,423,927	180,222,605
Current Provisions - Other	4.2	15,277,529	14,515,171	15,277,529	14,515,171
Consumer Deposits	5	154,651,750	156,387,079	154,651,750	156,387,079
Trade and Other Payables	6	2,411,662,229	1,900,825,412	2,430,651,468	1,900,778,974
Transfers and Subsidies	7	351,572,080	721,091,553	345,074,501	716,015,380
VAT	8	160,098,640	152,284,433	160,098,640	152,284,433
Current Portion of Long-term Liabilities	2	196,369,125	99,142,909	196,369,125	99,142,909
Total Net Assets and Liabilities		<u>25,976,123,796</u>	<u>24,695,787,291</u>	<u>25,961,961,944</u>	<u>24,665,791,059</u>
ASSETS					
Non-current Assets					
		18,312,277,272	17,879,312,001	18,291,034,983	17,858,385,240
Property, Plant and Equipment (PPE)	9	17,722,538,776	17,298,257,555	17,702,549,572	17,277,893,345
Heritage Assets	10	219,181,926	211,314,988	218,931,426	211,064,488
Intangible Assets	11	105,657,724	151,508,087	104,655,139	151,196,036
Investment Property	12	152,118,601	165,087,542	152,118,601	165,087,542
Long-term Receivables - Exchange Transactions	13	72,212,925	33,754,038	72,212,925	33,754,038
Long-term Receivables - Non-exchange Transactions	13	40,567,320	19,389,791	40,567,320	19,389,791
Current Assets					
		7,663,846,524	6,816,475,290	7,670,926,961	6,807,405,819
Inventory	14	153,982,613	138,802,140	153,803,848	138,653,542
Trade Receivables - Exchange Transactions	15	2,288,491,068	1,958,773,349	2,288,491,068	1,958,773,349
Trade Receivables - Non-exchange Transactions	15	352,547,303	404,970,076	352,547,303	404,970,076
Other Receivables - Non-exchange Transactions	16	411,682,596	885,326,596	411,680,496	885,324,496
Other Receivables - Exchange Transactions	16	181,652,882	164,239,634	256,466,085	201,029,990
VAT	8	2,064,326	1,874,849	0	0
Call Deposits and Investments	17	3,810,037,140	2,309,903,834	3,810,037,140	2,309,903,834
Call Deposits and Investments - Other	18	2,511,199	2,411,766	2,511,199	2,411,766
Bank Balances and Cash	19	460,877,397	950,173,046	395,389,822	906,338,766
Total Assets		<u>25,976,123,796</u>	<u>24,695,787,291</u>	<u>25,961,961,944</u>	<u>24,665,791,059</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021**

Restated 2020 R		Actual 2021 R	Approved Original Budget 2021 R	Adjustments 2021 R	Approved Final Budget 2021 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
5,813,113,034	Service Charges	21.1	6,513,794,688	6,396,380,400	(177,300,050)	6,219,080,350	(294,714,338)	-5%
234,799,306	Interest earned - External Investments		150,039,376	161,510,810	0	161,510,810	11,471,434	7%
146,020,272	Interest raised - Outstanding Debtors		188,058,369	169,307,250	69,006,950	238,314,200	50,255,831	21%
15,135,794	Licences and Permits		15,038,949	22,747,760	(10,643,750)	12,104,010	(2,934,939)	-24%
22,785,134	Rental of Facilities and Equipment	23.1	27,041,513	22,626,510	6,112,860	28,739,370	1,697,857	6%
3,546,006	Income for Agency Services		3,734,158	3,326,610	(267,830)	3,058,780	(675,378)	-22%
105,072,638	Other Revenue	23.2	110,744,922	168,877,800	(17,709,490)	151,168,310	40,423,388	27%
0	Gain on disposal of Property Plant and Equipment		0	510,000	0	510,000	510,000	0%
Non-exchange revenue								
2,357,411,400	Property Rates	20	2,506,419,757	2,486,145,410	2,137,610	2,488,283,020	(18,136,737)	-1%
108,846,103	Interest raised - Outstanding Debtors		132,419,617	96,226,840	0	96,226,840	(36,192,777)	-38%
224,919,446	Fines, Penalties and Forfeits	21.2	79,979,211	224,223,580	(19,000,000)	205,223,580	125,244,369	61%
2,644,633,898	Transfers and Subsidies	22	3,246,203,920	3,164,785,662	57,280,385	3,222,066,047	(24,137,873)	-1%
1,062	Licences and Permits		3,539	0	0	(3,539)	0%	
11,676,284,093	Total Revenue		12,973,478,019	12,916,668,632	(90,383,315)	12,826,285,317	(147,192,702)	
EXPENDITURE								
3,116,780,257	Employee Related Costs	24	3,912,166,684	3,768,244,852	(12,073,071)	3,756,171,781	(155,994,903)	-4%
76,474,313	Remuneration of Councillors	25	76,244,044	85,282,586	(67,950)	85,214,636	8,970,592	11%
1,112,267,565	Debt Impairment - Receivables	26	1,756,179,086	955,992,063	199,796,800	1,155,788,863	(600,390,223)	-52%
78,371,200	Debt Impairment - Other	26	15,382,045	128,886,460	0	128,886,460	113,504,415	88%
495,015	Debt Impairment - MBDA	26	700,437	0	0	0	(700,437)	0%
124,824,808	Finance Charges	27	127,630,586	141,084,240	(12,210,510)	128,873,730	1,243,144	1%
3,515,564,578	Bulk Purchases	28	3,819,893,366	3,844,678,210	(68,811,590)	3,775,866,620	(44,026,746)	-1%
32,530,875	Transfers and Subsidies	29	30,425,911	57,746,050	1,825,000	59,571,050	29,145,139	49%
664,973,504	Contracted Services	30.1	738,573,433	1,125,323,429	67,559,380	1,192,882,809	454,309,376	38%
579,804,453	Other Expenditure	30.2	680,049,861	621,178,088	188,003,784	809,181,872	129,132,011	16%
210,534,926	Other Materials	30.3	156,680,566	222,872,970	(1,782,270)	221,090,700	64,410,134	29%
958,299,541	Depreciation	31.1	937,769,830	740,575,415	0	740,575,415	(264,818,628)	-36%
113,717,663	Amortisation	31.2	49,635,207	0	0	0	0	14
0	Loss on Disposal of Property Plant and Equipment	35.8	8,395	0	0	0	0	14
112,240,750	Impairment	35.7	17,980,611	0	0	0	0	14
10,696,879,448	Total Expenditure		12,319,320,062	11,691,864,363	362,239,573	12,054,103,936	(265,216,126)	
979,404,645	Surplus for the year		654,157,957	1,224,804,269	(452,622,888)	772,181,381	118,023,424	

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: SURPLUS for the year R654 157 957 less Transfers and Subsidies - Capital R1 041 194 439 (Refer note 22.12, 22.26, 22.27) = True DEFICIT for the year in the amount of (R387 036 482))

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

Restated 2020 R		Actual 2021 R	Approved Original Budget 2021 R	Adjustments 2021 R	Approved Final Budget 2021 R	Variance between Final Budget and Actual R	%	No.	
REVENUE									
Exchange revenue									
5,814,846,160	Service Charges	21.1	6,514,925,243	6,396,180,400	(177,300,050)	6,218,880,350	(296,044,893)	-5%	
232,783,566	Interest earned - External Investments		148,638,889	159,510,810	0	159,510,810	10,871,921	7%	
146,020,272	Interest raised - Outstanding Debtors		188,058,369	169,307,250	69,006,950	238,314,200	50,255,831	21%	1
15,135,794	Licences and Permits		15,038,949	22,747,760	(10,643,750)	12,104,010	(2,934,939)	-24%	2
22,785,134	Rental of Facilities and Equipment	23.1	27,041,513	22,226,510	6,112,860	28,339,370	1,297,857	5%	
3,546,006	Income for Agency Services		3,734,158	3,326,610	(267,830)	3,058,780	(675,378)	-22%	3
102,589,139	Other Revenue	23.2	109,609,170	168,877,800	(17,709,490)	151,168,310	41,559,140	27%	4
0	Gain on disposal of Property Plant and Equipment		0	510,000	0	510,000	510,000	0%	
Non-exchange revenue									
2,357,411,400	Property Rates	20	2,506,419,757	2,486,145,410	2,137,610	2,488,283,020	(18,136,737)	-1%	
108,846,103	Interest raised - Outstanding Debtors		132,419,617	96,226,840	0	96,226,840	(36,192,777)	-38%	4
224,919,446	Fines, Penalties and Forfeits	21.2	79,979,211	224,223,580	(19,000,000)	205,223,580	125,244,369	61%	5
2,617,623,429	Transfers and Subsidies	22	3,240,820,323	3,162,889,046	25,038,654	3,187,927,700	(52,892,623)	-2%	6
1,062	Licences and Permits		3,539	0	0	0	(3,539)	0%	
11,646,507,511	Total Revenue		12,966,688,738	12,912,172,016	(122,625,046)	12,789,546,970	(177,141,768)		
EXPENDITURE									
3,080,014,714	Employee Related Costs	24	3,874,265,724	3,727,291,210	(14,422,280)	3,712,868,930	(161,396,794)	-4%	7
76,474,313	Remuneration of Councillors	25	76,244,044	83,926,210	0	83,926,210	7,682,166	9%	
1,112,267,565	Debt Impairment - Receivables	26	1,756,179,086	955,923,540	199,796,800	1,155,720,340	(600,458,746)	-52%	8
78,371,200	Debt Impairment - Other	26	15,382,045	128,886,460	0	128,886,460	113,504,415	88%	9
124,824,808	Finance Charges	27	127,630,586	141,084,240	(12,210,510)	128,873,730	1,243,144	1%	
3,515,564,578	Bulk Purchases	28	3,819,893,366	3,844,678,210	(68,811,590)	3,775,866,620	(44,026,746)	-1%	
118,519,563	Transfers and Subsidies	29	114,281,521	151,246,070	1,825,000	153,071,070	38,789,549	25%	10
651,318,415	Contracted Services	30.1	727,503,699	1,116,151,160	62,959,380	1,179,110,540	451,606,841	38%	11
518,107,571	Other Expenditure	30.2	640,288,686	606,423,470	180,416,550	786,840,020	146,551,334	19%	12
210,534,926	Other Materials	30.3	156,680,566	222,872,970	(1,782,270)	221,090,700	64,410,134	29%	13
957,211,505	Depreciation	31.1	936,915,780	739,686,060	0	739,686,060	(264,819,721)	-36%	14
113,692,955	Amortisation	31.2	49,609,390	0	0	0	0	0%	14
112,240,750	Impairment	35.7	17,980,611	0	0	0	0	0%	14
0	Loss on Disposal of Property Plant and Equipment	35.8	0	0	0	0	0	0%	14
10,669,142,863	Total Expenditure		12,312,855,104	11,718,169,600	347,771,080	12,065,940,680	(246,914,424)		
977,364,648	Surplus for the year		653,833,634	1,194,002,416	(470,396,126)	723,606,290	69,772,656		

Refer to Note 53 of the Financial Statements for explanation of variances

(Please note: SURPLUS for the year R653 833 634 less Transfers and Subsidies - Capital R1 041 194 439 (Refer note 22.12, 22.26, 22.27) = True DEFICIT for the year in the amount of (R387 360 805))

NELSON MANDELA BAY MUNICIPALITY	
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED	
30 JUNE 2021	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2019 as previously reported	17,228,518,282
Restatements (Refer note 40.2)	13,888,912
Restated Balance at 01 July 2019	17,242,407,194
Surplus for the year as previously reported	979,599,525
Decrease in Surplus (Refer note 40.1.1)	(194,879)
Restated Surplus for the year	979,404,646
Transfer to Trade and Other Payables	(16,238,263)
Transfer to Revenue from Self Insurance Reserve	(3,751,578)
Restated Balance at 30 June 2020	18,201,821,999
Balance at 01 July 2020	18,201,821,999
Surplus for the year	654,157,957
Transfer to Revenue from Self Insurance Reserve	(1,263,030)
Balance at 30 June 2021	18,854,716,926

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2019 as previously reported	17,207,207,354
Restatements (Refer note 40.2)	13,888,912
Restated Balance at 01 July 2019	17,221,096,266
Surplus for the year as previously reported	977,559,527
Decrease in Surplus (Refer note 40.1.1)	(194,879)
Restated Surplus for the year	977,364,648
Transfer to Trade and Other Payables	(16,238,263)
Transfer to Revenue from Self Insurance Reserve	(3,751,578)
Restated Balance at 30 June 2020	18,178,471,073
Balance at 01 July 2020	18,178,471,073
Surplus for the year	653,833,634
Transfer to Revenue from Self Insurance Reserve	(1,263,030)
Balance at 30 June 2021	18,831,041,677

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2021	2020	2021	2020
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		11,250,554,865	9,513,005,551	11,200,289,180	9,408,512,934
- Sale of goods and services, fines and taxes levied and Other Revenue		7,714,180,284	6,862,964,145	7,705,616,720	6,839,694,845
- Transfers and Subsidies		3,385,339,798	2,414,292,596	3,345,048,889	2,334,434,900
- Interest received		151,034,783	235,748,810	149,623,571	234,383,189
Cash paid to suppliers and employees		(9,062,232,325)	(8,531,842,139)	(9,034,823,725)	(8,463,661,768)
- Employee Costs		(3,575,205,431)	(3,343,068,121)	(3,526,885,067)	(3,296,710,906)
- Suppliers		(5,366,533,050)	(5,062,293,971)	(5,387,444,814)	(5,040,470,815)
- Finance Cost	27	(120,493,844)	(126,480,047)	(120,493,844)	(126,480,047)
CASH GENERATED FROM OPERATIONS	32	2,188,322,540	981,163,412	2,165,465,455	944,851,166
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1,288,974,631)	(839,396,173)	(1,288,484,391)	(836,585,766)
Proceeds on Disposal of PPE		2,801	0	0	0
Purchase of Intangible assets		(3,784,844)	(1,644,346)	(3,068,493)	(1,379,301)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1,292,756,674)	(841,040,519)	(1,291,552,884)	(837,965,067)
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement in Long-term loans (External)	33	(99,142,909)	(89,658,501)	(99,142,909)	(89,658,501)
Increase in Borrowings		214,414,700	0	214,414,700	0
NET CASH FLOW FROM FINANCING ACTIVITIES		115,271,791	(89,658,501)	115,271,791	(89,658,501)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,010,837,657	50,464,392	989,184,362	17,227,598
Cash and cash equivalents at the beginning of the year		3,260,076,880	3,209,612,488	3,216,242,600	3,199,015,002
Cash and cash equivalents at the end of the year	34	4,270,914,537	3,260,076,880	4,205,426,962	3,216,242,600

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These Consolidated Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Consolidated Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

The Consolidated Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at historical cost unless specified otherwise.

With respect to accounting standards for material transactions, events or conditions not covered by Directive 5, the Economic Entity has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3, as read with Directive 5.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's Consolidated Financial Statements, unless explicitly stated.

New standards now effective:

Standard number	Standard name	Effective date from (if applicable)
GRAP 18	Segment Reporting	01 April 2020
GRAP 34	Separate Financial Statements	01 April 2020
GRAP 35	Consolidated Financial Statements	01 April 2020
GRAP 36	Investments in Associates and Joint Ventures	01 April 2020
GRAP 37	Joint Arrangements	01 April 2020
GRAP 38	Disclosure of Interests in Other Entities	01 April 2020
GRAP 110	Living and Non-living Resources	01 April 2020
IGRAP 20	Accounting for adjustments to revenue to pay levies	01 April 2020

GRAP 18 – Segment Reporting

The objective of this standard is to establish principles for reporting financial information by segments. It is expected that adoption of this standard will result in additional disclosures.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It is expected that adoption of this standard will be immaterial.

GRAP 110 prescribes the recognition, measurement, presentation, and disclosure requirements for living resources as well as disclosure requirements for non-living resources.

The impact of implementing GRAP 34, GRAP 110 and IGRAP 20 has been immaterial.

The impact of implementing GRAP 36, 37 and 38 has no impact or immaterial.

1.1 CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Nelson Mandela Bay Municipality and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

The controlled entities have the same reporting date and reporting period as the controlling entity.

All inter-entity transactions and balances, unrealised gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate, the accounting policies of controlled entities conform to the policies adopted by the Economic Entity.

1.2 MUNICIPAL ENTITIES

Municipal entities are all controlled entities over which the Economic Entity has ownership control or effective control to govern the financial and operating policies of such controlled entities to benefit from its activities.

2. PRESENTATION AND FUNCTIONAL CURRENCY

These Consolidated Financial Statements are presented in South African Rand.

The functional currency of the Economic Entity is South African Rand. Financial values are rounded to the nearest one Rand.

3. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget):

In accordance with GRAP 1 and 24, the Budget information has been presented on the face of the Statement of Financial Performance in these Consolidated Financial Statements.

4.2 Prior year comparatives:

When the presentation or classification of items in the Consolidated Financial Statements are amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Consolidated Financial Statements.

5. SIGNIFICANT JUDGEMENTS

The use of judgement, estimates and assumptions is inherent to the process of preparing consolidated financial statements. These judgements affect the amounts presented in the consolidated financial

statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Management has made the following significant judgements:

Heritage Assets

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Revenue from Exchange transactions

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Allowance for Credit losses

On Consumer Debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

Other key judgements

Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material. Refer to accounting policy Note 11.

Operating lease commitments – the Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity has determined that it retains all the significant risks and rewards of ownership of these properties and therefore has continued to recognise the investment properties.

Management's Going Concern Assessment:

Management considered the following matters relating to the Going Concern:

On 29 June 2020, the Council adopted the 2020/21 to 2022/23 Budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) supports the on-going delivery of municipal services to residents reflecting that the Budget was funded over the three-year period.

Management has thus prepared the Consolidated Financial Statements on the Going Concern basis.

6. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Economic Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently

presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight.

Provision for Rehabilitation of Refuse Landfill Sites

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost to rehabilitate the landfill sites in the future. The cost factors, as determined, have been applied and projected at an inflation rate of 4.9% (2020: 2.2%) and discounted to the present value:

- a) For Arlington and Koedoeskloof landfill sites, at the average short-term borrowing cost of 10.92% (2020: 11.14%).
- b) The determined cost to rehabilitate IBhayi landfill site represents the present value.

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Economic Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of the wetland beside the Swartkops River, which was present valued at a rate of 10.92% (2020: 11.14%). The discount rate of 10.92% represents the Economic Entity's average borrowing costs rate and is applied as a discount rate.

Pension and other post-employment benefits

The cost of defined benefit pension plans (ex gratia pensions), other post-employment medical benefits, and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer to Note 47 of the Consolidated Financial Statements.

Provision for gratuity pensions

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who subsequently joined the fund are eligible to be paid a standard gratuity, provided they have at least 10 years of service when they retire.

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who chose not to join the fund are eligible to be paid an Enhanced Gratuity for the years of service that they were not a member of the fund.

If an Employee eligible for a Gratuity Pension dies in service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

Property, plant and equipment including Investment Properties and Intangible Assets

The useful life of assets are based on management's estimation. Management consider the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The Economic Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil for all assets.

Water inventory

The estimation of the water stock in the reservoirs are based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 17.

Amounts due to Funders of Construction Contracts

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

7. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Economic Entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is included as one of the reserves within Accumulated Surplus.

The housing function has now been handed over to the Housing Development Agency.

8. ACCUMULATED FUNDS

The Economic Entity maintains various internal reserves in terms of specific requirements, which include:

- Capital Replacement Reserve (CRR): Internal reserve administered within the Accumulated Surplus for future capital commitments and capital asset replacements.
- Donations and Public Contributions Reserve: Internal reserve administered within the Accumulated Surplus. It is the cumulative balance of assets purchased with public contributions received.
- Self-Insurance Reserve: Internal reserve administered within the Accumulated Surplus. This is an internal insurance fund, managed by the Municipality for certain asset claims.
- Government Grant Reserve: Internal reserve administered within the Accumulated Surplus. It is the cumulative balance of assets purchased with Government Grants received.
- Compensation for Occupational Injuries and Diseases (COID) Reserve

The Economic Entity has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but is required to maintain a reserve of R10 million. This reserve is subject to annual review by the Commissioner.

The certificate of exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Economic Entity deposit

cash and/or securities relating to COID with the Commissioner. The combined market values shall not be less than the capitalised value of the continuing liability of the Economic Entity as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined based on an actuarial determination as prescribed by the Commissioner. A COID reserve has been established to be equal to or greater than the value of the continuing liability. The Commissioner determines the market value of the securities annually and the Economic Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December.

Monthly pensions are funded by allocating funds out of the COID portion of Accumulated Surplus to general Accumulated Surplus (refer to note 2).

9. EMPLOYEE BENEFITS

Recognition and measurement

Short term employee benefits

Remuneration to employees is recognised as an expense in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

Short term compensated absences

The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:

When employees render services that increase their entitlement to future compensated absences; and

Non-accumulating absences:

When absences occur.

Leave pay accrual

The liability for accumulating compensated absences is based on the total amount of leave days accumulated by employees at reporting date and on the total remuneration package of the employees.

Bonus incentive and performance related payments

The Economic Entity recognises the expected cost of performance bonus when, and only when, it has a present legal or constructive obligation to make such payments, as a result of past events and a reliable estimate of the obligation can be made.

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each S57 employee against the performance scorecard set and agreed upon for each financial year. If on assessment of the respective S57 employees it is decided that a bonus will be paid out, the S57 employee is entitled to receive this bonus irrespective of whether they are still in the service of the Economic Entity, or not.

Post-employment benefits

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Recognition and measurement

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Economic Entity nor can they be paid directly to the Economic Entity.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

The Economic Entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds with which the Economic Entity is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund. Should the member opt to remain on the fund, the member is liable for the portion, as determined by Council from time to time, of the medical aid membership fee and the Economic Entity for the remaining portion.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund, is maintained. The gratuity is payable by Council to wage earners who joined the Economic Entity before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied

by number of years' service and adjusted annually based on the average interest earned on investments.

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2 500. The cash award is included in the employee's salary in the month of the service anniversary.

Defined contribution plans:

The Economic Entity has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Economic Entity has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Economic Entity but do it as a whole for all the Municipalities together.

Retirement benefits

The Economic Entity provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

10. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Economic Entity has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential 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 shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost. The discount rate is a pre-tax rate that reflect the current market assessments of the time value of money. No re-imburements are expected from another party in the current financial year.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle the obligation, the provision is reversed.

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the Economic Entity, the Economic Entity's Legal Counsel assesses the list of claims against the Economic Entity on an annual basis. The Economic Entity

recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

11. FINANCIAL INSTRUMENTS

Initial Recognition

The Municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Economic Entity becomes a party to the contractual provisions of the instrument.

The Economic Entity recognises financial assets using trade date accounting.

Distinguishing liabilities and residual interests

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

Compound financial instruments

The Economic Entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

Initial Measurement of financial assets and financial liabilities

When a financial asset or financial liability is recognised initially, the Economic Entity measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans

The Economic Entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, the Economic Entity analyses a concessionary loan into its component parts and accounts for each component separately. The Economic Entity accounts for that part of a concessionary loan that is:

- a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments. Concessionary Loans were not granted or received during the current financial year. There were no defaults relating to any loans payable for the current financial year

Subsequent Measurement of financial assets and financial liabilities

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value
 - Instruments held for trading.
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- b) Financial instruments at amortised cost
 - Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Economic Entity designates at fair value at initial recognition or are held for trading.
- c) Financial instruments at cost
 - Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Economic Entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

All financial assets measured at amortised cost, or cost, are subject to an impairment review. Embedded derivatives were not applicable for the current financial year.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment of financial assets

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The Economic Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective

interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition of financial assets:

The Economic Entity derecognises financial assets using trade date accounting.

The Economic Entity derecognises a financial asset only when:

- a) The contractual right to the cash flow from the financial asset expire, are settled or waived;
- b) The Economic Entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another party.

Derecognition of financial liabilities:

The Economic Entity derecognises a financial liability from its statement of financial position when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation:

Interest, losses and gains

Interest, losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit

Offsetting a financial asset and a financial liability

The Economic Entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right to set-off exists and the parties intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost, using effective interest method.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

Investments at fair value

Investments, which represent investments in equity for which fair value can be measured reliably, are subsequently measured at fair value. The fair value is based on market values at valuation date.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly 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.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand and deposits held on call with banks.

Trade and other receivables including Statutory Receivables and Long-term receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. Amounts that are receivable within 12 months from the reporting date are classified as current and those receivable after 12 months from reporting date are classified as non-current. Interest is charged on overdue accounts.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

12. PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, other than investment property, or for administrative purposes and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

There are no circumstances, which we are aware off, where NMBM is not the legal owner / custodian but controls the land and vice versa.

Measurement at recognition

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner

intended by the Economic Entity. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life.

Where the Economic Entity replaces parts of an asset, it derecognises the part of the asset replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the net book value over the remaining useful life of the component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The component assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in estimate in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

The depreciation charge for each reporting period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

The annual depreciation rates for the current and previous year are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings / Leasehold Assets	5 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACCOUNTING POLICIES OF THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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Fencing, Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 – 100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	5 – 15
Air Monitoring, Emergency & Medical Equipment	5 – 20
Vehicles & Plant	4 – 30
Office Furniture & Fittings	3 – 20
Landfill Sites	50
Security Systems	5 – 15
Tip Sites	30
Computer Hardware	3 – 8

Community Assets	Useful Life Range in Years
Libraries	15 – 50
Fire Stations	15 – 50
Library Books	5 – 20
Cemeteries	15 – 50
Clinics	15 – 50
Community Centres	15 – 50
Public Conveniences	15 – 50
Swimming Pools	15 – 50
Recreational Facilities	15 – 50
Selling & Letting Schemes	15 – 50

Impairment:

Recognition and measurement of an impairment loss for an item of property, plant and equipment

An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The carrying amount of an asset is reduced to its recoverable amount if, and only if, its recoverable amount is less than its carrying amount.

The impairment loss is recognised immediately in surplus and deficit.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. Residual values are assumed to be zero, unless otherwise stated.

13. HERITAGE ASSETS

Initial recognition and measurement

Heritage assets are assets that have cultural, historical, environmental, natural, scientific or technological significance that are held indefinitely for the benefit of present and future generations.

Heritage assets are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

When an asset, does not meet the initial recognition criteria of a heritage asset, the Economic Entity discloses the relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised at cost on acquisition date.

The cost is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity.

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Subsequent measurement

Subsequent to initial recognition, the Economic Entity uses the cost model to measure its heritage assets.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The entire heritage assets disclosed are being used as a heritage asset. No initial costs incurred to assess the heritage asset. No compensation is due for Heritage Assets impaired, lost or given up.

The table below reflects the class of heritage assets and the estimated useful life range in years:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of rare books and manuscripts	Indefinite Life

Impairment

The Economic Entity does not depreciate its heritage assets, but at each financial year end, it assesses whether there is an indication that the assets may be impaired. If such an indication exists, the Economic Entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

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

14. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), its initial cost at the date of acquisition is measured at its fair value as the date of acquisition.

Intangible assets acquired through non-exchange transactions:

Internally generated intangible assets:

Research phase

The Economic Entity does not recognise any intangible asset arising from a research phase of an internal project. Expenditure on research phase of an internal project is recognised as an expense when incurred.

Development phase

An intangible asset arising from development phase is recognised if, and only if the Economic Entity can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so it will be available for use or resale;
- b) Its intention to complete the intangible asset and use it or sell it;
- c) Its ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits or service potential;
- e) The availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

No research and development expenditure was recognised as an expense during the period.

Exchanges of assets

The cost of an intangible asset acquired in exchange for another is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairment losses.

The cost of an intangible asset is amortised over its useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The probability of expected future economic benefits or serviced potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset are assessed at each reporting date.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the net book value of intangible assets over their remaining useful lives. Amortisation of an asset begins when it is available for use.

The annual amortisation rates are based on the following estimated average asset useful lives:

Intangible	Useful Life Range in Years
Computer Software	3 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of 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.

15. INVESTMENT PROPERTY

Initial recognition and measurement

Investment property includes property (land or a building or part of a building or both land or buildings held by owner or by a lessee under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment property is initially recognised as an asset when, and only when, it is probable that future economic benefits and or service potential will flow to the Economic Entity and the cost or fair value can be measured reliably.

At initial recognition, the Economic Entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where the Economic Entity acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If investment property becomes owner-occupied property, the Economic Entity accounts for such property in accordance with the policy stated under investment property up to the date of change in use.

There are no circumstances, which we are aware off, where NMBM is not the legal owner / custodian but controls the land and vice versa.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the net book value over the remaining useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment Property	Useful Life Range in Years
Land Buildings	Indefinite Life 15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Land is not depreciated.

Fair Value

The assumptions for determining the fair value of the investment property is set out in Note 12 of the Consolidated Financial Statements.

Derecognition

Investment property is derecognised when it is disposed of or when no future economic benefits or service potential are to be derived from the use of the asset. All gains or losses from the disposal of investment property are determined as the difference between the sales proceeds and the carrying value of the asset and are recognised in the Statement of Financial Performance.

16. INVENTORIES

Initial recognition and measurement

Inventories comprise assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus

taxes (other than VAT), transport costs and any other direct costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, water and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories except water. Water is measured on the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The Economic Entity purchases its water. The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other direct costs attributable to the acquisition. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determine the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. There are no items not ordinarily inter-changeable / segregated for specific projects.

17. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Recognition

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where any such indication exists, the Economic Entity estimates the recoverable service amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The Economic Entity classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and are independent of the cash inflows from other assets or groups of assets. The Economic Entity will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of impairment losses

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

18. REVENUE

18.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the Economic Entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

The recognition criteria is usually applied separately to each transaction

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

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

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

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange-revenue sources

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read and the related revenue adjustment is recognised in the same period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Rental income arising from the use of investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on on-going leases.

Revenue from the issue of permits and licenses is recognised at point and time of issue.

Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned; and
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

18.2 Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an Economic Entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition of revenue

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition of assets

An inflow of resources from a non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Economic Entity and the fair value of the asset can be measured reliably.

The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Specific non-exchange-revenue sources

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the Economic Entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period, therefore an accrual is raised at the end of the financial year based on the average collection of fines throughout the year.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Economic Entity. Where public contributions have been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and first becomes available for use by the Economic Entity.

Fuel levy is recognised in revenue when the income is received.

Grants, transfers or donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of related conditions. Where the grant, transfer or donation has been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Measurement of revenue from non-exchange transactions

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets, recognised by the entity.

Fines

Assets arising from fines are measured at the best estimate of the inflow of resources to the Economic Entity.

Bequests

Bequests are measured at the fair value of the resources received or receivable.

Gifts and donations

On initial recognition, gifts and donations are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession that holds a recognised and relevant professional qualification.

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met. Therefore the best estimate of the amount required to settle the present obligation at the reporting date will be recognised as a liability.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Expenditure from Non-exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Expenditure from non-exchange transactions is recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

19. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Economic Entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred are recognised as an expense in the Statement of Financial Performance using the effective interest method.

20. LEASES

Leases in the financial statements of lessees

Operating leases

Recognition

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. Lease payments under an operating lease are recognised as an expense in the statement of financial performance, on a straight line basis over the lease term. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be.

Measurement

The resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Derecognition

The operating lease liability is derecognised when the Economic Entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Economic Entity no longer anticipates economic benefits to flow from the asset.

Leases – Economic Entity as lessor

Operating leases

The Economic Entity presents assets subject to operating leases in its Statement of Financial Position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred by the Economic Entity in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the Economic Entity's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the Standards of GRAP on Property, Plant and Equipment and Intangible Assets.

Recognition

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Operating lease liabilities are derecognised when the Economic Entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the Economic Entity's right to the underlying cash flows expire or the Economic Entity no longer expects economic benefits to flow from the operating lease asset.

21. REPORTING FOREIGN CURRENCY TRANSACTIONS IN THE FUNCTIONAL CURRENCY

Initial recognition

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent reporting dates

At each reporting date:

- (a) foreign currency monetary items shall be translated using the closing rate;
- (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Recognition of exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in surplus or deficit in the period in which they arise.

22. VALUE ADDED TAX (VAT)

The Economic Entity accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT refundable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

The Municipality has a tax exemption and therefore not liable for income tax.

23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Economic Entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Economic Entity's Supply Chain Management Policy. Irregular expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

26. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

27. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Common Control

For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

The Economic Entity uses the acquisition method in accounting for transactions relating to transfer of functions, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the acquirer obtains control of the acquiree.

Economic Entity as the acquirer:

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

28. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Consolidated Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after reporting date

The Economic Entity adjusts the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date

Non-adjusting events after the reporting date

The Economic Entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. The Economic Entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

29. RELATED PARTIES

The Economic Entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Economic Entity and one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Economic Entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the Economic Entity's legal mandate,

Further details about those transactions are disclosed in the notes to the financial statements.

30. PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts.

Presentation and disclosure

The Economic Entity presents a comparison of budget and actual amounts as additional budget columns in the primary financial statements because the financial statements and the budget are prepared on a comparable basis.

Changes from approved to final budget

The Economic Entity presents an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget or of other factors:

- (b) in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Comparable basis

All comparisons of budget and actual amounts are presented on a comparable basis to the budget.

The Economic Entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Economic Entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

31. COMMITMENTS

Items are classified as commitments when the Economic Entity has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed in the following circumstances:

- Unrecorded capital expenditure approved and contracted for before/at reporting date;
- Unrecorded capital expenditure approved but not yet contracted for at reporting date; and
- Unrecorded capital expenditure approved after reporting date.

32. GRANTS-IN-AID

The Economic Entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Economic Entity does not:

- Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

33. IMPAIRMENT

Impairment of cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Impairment of non-cash generating units:

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal sources of information

- (c) Evidence is available of physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

34. 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 surplus 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 project funding received. 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.

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

35. PRINCIPLE AGENT TRANSACTIONS

MBDA was appointed by its parent municipality NMBM to act as its agent in the management of the NMB Stadium operations. As part of its custodial responsibilities the agency is responsible for the total operations in terms of event, financial and risk management, and to ensure that this facility becomes more sustainable over the longer term.

NMBM, however incorporates all revenue and expenditure of the NMB Stadium in the books of NMBM.

36. SERVICE CONCESSION ARRANGEMENTS

No service concession arrangements have been entered into.

37. SEGMENT REPORTING

Basis for segmentation

Nelson Mandela Bay Municipality is a complex metropolitan municipality with a wide variety of goods and services managed by various Directorates. Operations are structured to achieve optimum service delivery and the municipality produces various reports in which its activities are presented in a variety of ways.

Segments were identified based on the MFMA S71 monthly budget statements that are reviewed by the executive management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format, and is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Segments are aggregated for reporting purposes when management considered that the economic characteristics and nature of services are sufficiently similar to warrant aggregation. The components of each aggregated segment is explained under the description of operations of the segments. Reportable segments are identified based on activities of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Accounting policy and measurement basis

The accounting policies of the reportable segments are the same as the municipality's accounting policies.

Inter-segment pricing is determined on an arm's length basis, similar to transactions with third parties. Inter-segment revenues are eliminated upon consolidation and reflected in the "elimination of intersegment transactions" column of the segment report.

Geographic information

All the municipality's operations are located in the Republic of South Africa in the Nelson Mandela Bay area. Information to report on different geographical areas is not available and the cost to develop it would be excessive.

38. GRAP STATUTORY RECEIVABLES

No specific transactions outside of the standards of GRAP have been concluded.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
RESERVES GOVERNED BY AN ACT:				
1 COID RESERVE				
Balance at the beginning of the year	46,521,089	41,321,868	46,521,089	41,321,868
Premiums received - transfer from accumulated surplus	8,060,658	7,740,637	8,060,658	7,740,637
Expenditure funded during the year - transfer to accumulated surplus	(3,406,612)	(2,541,416)	(3,406,612)	(2,541,416)
Balance at the end of the year	51,175,135	46,521,089	51,175,135	46,521,089

The amount for this note has been included in the Total Accumulated Funds. Also refer note 18.

The COID Reserve is required in terms of Section 84 of the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993) as the Nelson Mandela Bay Municipality (NMBM) has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases.

2 LONG-TERM LIABILITIES

Financial Liabilities:

Development Bank of Southern Africa (DBSA)

Rand Merchant Bank

Nedbank 1

Nedbank 2

Total External Loans

Long-term Liabilities - MBDA

Brookes Bequest

Total Long-term Liabilities

Less : Current portion transferred to current liabilities

Development Bank of Southern Africa (DBSA)

Rand Merchant Bank

Nedbank 1

Nedbank 2

302,084,213	322,119,963	302,084,213	322,119,963
345,531,984	364,499,298	345,531,984	364,499,298
343,084,805	407,122,299	343,084,805	407,122,299
173,197,434	0	173,197,434	0
1,163,898,436	1,093,741,560	1,163,898,436	1,093,741,560
905,950	84,707	0	0
22,637,206	21,773,102	22,637,206	21,773,102
1,187,441,592	1,115,599,369	1,186,535,642	1,115,514,662
196,369,125	99,142,909	196,369,125	99,142,909
21,799,983	19,471,649	21,799,983	19,471,649
20,997,175	18,809,035	20,997,175	18,809,035
68,515,464	60,862,225	68,515,464	60,862,225
85,056,503	0	85,056,503	0
991,072,467	1,016,456,460	990,166,517	1,016,371,753

The Financial liabilities are measured at amortised cost taking into account relevant interest rates. Also refer note 38.

In line with Chapter 6 of the MFMA, no loans are secured.

DBSA

A further loan of R420 000 000 was taken up during the 2008/09 financial year and is repayable over 20 years in 38 half yearly instalments of R27 651 367, by 30 September 2029, at a fixed interest rate of 11.62% per annum with a final payment of R27 651 367. The loan was used for various capital projects. A capital amount of R19 471 649 and interest of R35 831 084 was repaid during the financial year. (2020: Capital repaid R17 292 126 and Interest paid R38 010 607)

NEDBANK 1

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. A capital amount of R60 862 226 and interest of R43 905 772 was repaid during the financial year. (2020: Capital repaid R54 540 977 and Interest paid R50 227 020)

NEDBANK 2

A further loan of R750 602 100 was approved during the 2020/21 financial year of which R214 414 700 was taken up and is repayable over 10 years in 20 half yearly instalments of R51 548 178, by 31 July 2030 at a fixed rate of 9.22% per annum. The loan is used for various capital projects. A capital amount of R47 540 209 and interest of R4 007 969 was repaid during the financial year.

RAND MERCHANT BANK

The loan of R470 000 000 was taken up during the 2010/11 financial year and is repayable over 20 years in 40 half yearly instalments of R27 779 027, by 31 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. A capital amount of R18 809 035 and interest of R36 749 019 was repaid during the financial year. (2020: Capital repaid R17 315 635 and Interest paid R38 242 419)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The capital of the fund, may not be used until 100 years after the death of the last annuitant. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The interest may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 6.64% per annum.

LONG-TERM LIABILITIES - ENTITY INCLUDES:

CONSTRUCTION CONTRACT RETENTION AND DEFERRED INCOME

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
3.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Benefit	5,550,597	8,028,000	5,550,597	8,028,000
Post Retirement Benefits	1,411,114,076	1,216,905,401	1,411,114,076	1,216,905,401
Long Service Awards and Long Service Bonus	736,991,000	594,890,848	736,991,000	594,890,848
Total Employee Benefit Obligation	2,153,655,673	1,819,824,249	2,153,655,673	1,819,824,249

Refer to Note 47 for the full reconciliation and disclosures.

Gratuity Benefit

This obligation is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	8,028,000	9,516,000	8,028,000	9,516,000
Movement in Obligation	(2,477,403)	(1,488,000)	(2,477,403)	(1,488,000)
Balance at end of year	5,550,597	8,028,000	5,550,597	8,028,000

Post Retirement Benefits

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and ex-gratia pensions which have been actuarially assessed.

Balance at beginning of year	1,216,905,401	1,377,456,000	1,216,905,401	1,377,456,000
Movement in Obligation	194,208,675	(160,550,599)	194,208,675	(160,550,599)
Balance at end of year	1,411,114,076	1,216,905,401	1,411,114,076	1,216,905,401

Long Service Awards and Long Service Bonus

This obligation is in respect of the long service award and long service bonus which the Municipality offers to its current employees and which become payable at certain pre-determined intervals.

Balance at beginning of year	594,890,848	655,019,000	594,890,848	655,019,000
Contributions to Obligation	142,100,152	(60,128,152)	142,100,152	(60,128,152)
Balance at end of year	736,991,000	594,890,848	736,991,000	594,890,848

Refer Restatement Notes no. 40.3.9

3.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	406,886,060	358,133,740	406,886,060	358,133,740
Rehabilitation of Swartkops River	94,665,077	73,643,693	94,665,077	73,643,693
Total Non-current Provisions	501,551,137	431,777,433	501,551,137	431,777,433

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R149,304,039 for the Arlington Landfill site, R115,502,422 for the Koedoeskloof Landfill site and R142,079,598 for the Ibhayi Landfill site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2027 (Arlington) and 2029 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 4.9%. The projected amounts are discounted to the present value at the average borrowing rate of 10.92%. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

A change in useful lives and reduced CPI index, have caused the change in the value of the provision.

Balance at beginning of year	358,133,740	407,057,209	358,133,740	407,057,209
Contributions to Provision	48,752,320	(48,923,469)	48,752,320	(48,923,469)
Balance at end of year	406,886,060	358,133,740	406,886,060	358,133,740

Rehabilitation of Swartkops River

Balance at beginning of year	73,643,693	71,681,592	73,643,693	71,681,592
Contributions to Provision - unwinding of discount factor	21,021,384	1,962,101	21,021,384	1,962,101
Balance at end of year	94,665,077	73,643,693	94,665,077	73,643,693

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
4 EMPLOYEE BENEFITS AND PROVISIONS				
4.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Obligation	4,639,392	4,618,000	4,639,392	4,618,000
Post Retirement Benefits	74,338,869	69,961,544	74,338,869	69,961,544
Performance Bonus Liability	9,926,601	6,833,030	7,906,666	5,411,709
Long service awards and long service bonuses	96,539,000	100,231,352	96,539,000	100,231,352
Provision for Workmen's Compensation	52,378	16,667	0	0
Total Current Employee Benefit Obligation	185,496,240	181,660,593	183,423,927	180,222,605
Refer to Note 47 for the full reconciliation and disclosures.				
Gratuity Obligation				
This obligation is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.				
Balance at beginning of year	4,618,000	4,833,000	4,618,000	4,833,000
Movement in Obligation	8,500,599	1,868,812	8,500,599	1,868,812
Expenditure incurred	(8,479,207)	(2,083,812)	(8,479,207)	(2,083,812)
Balance at end of year	4,639,392	4,618,000	4,639,392	4,618,000
Post Retirement Benefits				
The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.				
Balance at beginning of year	69,961,544	73,478,000	69,961,544	73,478,000
Contributions to Obligation	82,490,073	72,085,569	82,490,073	72,085,569
Expenditure incurred	(78,112,748)	(75,602,025)	(78,112,748)	(75,602,025)
Balance at end of year	74,338,869	69,961,544	74,338,869	69,961,544
Performance bonus liability				
This obligation is in respect of the short-term liability relating to performance bonuses payable to Section 57 employees, based on a maximum of 14% of their all-inclusive remuneration package paid as per regulation 32(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.				
Balance at beginning of year	6,833,030	4,940,292	5,411,709	3,827,569
Movement in Obligation	4,514,892	3,005,461	2,494,957	1,584,140
Expenditure incurred	(1,421,321)	(1,112,723)	0	0
Balance at end of year	9,926,601	6,833,030	7,906,666	5,411,709
Long service awards and long service bonuses				
The obligation is in respect of long service awards and long service bonuses				
Balance at beginning of year	100,231,352	93,825,001	100,231,352	93,825,001
Movement in Obligation	(3,692,352)	6,406,351	(3,692,352)	6,406,351
Balance at end of year	96,539,000	100,231,352	96,539,000	100,231,352
Provision for Workmen's Compensation				
Balance at beginning of year	16,667	39,354	0	0
Contributions to Obligation	52,378	157,000	0	0
Expenditure incurred	(16,667)	(179,687)	0	0
Balance at end of year	52,378	16,667	0	0
Refer Restatement Notes no. 40.3.8				
4.2 CURRENT PROVISIONS - OTHER				
Provision for Litigation and Claims	15,277,529	14,515,171	15,277,529	14,515,171
Total Current Provisions	15,277,529	14,515,171	15,277,529	14,515,171
Provision for Litigation and Claims				
The provision is in respect of probable claims against the NMBM, pending the outcome of court decisions - See note 45(b).				
Balance at the beginning of the year	14,515,171	82,002	14,515,171	82,002
Contribution to the provision	762,358	14,515,171	762,358	14,515,171
Provision utilised/reversed	0	(82,002)	0	(82,002)
Balance at end of year	15,277,529	14,515,171	15,277,529	14,515,171
5 CONSUMER DEPOSITS				
Electricity and Water	152,721,461	154,791,438	152,721,461	154,791,438
Interest	1,930,289	1,595,641	1,930,289	1,595,641
	154,651,750	156,387,079	154,651,750	156,387,079
Guarantees held in lieu of Electricity and Water Deposits	17,193,797	17,193,797	17,193,797	17,193,797
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
6 TRADE AND OTHER PAYABLES				
Payables and Accruals	1,828,534,694	1,402,963,607	1,851,782,055	1,406,788,704
Payments Received in Advance	91,934,710	85,642,706	91,934,710	85,642,706
Staff leave	387,092,670	315,115,899	382,834,548	311,244,364
Retentions	104,100,155	97,103,200	104,100,155	97,103,200
Total Creditors	2,411,662,229	1,900,825,412	2,430,651,468	1,900,778,974
Transfers and Subsidies (See details below)	351,572,080	721,091,553	345,074,501	716,015,380

Refer Restatement Notes no. 40.3.1

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R104 100 155, which could be settled within the next 12 months.

No creditors are secured

7 TRANSFERS AND SUBSIDIES

Conditional Grants from other spheres of Government

Conditional Grants in terms of the Division of Revenue Act (DORA):

Public Transport Infrastructure Grant (See Note 22.7.1 and Note 16)	41,967,790	84,019,013	41,967,790	84,019,013
Public Transport Networks Operations Grant (See Note 22.7.2)	93,172,582	96,112,294	93,172,582	96,112,294
Neighbourhood Partnership Development Grant (See Note 22.15 and Note 16)	2,157,622	13,085,004	2,157,622	13,085,004
Urban Settlement Grant (See Note 22.16 and Note 16)	175,124,719	307,341,901	175,124,719	307,341,901
Infrastructure Skills Development Grant (See Note 22.17)	1,892,693	0	1,892,693	-
Integrated City Development Grant (ICDG) (See Note 22.20)	5,292,146	351,265	5,292,146	351,265
Drought Relief Grant (See Note 22.21)	0	188,078,966	-	188,078,966
Other Grants:				
PHB Subsidies (See Note 22.1)	1,247,590	1,200,000	1,247,590	1,200,000
Smart Grid initiative Grant (See Note 22.4)	711,836	711,836	711,836	711,836
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5)	1,973,952	1,973,952	1,973,952	1,973,952
EU Sector Policy Support Project (See Note 22.9)	1,744,599	1,744,599	1,744,599	1,744,599
Other Grants (See Note 22.11)	7,121,802	5,965,979	624,223	889,806
National Lotteries Grant (See Note 22.13)	1,305,131	1,305,131	1,305,131	1,305,131
CDC Walmer Intervention Funding Grant (See Note 22.14)	9,068,420	9,068,420	9,068,420	9,068,420
LGSETA Discretionary Learnership Funding (See Note 22.23)	7,918,417	9,260,412	7,918,417	9,260,412
Provincial Department Agency: Communication Grant (See Note 22.24)	872,781	872,781	872,781	872,781
Total Transfers and Subsidies	351,572,080	721,091,553	345,074,501	716,015,380

The unspent portion of transfers and subsidies represent cash as included in note 18 below.

Refer Restatement Note no. 40.3.6

8 VAT

VAT Receivable / (Net VAT payable)	(160,098,640)	(152,284,433)	(160,098,640)	(152,284,433)
VAT Receivable / (Net VAT payable) - MBDA	2,064,326	1,874,849	0	0

VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS.

Refer Restatement Note no. 40.3.3

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY	R		
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2021			
Land	1,168,906,363	0	1,168,906,363
Buildings	1,030,060,127	400,039,225	630,020,902
Infrastructure Assets	20,371,590,124	7,502,611,804	12,868,978,320
Community Assets	3,701,929,664	1,254,770,288	2,447,159,376
Other Assets	1,678,304,890	1,070,831,075	607,473,815
	27,950,791,168	10,228,252,392	17,722,538,776

No assets were pledged as security and there were no restrictions.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2020

ECONOMIC ENTITY	R		
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2020			
Land	1,130,178,550	0	1,130,178,550
Buildings	1,024,656,238	357,732,709	666,923,529
Infrastructure Assets	19,198,400,712	6,790,824,498	12,407,576,214
Community Assets	3,653,628,671	1,141,210,586	2,512,418,085
Other Assets	1,584,999,155	1,003,837,978	581,161,177
	26,591,863,326	9,293,605,771	17,298,257,555

Refer Restatement Note no. 40.3.7

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

MUNICIPALITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2021			
Land	1,155,959,212	0	1,155,959,212
Buildings	1,025,490,451	399,733,118	625,757,333
Infrastructure Assets	20,371,590,124	7,502,611,804	12,868,978,320
Community Assets	3,701,929,664	1,254,770,288	2,447,159,376
Other Assets	1,671,949,272	1,067,253,941	604,695,331
	27,926,918,723	10,224,369,151	17,702,549,572

No assets were pledged as security and there were no restrictions.

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land	1,117,231,399	0	1,117,231,399
Buildings	1,020,219,976	357,636,870	662,583,106
Infrastructure Assets	19,198,400,712	6,790,824,498	12,407,576,214
Community Assets	3,653,628,671	1,141,210,586	2,512,418,085
Other Assets	1,578,984,368	1,000,899,827	578,084,541
	26,568,465,126	9,290,571,781	17,277,893,345

Refer Restatement Note no. 40.3.7

10 HERITAGE ASSETS

ECONOMIC ENTITY	R	R	R
As at 30 June 2021	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	235,002,583	15,820,657	219,181,926
	235,002,583	15,820,657	219,181,926

Refer to Note 49 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	227,135,645	15,820,657	211,314,988
	227,135,645	15,820,657	211,314,988

MUNICIPALITY	R	R	R
As at 30 June 2021	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	234,752,083	15,820,657	218,931,426
	234,752,083	15,820,657	218,931,426

No assets were pledged as security and there were no restrictions.

Refer to Note 49 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	226,885,145	15,820,657	211,064,488
	226,885,145	15,820,657	211,064,488

No assets were pledged as security and there were no restrictions.

No retiring from active use / disposal took place during the current year

11 INTANGIBLE ASSETS

ECONOMIC ENTITY	Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2021			
Computer Software	463,769,425	358,111,701	105,657,724
	463,769,425	358,111,701	105,657,724

No assets were pledged as security and there were no restrictions.

Refer to Note 50 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	459,984,581	308,476,494	151,508,087
	459,984,581	308,476,494	151,508,087

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

11 INTANGIBLE ASSETS (Continued)

MUNICIPALITY

As at 30 June 2021

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	462,371,011	357,715,872	104,655,139
	462,371,011	357,715,872	104,655,139

No assets were pledged as security and there were no restrictions.

Refer to Note 50 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	459,302,518	308,106,482	151,196,036
	459,302,518	308,106,482	151,196,036

12 INVESTMENT PROPERTY

ECONOMIC ENTITY

As at 30 June 2021

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	226,767,881	74,649,280	152,118,601
	226,767,881	74,649,280	152,118,601

No assets were pledged as security and there were no restrictions.

Refer to Note 51 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	236,618,412	71,530,870	165,087,542
	236,618,412	71,530,870	165,087,542

MUNICIPALITY

As at 30 June 2021

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	226,767,881	74,649,280	152,118,601
	226,767,881	74,649,280	152,118,601

No assets were pledged as security and there were no restrictions.

Refer to Note 51 for reconciliation.

As at 30 June 2020

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	236,618,412	71,530,870	165,087,542
	236,618,412	71,530,870	165,087,542

ECONOMIC ENTITY AND
MUNICIPALITY

Description of Investment Property:

	2021 R	Restated 2020 R
Nelson Mandela Bay Logistics Park	102,300,000	102,300,000
Mc Arthur Bath	12,290,000	12,290,000
Willows Resort	246,430,000	246,430,000
Beachview Resort	6,250,000	6,250,000
Van Stadens Resort	5,250,000	5,250,000
St Georges Park Resort and Wells estate	117,500,000	117,500,000
Motherwell Depot	15,010,000	15,010,000
Africa Timbers in Korsten	1,990,000	1,990,000
Mercado centre	22,830,000	22,830,000
Incinerator and Gas works	26,730,000	26,730,000
Something Good	4,200,000	4,200,000
Korsten Depot	1,600,000	1,600,000
Port Elizabeth RD Steeple Dale Reinforcing	980,000	980,000
PE Central Shop	490,000	490,000
North End Workshop	66,000	66,000
Moselville Old Post Office	1,250,000	1,250,000
Market Value of Investment Property	565,166,000	565,166,000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

12 INVESTMENT PROPERTY (Continued)

Additional Disclosure:

The NMBM applies the Cost Model.

The Market Value was determined by valuers of the Rates and Valuations Directorate within NMBM who are experts in this field. The property values are consistent with the prior years and no updated valuations has been performed in the current year. The valuations was based on the 2016 Valuations roll, which is valid for 5 years - refer note 20:

The depreciated replacement cost method of valuation was applied in determining the valuation of the property. This method of valuation is usually applied to properties that do not often change hands in the open market. The depreciated replacement cost method of valuation is calculated by determining the replacement cost of the improvements, as at the date of the valuation, less a depreciation factor, which comprises physical deterioration, functional obsolescence and location deterioration. The value of land is determined by means of comparable sales of similar properties in the area. The two values are added together to arrive at the valuation of the property.

Properties subject to Operating Leases:

Rental revenue included in surplus for following Investment Properties:

Beachview resort
Van Stadens Resort
Something Good

**ECONOMIC ENTITY AND
MUNICIPALITY**

2021	Restated 2020
R	R
240,000	240,000
240,000	240,000
739,175	701,304

Rental revenue is included with Rental of Facilities and Equipment

13 LONG-TERM RECEIVABLES

Other Debtors
Consumer Debtors
Rates and General
Other Services
Electricity
Water
Refuse
Sewerage

Economic Entity

2021	Restated 2020
R	R

Municipality

2021	Restated 2020
R	R

50,315	50,315
112,729,930	53,093,514
40,517,005	19,339,476
5,181,849	3,548,887
16,739,745	6,219,995
27,457,347	13,402,231
8,666,672	4,153,198
14,167,312	6,429,727

50,315	50,315
112,729,930	53,093,514
40,517,005	19,339,476
5,181,849	3,548,887
16,739,745	6,219,995
27,457,347	13,402,231
8,666,672	4,153,198
14,167,312	6,429,727

Long-term Receivables

112,780,245 **53,143,829**

112,780,245 **53,143,829**

Long-term Receivables - Exchange Transactions
Long-term Receivables - Non-exchange Transactions

72,212,925	33,754,038
40,567,320	19,389,791
112,780,245	53,143,829

72,212,925	33,754,038
40,567,320	19,389,791
112,780,245	53,143,829

No collateral is held for receivables.

In the event of defaults on arrangements, the consumers may enter into a fresh arrangement upon making certain down payments.

No assets have been pledged as security for any liabilities

LONG-TERM RECEIVABLES - CONSUMER DEBTORS

Financial Assets - Receivables:

The consumer debtors are billed a gazetted interest rate between 7.25% and 7% per annum on overdue accounts.

Trade Receivables - Exchange Transactions

The current portion is disclosed in note 15 - Trade Receivables - Exchange Transactions.

14 INVENTORY

Materials and Supplies
Work in Progress - Other
Finished Goods - Water Stock (refer to note 28 for cost of inventory purchased)
Finished Goods - Other
Consumables

154,725,206	141,142,929
144,136,137	130,582,916
49,711	86,869
3,926,175	4,052,088
6,434,418	6,272,458
178,765	148,598

154,546,441	140,994,331
144,136,137	130,582,916
49,711	86,869
3,926,175	4,052,088
6,434,418	6,272,458
0	0

Less: Provision for Obsolete Stock

(742,593)	(2,340,789)
153,982,613	138,802,140

(742,593)	(2,340,789)
153,803,848	138,653,542

No inventory was pledged as security

Refer Restatement Note no. 40.3.10

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2021

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
	6,088,858,016	(3,812,018,944)	2,276,839,072
Service Debtors	2,024,354,487	(749,785,638)	1,274,568,849
Electricity	2,559,906,552	(1,952,115,311)	607,791,241
Water	564,909,369	(430,630,395)	134,278,974
Refuse	939,687,608	(679,487,600)	260,200,008
Sanitation			
House Rentals	55,521,033	(43,869,037)	11,651,996
Total	6,144,379,049	(3,855,887,981)	2,288,491,068

No consumer debtors were pledged as security.

In the event of defaults services are disconnected until such time that the outstanding debt has been paid or an arrangement entered into.

As at 30 June 2020

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

	Gross Balances	Impairment Allowance	Carrying Amount
	4,514,115,870	(2,569,355,089)	1,944,760,781
Service Debtors	1,610,443,981	(670,641,113)	939,802,868
Electricity	1,707,614,192	(1,085,792,614)	621,821,578
Water	454,491,218	(317,231,121)	137,260,097
Refuse	741,566,479	(495,690,241)	245,876,238
Sanitation			
House Rentals	48,046,192	(34,033,624)	14,012,568
Total	4,562,162,062	(2,603,388,713)	1,958,773,349

Refer Restatement Note no. 40.3.4.1

Electricity: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

	2021 R	Restated 2020 R
Current (0-30 days)	1,134,872,707	694,298,856
31 - 60 Days	37,302,224	126,538,618
61 - 90 Days	25,134,654	21,120,286
Over 90 Days	827,044,902	768,486,221
Total	2,024,354,487	1,610,443,981

Water: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

Current (0-30 days)	192,008,241	199,334,704
31 - 60 Days	190,976,910	104,623,213
61 - 90 Days	145,682,747	123,903,513
Over 90 Days	2,031,238,654	1,279,752,762
Total	2,559,906,552	1,707,614,192

Refuse: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

Current (0-30 days)	58,411,838	31,208,729
31 - 60 Days	22,310,041	24,295,883
61 - 90 Days	15,250,221	16,650,785
Over 90 Days	468,937,269	382,335,821
Total	564,909,369	454,491,218

Sanitation: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

Current (0-30 days)	128,719,204	63,532,573
31 - 60 Days	47,208,360	43,915,133
61 - 90 Days	33,330,052	39,557,324
Over 90 Days	730,429,992	594,561,449
Total	939,687,608	741,566,479

Housing Rentals: Ageing

Current (0-30 days)
31 - 60 Days
61 - 90 Days
Over 90 Days
Total

Current (0-30 days)	3,044,313	1,748,069
31 - 60 Days	1,285,093	2,669,331
61 - 90 Days	1,150,045	1,241,088
Over 90 Days	50,041,582	42,387,704
Total	55,521,033	48,046,192

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2021			
Current (0-30 days)	483,297,934	991,342,080	42,416,289
31 - 60 Days	218,837,754	63,680,990	16,563,884
61 - 90 Days	174,229,262	41,260,952	5,057,505
Over 90 Days	2,474,505,769	1,515,481,444	117,705,186
Gross Consumer Debtors by Customer classification	<u>3,350,870,719</u>	<u>2,611,765,466</u>	<u>181,742,864</u>
Gross Consumer Debtors			6,144,379,049
Less: Impairment allowance			(3,855,887,981)
Net Consumer Debtors for the period ended 30 June 2021			<u>2,288,491,068</u>

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2020			
Current (0-30 days)	336,935,425	617,375,599	35,811,907
31 - 60 Days	86,871,298	174,678,533	40,492,347
61 - 90 Days	123,025,974	47,423,399	32,023,623
Over 90 Days	1,600,295,115	1,313,307,818	153,921,024
Gross Consumer Debtors by Customer classification	<u>2,147,127,812</u>	<u>2,152,785,349</u>	<u>262,248,901</u>
Gross Consumer Debtors			4,562,162,062
Less: Impairment allowance			(2,603,388,713)
Net Consumer Debtors for the year ended 30 June 2020			<u>1,958,773,349</u>

Reconciliation of the Impairment Allowance

	2021 R	Restated 2020 R
Balance at beginning of year	2,603,388,713	2,157,414,918
Contributions to Impairment allowance	1,535,540,039	970,752,161
	4,138,928,752	3,128,167,079
Bad debts written off against the Impairment allowance	(283,040,771)	(524,778,366)
Balance at end of year	<u>3,855,887,981</u>	<u>2,603,388,713</u>

Financial Assets have been classified as loans and receivables.

The consumer debtors are billed a gazetted interest rate between 7.25% and 7% per annum on overdue accounts.

Consumer Debtors not past due nor impaired therefore no impairment allowance raised:

Neither past due nor impaired

2,288,491,068 **1,958,773,349**

Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)

3,855,887,981 **2,603,388,713**

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021 R	Restated 2020 R	2021 R	Restated 2020 R
15 TRADE RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Property Rates	1,719,114,870	1,466,226,906	1,719,114,870	1,466,226,906
Provision for Bad Debts - Property Rates	(1,366,567,567)	(1,061,256,830)	(1,366,567,567)	(1,061,256,830)
	352,547,303	404,970,076	352,547,303	404,970,076
Refer Restatement Note no. 40.3.4.2				
Property rates: Ageing				
Current (0-30 days)	97,884,501	22,301,739	97,884,501	22,301,739
31 - 60 Days	51,772,326	92,128,849	51,772,326	92,128,849
61 - 90 Days	28,323,137	39,827,679	28,323,137	39,827,679
Over 90 Days	1,541,134,906	1,311,968,639	1,541,134,906	1,311,968,639
Total	1,719,114,870	1,466,226,906	1,719,114,870	1,466,226,906
Reconciliation of the Impairment Allowance				
Balance at beginning of year	1,061,256,830	859,173,503	1,061,256,830	859,173,503
Contributions to Impairment allowance	403,403,038	263,360,692	403,403,038	263,360,692
	1,464,659,868	1,122,534,195	1,464,659,868	1,122,534,195
Bad debts written off against the Impairment allowance	(98,092,301)	(61,277,365)	(98,092,301)	(61,277,365)
Balance at end of year	1,366,567,567	1,061,256,830	1,366,567,567	1,061,256,830
16 OTHER RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - Housing	210,320,725	210,320,725	210,320,725	210,320,725
Accrued Income: Transfers and Subsidies - USDG	0	390,274,000	0	390,274,000
Accrued Income: Transfers and Subsidies - NPDG	10,000,000	10,000,000	10,000,000	10,000,000
Accrued Income: Transfers and Subsidies - IPTS	0	83,370,000	0	83,370,000
Accrued Income: Transfers and Subsidies - E-Share	255,415,000	255,415,000	255,415,000	255,415,000
Accrued Income: Transfers and Subsidies - Public Health	17,112,961	17,112,961	17,112,961	17,112,961
	492,848,686	966,492,686	492,848,686	966,492,686
Provision for Bad Debts - Housing	(81,168,190)	(81,168,190)	(81,168,190)	(81,168,190)
	411,680,496	885,324,496	411,680,496	885,324,496
Other Receivables: MBDA	2,100	2,100	0	0
	411,682,596	885,326,596	411,680,496	885,324,496
Refer Restatement Note no. 40.3.2.2				
OTHER RECEIVABLES - EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - MBDA	82,569,645	63,305,107	82,569,645	63,305,107
Accrued Income: Market	31,282,132	29,826,074	31,282,132	29,826,074
Accrued Income: Interest Receivable	47,269,451	42,206,397	47,269,451	42,206,397
Accrued Income: Stadium	34,013,554	34,013,554	34,013,554	34,013,554
Accrued Income: Traffic Fines	19,776,513	19,776,514	19,776,513	19,776,514
Accrued Income: Other	51,581,802	24,229,589	51,581,802	24,229,589
Prepayments and Advances	16,333,276	14,131,905	16,333,276	14,131,905
Operating Leases - Straight Lining	3,465,786	3,366,924	3,465,786	3,366,924
	286,292,159	230,856,064	286,292,159	230,856,064
Provision for Bad Debts - Market	(29,826,074)	(29,826,074)	(29,826,074)	(29,826,074)
	256,466,085	201,029,990	256,466,085	201,029,990
Other Receivables: MBDA	84,660,005	67,673,829	0	0
Less: Intercompany transactions	(159,473,208)	(104,464,185)	0	0
	181,652,882	164,239,634	256,466,085	201,029,990
Refer Restatement Note no. 40.3.2.1				
Amounts due from Government and external debtors are normally settled within 30 days and bear no interest. Included in Accrued Income: Other above are debit balances in creditors in the amount of R2 931 954; which are still under investigation to determine whether they should have been there or not and are being cleared and updated where necessary.				
17 CALL DEPOSITS AND INVESTMENTS				
DEPOSITS and INVESTMENTS				
ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2021: 3.87%, 3.25% and 2.5% (2020: 2.75%, 3.5% and 5.95%) during the current audit period.	911,310,000	523,310,000	911,310,000	523,310,000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2021: 3.92% (2020: 5.80%) during the current audit period.	908,000,000	520,000,000	908,000,000	520,000,000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2021: 3.25% (2020: 3.50%) during the current audit period.	153,354,883	148,434,177	153,354,883	148,434,177
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2021: 3.94% and 3.10% (2020: 3.35% and 6.07%) during the current audit period.	918,500,000	560,500,000	918,500,000	560,500,000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2021: 4.42% (2020: 6.37%) during the current audit period.	918,612,600	557,400,000	918,612,600	557,400,000
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2021: 3.908% (2020: 5.06%) during the current audit period.	259,657	259,657	259,657	259,657
	3,810,037,140	2,309,903,834	3,810,037,140	2,309,903,834

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
17 CALL DEPOSITS AND INVESTMENTS (CONTINUED)				
DEPOSITS and INVESTMENTS				
The Investments are committed as follows:	3,810,037,140	2,309,903,834	3,810,037,140	2,309,903,834
Transfers and Subsidies	335,074,501	217,587,373	335,074,501	217,587,373
Current Portion of Long-term Liabilities	196,369,125	99,142,909	196,369,125	99,142,909
COVID Reserve	51,175,135	46,521,089	51,175,135	46,521,089
Self Insurance Reserve	115,122,651	85,600,224	115,122,651	85,600,224
Capital Replacement Reserve	113,684,823	227,353,908	113,684,823	227,353,908
	811,426,235	676,205,503	811,426,235	676,205,503
The balance is available for Trade and Other Payables	2,998,610,905	1,633,698,331	2,998,610,905	1,633,698,331
Also refer Notes 2, 6 and 7				
18 CALL DEPOSITS AND INVESTMENTS - OTHER				
Sanlam Shares - Financial Instruments	2,511,199	2,411,766	2,511,199	2,411,766
No Investments were pledged as security				
The Municipality's Investment Policy and Investment Regulations, require local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.				
The NMBM is the holder of 40 919 shares in Sanlam Ltd received or allotted for no cost, of which the market value is R2 511 199 (2020: R2 411 766) determined on the open market share price as at 30 June 2021. The shares were awarded to the NMBM as the beneficiary of an insurance endowment policy, which matured during October 1998.				
All deposits are invested in call accounts with all of the above banks as per the above-mentioned interest rate options. Short-term investment deposits form part of cash and cash equivalents for purposes of the cash flow statement.				
Short-term Investment Deposits amounting to R196 369 125 (2020: R99 142 909) are ring-fenced and attributable to repaying long-term loans.				
19 BANK BALANCES AND CASH				
The NMBM operates various current accounts with ABSA. The details are as follows:				
BANK: ABSA				
ACCOUNT NUMBER: 4079534961				
BRANCH: Greenacres				
BRANCH CODE: 632005				
Cash Book balance at beginning of the year	906,338,766	189,601,008	906,338,766	189,601,008
Cash Book balance at end of the year	395,389,822	906,338,766	395,389,822	906,338,766
Bank Balance at beginning of the year	978,420,814	205,002,964	978,420,814	205,002,964
Bank Balance at end of the year	421,927,973	978,420,814	421,927,973	978,420,814
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	395,389,822	906,338,766	395,389,822	906,338,766
Refer Restatement Note no. 40.3.5				
Mandela Bay Development Agency				
<u>Current Accounts (Primary Account)</u>				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	6,224,235	4,565,038		
Cashbook balance at end of the year	35,324,488	6,224,235		
Bank statement balance at beginning of the year	6,224,235	6,224,234		
Bank statement balance at end of the year	35,324,488	6,224,235		
Call Account Deposits				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	37,610,045	6,032,448		
Cashbook balance at end of the year	30,163,087	37,610,045		
Bank statement balance at beginning of the year	37,610,045	6,032,448		
Bank statement balance at end of the year	30,163,087	37,610,045		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	65,487,575	43,834,280		
Current Account (Primary Account)	35,324,488	6,224,235		
Call Account Deposits	30,163,087	37,610,045		
Consolidated Cash Book balance at end of the year	460,877,397	950,173,046		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
Banking facilities with ABSA:				
- Financial guarantees	4,034,000	4,034,000	4,034,000	4,034,000
- Automated Clearing Bureau Credits limit	1,600,000,000	1,600,000,000	1,600,000,000	1,600,000,000
- Daily limit	350,000,000	350,000,000	350,000,000	350,000,000
- Automated Clearing Bureau Debits limit	150,000,000	150,000,000	150,000,000	150,000,000
Banking Securities with ABSA:				
- Financial guarantees	3,272,000	3,272,000	3,272,000	3,272,000
- Outward guarantees	3,590,990	3,590,990	3,590,990	3,590,990
No fee was paid for the financial guarantees.				
20 PROPERTY RATES				
<u>Actual</u>				
Residential	1,118,971,323	1,053,462,350	1,118,971,323	1,053,462,350
Commercial	1,125,709,060	1,053,750,487	1,125,709,060	1,053,750,487
State	175,069,403	166,577,672	175,069,403	166,577,672
Other	86,669,971	83,620,891	86,669,971	83,620,891
	2,506,419,757	2,357,411,400	2,506,419,757	2,357,411,400
Refer Restatement Note no. 40.1.6				
As per the Municipal Property Rates Act, the latest date of valuation was 1 July 2016, with the implementation date being 1 July 2017 and is valid until 30 June 2021, which have now been extended to 30 June 2022.				
*Other includes Agricultural, Public Service Infrastructure and Vacant Properties. These amounts are reflected excluding VAT.				
Valuations	R'000	R'000	R'000	R'000
Residential	97,902,483	97,471,716	97,902,483	97,471,716
Commercial	46,365,552	46,079,096	46,365,552	46,079,096
State	6,580,638	6,639,603	6,580,638	6,639,603
Other	8,439,622	8,454,555	8,439,622	8,454,555
	159,288,295	158,644,970	159,288,295	158,644,970
21.1 SERVICE CHARGES				
Sale of Electricity	3,966,501,060	3,721,445,541	3,967,631,615	3,723,178,667
Sale of Water	1,578,366,944	1,189,576,359	1,578,366,944	1,189,576,359
Service delivery - sale of inventory	5,544,868,004	4,911,021,900	5,545,998,559	4,912,755,026
Refuse Removal	259,810,178	247,927,121	259,810,178	247,927,121
Sewerage and Sanitation charges	709,116,506	654,164,013	709,116,506	654,164,013
Service delivery - sale of services	968,926,684	902,091,134	968,926,684	902,091,134
	6,513,794,688	5,813,113,034	6,514,925,243	5,814,846,160
Refer Restatement Note no. 40.1.2				
21.2 FINES, PENALTIES AND FORFEITS				
Fines (Library and Traffic)	79,979,211	224,919,446	79,979,211	224,919,446
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	19,883,757	78,371,200	19,883,757	78,371,200
Impaired, based on collection rate	(15,382,045)	(78,371,200)	(15,382,045)	(78,371,200)
Net fines collected	4,501,712	0	4,501,712	0
Refer Restatement Note no. 40.1.5				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
22 TRANSFERS AND SUBSIDIES				
PHB Subsidies (See Note 22.1)	0	400,385	0	400,385
Equitable Share Allocation (See Note 22.2)	1,260,840,000	1,021,661,000	1,260,840,000	1,021,661,000
Finance Management Grant (See Note 22.3)	935,351	930,338	935,351	930,338
Provincial Government Grants: Library Services (See Note 22.6)	15,870,000	15,870,000	15,870,000	15,870,000
Public Transport Networks Operations Grant (See Note 22.7.2)	61,676,911	42,021,706	61,676,911	42,021,706
Other Grants (See Note 22.11)	5,974,181	27,752,062	590,584	741,593
Government Grant Revenue (See Note 22.12)	891,117,491	633,075,405	891,117,491	633,075,405
Urban Settlements Development Grant (See Note 22.16)	116,990,053	75,955,198	116,990,053	75,955,198
Infrastructure Skills Development Grant (See Note 22.17)	7,898,791	9,443,198	7,898,791	9,443,198
EPWP Incentive Grant (See Note 22.18)	10,117,000	8,944,405	10,117,000	8,944,405
Department of Roads and Public Works Grant (See Note 22.22)	11,977,827	5,264,926	11,977,827	5,264,926
LGSETA Discretionary Learnership Funding (See Note 22.23)	5,774,367	3,880,852	5,774,367	3,880,852
Fuel Levy Allocation (See Note 22.25)	706,955,000	690,344,000	706,955,000	690,344,000
Other Transfers (See Note 22.26)	118,394,918	91,871,599	118,394,918	91,871,599
Public Contributions (See Note 22.27)	31,682,030	17,218,824	31,682,030	17,218,824
	3,246,203,920	2,644,633,898	3,240,820,323	2,617,623,429

Refer Restatement Note no. 40.1.10

Total Grant Receipts	3,351,856,170	2,364,359,191	3,345,048,889	2,334,434,900
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22.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low cost housing.

Balance at beginning of year	1,200,000	1,200,000	1,200,000	1,200,000
Current year receipts	0	400,385	0	400,385
Interest received	47,591	82,405	47,591	82,405
Debtor raised	0	210,320,726	0	210,320,726
Reversal of prior year accrual	0	(210,320,726)	0	(210,320,726)
Interest paid over to Provincial Treasury	0	(82,405)	0	(82,405)
Conditions met - Transferred to revenue	0	(400,385)	0	(400,385)
Conditions still to be met - transferred to liabilities	1,247,591	1,200,000	1,247,591	1,200,000

22.2 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	0	0	0	0
Current year receipts	962,565,000	766,246,000	962,565,000	766,246,000
Rollover not approved - various grants	298,275,000	0	298,275,000	0
Debtor raised - Refer Note 16	255,415,000	255,415,000	255,415,000	255,415,000
Debtor previously raised - reversed	(255,415,000)	0	(255,415,000)	0
Transferred to revenue	(1,260,840,000)	(1,021,661,000)	(1,260,840,000)	(1,021,661,000)
Conditions met	0	0	0	0

22.3 Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year	0	0	0	0
Current year receipts	1,000,000	1,000,000	1,000,000	1,000,000
Conditions met - Transferred to Other Income - VAT portion	(64,649)	(69,662)	(64,649)	(69,662)
Conditions met - Transferred to revenue	(935,351)	(930,338)	(935,351)	(930,338)
Conditions met	0	0	0	0

22.4 Smart Grid Initiative

This Grant is used to develop innovative, interactive and improved technological solutions to deal with revenue enhancement.

Balance unspent at beginning of year	711,836	711,836	711,836	711,836
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue - capital	0	0	0	0
Debtor (reversed) / raised	0	0	0	0
Conditions still to be met - transferred to liabilities	711,836	711,836	711,836	711,836

22.5 Provincial Department of Human Settlements: Accreditation Grant

This Grant is used for capacity building of level 3 accreditation in the preparation of NMBM in the Human Settlements matters.

Balance unspent at beginning of year	1,973,952	1,973,952	1,973,952	1,973,952
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	1,973,952	1,973,952	1,973,952	1,973,952

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2020 R	Restated 2020 R	2020 R	Restated 2020 R
22.6 Provincial Government Grants: Library Services				
This grant is received from the Provincial Government and used to subsidise Libraries.				
Balance at beginning of year	0	0	0	0
Current year receipts	15,870,000	15,870,000	15,870,000	15,870,000
Conditions met - Transferred to revenue	(15,870,000)	(15,870,000)	(15,870,000)	(15,870,000)
Conditions met	0	0	0	0
22.7.1 Public Transport Infrastructure Grant				
This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.				
Balance unspent at beginning of year	84,019,013	16,424,050	84,019,013	16,424,050
Transfer from Public Transport Networks Operations Grant	65,484,507	0	65,484,507	0
	149,503,520	16,424,050	149,503,520	16,424,050
Current year receipts	129,052,000	61,846,000	129,052,000	61,846,000
Conditions met - Transferred to revenue - capital	(152,570,260)	(61,196,987)	(152,570,260)	(61,196,987)
Debtor accrual raised - Refer Note 16	(83,370,000)	83,370,000	(83,370,000)	83,370,000
Transfer to E-Share	(647,470)	(16,424,050)	(647,470)	(16,424,050)
Conditions still to be met - transferred to liabilities	41,967,790	84,019,013	41,967,790	84,019,013
22.7.2 Public Transport Networks Operations Grant				
This grant is to provide supplementary operational funding to Municipalities in order to operationalise the IPTS project within NMBM.				
Balance unspent at beginning of year	96,112,294	0	96,112,294	0
Current year receipts	220,334,000	138,134,000	220,334,000	138,134,000
Transfer to Public Transport Infrastructure Grant	(65,484,507)	0	(65,484,507)	0
Transfer to E-Share - Owing to NT	(96,112,294)	0	(96,112,294)	0
Conditions met - Transferred to revenue	(61,676,911)	(42,021,706)	(61,676,911)	(42,021,706)
Conditions still to be met - transferred to liabilities	93,172,582	96,112,294	93,172,582	96,112,294
22.8 Integrated National Electrification Programme Grant				
This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.				
Balance unspent at beginning of year	0	0	0	0
Transfer to E-Share	0	0	0	0
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue - capital	0	0	0	0
Conditions met - Transferred to Other Income - VAT portion	0	0	0	0
Conditions met	0	0	0	0
22.9 EU Sector Policy Support Project				
This Grant is received from the European Union to fund various authorised developmental projects within certain designated targeted areas of the NMBM (i.e Motherwell).				
Balance unspent at beginning of year	1,744,599	1,744,599	1,744,599	1,744,599
Current year receipts	0	0	0	0
Conditions still to be met - transferred to liabilities	1,744,599	1,744,599	1,744,599	1,744,599
22.10 Health Subsidies				
This grant is received from the Provincial Government and used in the Health function.				
Balance unspent at beginning of year	0	0	0	0
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2021 R	Restated 2020 R	2021 R	Restated 2020 R
22.11 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	5,965,979	3,468,750	889,807	1,306,400
Current year receipts	7,132,281	30,249,291	325,000	325,000
Conditions met - Transferred to Other Income	-2,277	0	0	0
Conditions met - Transferred to revenue	(5,974,181)	(27,752,062)	(590,584)	(741,593)
Conditions still to be met - transferred to liabilities	7,121,802	5,965,979	624,223	889,807
22.12 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	891,117,491	633,075,405	891,117,491	633,075,405
22.13 National Lotteries Grant				
This grant is used to fund Art and Culture programmes				
Balance unspent at beginning of year	1,305,131	1,305,131	1,305,131	1,305,131
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	1,305,131	1,305,131	1,305,131	1,305,131
22.14 CDC Walmer Intervention Funding Grant				
This grant is used to speed up service delivery intervention in Walmer Gqebera township.				
Balance unspent at beginning of year	9,068,420	9,068,420	9,068,420	9,068,420
Current year receipts	0	0	0	0
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue - Capital	0	0	0	0
Conditions still to be met - transferred to liabilities	9,068,420	9,068,420	9,068,420	9,068,420
22.15 Neighbourhood Partnership Development Grant				
This grant is used for the urban renewal of certain targeted / designated townships.				
Balance unspent at beginning of year	13,085,004	0	13,085,004	0
Transfer to E-share	(13,085,004)	0	(13,085,004)	0
Current year receipts	15,000,000	15,000,000	15,000,000	15,000,000
Conditions met - Transferred to revenue - capital	(11,167,285)	(10,360,866)	(11,167,285)	(10,360,866)
Debtor accrual raised - Refer Note 16	10,000,000	10,000,000	10,000,000	10,000,000
Debtor accrual reversed	(10,000,000)	0	(10,000,000)	0
Conditions met - Transferred to Other Income - VAT	(1,675,093)	(1,554,130)	(1,675,093)	(1,554,130)
Conditions still to be met - transferred to liabilities	2,157,622	13,085,004	2,157,622	13,085,004
22.16 Urban Settlements Development Grant				
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.				
Balance unspent at beginning of year	307,341,901	45,466,978	307,341,901	45,466,978
Transfer to E-Share - Owing to NT	0	(12,081,712)	0	(12,081,712)
Current year receipts	1,205,880,000	585,411,000	1,205,880,000	585,411,000
Conditions met - Transferred to revenue - capital	(716,896,202)	(539,666,935)	(716,896,202)	(539,666,935)
Conditions met - Transferred to Other Income - VAT portion	(113,936,927)	(86,106,232)	(113,936,927)	(86,106,232)
Debtor accrual raised/ (reversed) - Refer Note 16	(390,274,000)	390,274,000	(390,274,000)	390,274,000
Conditions met - Transferred to revenue	(116,990,053)	(75,955,198)	(116,990,053)	(75,955,198)
Conditions still to be met - transferred to liabilities	175,124,719	307,341,901	175,124,719	307,341,901
22.17 Infrastructure Skills Development Grant				
This grant is used for skills development in certain targeted service delivery directorates.				
Balance unspent at beginning of year	0	0	0	0
Transfer to E-Share - Owing to NT	0	0	0	0
Current year receipts	9,806,000	9,500,000	9,806,000	9,500,000
Conditions met - Transferred to revenue	(7,898,791)	(9,443,198)	(7,898,791)	(9,443,198)
Conditions met - Transferred to Other Income - VAT portion	(14,515)	(56,802)	(14,515)	(56,802)
Conditions still to be met - transferred to liabilities	1,892,694	0	1,892,694	0
22.18 EPWP Incentive Grant				
This grant is used to implement expanded public works programme.				
Balance unspent at beginning of year	0	1,091,282	0	1,091,282
Transfer to E-Share - Owing to NT	0	(1,091,282)	0	(1,091,282)
Current year receipts	10,117,000	8,950,000	10,117,000	8,950,000
Conditions met - Transferred to revenue	(10,117,000)	(8,944,405)	(10,117,000)	(8,944,405)
Conditions met - Transferred to Other Income - VAT portion	0	(5,595)	0	(5,595)
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
22 TRANSFERS AND SUBSIDIES (Continued)				
22.19 Department of Public Service and Administration Grant				
This grant is used for the improvement of front -line public service delivery in South Africa.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions met	0	0	0	0
22.20 Intergrated City Development Grant				
This grant is used for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
Balance unspent at beginning of year	351,265	0	351,265	0
Transfer to E-Share - Owing to NT	(351,265)	0	(351,265)	0
Current year receipts	10,356,000	12,697,000	10,356,000	12,697,000
Conditions met - Transferred to revenue - capital	(4,403,351)	(10,735,422)	(4,403,351)	(10,735,422)
Conditions met - Transferred to Other Income - VAT portion	(660,503)	(1,610,313)	(660,503)	(1,610,313)
Conditions still to be met - transferred to liabilities	5,292,146	351,265	5,292,146	351,265
22.21 Drought Relief Grant				
The grant is used fro responding to the immediate communities needs with the aim to alleviate the immediate consequences of drought within the municipality.				
Balance unspent at beginning of year	188,078,967	207,695,396	188,078,967	207,695,396
Transfer to E-Share	(188,078,967)	(6,833,954)	(188,078,967)	(6,833,954)
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue - capital	0	(11,115,196)	0	(11,115,196)
Conditions met - Transferred to revenue - VAT	0	(1,667,279)	0	(1,667,279)
Conditions met	0	188,078,967	0	188,078,967
22.22 Department of Roads and Public Works Grant				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	13,981,119	6,145,485	13,981,119	6,145,485
Conditions met - Transferred to revenue	(11,977,828)	(5,264,926)	(11,977,828)	(5,264,926)
Conditions met - Transferred to Other Income	(179,667)	(78,974)	(179,667)	(78,974)
Conditions met - Transferred to revenue - VAT	(1,823,624)	(801,585)	(1,823,624)	(801,585)
Conditions met	0	0	0	0
22.23 LGSETA Discretionary Learnership Funding				
This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.				
Balance unspent at beginning of year	9,260,412	6,400,690	9,260,412	6,400,690
Current year receipts	5,825,740	5,347,206	5,825,740	5,347,206
Accrual raised / (reversed)	(1,393,368)	1,393,368	(1,393,368)	1,393,368
Conditions met - Transferred to revenue	(5,774,367)	(3,880,852)	(5,774,367)	(3,880,852)
Conditions still to be met - transferred to liabilities	7,918,417	9,260,412	7,918,417	9,260,412
22.24 Provincial Department Agency: Communication Grant				
This grant is used for the roll out pf public Wi-Fi to all Municipl Libraries, Customer Care centres and Traffic Licensing centres.				
Balance unspent at beginning of year	872,781	872,781	872,781	872,781
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	872,781	872,781	872,781	872,781
22.25 Fuel Levy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	706,955,000	690,344,000	706,955,000	690,344,000
Transferred to revenue	(706,955,000)	(690,344,000)	(706,955,000)	(690,344,000)
Conditions met	0	0	0	0
22.26 Other Transfers				
Balance unspent at beginning of year				
Relates to the Funding of VAT on Capital and Operating Projects	118,394,918	91,871,599	118,394,918	91,871,599
22.27 Public Contributions				
Balance unspent at beginning of year				
Relates to the Funding of Capital Projects from Donations	31,682,030	17,218,824	31,682,030	17,218,824
22.28 Energy Efficiency and Demand Side Management Grant				
This grant is used to provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	6,300,000	0	6,300,000	0
Conditions met - Transferred to Other Income - VAT portion	(219,607)	0	(219,607)	0
Conditions met - Transferred to revenue - capital	(6,080,393)	0	(6,080,393)	0
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
23.1 RENTAL OF FACILITIES AND EQUIPMENT				
Hire of Halls	533,637	2,296,231	533,637	2,296,231
Hire of Containers	4,545,099	4,403,109	4,545,099	4,403,109
Hire of Buildings	9,711,243	3,276,110	9,711,243	3,276,110
Resorts rentals	503,589	503,565	503,589	503,565
Rentals of Sporting Facilities	337,589	803,908	337,589	803,908
Rentals: Other	5,742,294	7,159,954	5,742,294	7,159,954
Accommodation rentals	5,668,062	4,342,257	5,668,062	4,342,257
	27,041,513	22,785,134	27,041,513	22,785,134
Refer Restatement Note no. 40.1.3				
23.2 OTHER REVENUE				
Operational Revenue: Administrative Handling Fees	224,607	96,223	224,607	96,223
Operational Revenue: Inspection Fees	4,192,804	3,379,468	4,192,804	3,379,468
Operational Revenue: Commission	13,662,705	14,762,807	13,662,705	14,762,807
Sales of Goods and Rendering of Services: Building Plan Approval	10,600,044	8,365,853	10,600,044	8,365,853
Sales of Goods and Rendering of Services: Academic Services	1,141,689	518,891	1,141,689	518,891
Sales of Goods and Rendering of Services: Advertisements	1,832,212	4,718,190	1,832,212	4,718,190
Sales of Goods and Rendering of Services: Cemetery and Burial	18,267,473	9,881,691	18,267,473	9,881,691
Sales of Goods and Rendering of Services: Entrance Fees	66,267	6,315,394	66,267	6,315,394
Sales of Goods and Rendering of Services: Transport Fees	5,067,285	10,444,258	5,067,285	10,444,258
Sales of Goods and Rendering of Services: Scrap, Waste & Other Goods: Recycling of Waste	11,311,617	9,410,682	11,311,617	9,410,682
Sales of Goods and Rendering of Services: Legal Fees	15,480,209	13,363,758	15,480,209	13,363,758
Sales of Goods and Rendering of Services: Other	5,434,586	8,244,348	5,434,586	8,244,348
Operational Revenue: Other	22,327,672	13,087,576	22,327,672	13,087,576
	109,609,170	102,589,139	109,609,170	102,589,139
Other Revenue - MBDA	1,135,752	2,483,499	0	0
	110,744,922	105,072,638	109,609,170	102,589,139
Refer Restatement Note no. 40.1.4				
24 EMPLOYEE RELATED COSTS				
Employee related costs - Municipal Staff - Salaries and Wages	2,130,449,083	1,995,355,588	2,130,449,083	1,995,355,588
Employee related costs - Senior Management - Salaries and Wages	16,849,046	14,795,901	16,849,046	14,795,901
Employee related costs - Municipal Staff - Social Contributions	850,733,506	456,401,219	850,733,506	456,401,219
Employee related costs - Senior Management - Social Contributions	14,426	12,759	14,426	12,759
Employee related costs - Municipal Staff - Allowances	229,985,618	207,405,434	229,985,618	207,405,434
Housing benefits	13,740,727	13,096,470	13,740,727	13,096,470
Overtime payouts	344,275,436	303,699,722	344,275,436	303,699,722
Performance bonus: Municipal Staff	36,443,055	34,664,644	36,443,055	34,664,644
Performance bonus: Senior Management	2,494,957	1,584,140	2,494,957	1,584,140
Long-service Awards/ Bonuses	249,279,870	52,998,837	249,279,870	52,998,837
	3,874,265,724	3,080,014,714	3,874,265,724	3,080,014,714
Employee related costs - MBDA - Salaries and Wages	27,745,728	27,590,746	0	0
Employee related costs - MBDA - Directors Remuneration	1,355,076	1,312,000	0	0
Employee related costs - MBDA - Social Contributions	6,721,876	6,336,672	0	0
Employee related costs - MBDA - Allowances	48,000	48,000	0	0
Performance bonus - MBDA	2,019,935	1,421,321	0	0
Long-service Awards/ Bonuses - MBDA	10,345	56,804	0	0
	37,900,960	36,765,543	0	0
	3,912,166,684	3,116,780,257	3,874,265,724	3,080,014,714
Refer Restatement Note no. 40.2.1				
Remuneration of the City Manager (Previous)				
Annual Remuneration and correction made	(1,084,650)	2,603,160	(1,084,650)	2,603,160
Settlement	2,603,160	0	2,603,160	0
Total	1,518,510	2,603,160	1,518,510	2,603,160
Remuneration of the Chief Financial Officer				
Annual Remuneration	2,213,808	1,064,104	2,213,808	1,064,104
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,213,808	1,064,104	2,213,808	1,064,104
Remuneration of the Chief Operating Officer - Current				
Annual Remuneration	2,161,600	704,713	2,161,600	704,713
Travel, Subsistence, UIF, Medical, Pension Funds, Other	475,669	60,000	475,669	60,000
Total	2,637,269	764,713	2,637,269	764,713
Remuneration of the Chief Operating Officer - Previous				
Annual Remuneration	0	1,137,248	0	1,137,248
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	60,840	0	60,840
Total	0	1,198,088	0	1,198,088
Remuneration of the Chief of Staff - current - latest				
Annual Remuneration	305,294	0	305,294	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	305,294	0	305,294	0
Remuneration of the Chief of Staff - Current				
Annual Remuneration	769,306	0	769,306	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	130,500	0	130,500	0
Total	899,806	0	899,806	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2021 R	Restated 2020 R	2021 R	Restated 2020 R
Remuneration of the Chief of Staff - Previous				
Annual Remuneration	216,828	1,224,432	216,828	1,224,432
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	216,828	1,224,432	216,828	1,224,432
Remuneration of the Chief of Police				
Annual Remuneration	1,905,360	1,603,704	1,905,360	1,603,704
Travel, Subsistence, UIF, Medical, Pension Funds, Other	370,008	144,000	370,008	144,000
Total	2,275,368	1,747,704	2,275,368	1,747,704
Remuneration of Individual Executive Directors				
Corporate Services				
Annual Remuneration	553,452	0	553,452	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	553,452	0	553,452	0
Economic Development, Tourism and Agriculture				
Annual Remuneration	2,021,808	1,849,791	2,021,808	1,849,791
Travel, Subsistence, UIF, Medical, Pension Funds, Other	228,367	184,780	228,367	184,780
Total	2,250,175	2,034,571	2,250,175	2,034,571
Infrastructure and Engineering				
Annual Remuneration	2,213,808	2,036,543	2,213,808	2,036,543
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,213,808	2,036,543	2,213,808	2,036,543
Electricity and Energy				
Annual Remuneration	1,868,192	1,053,660	1,868,192	1,053,660
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,868,192	1,053,660	1,868,192	1,053,660
Safety and Security				
Annual Remuneration	1,862,868	1,862,868	1,862,868	1,862,868
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,862,868	1,862,868	1,862,868	1,862,868
Human Settlements				
Annual Remuneration	254,778	0	254,778	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	254,778	0	254,778	0
Sports, Recreation, Arts and Culture				
Annual Remuneration	2,033,808	1,874,282	2,033,808	1,874,282
Travel, Subsistence, UIF, Medical, Pension Funds, Other	180,000	176,400	180,000	176,400
Total	2,213,808	2,050,682	2,213,808	2,050,682
Public Health				
Annual Remuneration	2,197,573	0	2,197,573	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	2,630	0	2,630	0
Total	2,200,203	0	2,200,203	0
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	2,225,507	2,225,507	0	0
Performance Bonuses	198,676	0	0	0
Unpaid amount - pending approval	88,300	0	0	0
Car allowance	0	0	0	0
Total	2,512,483	2,225,507	0	0
Remuneration of the Chief Financial Officer 1 - MBDA				
Annual Remuneration	1,620,333	1,702,199	0	0
Performance Bonuses	50,634	0	0	0
Car allowance	0	0	0	0
Total	1,670,967	1,702,199	0	0
Remuneration of the Operations Executive - MBDA				
Annual Remuneration	1,765,084	1,710,275	0	0
Performance Bonuses	84,794	51,199	0	0
Car allowance /Acting allowance	0	0	0	0
Total	1,849,878	1,761,474	0	0
Remuneration of the Stadium Manager - MBDA				
Annual Remuneration	1,296,295	1,247,129	0	0
Car allowance	24,000	24,000	0	0
Acting Allowance / Performance Bonus	0	62,042	0	0
Total	1,320,295	1,333,171	0	0
Remuneration of the Company Secretary - MBDA				
Annual Remuneration	1,111,938	1,069,726	0	0
Performance Bonuses	94,979	0	0	0
Total	1,206,917	1,069,726	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
25 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1,511,984	1,410,641	1,511,984	1,410,641
Deputy Mayor's Remuneration	478,759	547,323	478,759	547,323
Speaker's Remuneration	1,131,001	1,134,108	1,131,001	1,134,108
Mayoral Committee members	13,242,799	13,291,571	13,242,799	13,291,571
Other Councillors' Remuneration	54,874,741	54,761,989	54,874,741	54,761,989
Telephone Allowances	4,870,700	4,895,781	4,870,700	4,895,781
3G Allowance	134,060	432,900	134,060	432,900
	76,244,044	76,474,313	76,244,044	76,474,313

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Mayoral Committee Members and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties driven by a chauffeur employed by the Council.

In accordance with the Councillors' remuneration package; the structure is an all-inclusive package, with the exception of a Telephone Allowance and a 3G Allowance. The package is within the upper limits of the framework as envisaged in section 219 of the Constitution.

26 DEBT IMPAIRMENT - RECEIVABLES

Bad debts consists of the following:

Bad debts expense

ATTP and Miscellaneous fees and charges - Funding
Miscellaneous - Non-funding
Other - Non-funding

	398,656,913	590,830,290	398,656,913	590,830,290
ATTP and Miscellaneous fees and charges - Funding	381,133,072	586,055,731	381,133,072	586,055,731
Miscellaneous - Non-funding	17,523,841	4,774,559	17,523,841	4,774,559
Other - Non-funding	0	0	0	0

Net Contribution to doubtful debts

Contribution to doubtful debts (inclusive of VAT) - Service Charges
Contribution to doubtful debts - Property Rates
Less: VAT portion
Contribution to doubtful debts (excluding VAT)
Less: Bad debts written off against the provision

	1,357,522,173	521,437,275	1,357,522,173	521,437,275
Contribution to doubtful debts (inclusive of VAT) - Service Charges	1,535,540,038	970,752,161	1,535,540,038	970,752,161
Contribution to doubtful debts - Property Rates	403,403,038	263,360,692	403,403,038	263,360,692
Less: VAT portion	200,287,831	126,619,847	200,287,831	126,619,847
Contribution to doubtful debts (excluding VAT)	1,738,655,245	1,107,493,006	1,738,655,245	1,107,493,006
Less: Bad debts written off against the provision	381,133,072	586,055,731	381,133,072	586,055,731
	1,357,522,173	521,437,275	1,357,522,173	521,437,275

1,756,179,086 **1,112,267,565**

1,756,179,086 **1,112,267,565**

DEBT IMPAIRMENT - OTHER

Impairment - Traffic Fines

Impairment - Traffic Fines	15,382,045	78,371,200	15,382,045	78,371,200
	15,382,045	78,371,200	15,382,045	78,371,200

Impairment - Traffic Fines	15,382,045	78,371,200	15,382,045	78,371,200
	15,382,045	78,371,200	15,382,045	78,371,200

Impairment - MBDA

Impairment - MBDA	700,437	495,015	0	0
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Impairment - MBDA	0	0	0	0
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The Impairment of Traffic Fines was based on the collection rate of fines. Refer Note 21.2 for more details.

27 FINANCE CHARGES

Interest on External Loans
Interest on Other

Finance Charges

Interest and Penalties

Total Finance Charges

Finance cost accrued / Prior year accrual reversals

Finance charges paid

Interest on External Loans	122,919,139	123,309,079	122,919,139	123,309,079
Interest on Other	4,711,447	1,515,729	4,711,447	1,515,729
Finance Charges	127,630,586	124,824,808	127,630,586	124,824,808
Interest and Penalties	0	0	0	0
Total Finance Charges	127,630,586	124,824,808	127,630,586	124,824,808
Finance cost accrued / Prior year accrual reversals	7,136,742	(1,655,239)	7,136,742	(1,655,239)
Finance charges paid	120,493,844	126,480,047	120,493,844	126,480,047

Interest on External Loans	122,919,139	123,309,079	122,919,139	123,309,079
Interest on Other	4,711,447	1,515,729	4,711,447	1,515,729
Finance Charges	127,630,586	124,824,808	127,630,586	124,824,808
Interest and Penalties	0	0	0	0
Total Finance Charges	127,630,586	124,824,808	127,630,586	124,824,808
Finance cost accrued / Prior year accrual reversals	7,136,742	(1,655,239)	7,136,742	(1,655,239)
Finance charges paid	120,493,844	126,480,047	120,493,844	126,480,047

28 BULK PURCHASES

Electricity
Water (Refer to Note 14)

Electricity	3,693,906,128	3,387,433,582	3,693,906,128	3,387,433,582
Water (Refer to Note 14)	125,987,238	128,130,996	125,987,238	128,130,996
	3,819,893,366	3,515,564,578	3,819,893,366	3,515,564,578

Electricity	3,693,906,128	3,387,433,582	3,693,906,128	3,387,433,582
Water (Refer to Note 14)	125,987,238	128,130,996	125,987,238	128,130,996
	3,819,893,366	3,515,564,578	3,819,893,366	3,515,564,578

Refer Restatement Note no. 40.2.5

29 TRANSFERS AND SUBSIDIES

Grants in aid
Grants to Other Organisations

Grants in aid	1,273,148	5,995,469	1,273,148	5,995,469
Grants to Other Organisations	29,152,763	26,535,406	113,008,373	112,524,094
	30,425,911	32,530,875	114,281,521	118,519,563

Grants in aid	1,273,148	5,995,469	1,273,148	5,995,469
Grants to Other Organisations	29,152,763	26,535,406	113,008,373	112,524,094
	30,425,911	32,530,875	114,281,521	118,519,563

Refer Restatement Note no. 40.2.6

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE				
30.1 CONTRACTED SERVICES				
Is made up as follows:				
Consultants and Professional Services:Business and Advisory	16,277,420	21,364,005	16,277,420	21,364,005
Consultants and Professional Services:Infrastructure and Planning	14,519,033	24,227,914	14,519,033	24,227,914
Consultants and Professional Services:Laboratory Services	269,635	243,712	269,635	243,712
Consultants and Professional Services:Legal Cost	70,596,861	51,201,835	70,596,861	51,201,835
Contractors:Building	1,520,044	756,068	1,520,044	756,068
Contractors:Other	22,839,533	21,185,136	22,839,533	21,185,136
Contractors:Maintenance of Buildings and Facilities	58,299,705	44,584,986	58,299,705	44,584,986
Contractors:Maintenance of Equipment	111,840,897	119,088,016	111,840,897	119,088,016
Contractors:Maintenance of Unspecified Assets	40,328,518	17,317,253	40,328,518	17,317,253
Contractors:Sewerage Services	47,918,049	39,813,312	47,918,049	39,813,312
Contractors:Management of Informal Settlements	1,680,127	1,527,502	1,680,127	1,527,502
Contractors:Safeguard and Security	296,467	946,219	296,467	946,219
Contractors:Transportation	32,852,544	33,667,761	32,852,544	33,667,761
Outsourced Services:Other	24,532,153	12,080,974	24,532,153	12,080,974
Outsourced Services:Alien Vegetation Control	1,990,776	1,934,680	1,990,776	1,934,680
Outsourced Services:Animal Care	580,575	580,652	580,575	580,652
Outsourced Services:Business and Advisory:Project Management	129,953,405	129,113,491	129,953,405	129,113,491
Outsourced Services:Clearing and Grass Cutting Services	14,069,373	16,238,424	14,069,373	16,238,424
Outsourced Services:Electrical	34,086,606	21,988,763	34,086,606	21,988,763
Outsourced Services:Hygiene Services	45,665,613	34,571,968	45,665,613	34,571,968
Outsourced Services:Illegal Dumping	1,541,306	5,488,190	1,541,306	5,488,190
Outsourced Services:Litter Picking and Street Cleaning	5,364,563	5,699,326	5,364,563	5,699,326
Outsourced Services:Meter Management	12,958,942	10,050,042	12,958,942	10,050,042
Outsourced Services:Refuse Removal	33,338,040	28,624,581	33,338,040	28,624,581
Outsourced Services:Security Services	2,620,145	2,540,834	2,620,145	2,540,834
Outsourced Services:Traffic Fines Management	1,556,274	6,466,499	1,556,274	6,466,499
Outsourced Services:Transport Services	7,095	16,272	7,095	16,272
Contractors: MBDA	11,069,734	13,655,089	0	0
	738,573,433	664,973,504	727,503,699	651,318,415
Refer Restatement Note no. 40.2.2				
30.2 OTHER EXPENDITURE				
Is made up as follows:				
Operating Leases: Various Assets	42,381,365	32,400,416	42,381,365	32,400,416
Operational Cost:Advertising, Publicity and Marketing	6,902,647	20,569,817	6,902,647	20,569,817
Operational Cost:Other	158,971,722	96,868,249	158,971,722	96,868,249
Operational Cost: Municipal Services	87,924,669	37,259,708	87,924,669	37,259,708
Operational Cost:External Computer Service	92,202,485	76,324,321	92,202,485	76,324,321
Operational Cost:Hire Charges	126,699,406	122,888,619	126,699,406	122,888,619
Operational Cost:Insurance Underwriting	14,927,897	15,391,088	14,927,897	15,391,088
Operational Cost:Intercompany/Parent-subsiidiary Transactions	3,560,732	1,882,499	3,560,732	1,882,499
Operational Cost:Licences	8,387,070	4,779,558	8,387,070	4,779,558
Operational Cost:Commission:Prepaid Electricity and Third Party Vendors	19,548,405	21,953,632	19,548,405	21,953,632
Operational Cost:Communication	31,567,169	36,923,981	31,567,169	36,923,981
Operational Cost:Registration Fees	735,226	2,286,513	735,226	2,286,513
Operational Cost:Skills Development Fund Levy	29,229,866	27,460,744	29,229,866	27,460,744
Operational Cost:Travel and Subsistence	473,604	3,173,988	473,604	3,173,988
Operational Cost:Uniform and Protective Clothing	7,229,550	12,020,341	7,229,550	12,020,341
Operational Cost:Workmen's Compensation Fund	9,546,873	5,924,097	9,546,873	5,924,097
Operational Cost: MBDA	39,761,175	61,696,882	0	0
	680,049,861	579,804,453	640,288,686	518,107,571
Refer Restatement Note no. 40.2.3				
30.3 OTHER MATERIALS				
Is made up as follows:				
Consumables: Standard	65,905,476	100,281,047	65,905,476	100,281,047
Consumables: Zero-rated	45,337,058	54,657,965	45,337,058	54,657,965
Finished Goods	8,031,996	23,519,198	8,031,996	23,519,198
Materials and Supplies	37,406,036	32,076,716	37,406,036	32,076,716
	156,680,566	210,534,926	156,680,566	210,534,926
Refer Restatement Note no. 40.2.4				
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment and Investment Property	937,769,830	958,299,541	936,915,780	957,211,505
31.2 Amortisation	49,635,207	113,717,663	49,609,390	113,692,955

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	654,157,957	979,404,645	653,833,634	977,364,648
Adjustment for:				
Interest revenue accrued	984,682	1,599,623	984,682	1,599,623
Impairment of receivables - movement	1,557,810,005	648,057,122	1,557,810,005	648,057,122
Write down to net realisable value - movement	(1,598,196)	(33,374)	(1,598,196)	(33,374)
Depreciation	937,769,829	958,299,541	936,915,780	957,211,505
Amortisation	49,635,207	113,717,663	49,609,390	113,692,955
Finance cost accrued	7,136,742	(1,655,239)	7,136,742	-1,655,239
Contribution to provisions / employee benefit obligation - non-current	333,831,424	(222,166,751)	333,831,424	-222,166,751
Contribution to provisions / employee benefit obligation - current	91,576,545	98,775,753	90,555,636	96,378,041
Unrealised gain to Sanlam shares	(99,433)	786,463	-99,433	786,463
Impairment of PPE / Heritage Assets	17,980,611	112,240,749	17,980,611	112,240,749
Impairment of Fines	15,382,045	78,371,200	15,382,045	78,371,200
Fines Income accrued	(15,382,044)	(60,318,944)	(15,382,044)	(60,318,944)
PPE Take-on	(16,154,509)	(55,813,208)	(16,154,509)	(55,813,208)
Loss on disposal of property, plant and equipment	8,395	0	0	0
Write-off of lease asset and deferred income	0	158,155	0	0
Operating Surplus before working capital changes	3,633,039,260	2,651,423,398	3,630,805,767	2,645,714,790
(Increase) / Decrease in Inventory	(13,582,274)	(16,965,349)	(13,552,110)	(16,978,783)
Increase in Trade Receivables	(1,833,973,524)	(1,105,809,588)	(1,833,973,524)	(1,105,809,588)
Increase in Other Receivables	417,915,727	(687,561,879)	434,901,903	(683,562,066)
Decrease / (Increase) in VAT	7,624,730	92,164,334	7,814,207	86,669,707
(Decrease) / Increase in Trade and Other Payables	476,137,382	(358,997,663)	458,373,790	(364,317,193)
Increase/(Decrease) in Transfers and Subsidies	(350,875,062)	444,529,724	(370,940,879)	420,753,864
(Decrease) / Increase in Consumer Deposits	(1,735,328)	3,013,478	(1,735,328)	3,013,478
Movement to provisions / employee benefit obligation - current	(86,591,955)	(77,685,837)	(86,591,955)	(77,685,837)
(Increase) / Decrease in Long-term Receivables	(59,636,416)	37,052,794	(59,636,416)	37,052,794
	2,188,322,540	981,163,412	2,165,465,455	944,851,166
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(99,142,909)	(89,658,501)	(99,142,909)	(89,658,501)
	(99,142,909)	(89,658,501)	(99,142,909)	(89,658,501)
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	3,810,037,140	2,309,903,834	3,810,037,140	2,309,903,834
Bank balances and cash	460,877,397	950,173,046	395,389,822	906,338,766
Total Cash and Cash Equivalents	4,270,914,537	3,260,076,880	4,205,426,962	3,216,242,600
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	14,131,905	14,900,000	14,131,905	14,900,000
Amount paid - current year	(14,131,905)	(14,900,000)	(14,131,905)	(14,900,000)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	0	375,224	0	375,224
Current year audit fee	26,145,694	27,324,554	25,273,504	26,179,896
Amount paid - current year	(26,145,694)	(27,324,554)	(25,273,504)	(26,179,896)
Amount paid - previous year	0	(375,224)	0	(375,224)
Balance unpaid (included in creditors)	0	0	0	0
35.3 VAT				
The Net effect of the VAT inputs and VAT output are shown in note 8. All VAT returns have been submitted by the due date throughout the year.				
35.4 PAYE and UIF				
Opening balance	45,549,254	40,376,476	44,825,124	40,376,476
Current year payroll deductions	592,343,856	546,659,623	581,901,771	536,777,173
Amount paid - current year	(541,721,574)	(501,110,369)	(531,279,489)	(491,952,049)
Amount paid - previous year	(45,549,254)	(40,376,476)	(44,825,124)	(40,376,476)
Balance unpaid (included in creditors)	50,622,282	45,549,254	50,622,282	44,825,124
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	0	90,114	0	0
Current year payroll deductions and Council Contributions	863,141,273	826,375,526	854,511,393	818,565,738
Amount paid - current year	(862,702,015)	(826,375,526)	(854,511,393)	(818,565,738)
Amount paid - previous year	0	(90,114)	0	0
Balance unpaid (included in creditors)	439,258	0	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	0	2,125,119	0	2,125,119
Current year payroll deductions	24,380,213	22,563,267	24,380,213	22,563,267
Amount paid - current year	(21,850,506)	(22,563,267)	(21,850,506)	(22,563,267)
Amount paid - previous year	0	(2,125,119)	0	(2,125,119)
Balance unpaid (included in creditors)	2,529,707	0	2,529,707	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2021 R	Restated 2020 R	2021 R	Restated 2020 R
OTHER ADDITIONAL DISCLOSURES:				
35.7 IMPAIRMENT				
Impairment	<u>17,980,611</u>	<u>112,240,750</u>	<u>17,980,611</u>	<u>112,240,750</u>
The Impairment relates to vehicles, facilities and clinics.				
No reversals for Impairment were applicable during the current financial year				
35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Loss on disposal of property, plant and equipment	<u>8,395</u>	<u>0</u>	<u>0</u>	<u>0</u>

It must be noted that there were no Gains on Disposal of Property, Plant and Equipment.

35.9 WATER LOSSES

The NMBM suffered water losses of 43.349 megalitres (40%) amounting to R217.1 million (2020: 46.741 megalitres (43%) amounting to R180.7 million) during the year. The value of the water losses have been based on cost for both years. Various water demand management interventions are being implemented to curb water losses.

The 40% of water losses are made up of apparent (commercial) losses 11% and real (physical) losses 29%.

Apparent losses include unauthorised consumption from theft or illegal use, plus all technical and administrative inaccuracies associated with customer metering.

35.10 ELECTRICITY LOSSES

The NMBM suffered electricity losses of 21.63% amounting to total accumulative losses of R 651.64 million (2020: 20.30% amounting to R 558.63 million). Various electricity management interventions are being implemented to curb these losses are being implemented.

The Electricity losses as defined above are separated between technical (6% amounting to R 179.6 million) and non-technical losses (15.6% amounting to R 471.99 million). Technical losses are inherent losses in a distribution system and these includes copper losses, Iron losses and heat losses due to current flow. Public lighting includes traffic signals, Highmast and Streetlights. Non-Technical Losses can be attributed to theft that is illegal connections, meter tampering and non billed revenue due to faulty meters.

It must be further noted that the prescribed norms for electricity losses is +/- 10%.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:

	R	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
30 June 2021		
Councillor BM Bhanga	25,457	-
Councillor NM Booii	-	28,045
Councillor MS Breakfast	0	43,012
Councillor Z Dtlula	-	23,395
Councillor G Faldtman	1,920	7,725
Councillor AG Jordan	9,868	-
Councillor Z Kalani	-	23,068
Councillor RC Kayser	-	111,196
Councillor ML Makunga	-	40,318
Councillor L Mfana	-	1,623
Councillor SL Ncana	-	10,818
Councillor TE Ndwalaza	-	25,098
Councillor LX Nombexeza	-	4,453
Councillor SD Nzanzeka	7,412	-
Councillor S Rafani	-	131
Councillor X Sabani	-	368
Councillor L Sokudela	-	22,679
Councillor L Suka	3,453	809
Councillor PF Tshanga	673	-
Councillor IL Van Wyk	18,621	-
	67,404	342,738

Councillors had arrear accounts outstanding for more than 90 days as at:

	Arrangements	Outstanding more than 90 days
30 June 2020		
Councillor TP Adams		1,105
Councillor ME Bobani		14,956
Councillor NM Booii		16,772
Councillor KK Boqwana	996	-
Councillor ML Boti		730
Councillor MS Breakfast		33,488
Councillor TCS Buyeye		10,759
Councillor MV Daniels		8,465
Councillor Z Dtlula		17,904
Councillor V Dyele	8,368	-
Councillor G Faldtman	9,579	-
Councillor P Hermaans		894
Councillor AD Isaacs		1,690
Councillor B Jacobs		1,520
Councillor Z Kalani		18,871
Councillor RC Kayser		159,978
Councillor OH Kepe		398
Councillor L Kruger		503
Councillor AW Lungisa		1
Councillor ML Makunga		29,142
Councillor GD Maqula		2,102
Councillor L Mfana		1,623
Councillor GG Miggels		2,217
Councillor M Mngcokoca	628	-
Councillor L Mrara		385
Councillor NC Mtati		313
Councillor MJ Mtsila		285
Councillor SL Ncana		2,812
Councillor MM Nkosi		1,592
Councillor LX Nombexeza		4,390
Councillor SD Nzanzeka	11,488	-
Councillor RB Riordan		2,885
Councillor X Sabani		368
Councillor S Sijadu		68
Councillor L Sokudela		22,680
Councillor L Suka	5,452	-
Councillor A Tyokwana		1,821
Councillor PB Vani		1,460
	36,511	362,177

Councillors' consumer accounts outstanding for more than 30 days at a particular month-end are deducted from the Councillors' remuneration for the following month.

36.2 List of Entities and related transactions

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
1 Solely-controlled entities				
The following entity is solely controlled by the NMBM and have received the following grants:				
Mandela Bay Development Agency (excluding VAT)	102,500,020	107,000,000	102,500,020	107,000,000

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

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36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
36.2 List of Entities and related transactions (Continued)				
2 Section 57 Employees (See note 24)				
3 Other Organisations				
The Organisations have received the following grants / payments:				
2. Nelson Mandela Bay Tourism	0	35,221	0	35,221
Grants / payments to Other Organisations	0	35,221	0	35,221

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

36.3 Suppliers in which close family members of employees, councillors/ directors or Mayor has an interest

Family of employees who have an interest in a government supplier.

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74,990,900 100,440,452

Although a related party relationship does exist as awards were made to suppliers in which close family members of employees have an interest, these transactions were in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 45. 4,791,991 4,644,356

Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 44. 10,234,354 36,537,136

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2020/21 financial year are detailed as follows in terms of section 36 (1) (a) of the Supply Chain Management Policy:

1. Nelson Mandela Bay Metropolitan Municipality		2021		Restated 2020		
Deviations: Supply Chain Management Policy		No	Payments made R	No	Payments made R	
In terms of section 36 (1)(a):						
(i)	In an emergency;	NMBM	10	67,325,309	9	11,767,484
		MBDA	0	0	3	624,427
(ii)	If such goods or services are produced or available from a single provider only;	NMBM	1	44,367,160	3	20,072,083
		MBDA	2	114,387	5	262,790
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	NMBM	0	0	0	0
		MBDA	0	0	0	0
(iv)	Acquisition of animals for zoos and/or nature and game reserves;	NMBM	0	0	0	0
		MBDA	0	0	0	0
(v)	In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes	NMBM	7	53,943,298		0
		MBDA	24	4,546,420	22	7,993,183
In terms of section 36 (1)(b):						
Ratify any minor breaches of the procurement processes.		NMBM	0	0	0	0
		MBDA	0	0	0	0

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	Economic Entity		Municipality	
	2021 R	Restated 2020 R	2021 R	Restated 2020 R
37 CAPITAL COMMITMENTS				
Approved and contracted for	159,412,534	585,022,458	159,412,534	585,022,458
Infrastructure	133,179,864	570,977,010	133,179,864	570,977,010
Community	25,425,772	12,836,437	25,425,772	12,836,437
Other	806,898	1,209,011	806,898	1,209,011
Approved and contracted for - MBDA	44,394,177	52,725,326	0	0
Approved and not yet contracted for - MBDA	5,196,934	0	0	0
Total	209,003,645	637,747,784	159,412,534	585,022,458
This expenditure will be financed from:				
Fuel Levy	29,189,610	31,869,382	29,189,610	31,869,382
Urban Settlements Development Grant (USDG)	113,305,735	500,018,546	113,305,735	500,018,546
Integrated Public Transport Grant	13,118,027	47,643,838	13,118,027	47,643,838
Capital Replacement Reserve	3,694,493	5,490,692	3,694,493	5,490,692
Neighbourhood Development Partnership Grant	104,669	0	104,669	0
MBDA	49,591,111	52,725,326	0	0
Total	209,003,645	637,747,784	159,412,534	585,022,458
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (See Note 3)	1,163,898,436	1,093,741,560	1,163,898,436	1,093,741,560
Used to Finance property, plant and equipment - at cost	1,163,898,436	1,093,741,560	1,163,898,436	1,093,741,560
Sub-total	0	0	0	0
Cash set aside for the repayment of long-term liabilities (See Note 2) - This is only the capital portion of the loan.	196,369,125	99,142,909	196,369,125	99,142,909
39 FINANCIAL RISK MANAGEMENT				

There have been no significant changes in the risks below from the prior year to current. The risks have remained the same.

Interest rate risk

The NMBM is not exposed to interest rate risk on its financial liabilities. All of the NMBM's interest-bearing external loan liabilities, as detailed in Note 2 are fixed interest loans. No interest rate swap agreements have been entered into. The NMBM invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.

Liquidity risk

The liquidity risk is the risk that the NMBM is not able to settle its obligations. The NMBM manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The NMBM has secured standby credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings. Consumer deposits have a low exposure to liquidity risk.

The following table details the NMBM's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows. A sensitivity analysis was not considered to be necessary.

	2021	Restated 2020	2021	Restated 2020
Trade payables				
1-3 months	2,659,134,154	2,524,813,765	2,671,625,814	2,519,691,154
> 3 months	104,100,155	97,103,200	104,100,155	97,103,200
	2,763,234,309	2,621,916,965	2,775,725,969	2,616,794,354
Long term borrowings				
< 12 months	196,369,125	99,142,909	196,369,125	99,142,909
> 12 months	991,072,467	1,016,456,460	990,166,517	1,016,371,753

Credit risk

The NMBM manages credit risk in its borrowing and investing activities by dealing with only A-rated financial institutions, and by spreading its exposure over a range of such institutions in accordance with its approved Cash Management and Investments Policy. Credit risk relating to consumer debtors is managed in accordance with NMBM's credit control and debt collection policy. The NMBM's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in Note 15 to the financial statements. The maximum exposure to credit risk is the consumer debtors, which may reduce as a result of non-payment by debtors.

Refer to note 52 for table.

Fair value interest risk

The NMBM is exposed to fair value interest rate risk on its external loan liabilities, which are all fixed interest rates. The fair value of financial assets and liabilities are disclosed and compared with their carrying values. See note 52 for fair values of all financial liabilities. SANLAM shares is the only financial instrument and has a very low risk exposure and have been disclosed at the Market value of the share as at 30 June.

Currency risk

There were no currency risk exposure in the current and prior year.

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40 RESTATED PRIOR YEAR COMPARATIVES	ECONOMIC ENTITY Restated 2020 R	MUNICIPALITY Restated 2020 R
Prior Period Adjustments:		
Net effect of changes - see details below	(194,879)	(194,879)
Net effect on surplus	(194,879)	(194,879)
Statement of Financial Performance		
40.1.1 Surplus for the year		
Balance as per audited financial statements (as previously reported)	979,599,524	977,559,527
Net effect on surplus	(194,879)	(194,879)
Service Charges (Refer 40.1.2)	34,804,021	34,804,021
Rental of Facilities and Equipment (Refer 40.1.3)	(189,331)	(189,331)
Other Revenue (Refer 40.1.4)	1,764,192	1,764,192
Fines, Penalties and Forfeits (Refer 40.1.5)	561,676	561,676
Property Rates (Refer 40.1.6)	4,974,568	4,974,568
Interest earned - External Investments (Refer 40.1.7)	1,000,000	1,000,000
Interest raised - Outstanding Debtors (Refer 40.1.8)	(92,883)	(92,883)
Licences and Permits (Refer 40.1.9)	5,000	5,000
Transfers and Subsidies (Refer 40.1.10)	(2,707,724)	(2,707,724)
Employee Related Costs (Refer 40.2.1)	(1,995,059)	(1,995,059)
Contracted Services (Refer 40.2.2)	(18,111,825)	(18,111,825)
Other Expenditure (Refer 40.2.3)	(11,888,949)	(11,888,949)
Other Materials (Refer 40.2.4)	(4,382,579)	(4,382,579)
Bulk Purchases (Refer 40.2.5)	(4,159,623)	(4,159,623)
Transfers and Subsidies (Refer 40.2.6)	223,637	223,637
Restated surplus for 2019/20	979,404,645	977,364,648
40.1.2 Service Charges		
Income as per Audited financial statements (as previously reported)	5,778,309,013	5,780,042,139
Transfer from Other Receivables	5,264,771	5,264,771
Transfer from Trade Receivables - Exchange Transactions	29,539,250	29,539,250
	5,813,113,034	5,814,846,160
Service charges in the amount of R5 264 771, which have not been previously accrued for.		
Correction of an Accounting Treatment in the amount of R29 539 250 in terms of a finding raised by the AG in respect of Internal Service Charges		
40.1.3 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	22,974,466	22,974,465
Transfer from Other Receivables	(189,331)	(189,331)
	22,785,135	22,785,134
Rentals in the amount of R189 331 which have been previously incorrectly accrued for.		
40.1.4 Other Revenue		
Income as per Audited financial statements (as previously reported)	103,308,445	100,824,947
Transfer from Other Receivables	1,764,192	1,764,192
	105,072,637	102,589,139
Other Revenue in the amount of R1 764 192, which have not been previously accrued for or have been corrected.		
40.1.5 Fines, Penalties and Forfeits		
Income as per Audited financial statements (as previously reported)	224,357,770	224,357,770
Transfer from Other Receivables	561,676	561,676
	224,919,446	224,919,446
Revenue in the amount of R561 676, which have not been previously accrued for.		
40.1.6 Property Rates		
Income as per Audited financial statements (as previously reported)	2,352,436,832	2,352,436,832
Transfer from Trade Receivables - Non-Exchange Transactions	4,974,568	4,974,568
	2,357,411,400	2,357,411,400
Rates adjustment in the amount of R4 974 568, which have not been previously accrued for.		
40.1.7 Interest earned - External Investments		
Income as per Audited financial statements (as previously reported)	233,799,306	231,783,566
Transfer from Other Receivables	1,000,000	1,000,000
	234,799,306	232,783,566
Interest accrual in the amount of R1 000 000 not taken into account previously.		
40.1.8 Interest raised - Outstanding Debtors		
Income as per Audited financial statements (as previously reported)	146,113,155	146,113,155
Transfer from Other Receivables	(92,883)	(92,883)
	146,020,272	146,020,272
Interest accrual in the amount of R92 883 not taken into account previously.		
40.1.9 Licences and Permits		
Income as per Audited financial statements (as previously reported)	15,130,794	15,130,794
Transfer from Other Receivables	5,000	5,000
	15,135,794	15,135,794
Licences in the amount of R5 000 not taken into account previously.		
40.1.10 Transfers and Subsidies		
Income as per Audited financial statements (as previously reported)	2,647,341,622	2,620,331,153
Transfer to Cash and Bank	(2,707,724)	(2,707,724)
	2,644,633,898	2,617,623,429
Revenue in the amount of R2 707 724, incorrectly receipted to Transfers and Subsidies.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2020 R	Restated 2020 R
40.2.1 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	3,114,785,197	3,078,019,655
Transfer from Current Provisions - Employee Benefits	2,833,000	2,833,000
Transfer from Non-Current Provisions - Employee Benefits	(833,000)	(833,000)
Transfer to Other Receivables	(4,941)	(4,941)
	<u>3,116,780,256</u>	<u>3,080,014,714</u>
Expenses in the amount of R4 941, which have not been previously accrued for.		
Correction of Actuarial Valuation done in the amount of R2 000 000 (net effect).		
40.2.2 Contracted Services		
Expense as per Audited financial statements (as previously reported)	646,861,680	633,206,590
Transfer to Trade and Other Payables	18,111,825	18,111,825
	<u>664,973,505</u>	<u>651,318,415</u>
Expenses in the amount of R18 111 825 which have not been previously accrued for.		
40.2.3 Other Expenditure		
Expense as per Audited financial statements (as previously reported)	567,915,505	506,218,622
Transfer to Trade and Other Payables	11,888,949	11,888,949
	<u>579,804,454</u>	<u>518,107,571</u>
Expenses in the amount of R11 888 949 which have not been previously accrued for or have been corrected.		
40.2.4 Other Materials		
Expense as per Audited financial statements (as previously reported)	206,152,347	206,152,347
Transfer to Trade and Other Payables	4,382,579	4,382,579
	<u>210,534,926</u>	<u>210,534,926</u>
Expenses in the amount of R4 382 579 which have not been previously accrued for or have been corrected.		
40.2.5 Bulk Purchases		
Expense as per Audited financial statements (as previously reported)	3,511,404,955	3,511,404,955
Transfer from Inventory	4,159,623	4,159,623
	<u>3,515,564,578</u>	<u>3,515,564,578</u>
Correction of Valuation of Closing Inventory in the amount of R4 159 623.		
40.2.6 Transfers and Subsidies (Expense)		
Expense as per Audited financial statements (as previously reported)	32,754,512	118,743,200
Transfer to Other Receivables	(223,637)	(223,637)
	<u>32,530,875</u>	<u>118,519,563</u>
Correction of MBDA grant in the amount of R223 637.		
Statement of Financial Position		
40.3 Total Accumulated Funds		
Closing Balance as per audited financial statements (as previously reported)	18,188,127,966	18,164,777,040
Decrease in Surplus (Refer to Note 40.1.1)	(194,879)	(194,879)
Restatements prior 2020	13,888,912	13,888,912
Transfer to VAT	(137,782)	(137,782)
Transfer to Other Receivables	1,722,963	1,722,963
Transfer to Trade and Other Payables	(6,249,710)	(6,249,710)
Transfer to Inventory	(11,202,083)	(11,202,083)
Transfer from Trade Receivables - Non-exchange transactions	9,269,093	9,269,093
Transfer from Trade Receivables - Exchange transactions	20,486,431	20,486,431
Restated Closing Balance	<u>18,201,821,999</u>	<u>18,178,471,073</u>
40.3.1 Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	1,896,392,334	1,855,186,819
Transfer from Contracted Services	18,111,825	18,111,825
Transfer from Other Expenditure	11,888,949	11,888,949
Transfer from Other Materials	4,382,579	4,382,579
Transfer to Accumulated Surplus	6,249,710	6,249,710
Transfer to Property, plant and equipment	183,963	183,963
Transfer to VAT	4,775,153	4,775,153
Transfer to Other Receivables	(24)	(24)
Transfer to Other Receivables - MBDA	(41,159,077)	-
	<u>1,900,825,412</u>	<u>1,900,778,974</u>
Expenses in the amount of R45 592 155 (net movement), Relates to various expenses not previously accrued for or corrections made.		
Inter-company transactions in the amount of R41 159 077, now correctly eliminated.		
40.3.2.1 Other Receivables - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	194,823,047	190,454,325
Transfer from Service Charges	5,264,771	5,264,771
Transfer to VAT	310,723	310,723
Transfer from Interest earned - External Investments	1,000,000	1,000,000
Transfer to Interest raised - Outstanding Debtors	(92,883)	(92,883)
Transfer from Licences and Permits	5,000	5,000
Transfer to Accumulated Surplus	1,722,963	1,722,963
Transfer to Employee Related Costs	4,941	4,941
Transfer to Fines, Penalties and Forfeits	561,676	561,676
Transfer to Trade and Other Payables	(24)	(24)
Transfer to Other Revenue	1,764,192	1,764,192
Transfer from Transfers and Subsidies	223,637	223,637
Transfer to Rental of Facilities and Equipment	(189,331)	(189,331)
Transfer to Trade and Other Payables - MBDA	(41,159,078)	0
	<u>164,239,634</u>	<u>201,029,990</u>
Income in the amount of R10 575 665, relates to various income (net movement), not previously accrued for or corrections made.		
Inter-company transactions in the amount of R41 159 077, now correctly eliminated.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2020 R	Restated 2020 R
40.3.2.2 Other Receivables - Non-Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	900,110,603	900,108,503
Transfer from Transfers and Subsidies	<u>(14,784,007)</u>	<u>(14,784,007)</u>
	885,326,596	885,324,496
Reversal of a portion of the grants previously accrued in the amount of R14 784 007 - disallowed by NT.		
40.3.3 VAT		
Balance as per Audited financial statements (as previously reported)	157,017,240	157,017,240
Transfer from Accumulated Surplus	137,782	137,782
Transfer from Cash and Bank	(406,159)	(406,159)
Transfer to Trade and Other Payables	(4,775,153)	(4,775,153)
Transfer from Other Receivables	<u>310,723</u>	<u>310,723</u>
	152,284,433	152,284,433
Vat in the amount of R4 732 807 (net movement), relates to various income and expenses not previously accrued for and corrections made.		
40.3.4.1 Trade Receivables - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	1,908,747,668	1,908,747,668
Transfer to Accumulated Surplus	20,486,431	20,486,431
Transfer from Service Charges	<u>29,539,250</u>	<u>29,539,250</u>
	1,958,773,349	1,958,773,349
Correction of an Accounting Treatment in the amount of R50 025 681 in terms of a finding raised by the AG in respect of Internal Service Charges.		
40.3.4.2 Trade Receivables - Non-exchange Transactions		
Balance as per Audited financial statements (as previously reported)	390,726,415	390,726,415
Transfer to Accumulated Surplus	9,269,093	9,269,093
Transfer from Property Rates	<u>4,974,568</u>	<u>4,974,568</u>
	404,970,076	404,970,076
Correction of an Accounting Treatment in the amount of R9 269 093, in terms of a finding raised by the AG in respect of Internal Rates.		
Rates adjustment in the amount of R4 974 568, which have not been previously accrued for.		
40.3.5 Bank Balances and Cash		
Balance as per Audited financial statements (as previously reported)	951,893,560	908,059,281
Transfer to VAT	(406,159)	(406,159)
Transfer to Transfers and Subsidies - Trade and Other Payables	1,393,368	1,393,368
Transfer to Transfers and Subsidies - Revenue	<u>(2,707,724)</u>	<u>(2,707,724)</u>
	950,173,045	906,338,766
A receipt in the amount of R3 113 883 incorrectly taken into account previously. This also affects the cash flow statement.		
A receipt in the amount of R1 393 368 not previously taken into account. Receipted in 2021 financial year. This also affects the cash flow statement.		
40.3.6 Transfers and Subsidies - Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	734,482,192	729,406,019
Transfer to Bank Balances and Cash	1,393,368	1,393,368
MBDA: Transfer to various	<u>(14,784,007)</u>	<u>(14,784,007)</u>
	721,091,553	716,015,380
Reversal of a portion of the grants previously accrued in the amount of R14 784 007 - disallowed by NT.		
A receipt in the amount of R1 393 368 not previously taken into account. Receipted in 2021 financial year. This also affects the cash flow statement.		
40.3.7 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	17,298,073,592	17,277,709,382
Transfer from Trade and Other Payables	<u>183,963</u>	<u>183,963</u>
	17,298,257,555	17,277,893,345
Assets in the amount of R183 963, which was not previously accrued for.		
40.3.8 Current Provisions - Employee Benefits		
Balance as per Audited financial statements (as previously reported)	178,827,593	177,389,605
Transfer to Employee Costs	<u>2,833,000</u>	<u>2,833,000</u>
	181,660,593	180,222,605
Correction of an Actuarial Valuation in the amount of R2 833 000 - adjustment not previously done		
40.3.9 Non-Current Provisions - Employee Benefits		
Balance as per Audited financial statements (as previously reported)	1,820,657,249	1,820,657,249
Transfer to Employee Costs	<u>(833,000)</u>	<u>(833,000)</u>
	1,819,824,249	1,819,824,249
Correction of an Actuarial Valuation in the amount of R833 000 - adjustment not previously done		
40.3.10 Inventory		
Balance as per Audited financial statements (as previously reported)	154,163,846	154,015,248
Transfer to Bulk Purchases	(4,159,623)	(4,159,623)
Transfer to Accumulated Surplus	<u>(11,202,083)</u>	<u>(11,202,083)</u>
	138,802,140	138,653,542
Correction of Valuation of Closing Inventory in the amount of R15 361 706.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2020 R	Restated 2020 R
40.3.11 Work in Progress / Assets under Construction (As disclosed within Note 55)		
Balance as per Audited financial statements (as previously reported - Note 55.2)		
Land and Buildings	4,198,395	4,198,395
Infrastructure Assets	1,065,183,710	1,065,183,710
Community Assets	32,667,304	32,667,304
Other Assets	5,318,829	5,318,829
Intangible Assets	1,379,301	1,379,301
Opening Balance as reported per 30 June 2021 - Refer Note 55		
Land and Buildings	18,208,048	18,208,048
Infrastructure Assets	409,900,444	409,900,444
Transfer to Acquisitions:		
Land and Buildings	-14,009,653	-14,009,653
Infrastructure Assets	655,283,266	655,283,266
Community Assets	32,667,304	32,667,304
Other Assets	5,318,829	5,318,829
Intangible Assets	1,379,301	1,379,301
	<u>680,639,047</u>	<u>680,639,047</u>

All work in progress / assets under construction amounts are included within the total cost disclosed in the Financial Statements. The reason for the amendment was due to a review of all projects previously reported as work in progress resulting in a change in the classification on the status to complete projects.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

41 CHANGE IN ACCOUNTING ESTIMATE
PROPERTY, PLANT AND EQUIPMENT
2020 Financial year

A conditional assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/amortisation.

In assessing whether there is any indication that the expected useful life of an asset has changed, the following indications have been considered - whether:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed
- (b) The use of the asset has changed, because of the following:
- (i) The municipality has changed the manner in which the asset is used
 - (ii) The municipality has changed the utilisation rate of the asset
 - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used
 - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset
 - (v) Legal or similar limits placed on the use of the asset have changed
 - (vi) The asset was idle or retired from use during the reporting period
- (c) The asset is approaching the end of its previously expected useful life
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

It is considered impracticable to determine the effect of the estimation in future periods.

42 CONSTRUCTION CONTRACTS

ECONOMIC ENTITY AND MUNICIPALITY

	2021	Restated 2020
Amount of revenue recognised - Operating	0	400,385
Amount of revenue recognised - Capital	0	42,972,288

Method used to determine the Revenue

Revenue is determined on a claims basis where the Municipality submit claims to the ECDOHS for expenditure incurred.

Method used to determine the stage of completion of contracts in progress:

Subsidies are approved per site for a set amount, which is determined by ECDOHS. Projects are implemented per stage and the contractors are also paid per stage.

Aggregate amount of Costs incurred and recognised surpluses (less recognised deficits) to date for houses not yet transferred	1,162,226,890	1,197,364,589
Amount of advances received	1,247,591	1,200,000
Amount of retentions		
Refer Note 7 - Included with Trade and Other Payables		
Gross amounts due from customers for contract work	210,320,725	210,320,725

Gross amounts due to customers for contract work
Refer Note 7 - Included with Trade and Other Payables

43 OPERATING LEASE COMMITMENTS
Municipality as Lessee

Economic Entity

Municipality

The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.

Some leases have escalations ranging between 7 and 10% and an option to renew.

Some leases have restrictions, such as not to sub-let or not to sub-let without consent. There are no sub-leases in place that we are aware of.

The Municipality has no sale and leaseback transactions.

Future minimum lease payments under non-cancellable operating leases:

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
Buildings	9,372,911	6,815,653	9,372,911	6,815,653
Payable within one year	6,623,934	3,638,819	6,623,934	3,638,819
Payable within two to five years	2,748,977	3,176,834	2,748,977	3,176,834
Payable above five years	0	0	0	0
Photocopier, fax machines and other equipment	2,742,345	9,656,099	2,579,729	9,435,103
Payable within one year	2,627,326	6,941,476	2,494,997	6,855,374
Payable within two to five years	114,019	2,714,621	84,732	2,579,729
Payable above five years	1,000	0	0	0
	12,115,256	16,471,752	11,952,640	16,250,756

Municipality as Lessor

At reporting date, the Municipality has contracted with tenants for the following minimum lease payments over a period of 1 to 99 years:

No contingent rentals are charged.

	Economic Entity		Municipality	
	2021	Restated 2020	2021	Restated 2020
	R	R	R	R
Land	11,120,441	11,600,453	11,120,441	11,600,453
Receivable within one year	480,012	480,012	480,012	480,012
Receivable within two to five years	1,920,048	1,920,048	1,920,048	1,920,048
Receivable after 5 years	8,720,381	9,200,393	8,720,381	9,200,393
Buildings	41,400,011	42,865,621	41,288,971	42,810,565
Receivable within one year	8,086,467	5,952,693	7,975,427	5,897,637
Receivable within two to five years	9,534,452	12,607,929	9,534,452	12,607,929
Receivable after 5 years	23,779,092	24,304,999	23,779,092	24,304,999
	52,520,452	54,466,074	52,409,412	54,411,018

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		Economic Entity and Municipality	
		2021	Restated 2020
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
	Incident / Disciplinary steps / Criminal Proceedings		
44.1	Unauthorised Expenditure		
	Opening Balance	257,062,641	253,021,364
	Incurred - Current year - Relating to current year	847,087,284	30,061,131
	Approved by Council - refer below	(254,690,752)	(26,019,854)
	Recoveries - Current year	0	0
		849,459,173	257,062,641
44.1.1	Actual expenditure in excess of approved budget votes		
	The total actual expenditure, including non-cash flow items amounted to R13 632 021 437 , compared to the approved adjustments budget of R13 659 291 666 . The actual expenditure was thus R27 270 229 below the approved adjustments budget and does not constitute unauthorised expenditure.	840,563,796	30,061,131
	The total actual expenditure per budget vote exceeded the approved adjustments budget for certain Directorates by R840 563 796 which relates to non-cash items.		
44.1.2	Over-expenditure relating to contract security resulted in unauthorised expenditure.	6,523,488	0
	Total	847,087,284	30,061,131
	Approved by Council in accordance with Regulation 23(6)(b) of the Municipal Budget and Reporting Regulations No. 32141	(254,690,752)	(26,019,854)
44.2	Irregular Expenditure		
	Opening Balance - previously stated	17,731,225,088	16,425,750,979
	Restatement	0	(2,390,821)
	Restated Opening Balance	17,731,225,088	16,423,370,158
	Incurred - Current year - Relating to current year (awards)	68,636,702	17,922,966
	Incurred - Current year - Relating to prior year (awards / other)	1,325,835,002	1,297,094,802
	Approved by Council - Other	0	(7,162,838)
		19,125,696,792	17,731,225,088
1	Breach of the Supply Chain Management policy		
	A breach occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity.	194,866,856	223,649,685
2	Breach of the Supply Chain Management policy		
	A breach occurred as certain contracts were awarded to persons in the service of the state (certain officials and family of officials) where he/she may have a significant influence over the financial or operating policies of the entity.	75,562,909	59,615,623
3	SCM Deviations		
	Some of the deviations relating to the tender process appear to be made where improper planning was conducted and expenditure were incurred before the deviation was approved and therefore considered to be irregular.		
	- Relating to current year	5,009,388	9,868,431
	- Relating to prior year	638,068,829	315,041,537
4	Breach of the Supply Chain Management policy		
	Payments made which was in contravention of the scm policy which was not previously disclosed.	1,675,006	17,071,995

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		Economic Entity and Municipality	
		2021	Restated 2020
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	Irregular Expenditure (Continued)		
5	Irregular Expenditure review by Internal Audit		
	This section of the Irregular Expenditure represents the "historic" irregular expenditure incurred as reported by Internal Audit Unit in terms of the two reports that were issued in 2014/15 and 2015/16 relating to a number of financial years dating back from around 2003. The irregularity in these instances continued to 2016/17 financial year as some of the tender / SCM Files were still in use (or work proceeding). This figure - "Incurred - Current year - Relating to Prior year tenders", therefore does not relate to any irregularity that may have occurred during the year under review. Important to note is the fact that there are reports that have been taken to Council structures in order to deal with these matters and the first reports was submitted to MPAC Sub committee on 31 August 2017 and it will be ongoing.		
	Non-compliance with regards to the Formal Bid and Deviation process		
	Incurred - Current year - Relating to current year Tenders	57,285,814	7,973,554
	Incurred - Current year - Relating to prior year Tenders	417,336,408	681,715,962
6	MBDA - Irregular Expenditure	4,666,494	80,981
	Total	1,394,471,704	1,315,017,768
	Total amount approved by Council in respect of ALL cases / Condoned by MBDA Board	0	(7,162,838)
7	Information not available (Limitation of Scope)		
	Opening Balance - previously stated	3,338,900,013	3,057,877,747
	Restatement	0	0
	Restate Opening Balance	3,338,900,013	3,057,877,747
	Incurred - Current year - Relating to prior year Tenders	146,681,684	281,022,266
	Approved by Council - Other	0	0
		3,485,581,697	3,338,900,013
	Total amount approved by Council in respect of ALL cases	0	0
	This section of the note has not been included in the Irregular expense calculation, because it is impracticable in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below:		
	Section 44.2.7 of this disclosure note represents expenditure incurred on SCM / Tender files that were declared by Internal Audit Unit in around 2014/15 and 2015/16 to be a LIMITATION OF SCOPE as the AG could not be provided with the said files. The expenditure referred to dates back to around 2003 financial year. As the expenditure on the affected SCM / Tender Files continued to the 2016/17 financial year the actuals have been extended to include the reported financial year. Detailed reports dealing with these files were submitted to Council structures starting from the MPAC Sub Committee dated 31 August 2017, whereafter the note will be amended only after Council approves the recommendation/s on how to deal with these matters. This effectively means that this expenditure is historic or relates to historic financial years.		
44.3	Fruitless and Wasteful Expenditure		
	Opening Balance	667,488,239	577,636,288
	Restatement - Incurred	0	0
	Restated Opening Balance	667,488,239	577,636,288
	Incurred - Current year - Relating to current year	999,816	90,981,582
	Incurred - Current year - Relating to prior year	0	0
	Approved by Council - Other reversed	0	(1,129,631)
		668,488,055	667,488,239
1	Suspended Officials		
	Various officials have been on suspension for more than 3 months. In terms of the South African Local Government Bargaining Council; disciplinary procedure and collective agreement, the period of suspension shall not exceed a period of 3 months. Matter to be referred to Labour Relations.	999,816	834,399
2	Additional expenditure incurred by the Directorate when a tender was in place which resulted in Fruitless and Wasteful expenditure.	0	0
3	Fruitless and Wasteful expenditure incurred by certain Directorates	0	90,066,595
4	MBDA - Fruitless and Wasteful Expenditure	0	80,588
	TOTAL	999,816	90,981,582
	Total amount approved by Council for in respect of ALL cases / Condoned by MBDA Board	0	(1,129,631)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		Economic Entity and Municipality	
		2021	Restated 2020
		R	R
45(a) CONTINGENT LIABILITIES			
	These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.		
	Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).		
	Possible Contingent liabilities:		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	350,113,403	147,329,993
2	Various claims due to municipal administrative matters that are under dispute or investigation.	23,935,888	23,943,801
3	Various claims by current or terminated employees due to alleged unfair labour practices.	10,232,171	9,302,791
4	Various claims due to supply chain related issues or creditor payment related matters.	259,204,758	219,759,666
		643,486,220	400,336,251
	Contingent Liability - MBDA	0	0
	Total Consolidated Amount	643,486,220	400,336,251
45(b) PROVISION FOR LITIGATION AND CLAIMS			
	Detail of Provision raised in Note 5.2		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	15,277,529	14,515,171
2	Various claims due to municipal administrative matters that are under dispute or investigation.	0	0
3	Various claims by current or terminated employees due to alleged unfair labour practices.	0	0
4	Various claims due to supply chain related issues or creditor payment related matters.	0	0
	TOTAL PROVISION REFER NOTE 5.2	15,277,529	14,515,171
45(c) CONTINGENT ASSETS			
	These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.		
	Possible Contingent assets		
1	Various claims due to supply chain related issues or creditor payment related matters.	177,933,302	172,983,302
		177,933,302	172,983,302
46 EVENTS AFTER REPORTING DATE			
46.1 Nelson Mandela Bay Municipality			
	WITHHOLDING OF GRANT FUNDING BY NATIONAL TREASURY		
	On 29 June and 15 July 2020, National Treasury addressed correspondence to the Municipality indicating that grant funding would be withheld in view of certain non-compliance matters. The Municipality had further engagements with National Treasury on 21 October 2020, regarding the withholding of grants in the amount of R1.6 billion, in relation to the 2019/20 and 2020/21 financial years. Emanating from this meeting, National Treasury addressed correspondence to the Municipality on 23 October 2020, indicating that the Municipality must adopt an Action Plan, to implement the NT conditions for the release of the outstanding grants as communicated in the NT letter of 24 February 2020. The letter of 23 October 2020, also indicated that the Interim Executive Mayor, is required to provide a comprehensive response to the Deputy Finance Minister's correspondence of 15 July 2020. The Action Plan, was adopted by Council on 28 October 2020.		
	In relation to the aforementioned, National Treasury must still transfer the 2019/20 Equitable Share Allocation, in the amount R255.4 million. National Treasury has indicated that the amount will be transferred to the Municipality.		
46.2 Unspent Conditional Grants for 2020/21 financial year not approved			
	On 10 November 2021, National Treasury confirmed in a letter to the Municipality, that the following unspent grants as at 30 June 2021, will have to be repaid to the National Revenue Fund:		
	Urban Settlements Development Grant	175,124,719	
	Infrastructure Skills Development Grant	1,892,694	
	Integrated City Development Grant	5,292,146	
	Public Transport Network Grant	135,140,372	
	Neighbourhood Development Partnership Grant	2,157,622	
		319,607,553	
46.3 Mandela Bay Development Agency			
	The entity issued awards of tenders amounting to R42 657 370 during the period after the reporting date, the procurement process for these awards had started during the current financial year, of this amount R37 166 379 relates to post balance sheet capital commitments. Additionally the entity was involved in litigation for the award of a tender (appointment value R37.1m), however the claim is not expected to result in an outflow, consequently no contingent liability is expected to arise and the impact is R0.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits

RETIREMENT BENEFIT INFORMATION

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R341.338 million (2020: R326.013 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2021.

DEFINED CONTRIBUTION SCHEMES

CONSOLIDATED RETIREMENT FUND

The contribution rate paid by the members (9%) and the NMBM (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund as being in a sound financial position as at 30 June 2019. The funding level of the Share Account is 100.3%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 124.9% as at 30 June 2019.

SALA CONTRIBUTION FUND

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.92%) and their councils (19.18%) is sufficient to fund the benefits accruing from the Fund in the future. The fund is 100% funded.

SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the Fund was performed at 30 June 2008, and certified it as being in a financially sound position with the funding level remaining at 100% since the previous valuation date, 30 June 2005. The 30 June 2011 report is not available yet and is expected to be available towards the end of 2014. The contribution rate paid by the members (7.5%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in the future.

DEFINED BENEFIT SCHEMES

CAPE JOINT PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 27% (9% by the members and 18% by their councils). The fund was certified by the actuary as being in a sound financial condition as at 30 June 2019 and is funded at 100.3%.

SALA PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is **26.67% (7.92% by the members and 19.18% by their councils)**. This defined benefit plan, is financially sound, and was 100% funded as at 30 June 2013.

The Nelson Mandela Bay Municipality has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

EX GRATIA PENSIONS

General Description

The Ex-gratia pension benefits scheme operates as pensions that are being paid from the Council's revenue, that is, they are not funded or paid from one of the Employer's formalised pension arrangements.

Employees who were under the age of 55 when appointed and who have at least ten years' service at retirement, will receive an annual ex-gratia pension calculated as:

Annual salary * 1/47 * Years of non-pensionable service

An employee's widow will get 50% of the accrued (full service) pension on the employee's death. This is subject to a maximum of the Government Old Age Pension and will cease at age 60.

Pensions increase in line with those granted by the Cape Joint Pension Fund and increases at 50% of CPI inflation.

Detailed Results

An actuarial valuation of the Municipality's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality, was performed as at 30 June 2021. The unfunded liability in respect of past service has been valued at R48.579 million (2020: R53 528 million), of which R45.126 million relates to the non-current portion.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	46,787,000	58,336,000	56,871,490	53,527,945
Current service cost	0	0	0	0
Interest cost	3,820,000	5,294,000	4,938,563	5,207,887
Benefits paid	-3,767,000	-3,662,000	-3,709,740	-3,350,914
Total Annual Expense	53,000	1,632,000	1,228,823	1,856,973
Actuarial Loss / (Gain)	11,496,000	-3,097,000	-4,572,368	3,019,410
Actuarial (Gain)/Loss on Experience				-9,825,577
Closing Accrued Liability	58,336,000	56,871,000	53,527,945	48,578,751

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Statement of Financial Position Figures

Unfunded Accrued Liability

Balance Sheet	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Fair Value of Plan Assets	0	0	0
Accrued Liability	56,871,490	53,527,945	48,578,751
Unfunded Accrued Liability	56,871,490	53,527,945	48,578,751
Unrecognised Transitional Liability	0	0	0
Unrecognised Actuarial Gains/(Losses)	0	0	0
Unrecognised Past Service Cost	0	0	0
Miscellaneous Item	0	0	0
Closing Balance	56,871,490	53,527,945	48,578,751

Reconciling and Projecting the Unfunded Accrued Liability

Unfunded Accrued Liability	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Balance	58,336,490	56,871,490	53,527,945
Current Service Cost	0	0	0
Interest Cost	5,295,000	4,938,563	5,207,887
Expected Return on Plan Assets	0	0	0
Actuarial (Gain) /Loss	-3,098,000	-4,572,368	-6,806,167
Past Service Cost	0	0	0
Effect of Curtailment / Settlement	-3,662,000	-3,709,740	-3,350,914
Expected Employer Benefit Payments	0	0	0
Employer Prefunding Contributions	0	0	0
Closing Balance	56,871,490	53,527,945	48,578,751
Projected Accrued Liability	59,969,490	58,100,313	55,384,918

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Current Service Cost (In-Service members only)	0	0	0
Interest Cost	5,295,000	4,938,563	5,207,887
Actuarial (Gain)/Loss	-3,097,000	-4,572,368	-6,806,167
Total employee benefits expense	2,198,000	366,195	-1,598,280

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Current Valuation 30 June 2020	Current Valuation 30 June 2021
Discount rate	10.04%	9.84%
Inflation Risk Premium		
Inflation Assumption	5.32%	6.12%
Salary Increase Rate	6.32%	7.12%
Pension Increase Rate	2.66%	3.06%
Net Effective Discount Rate (Pre-Retirement)	7.18%	6.58%

Discount Rate Assumption:

The discount rate has been set by taking the average yield from the Zero-Coupon SA Government bond curve, with a duration of 9 years, as was done for the previous valuation. The recommended discount rate as at 30 June 2021 is 9.84% per annum. The source is the Johannesburg Stock Exchange through IRESS data service. The discount rate was set at 10.04% p.a. for the previous valuation.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries and hence ex-gratia benefits, will increase.

The market's pricing of inflation was estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve of bonds, with a duration of 9 years as was done for the previous valuation. The resulting inflation assumption is therefore 6.12% per annum as at 30 June 2021. The source is the Johannesburg Stock Exchange through IRESS data service. The future inflation assumption was set at 5.32% for the previous valuation.

Future Salary Inflation Assumption:

The general inflation assumption is used to establish the base rate for determining the rate at which the future salaries and hence ex-gratia benefits will increase.

It has been assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, a salary inflation assumption of 7.12% per annum has been used as at 30 June 2021.

The future salary inflation assumption was set at 6.32% per annum for the previous valuation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Pension Increase Assumption:

Pension increases are in line with those granted by the LA Retirement Fund (previously known as the Cape Joint Pension Fund). Based on recent experience, pension increases are assumed to be set at 50% of the expected inflation assumption. This is consistent with what was done for the previous valuation.

The expected pension increase rate is, therefore, 3.06% per annum as at 30 June 2021.

The expected pension increase rate was set at 2.66% per annum for the previous valuation.

Post Retirement net discount rate:

Net discount rate is the gap between the discount rate and the expected increase in salary inflation.

The net discount rate for ex-gratia pension benefits as at 30 June 2021 is assumed to be 6.58% per annum (derived from the discount rate of 9.84% and the expected increase rate of 3.06%).

The net discount rate was set at 7.18% per annum for the previous valuation.

Demographic Valuation Assumptions:

Actuarial valuation assumptions are required to be made about demographic variables (such as, employee turnover and mortality) that will influence the cost of the benefit, discounting that benefit using the Projected Unit Credit Method.

The demographic assumptions used in the previous valuation have been retained and these assumptions are as follows:

Pre-retirement Mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 table, which is a table reflecting mortality experience in South Africa. This assumption was used for the valuation of in-service members.

This assumption is consistent with that of the previous valuation.

Post-retirement Mortality:

The post-retirement mortality assumption is based on the PA (90) ultimate table. This assumption was used for the mortality of continuation members (retired employees).

This assumption is consistent with that of the previous valuation.

Assumed Retirement Age:

The normal retirement age is 65 for all male employees and is 60 for all female employees.

The retirement age of 63 for all male employees and retirement age of 58 for all female employees has been assumed, which allows for some early retirement and is consistent with assumptions used for valuing other Municipality liabilities. This assumption is consistent with that of the previous valuation.

Family Profile:

It is assumed that 90% of in-service members will be married at retirement.

It has been further assumed that the female spouse will be 3 years younger than the male spouse. For continuation members the actual spouses' dates of birth were used, where provided.

The data provided in respect of the retired members indicated the marital status of the members. This actual adult dependant status was therefore used.

Withdrawal Rates:

The table below reflects the rates of withdrawal used to value the liabilities for both males and females:

Withdrawal rates

Age	Withdrawal Rate	Withdrawal Rate
	Males	Females
20	16%	24%
25	12%	18%
30	10%	15%
35	8%	10%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%

Developments since the previous valuation:

There has been no changes to the ex-gratia pension policy since the previous valuation, therefore, it is assumed the level of benefits will remain unchanged with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment ex-gratia pensions.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made and the actual cost of the ex gratia benefit will, however, depend on the actual experience.

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of the net periodic costs; and

Cost/(Saving): the accumulated obligation for the ex-gratia benefit obligation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Sensitivities as at 30 June 2021

Discount Rate	2021 Assumption	1% Decrease	1% Increase
	R	R	R
	9.84%	8.84%	10.84%
Total Liability	48,578,751	53,424,595	44,450,159
Cost / (Saving)		4,845,844	-4,128,592
% Change		9.98%	-8.50%

Salary Inflation	2021 Assumption	1% Decrease	1% Increase
	R	R	R
Total Liability	48,578,751	45,791,578	51,643,564
Cost / (Saving)		-2,787,173	3,064,813
% Change		-5.74%	6.31%

Pension Increase Rate	2021 Assumption	Rated down 1 year	Rated Up 1 year
	R	R	R
Total Liability	48,578,751	44,799,409	52,857,526
Cost / (Saving)		-3,779,342	4,278,775
% Change		-7.78%	8.81%

Retirement Age	2021 Assumption	Earlier by 1 year	Later by 1 year
	R	R	R
Total Liability	48,578,751	49,709,952	47,501,550
Cost		1,131,201	-1,077,201
% Change		2.33%	-2.22%

For the purposes of disclosure, all other assumptions are to be held constant.

POST-EMPLOYMENT HEALTH CARE BENEFITS

Benefit Structure

Medical Aid Scheme Arrangements:

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure:

Members contribute according to the tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements:

The Municipality has agreed to subsidise the medical aid contributions of retired members as follows:

In accordance with Resolution 8 of the SALGBC (SALGA), all existing and new pensioners (employees currently in service) and their dependants will receive a subsidy ranging between 60% and 70% subject to the maximum (CAP) amount of R4,773.00 (per month, per member) for the current financial year. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R4,492.00 in the previous financial year.

The maximum subsidy is expected to increase at 50% of inflation.

Eligible employees should have at least five years of service to qualify for a benefit at retirement.

Valuation Method

The value of the Municipality's accrued liabilities has been determined by using the Projected Unit Credit Method and a set of actuarial assumptions.

Post Employment Medical Aid Liabilities:

The liability in respect of active employees is determined by discounting the projected future benefit payments in respect of these members using assumptions regarding the possible future experience. The liability has been proportioned between past service and future service.

The liability in respect of current pensioners is fully accounted for.

The current service cost is the cost of providing the benefits over the year following the valuation date.

All actuarial gains and losses are recognised immediately and we have not allowed for any disclosure under the corridor method.

Detailed Results

The total liability in respect of post-retirement health care benefits amounts to R1.437 billion as at 30 June 2021 (2020: R1.233 billion). Provision for R1.437 billion has been made (non-current R1,366 billion, current R70.885 million). It is expected that approximately 4.93% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Past and Future Changes in the Accrued Liability

The table below depicts the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the next 3 periods following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2021 R	Year ending 30/06/2022 R	Year ending 30/06/2023 R	Year ending 30/06/2024 R
Opening Accrued Liability	1,233,339,357	1,436,874,194	1,587,805,576	1,757,324,357
Interest Cost	173,397,303	176,352,075	195,031,299	216,037,469
Service Cost	38,949,725	45,464,776	49,604,381	54,120,900
Estimated Payments	-66,351,451	-70,885,469	-75,116,899	-79,294,340
Total Annual Expense	145,995,577	150,931,382	169,518,781	190,864,029
Actuarial (Gain)/Loss on financial basis	112,999,203			
Actuarial (Gain)/Loss on experience	-55,459,943			
Closing Accrued Liability	1,436,874,194	1,587,805,576	1,757,324,357	1,948,188,386

Amounts to be recognised in profit or loss for the year (period)

Category	Year ending 30/06/2021 R	Year ending 30/06/2022 R	Year ending 30/06/2023 R	Year ending 30/06/2024 R
Interest Cost	173,397,303	176,352,075	195,031,299	216,037,469
Service Cost (In-Service members only)	38,949,725	45,464,776	49,604,381	54,120,900
Actuarial (Gain)/Loss [2017: Gain on Financial Basis]	112,999,203			
Actuarial (Gain)/Loss [2017: Loss on Experience]	-55,459,943			
Total employee benefits expense	269,886,288	221,816,851	244,635,680	270,158,369

KEY VALUATION ASSUMPTIONS AND DEVELOPMENTS

Summary of economic assumptions that were used in the valuation:

Assumption	Valuation 30 June 2020	Valuation 30 June 2021
Discount rate	14.21%	12.38%
Future Inflation	8.96%	7.61%
Medical Inflation	10.46%	9.11%
Subsidy Inflation	4.48%	3.80%
Post Retirement Interest Rate (Medical Inflation)	3.40%	3.00%

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on Government Bonds. The average nominal yield curve for SA Government bonds with duration between 15 and 20 years have been used as at 30 June 2021. The resultant discount rate was 12.38% for 30 June 2021.

The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future Inflation Assumptions:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The difference between the above nominal and real bonds with duration of between 15 and 20 years has been used. The implied inflation assumption is therefore 7.61% per annum for 30 June 2021.

The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future medical Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future medical subsidies will increase.

It is assumed that medical cost will outstrip general inflation by about 1.5% per annum, as South Africa has experienced high medical cost inflation in recent years.

The medical cost inflation was therefore set at 9.11% per annum for 30 June 2021.

Net Discount Rate:

The net discount rate is the gap between the values used for the discount rate and the expected increase in salaries. The net discount rate is 3.00% per annum for 30 June 2021, (derived from the discount rate of 12.38% and the expected medical inflation rate of 9.11%).

Demographic Valuation Assumptions:

Pre-Retirement Mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA 85-90 light table, rated down by 3 years for female members, which is a table reflecting mortality experience in South Africa.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Post-Retirement Mortality-

The PA90 ultimate mortality table was used in the valuation for the mortality of Continuation Members.

Withdrawal Rates:

Age	Withdrawal Rate	Withdrawal Rate
	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. Consistent with the previous years' assumptions, it has been assumed that male employees will retire at age 63 and female employees at age 58, which implicitly allows for the expected rates of early retirement.

Family Profile:

It is assumed that 90% of In-Service Members on a medical arrangement will be married at retirement. Males are assumed to be five years older than their female spouses. Where the data provided in respect of the Continuation Members, indicated that the spouse was married we have used the actual spouses date of birth. Where this was not known, we have assumed that the male spouse was 5 years older than the female spouse. Members have been assumed to have no dependent children after retirement.

Continuation of Membership:

It has been assumed that 100% of In-Service Members will remain on the Municipality's health care arrangement should they stay until retirement. No provision has been made for employees currently not on Municipality-sponsored scheme to join prior to retirement. This is consistent with previous years' assumptions. It was assumed that employees retiring will remain on the current plan and option at retirement and it was assumed they will remain in the same income category after retirement.

Changes since the previous valuation:

There were no changes to the rules governing payment and eligibility for the medical subsidy since the previous valuation. As far as the assumptions are concerned, the discount rate and general inflation, which are dependent on the market at the time of valuation, are different from the previous valuation.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

GRAP 25 requires disclosure of the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

- the aggregate of the current service cost and interest cost components of the net periodic post-employment medical costs; and
- the accumulated post employment benefit obligation for medical costs.

For the purposes of disclosure, all other assumptions are to be held constant.

The following changes were made:

- A 1% increase/decrease in the net discount rate; and
- A 1 year increase/reduction in the normal retirement age.

30 June 2021 Sensitivities

Medical Inflation	Current Assumption	1% Decrease	1% Increase
	9.11%	8.11%	10.11%
Liability (R'000)	1,436,874,194	1,364,726,624	1,513,762,557
Cost/(Saving) (R'000)		-72,147,570	76,888,363
Discount Rate	Current Assumption	1% Decrease	1% Increase
	12.38%	11.38%	13.38%
Liability (R'000)	1,436,874,194	1,606,523,634	1,295,348,525
Cost / (Saving) (R'000)		169,649,440	-141,525,669
Normal Retirement Age	Current Assumption	All Members	All Members
	Males 63, Females 58	63	55
Liability (R'000)	1,436,874,194	1,304,065,527	1,159,290,307
Cost / (Saving) (R'000)		-132,808,667	-277,583,887

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonuses:

Long service benefits are awarded in the form of leave days and a percentage of annual salary. The awarded leave days have been converted into a percentage of the employee's annual salary, for valuation purposes. The conversion is based on a 250 working day year. The LSB benefits have improved significantly from 01 July 2017. The Municipality now offers employees LSB as outlined below.

Long Service Awards:

In addition to the above, employees are eligible to receive a Long Service Award to the value of R2,500 upon completion of 25 years in service.

The table below describes the benefits accruing to those employed under the SALGBC LSB Agreement. The policy applicable to the subgroups appointed prior to 01 July 2017 will change to the policy outlined in tables 2 to 4, once they reach twelve years of service.

Table 1: Long Service Bonus for levels of past service:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	4%	(5/250+2%) * annual salary
10	7%	(10/250+3%) * annual salary
15	10%	(15/250+4%) * annual salary
20	11%	(15/250+5%) * annual salary
25, 30, 35, 40 and 45	12%	(15/250+6%) * annual salary

Tables 2 to 4 describe the policy that the Municipality is phasing-in over a four-year period, for the balance of the employees. This includes all employees from the former Municipalities of Port Elizabeth, Uitenhage, Despatch and Western District Council. However, the Uitenhage employees are already on the highest level, since this was their LSB policy prior to their transfer. The purpose of the amendment of the SALGBC LSB policy is to harmonise the conditions of employment, as it relates to the LSB, across all of the Metro employees.

The bonuses are paid on a monthly basis and also apply to an employee's 13th cheque.

Table 2: Long Service Bonus for levels of past service (phase-in, year two: 01 July 2017 to 30 June 2018)

Completed Service (in years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
18 to 23	10.0%	8.5%	8.5%	8.5%	8.5%	8.5%
24 and above	15.0%	13.0%	13.0%	13.0%	13.0%	13.0%

Table 3: Long Service Bonus for levels of past service (phase-in, year three: 01 July 2018 to 30 June 2019)

Completed Service (in years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%
18 to 23	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%
24 and above	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%

Table 4: Long Service Bonus for levels of past service (phase-in, year four: 01 July 2019 to 30 June 2020)

Completed Service (in years)	Uitenhage	Port Elizabeth	Despatch	Western District Council		SA Local Government Bargaining Council
				Pre 01 July 1987	Post 01 July 1987	
5						4.0%
10						7.0%
12 to 17	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
18 to 23	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
24 and above	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

As from 01 July 2020, all employees will receive benefits as per Uitenhage in the table above.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Reconciliation of opening and closing accrued liability values

Past year and future projected liability

Obligation	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Opening Accrued Liability	748,844,905	695,122,200	833,530,000	857,878,000	882,558,000
Current service cost	53,525,765	49,351,000	54,444,000	57,776,000	61,311,000
Interest cost	57,876,534	53,365,000	66,442,000	68,369,000	70,821,000
Expected benefit vestings	-106,429,450	-109,373,000	-96,538,000	-101,465,000	-94,139,000
Total Annual Expense	4,972,849	-6,657,000	24,348,000	24,680,000	37,993,000
Actuarial (Gain)/Loss on basis	-57,578,554	71,172,000			
Actuarial (Gain)/Loss on experience	-1,117,000	73,892,800			
Accrued Liability	695,122,200	833,530,000	857,878,000	882,558,000	920,551,000

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet	Year ending 30/06/2020	Year ending 30/06/2021
Opening Balance	748,844,905	695,122,200
Current service cost	53,525,765	49,351,000
Interest cost	57,876,534	53,365,000
Actuarial (Gain)/Loss on basis	-57,578,554	71,172,000
Actuarial (Gain)/Loss on experience	-1,117,000	73,892,800
Net Periodic Cost Recognised in P&L	52,706,745	247,780,800
Expected benefit vestings	-106,429,450	-109,373,000
Closing Balance	695,122,200	833,530,000
Current Portion of Liability	109,373,000	96,538,000
Non-Current Portion of Liability	585,749,200	736,992,000

Key Assumptions

Key Financial Assumptions

The assumptions used are based on statistics and market data as at 30 June 2020 and 2021. These valuation assumptions are consistent with the requirements of GRAP 25.

Assumption	Valuation 30 June 2020	Valuation 30 June 2021
Discount rate	8.02%	8.17%
Future inflation	3.48%	5.12%
Salary inflation	4.48%	6.12%
Salary Inflation Premium	1.00%	1.00%
Net Discount Rate	3.38%	1.94%

Detailed Assumptions

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on Government bonds. The cash flow weighted duration of the liabilities is approximately 6.0 years. Therefore, the nominal yield curve for SA Government bonds with duration of 6.0 years, has been used, as at 30 June 2021. The resultant discount rate was 8.17%.

The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future benefits will increase. We have estimated the market's pricing of inflation by comparing the yields on index-linked Government bonds and long-term Government bonds (at duration of 6.0 years). The implied inflation assumption is, therefore, 5.12% per annum.

The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future Salary Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. It is assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 6.12% per annum for 2021.

Assumed promotional salary increase rates are as follows:

Age Band	Additional promotional scale
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45-49	0%

Net Discount Rate:

The net discount rate is the gap between the discount rate and the expected increase in the salary inflation assumptions. The net discount rate is 1.94% per annum, derived from the discount rate of 8.17% and the expected salary inflation rate of 6.12%.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Demographic Valuation Assumptions

Pre-Retirement Mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 light table, adjusted down by 3 years for females lives, which is a table reflecting mortality experience in South Africa.

Withdrawal Rates:

Withdrawal rates have been provided for, as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65. It has been assumed that male employees will retire at age 63 and female employees will retire at age 58 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Developments since the previous valuation:

There were no changes to the rules governing payment and eligibility for the long service awards since the previous valuation. As far as assumptions are concerned, only the discount rate and inflation rate, which are dependent on the market, at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with those used in the previous valuation, unless otherwise stated.

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent the best estimate of future experience. The actual cost of the long service awards will however be dependent on the actual experience.

The table below illustrates the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of net periodic costs; and

Cost/(Saving): the accumulated obligation for long service awards.

Sensitivities:

Discount Rate	Current Assumption 8.17%	1% decrease 7.17%	1% Increase 9.17%
Liability	833,530,000	886,714,000	785,762,000
Cost / (Saving)		53,184,000	-47,768,000
% Change		6.38%	-5.73%

Salary Inflation	Current Assumption R	1% decrease R	1% Increase R
Liability	833,530,000	784,548,000	887,139,000
Cost / (Saving)		-48,982,000	53,609,000
% Change		-5.88%	6.43%

Average Retirement Age	Current Assumption Retire at average age	Retire at average age -1	Retire at average age +1
Liability	833,530,000	753,625,000	914,002,000
Cost / (Saving)		-79,905,000	80,472,000
% Change		-9.59%	9.65%

GRATUITY BENEFITS

Benefit Structure

Employees who commenced employment prior to 01 September 1988 are eligible for Standard or Enhanced Gratuity Pensions, as follows:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who subsequently joined the Fund are eligible to be paid a Standard Gratuity, provided they have at least 10 years of service when they retire:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who chose not to join the Fund are eligible to be paid an Enhanced Gratuity for their years of service that they were not members of the Fund.

When an employee eligible for a Gratuity Pension dies in-service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Financial Valuation Assumptions

A summary of the economic assumptions that were used is given below:

Assumption	30 June 2020	30 June 2021
Discount Rate	10.57%	7.56%
Future Inflation	5.77%	4.72%
Salary Inflation	6.77%	5.72%
Salary Inflation Premium	1.00%	1.00%
Net Gap Enhanced Gratuities	3.56%	1.74%
Net Gap Standard Gratuities	0%	0%

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on Government bonds GRAP 25 places emphasis on matching the discount rate to the duration of the liabilities.

Therefore, the discount rate has been set by taking the average yields from the zero-coupon Government Bond curve with a duration of 5 years. The recommended discount rate as at 30 June 2021 is 7.56%.

The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future benefits will increase. We have estimated the market's pricing of inflation by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of 5 years.

The implied inflation assumption is, therefore, 4.72% per annum as at 30 June 2021 for future inflation.

The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future Salary Inflation Assumption:

We have assumed that the salaries (total cost to company) will increase in line with 1.00% in excess of general inflation, ie, 5.72% per annum as at 30 June 2021.

Net Discount Rate:

The net discount rate is the gap between the discount rate and the expected increase in the salary inflation assumptions. The net discount rate (ignoring merit increases) is 1.74% per annum as at 30 June 2021, (derived from the discount rate of 7.56% and the expected salary inflation rate of 5.72%).

The net gap used for the Standard Gratuity Pension is 0% since the benefit is assumed to increase by the discount rate. The Monetary Enhancement portion is assumed to remain constant until date of payment.

Demographic Valuation Assumptions

Pre-retirement mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 light table, rated down by 3 years for female members, which is a table reflecting mortality experience in South Africa.

Withdrawal Rates

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. We have assumed that male employees will retire at age 63, which implicitly allows for the expected rates of early retirement. The previous valuation assumed a retirement age of 58 years for females. As all females are now over 58, we have assumed that they will retire in the year following the valuation.

Other Assumptions:

It was assumed that the Municipality's Gratuity Pension arrangement will remain as is. It was also assumed that the level of benefits receivable will remain unchanged with the exception of allowing for inflationary adjustments.

Developments since the Previous Valuation:

The Top Monthly Notch of wage scale 24 was amended to Top Monthly Notch of PEM Grade 03 and as at 01 March 1990 amounted to R855.43.

An earlier resolution stated that membership of the PEM Pension Benefit Fund was compulsory from 01 September 1988, when in fact the conditions of service were amended for the compulsory membership of the Fund to be effective from 01 March 1990.

Not all staff who were eligible for joining the Pension Fund, joined on 01 March 1990.

Further Enhancement to Gratuity:

The Executive Mayoral Committee resolved that a further enhancement to Gratuity is applicable to all employees who qualify for Gratuity, if the total of both the standard gratuity amount and the Monetary enhancement, plus interest added is less than R90 000. The difference is paid to bring the total gratuity to a minimum of R90 000 for all qualifying employees.

There were no other changes to the rules governing the payment and eligibility for the Non-Funded Gratuity Benefits, since the previous valuation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

47 Information on Post Retirement Benefits (Continued)

Valuation Results

The Actuarial Liability was as follows at 30 June 2020 and 2021:

	30 June 2020 R	30 June 2021 R
Standard Gratuity Pension Liability	8,428,372	6,071,999
Enhanced Gratuity Pension Liability	3,710,353	3,572,385
Monetary Enhancement	507,260	545,605
Total Accrued Liability	12,645,985	10,189,989
Balance Sheet Provision	12,645,985	10,189,989

Actuarial Gains and Losses

Disclosure of additional information relating to the costs and benefits that were paid or accrued in respect of employees during 2020 and 2021 financial years, were as follows:

Obligation	30 June 2020 R'000	30 June 2021 R
Obligation at beginning of the year	14,349	12,645,986
Interest Cost	1,228	1,234,131
Service Cost	225	266,284
Gratuity Payments	-1,355	-2,267,297
Actuarial (Gain) / Loss on basis	-286	368,088
Actuarial (Gain) / Loss on experience	-1,515	-2,057,203
Obligation at end of the year	12,646	10,189,989

Projections

The projections of the expected change in the obligation over the period 01 July 2021 to 30 June 2024, is as follows:

Benefit Projection	Year Ending 30 June 2022 R	Year Ending 30 June 2023 R	Year Ending 30 June 2024 R
Obligation at beginning of the year	10,189,989	6,328,496	5,365,925
Interest Cost	604,839	427,024	359,160
Service Cost	173,060	182,958	193,422
Expected Benefit Payments	-4,639,392	-1,572,553	-1,450,139
Obligation at end of the year	6,328,496	5,365,925	4,468,368

Sensitivity Analysis

The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results:

Liability: the aggregate of the current service cost and interest cost components of net periodic costs; and

Cost/(Saving): the accumulated obligation for the non-funded gratuity benefits.

30 June 2021 Sensitivities

	2021 Assumption 7.56%	1% decrease 6.56%	1% increase 8.56%
Discount Rate			
Liability	10,189,989	10,384,556	10,010,788
Cost / (Saving)		194,567	-179,201
% Change		1.91%	-1.76%

	2021 Assumption R	1% decrease R	1% increase R
Salary Inflation			
Liability	10,189,989	10,043,807	10,347,133
Cost / (Saving)		-146,182	157,144
% Change		-1.43%	1.54%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2020					
Cost	2,154,834,788	19,198,400,712	3,653,628,671	1,584,999,155	26,591,863,326
Transfers/Adjustments - Costs	-	-	-	-	-
Restatement - Cost	-	221,977	9,850,531	(183,966)	9,888,542
Disposal/Impairment	-	-	-	-	-
Transfers/Adjustments - Depreciation	-	-	(1,874,823)	-	(1,874,823)
Accumulated Depreciation	(357,732,709)	(6,790,824,498)	(1,141,210,586)	(1,003,837,978)	(9,293,605,771)
	1,797,102,079	12,407,798,191	2,520,393,793	580,977,211	17,306,271,274
Movement during the year ended 30 June 2021					
Acquisitions/ Take-on	46,043,459	1,176,186,436	51,300,315	93,505,696	1,367,035,906
Transfers / Adjustments - Cost	-	-	-	-	-
Useful lives Adjustment - Depreciation	-	-	-	-	-
Depreciation	(42,306,516)	(711,787,306)	(111,684,879)	(66,997,896)	(932,776,597)
	3,736,943	464,399,130	(60,384,564)	26,507,800	434,259,309
Carry Value of Disposals/Impairments during the year ended 30 June 2021					
Cost	(1,911,757)	(3,219,001)	(12,849,853)	(15,995)	(17,996,606)
Depreciation	-	-	-	4,799	4,799
	(1,911,757)	(3,219,001)	(12,849,853)	(11,196)	(17,991,807)
Carrying Values at 30 June 2021	1,798,927,265	12,868,978,320	2,447,159,376	607,473,815	17,722,538,776
Summary - Carrying Values at 30 June 2021					
Summary - Cost	2,198,966,490	20,371,590,124	3,701,929,664	1,678,304,890	27,950,791,168
Summary - Accumulated Depreciation	(400,039,225)	(7,502,611,804)	(1,254,770,288)	(1,070,831,075)	(10,228,252,392)
	1,798,927,265	12,868,978,320	2,447,159,376	607,473,815	17,722,538,776

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2019					
Cost	2,108,955,755	18,421,475,230	3,599,030,494	1,586,291,572	25,715,753,051
Transfers/Adjustments - Costs	-	-	-	-	-
Restatement - Cost	-	1,699	1,510,296	198,283	1,710,278
Disposal/Impairment	-	-	-	-	-
Transfers/Adjustments - Depreciation	-	-	-	-	-
Accumulated Depreciation	(311,023,038)	(6,088,527,092)	(1,030,690,898)	(903,802,045)	(8,334,043,073)
	1,797,932,717	12,332,949,837	2,569,849,892	682,687,810	17,383,420,256
Movement during the year ended 30 June 2020					
Acquisitions/ Take-on	10,080,132	759,879,702	53,087,881	47,432,769	870,480,484
Transfers / Adjustments - Cost	36,979,653	17,044,081	-	(48,923,469)	5,100,265
Useful lives Adjustment - Depreciation	(6,561,572)	(1,707,712)	-	-	(8,269,284)
Depreciation	(41,170,477)	(700,589,694)	(110,519,688)	(100,036,153)	(952,316,012)
	(672,264)	74,626,377	(57,431,807)	(101,526,853)	(85,004,547)
Carry Value of Disposals/Impairments during the year ended 30 June 2020					
Cost	(1,180,752)	-	-	-	(1,180,752)
Depreciation	1,022,378	-	-	220	1,022,598
	(158,374)	-	-	220	(158,154)
Carrying Values at 30 June 2020	1,797,102,079	12,407,576,214	2,512,418,085	581,161,177	17,298,257,555
Summary - Carrying Values at 30 June 2020					
Summary - Cost	2,154,834,788	19,198,400,712	3,653,628,671	1,584,999,155	26,591,863,326
Summary - Accumulated Depreciation	(357,732,709)	(6,790,824,498)	(1,141,210,586)	(1,003,837,978)	(9,293,605,771)
	1,797,102,079	12,407,576,214	2,512,418,085	581,161,177	17,298,257,555

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (Continued)

MUNICIPALITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2020					
Cost	2,137,451,375	19,198,400,712	3,653,628,671	1,578,984,368	26,568,465,126
Transfers/Adjustments - Costs					
Restatement - Cost		221,977	9,850,531	(183,966)	9,888,542
Disposal/Impairment			(1,874,823)		(1,874,823)
Transfers/Adjustments - Depreciation			(1,141,210,586)	(1,000,899,827)	(9,290,571,781)
Accumulated Depreciation	(357,636,870)	(6,790,824,498)	(1,141,210,586)	(1,000,899,827)	(9,290,571,781)
	1,779,814,505	12,407,798,191	2,520,393,793	577,900,575	17,285,907,064
Movement during the year ended 30 June 2021					
Acquisitions/ Take-on	45,910,045	1,176,186,436	51,300,315	93,148,870	1,366,545,666
Transfers / Adjustments - Cost					
Useful lives Adjustment - Depreciation					
Depreciation	(42,096,248)	(711,787,306)	(111,684,879)	(66,354,114)	(931,922,547)
	3,813,797	464,399,130	(60,384,564)	26,794,756	434,623,119
Carry Value of Disposals/Impairments during the year ended 30 June 2021					
Cost	(1,911,757)	(3,219,001)	(12,849,853)	-	(17,980,611)
Depreciation	-	-	-	-	-
	(1,911,757)	(3,219,001)	(12,849,853)	-	(17,980,611)
Carrying Values at 30 June 2021	1,781,716,545	12,868,978,320	2,447,159,376	604,695,331	17,702,549,572
Summary - Carrying Values at 30 June 2021					
Summary - Cost	2,181,449,663	20,371,590,124	3,701,929,664	1,671,949,272	27,926,918,723
Summary - Accumulated Depreciation	(399,733,118)	(7,502,611,804)	(1,254,770,288)	(1,067,253,941)	(10,224,369,151)
	1,781,716,545	12,868,978,320	2,447,159,376	604,695,331	17,702,549,572

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2019					
Cost	2,091,509,659	18,421,475,230	3,599,030,494	1,581,969,124	25,693,984,507
Transfers/Adjustments - Costs					
Restatement - Cost		1,699	1,510,296	198,283	1,710,278
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(310,232,736)	(6,088,527,092)	(1,030,690,898)	(901,623,795)	(8,331,074,521)
	1,781,276,923	12,332,949,837	2,569,849,892	680,543,612	17,364,620,264
Movement during the year ended 30 June 2020					
Acquisitions/ Take-on	8,962,063	759,879,702	53,087,881	45,740,430	867,670,076
Transfers / Adjustments - Cost	36,979,653	17,044,081	-	(48,923,469)	5,100,265
Useful lives Adjustment - Depreciation	(6,561,572)	(1,707,712)	-	-	(8,269,284)
Depreciation	(40,842,562)	(700,589,694)	(110,519,688)	(99,276,032)	(951,227,976)
	(1,462,418)	74,626,377	(57,431,807)	(102,459,071)	(86,726,919)
Carry Value of Disposals/Impairments during the year ended 30 June 2020					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
	-	-	-	-	-
Carrying Values at 30 June 2020	1,779,814,505	12,407,576,214	2,512,418,085	578,084,541	17,277,893,345
Summary - Carrying Values at 30 June 2020					
Summary - Cost	2,137,451,375	19,198,400,712	3,653,628,671	1,578,984,368	26,568,465,126
Summary - Accumulated Depreciation	(357,636,870)	(6,790,824,498)	(1,141,210,586)	(1,000,899,827)	(9,290,571,781)
	1,779,814,505	12,407,576,214	2,512,418,085	578,084,541	17,277,893,345

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2020	
Cost	227,135,645
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	211,314,988
Movement during the year ended 30 June 2021	
Acquisition	-
Transfers / Adjustment	7,866,938
Impairment	-
	7,866,938
Impairment value during the year ended 30 June 2021	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2021	219,181,926
Summary - Carrying Values at 30 June 2021	
Summary - Cost	235,002,583
Summary - Accumulated Impairment	(15,820,657)
	219,181,926

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2019	
Cost	233,228,949
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	(15,820,657)
	217,408,292
Movement during the year ended 30 June 2020	
Acquisition	1,063,855
Transfers / Adjustment	(7,157,159)
Impairment	-
	(6,093,304)
Impairment value during the year ended 30 June 2020	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2020	211,314,988
Summary - Carrying Values at 30 June 2020	
Summary - Cost	227,135,645
Summary - Accumulated Impairment	(15,820,657)
	211,314,988

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

49 HERITAGE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2020	
Cost	226,885,145
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	211,064,488
Movement during the year ended 30 June 2021	
Acquisition	-
Transfers / Adjustment	7,866,938
Impairment	-
	7,866,938
Impairment value during the year ended 30 June 2021	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2021	218,931,426
Summary - Carrying Values at 30 June 2021	
Summary - Cost	234,752,083
Summary - Accumulated Impairment	(15,820,657)
	218,931,426

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2019	
Cost	232,978,449
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	(15,820,657)
	217,157,792
Movement during the year ended 30 June 2020	
Acquisition	1,063,855
Transfers / Adjustment	(7,157,159)
Impairment	-
	(6,093,304)
Impairment value during the year ended 30 June 2020	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2020	211,064,488
Summary - Carrying Values at 30 June 2020	
Summary - Cost	226,885,145
Summary - Accumulated Impairment	(15,820,657)
	211,064,488

No transfers were made between Heritage Assets and Other Assets

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2020	
Cost	459,984,581
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(308,476,494)
	151,508,087
Movement during the year ended 30 June 2021	
Acquisition	3,784,844
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	(49,635,207)
Amortisation	(45,850,363)
Impairment/ Disposal value during the year ended 30 June 2021	
Cost	0
Amortisation	0
	-
Carrying Values at 30 June 2021	105,657,724
Summary - Carrying Values at 30 June 2021	
Summary - Cost	463,769,425
Summary - Accumulated Amortisation	(358,111,701)
	105,657,724

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2019	
Cost	618,273,951
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(249,608,957)
	368,664,994
Movement during the year ended 30 June 2020	
Acquisition	1,644,346
Transfers/Adjustments	-
Transfers/Adjustments	(113,717,663)
Amortisation	(112,073,317)
Impairment/ Disposal value during the year ended 30 June 2020	
Cost	159,933,716
Amortisation	(54,850,126)
	105,083,590
Carrying Values at 30 June 2020	151,508,087
Summary - Carrying Values at 30 June 2020	
Summary - Cost	459,984,581
Summary - Accumulated Amortisation	(308,476,494)
	151,508,087

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

50 INTANGIBLE ASSETS RECONCILIATION (Continued)

MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2020	
Cost	459,302,518
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(308,106,482)
	151,196,036
Movement during the year ended 30 June 2021	
Acquisition	3,068,493
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(49,609,390)
	(46,540,897)
Impairment/ Disposal value during the year ended 30 June 2021	
Cost	0
Amortisation	0
	-
Carrying Values at 30 June 2021	104,655,139
Summary - Carrying Values at 30 June 2021	
Summary - Cost	462,371,011
Summary - Accumulated Amortisation	(357,715,872)
	104,655,139

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2019	
Cost	617,856,933
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(249,263,653)
	368,593,280
Movement during the year ended 30 June 2020	
Acquisition	1,379,301
Transfers/Adjustments	-
Transfers/Adjustments	-
Amortisation	(113,692,955)
	(112,313,654)
Impairment/ Disposal value during the year ended 30 June 2020	
Cost	159,933,716
Amortisation	(54,850,126)
	105,083,590
Carrying Values at 30 June 2020	151,196,036
Summary - Carrying Values at 30 June 2020	
Summary - Cost	459,302,518
Summary - Accumulated Amortisation	(308,106,482)
	151,196,036

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

51 INVESTMENT PROPERTY RECONCILIATION

ECONOMIC ENTITY AND MUNICIPALITY	
Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2020	
Cost	236,618,412
Restatement - Cost	(9,850,531)
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	1,874,823
Accumulated Depreciation	(71,530,870)
	157,111,834
Movement during the year ended 30 June 2021	
Acquisition / Take-on	-
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(4,993,233)
	(4,993,233)
Carry Value of Disposals for the year ended 30 June 2021	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2021	152,118,601
Summary - Carrying Values at 30 June 2021	
Summary - Cost	226,767,881
Summary - Accumulated Depreciation	(74,649,280)
	152,118,601

ECONOMIC ENTITY AND MUNICIPALITY	
Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2019	
Cost	290,642,147
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(73,816,625)
	216,825,522
Movement during the year ended 30 June 2020	
Acquisition	-
Transfers/Adjustments	(54,023,735)
Transfers/Adjustments	8,269,284
Depreciation	(5,983,529)
	(51,737,980)
Carry Value of Disposals for the year ended 30 June 2020	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2020	165,087,542
Summary - Carrying Values at 30 June 2020	
Summary - Cost	236,618,412
Summary - Accumulated Depreciation	(71,530,870)
	165,087,542

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cost
Financial liabilities: At amortised cost
Financial Assets: At Fair Value

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities are assumed.

The amounts relating to financial instruments reflected below approximates fair value

ECONOMIC ENTITY	2021			Restated 2020		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		17,722,538,776	17,722,538,776		17,298,257,555	17,298,257,555
Heritage Assets		219,181,926	219,181,926		211,314,988	211,314,988
Intangible Assets		105,657,724	105,657,724		151,508,087	151,508,087
Investment Property		152,118,601	152,118,601		165,087,542	165,087,542
Long-term Receivables - Exchange Transactions	72,212,925		72,212,925	33,754,038		33,754,038
Long-term Receivables - Non-exchange Transactions	40,567,320		40,567,320	19,389,791		19,389,791
Inventory		153,982,613	153,982,613		138,802,140	138,802,140
Trade Receivables - Exchange Transactions	2,288,491,068		2,288,491,068	1,958,773,349		1,958,773,349
Trade Receivables - Non-Exchange Transactions	352,547,303		352,547,303	404,970,076		404,970,076
Other Receivables - Non-Exchange Transactions	411,682,596		411,682,596	885,326,596		885,326,596
Other Receivables - Exchange Transactions	181,652,882		181,652,882	164,239,634		164,239,634
VAT		2,064,326	2,064,326		1,874,849	1,874,849
Short-term investment deposits (excluding Sanlam Shares)	3,810,037,140		3,810,037,140	2,309,903,834		2,309,903,834
Bank balances and cash	460,877,397		460,877,397	950,173,046		950,173,046
	7,618,068,631	18,355,543,966	25,973,612,597	6,726,530,364	17,966,845,161	24,693,375,525
LIABILITIES						
Long-term Liabilities	991,072,467		991,072,467	1,016,456,460		1,016,456,460
Non-current Provisions - Employee Benefits		2,153,655,673	2,153,655,673		1,819,824,249	1,819,824,249
Non-current Provisions - Other		501,551,137	501,551,137		431,777,433	431,777,433
Consumer deposits	154,651,750		154,651,750	156,387,079		156,387,079
Current Provisions - Employee Benefits		185,496,240	185,496,240		181,660,593	181,660,593
Current Provisions - Other		15,277,529	15,277,529		14,515,171	14,515,171
Trade and Other Payables	2,411,662,229		2,411,662,229	1,900,825,412		1,900,825,412
Transfers and Subsidies	351,572,080		351,572,080	721,091,553		721,091,553
VAT		160,098,640	160,098,640		152,284,433	152,284,433
Current Portion of Long-term Liabilities	196,369,125		196,369,125	99,142,909		99,142,909
	4,105,327,651	3,016,079,219	7,121,406,870	3,893,903,413	2,600,061,879	6,493,965,292
Net Assets		18,854,716,926	18,854,716,926		18,201,821,999	18,201,821,999
Financial Asset at Fair Value						
Sanlam Shares - Valued at the open market value	2,511,199		(2,511,199)	2,411,766		(2,411,766)
	3,515,252,181	(3,515,252,181)	0	2,835,038,717	(2,835,038,717)	0

	2021	Restated 2020
	Financial Asset at amortised cost	
Opening balance	6,726,530,364	5,569,039,778
<i>Net other movements</i>	891,538,267	1,157,490,586
Closing balance	7,618,068,631	6,726,530,364
Financial liabilities at amortised cost		
Opening balance	3,893,903,413	3,934,987,057
<i>Net other movements</i>	211,424,238	(41,083,644)
Closing balance	4,105,327,651	3,893,903,413

There were no re-classifications during the current financial year other than which have already been disclosed under Note 40.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

52 FINANCIAL INSTRUMENTS (Continued)

MUNICIPALITY	2021			Restated 2020		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		17,702,549,572	17,702,549,572		17,277,893,345	17,277,893,345
Heritage Assets		218,931,426	218,931,426		211,064,488	211,064,488
Intangible Assets		104,655,139	104,655,139		151,196,036	151,196,036
Investment Property		152,118,601	152,118,601		165,087,542	165,087,542
Long-term Receivables - Exchange Transactions	72,212,925		72,212,925	33,754,038		33,754,038
Long-term Receivables - Non-exchange Transactions	40,567,320		40,567,320	19,389,791		19,389,791
Inventory		153,803,848	153,803,848		138,653,542	138,653,542
Trade Receivables - Exchange Transactions	2,288,491,068		2,288,491,068	1,958,773,349		1,958,773,349
Trade Receivables - Non-Exchange Transactions	352,547,303		352,547,303	404,970,076		404,970,076
Other Receivables - Non-Exchange Transactions	411,680,496		411,680,496	885,324,496		885,324,496
Other Receivables - Exchange Transactions	256,466,085		256,466,085	201,029,990		201,029,990
VAT		0	0		0	0
Short-term investment deposits (excluding Sanlam Shares)	3,810,037,140		3,810,037,140	2,309,903,834		2,309,903,834
Bank balances and cash	395,389,822		395,389,822	906,338,766		906,338,766
	7,627,392,159	18,332,058,586	25,959,450,745	6,719,484,340	17,943,894,953	24,663,379,293

	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	LIABILITIES					
Long-term Liabilities	990,166,517		990,166,517	1,016,371,753		1,016,371,753
Non-current Provisions - Employee Benefits		2,153,655,673	2,153,655,673		1,819,824,249	1,819,824,249
Non-current Provisions - Other		501,551,137	501,551,137		431,777,433	431,777,433
Consumer deposits	154,651,750		154,651,750	156,387,079		156,387,079
Current Provisions - Employee Benefits		183,423,927	183,423,927		180,222,605	180,222,605
Current Provisions - Other		15,277,529	15,277,529		14,515,171	14,515,171
Trade and Other Payables	2,430,651,468		2,430,651,468	1,900,778,974		1,900,778,974
Transfers and Subsidies	345,074,501		345,074,501	716,015,380		716,015,380
VAT		160,098,640	160,098,640		152,284,433	152,284,433
Current Portion of Long-term Liabilities	196,369,125		196,369,125	99,142,909		99,142,909
	4,116,913,361	3,014,006,906	7,130,920,267	3,888,696,095	2,598,623,891	6,487,319,986

Net Assets		18,831,041,677	18,831,041,677		18,178,471,073	18,178,471,073
Financial Asset at Fair Value	Financial Asset at Fair Value			Financial Asset at Fair Value	Financial Asset at Fair Value	
Sanlam Shares - Valued at the open market value	2,511,199		(2,511,199)	2,411,766		(2,411,766)
	3,512,989,999	(3,512,989,999)	0	2,833,200,011	(2,833,200,011)	0

	2021	Restated 2020
Financial Asset at amortised cost		
Opening balance	6,719,484,340	5,536,828,551
Net other movements	907,907,819	1,182,655,789
Closing balance	7,627,392,159	6,719,484,340
Financial liabilities at amortised cost		
Opening balance	3,888,696,095	3,898,585,121
Net other movements	228,217,266	(9,889,026)
Closing balance	4,116,913,361	3,888,696,095

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

53 EXPLANATION FOR OPERATING VARIANCES: ECONOMIC ENTITY AND MUNICIPALITY

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2020 as approved by National Treasury.

The Original Budget was approved on 29 June 2020 for the 2020/21 financial year (01 July 2020 to 30 June 2021), and the Final Budget was approved on 26 February 2021.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of Financial Performance, with the reasons in variances explained below.

ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (REVENUE AND EXPENDITURE)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Interest raised - Outstanding Debtors - Exchange Revenue

An increase in outstanding consumer debt or payments not being made on time, resulted in additional interest being raised when comparing the original budget to the actual revenue received. The original budget was thus adjusted to take into account the increase in interest raised.

Combined - Exchange and Non-Exchange Interest earned - Outstanding Debtors comparing the budget vs actual, it is only 4%.

1 Interest raised - Outstanding Debtors - Non-Exchange Revenue

An increase in outstanding consumer debt or payments not being made on time, resulted in additional interest being raised when comparing the original budget to the actual revenue received. The original budget should have been adjusted to take into account the increase in interest raised, but was not done.

Combined - Exchange and Non-Exchange Interest earned - Outstanding Debtors comparing the budget vs actual, it is only 4%.

2 Licences and Permits

Due to the ad hoc nature of this income source, accurate income projections are not possible.

3 Income for Agency Services

Due to the ad hoc nature of this income source, accurate income projections are not possible.

4 Other Revenue

Due to the ad hoc nature of this income source, accurate income projections are not possible. There was also a major decrease in Revenue from the Stadium as a result of the COVID-19 lockdown period.

5 Fines, Penalties and Forfeits

The reduction is due to Traffic Fines. No camera fines were issued during the current year as there were no service provider in place to perform the function.

6 Transfers and Subsidies

Refer note 22 for details - More grant funding resulted in increased capital expenditure compared to the huge underspending in the previous financial year. Also increase in E-Share allocated.

7 Employee Related Costs

The decrease is due to an Actuarial Valuation performed by actuaries on Post Retirement Benefits. Also refer to note 4 in the AFS, where the total value of the reduction is disclosed.

8 Impairment - Receivables

Due to the increase in water tariffs as a result of water restrictions, it caused the debt to increase resulting in non-payment of outstanding debt by consumers.

9 Impairment - Other

Less Traffic Fines was impaired than initially anticipated due to less Traffic Fines being issued in the current year.

10 Transfers and Subsidies

The decrease relates to the grant transactions in relation to MBDA, NMBM's entity.

11 Contracted Services

Significant underspending on certain expenditure items due to COVID-19, when comparing the actual to the budget, but the actuals comparing year over year in certain instances have increased.

12 Other Expenditure

Significant underspending on certain expenditure items due to COVID-19, when comparing the actual to the budget, but the actuals comparing year over year in certain instances have increased.

13 Other Materials

Significant underspending on certain expenditure items due to COVID-19, when comparing the actual to the budget, but the actuals comparing year over year in certain instances have increased.

14 Depreciation, Amortisation, Impairment

Refer to note 55.1 for further details.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY													
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021													
54	EXPLANATION FOR CAPITAL VARIANCES:												
APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:													
In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2020 as approved by National Treasury.													
The Original Budget was approved on 29 June 2020 for the 2020/21 financial year (01 July 2020 to 30 June 2021), and the Final Budget was approved on 26 February 2021.													
NMBM uses the accrual basis of accounting for its Budget.													
See below reconciliation between the Budget and the Actual expenditure:													
	ACTUAL EXPENDITURE VERSUS 2020/21 BUDGET	2020/21 Capital Adjustments Budget	Budget Amendment - Additional USDG Funding	Budget Amendment - Movement between Directorates	Budget Amendment - Additional IPTS Funding	Budget Amendment - Additional Public Contribution Funding	Transfers to Operating	2020/21 Total Capital Budget	Actual Expenditure as at 30 June 2021	% Capital Spend as at 30 June 2021	Variance	% Variance with Adjustment s Budget	Explanation of Variances greater than 10 %
	Infrastructure & Engineering - Roads & Storm water	317,712,421	100,000,000	31,500,000	98,154,007			547,366,428	452,373,720	83%	94,992,708	17	The IPTS Bus station project has gone to mediation and waiting for the outcome, therefore the budget remained unspent as at 30 June 2021. The tender for the Vehicles tracking system is still undergoing SCM processes and the Purchase of vehicles have been delayed due to a global shortage of microchips
	Human Settlements	51,149,709	21,529,000					72,678,709	64,282,647	88%	8,396,062	12	The Capital Budget for the Connections of water meters was not fully utilised as this activity was mostly done under the water services department's budget.
	Economic Development, Tourism & Agriculture	18,043,479						18,043,479	11,167,285	62%	6,876,194	38	The underperformance is due to informal trading project which is undergoing the SCM process
	Sport, Recreational and Cultural Service	50,427,484						50,427,484	17,588,393	35%	32,839,091	65	Delays on Capital Budget spending is due to tender objections for the Multi-purpose center projects as well as the Gelvandale Astroturf. SCM processes were not completed on time for Fencing of Red location precinct, therefore the budget remained unspent as at 30 June 2021.
	Safety & Security	9,339,000						9,339,000	4,987,755	53%	4,351,245	47	Purchase of vehicles is delayed due to global shortage of microchips Due to SCM processes not concluding by 30 June 2021, MIS was unable to purchase many computer related equipment
	Budget & Treasury	6,480,000						6,480,000	1,817,901	28%	4,662,099	72	SCM processes not completed on time for MIS to purchase computer related products The construction of new Supply Chain offices is in tender processes, therefore no construction has taken place yet.
	Public Health	44,857,470	38,767,402					83,624,872	73,813,369	88%	9,811,503	12	Purchase of vehicles is delayed due to global shortage of microchips Due to SCM processes not concluding by 30 June 2021, MIS was unable to purchase many computer related equipment SCM processes are still ongoing for the acquisition of the air monitoring equipment
	Corporate Services	24,465,000						24,465,000	11,271,792	46%	13,193,208	54	SCM processes were not completed on time for various Capital Projects linked to Corporate Facilities Management as well as MIS.
	Sanitation Service	109,969,548					-2,730,000	107,239,548	99,944,530	93%	7,295,018	7	
	Water Service	461,950,000	21,923,870	-31,500,000			-11,750,000	440,623,870	371,085,135	84%	69,538,735	16	The installation of water restrictors on pressure reducing infrastructure project was halted by Council Contracts for Coegakop water treatment works and the upgrade of Kwanobuhle water pump station were awarded late in the financial year, thereby limiting the ability of the Directorate to spend their Capital Budget.
	Electricity & Energy	173,506,724	30,434,783			25,000,000		228,941,507	183,126,559	80%	45,814,948	20	Expenditure and cash flow projections for Public Contribution projects was not properly aligned to the actual cash received during the financial year. HV Transmission line contract was awarded late in the financial year. Purchase of vehicles is delayed due to global shortage of microchips
		1,267,900,835	212,655,055	0	98,154,007	25,000,000	(14,480,000)	1,589,229,897	1,291,459,086	81%	297,770,811	19	
CONTROLLED ENTITIES													
	Mandela Bay Development Agency	15,957,833						15,957,833	21,242,289	133%	(5,284,456)	-25	Purchase of property, plant and equipment
	ECONOMIC ENTITY	1,283,858,668	212,655,055	0	98,154,007	25,000,000	-14,480,000	1,605,187,730	1,312,701,375	82%	292,486,355		
Some property, plant and equipment have taken a longer period to complete than expected, due to delays but none was significantly longer.													

NOTE 55.1
ECONOMIC ENTITY'S ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2021

	COST								ACCUMULATED DEPRECIATION								Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Take-On	Acquisitions	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Depreciation/Amortisation	Disposals	Impairment	
Land & Buildings																	
Assets Under Construction	-	18,208,048	18,208,048	-	-	701,893	-	-	18,909,940	-	-	-	-	-	-	-	18,909,940
Buildings	1,020,219,975	-18,208,048	1,002,011,928	-	-	6,480,340	-	-1,911,757	1,006,580,511	357,636,870	-	357,636,870	-	42,096,248	-	399,733,118	606,847,392
Land	1,117,231,402	-	1,117,231,402	-	21,021,384	17,706,428	-	-	1,155,959,214	-	-	-	-	-	-	-	1,155,959,214
	2,137,451,377	-	2,137,451,377	-	21,021,384	24,888,661	-	-1,911,757	2,181,449,665	357,636,870	-	357,636,870	-	42,096,248	-	399,733,118	1,781,716,546
Infrastructure Assets																	
Assets Under Construction	-	409,900,444	409,900,444	-243,979,658	-	414,375,176	-	-	580,295,962	-	-	-	-	-	-	-	580,295,962
Roads, Sidewalks & Stormwater Network	7,727,292,664	-118,641,831	7,608,650,833	119,245,152	5,263,652	406,322,507	-	-	8,139,482,144	2,850,027,377	-	2,850,027,377	-	294,803,712	-	3,144,831,089	4,994,651,055
Beach Developments	91,202,747	-	91,202,747	-	-	87,929	-	-3,219,001	88,256,625	21,403,208	-	21,403,208	-	2,352,364	-	23,755,572	64,501,053
Electricity Retention & Supply	3,505,815,443	-	3,505,815,443	-	-	144,953,972	-	-	3,650,769,415	1,257,954,268	-	1,257,954,268	-	104,984,839	-	1,362,939,107	2,287,830,309
Fencing	180,952,012	-	180,952,012	-	-	34,467,487	-	-	215,419,499	63,004,890	-	63,004,890	-	17,353,058	-	80,357,948	135,061,551
Sewerage Mains & Purification Works	3,221,604,856	-77,846,877	3,143,757,980	-	10,765,644	57,809,099	-	-	3,212,332,723	1,272,700,351	-	1,272,700,351	-	136,043,486	-	1,408,743,837	1,803,588,888
Waste Disposal Facilities	49,193,404	-	49,193,404	-	-	1,500,341	-	-	50,693,745	4,454,252	-	4,454,252	-	1,067,228	-	5,521,480	45,172,265
Water Supply & Retention	2,866,688,750	-118,609,626	2,748,079,124	113,968,862	-	103,246,158	-	-	2,965,294,144	990,725,235	-	990,725,235	-	105,172,791	-	1,095,898,026	1,869,396,118
Dams & Treatment Works	1,549,045,888	-94,580,133	1,454,465,755	-	-	7,975,166	-	-	1,462,440,921	325,946,700	-	325,946,700	-	50,009,827	-	375,956,527	1,086,484,394
Wi-Fi Infrastructure	6,604,949	-	6,604,949	-	-	-	-	-	6,604,949	4,608,216	-	4,608,216	-	-	-	-	1,996,734
	19,198,400,713	221,977	19,198,400,713	-0	5,263,652	1,170,922,784	-	-3,219,001	20,371,990,125	6,790,824,495	-	6,790,824,495	-	711,787,306	-	7,502,611,801	12,868,978,324
Community Assets																	
Assets Under Construction	-	-	-	-	-	4,175,075	-	-	4,175,075	-	-	-	-	-	-	-	4,175,075
Libraries	44,680,149	-	44,680,149	-	-	291,190	-	-398,906	44,572,432	15,527,602	-	15,527,602	-	1,276,503	-	16,804,104	27,768,328
Library Books	98,321,306	-	98,321,306	-	-	-	-	-	98,321,306	36,698,025	-	36,698,025	-	2,934,442	-	39,632,467	58,688,839
Fire Stations	75,407,795	-	75,407,795	-	-	541,086	-	-	75,948,882	28,619,375	-	28,619,375	-	3,302,596	-	31,921,972	44,026,910
Cemeteries	105,739,209	-	105,739,209	-	-	29,872,092	-	-	135,611,301	26,591,327	-	26,591,327	-	5,275,672	-	31,866,999	103,744,303
Clinics	5,744,470	-	5,744,470	-	-	-	-	-8,995	5,735,475	2,130,093	-	2,130,093	-	146,312	-	2,276,405	3,459,070
Community Centres	268,885,331	-	268,885,331	-	-	285,134	-	-	269,150,464	93,374,676	-	93,374,676	-	8,025,652	-	101,400,328	167,750,138
Public Conveniences	13,619,382	-	13,619,382	-	-	-	-	-	13,619,382	3,835,272	-	3,835,272	-	502,438	-	4,337,710	9,281,672
Swimming Pools	93,769,556	-	93,769,556	-	199,001	212,654	-	-252,522	93,928,689	31,000,689	-	31,000,689	-	2,757,765	-	33,758,454	60,170,235
Recreational Facilities	2,882,762,564	9,850,531	2,892,613,095	-	1,567,478	14,176,604	-	-12,189,430	2,896,187,747	860,866,692	1,874,823	862,741,515	-	86,201,140	-	948,942,655	1,947,225,092
Selling & Letting Schemes	64,698,907	-	64,698,907	-	-	-	-	-	64,698,907	42,566,837	-	42,566,837	-	1,262,359	-	43,829,196	20,869,712
	3,653,628,670	9,850,531	3,663,479,201	-	1,766,479	49,633,836	-	-12,849,853	3,701,929,663	1,141,210,588	1,874,823	1,143,085,411	-	111,684,879	-	1,254,770,299	2,447,159,373
Other Assets																	
Assets Under Construction	-	-	-	-	-	4,768,449	-	-	4,768,449	-	-	-	-	-	-	-	4,768,449
Bins & Containers	30,019,089	-	30,019,089	-	1,257,441	71,673	-	-	31,348,203	13,067,429	-	13,067,429	-	6,712,122	-	19,778,551	11,568,653
Vehicles & Plant	654,997,130	-	654,997,130	-	-	23,901,041	-	-	678,898,171	458,593,708	-	458,593,708	-	20,633,002	-	479,228,711	199,671,460
Office Furniture & Fittings	239,060,707	-	239,060,707	-	-	253,458,654	-	-	202,869,136	202,869,136	-	202,869,136	-	510,574	-	203,379,711	50,078,943
Air Monitoring Facilities	24,511	-	24,511	-	-	-	-	-	24,511	12,815	-	12,815	-	-	-	12,815	11,695
Security Systems	10,395,538	-	10,395,538	-	-	-	-	-	10,395,538	10,395,538	-	10,395,538	-	-	-	10,395,538	-
Tip Sites	448,795,614	-	448,795,614	-	48,752,320	-	-	-	497,547,934	189,820,737	-	189,820,737	-	38,498,415	-	228,319,153	289,228,781
Computer Hardware	195,507,813	-	195,507,813	-	-	-	-	-	195,507,813	126,140,463	-	126,140,463	-	-	-	126,140,463	69,367,351
	1,578,800,402	-	1,578,800,402	-	50,009,761	43,139,109	-	-	1,671,949,272	1,000,899,826	-	1,000,899,826	-	66,354,114	-	1,067,253,940	604,695,332
MBDA:																	
Land and Buildings	17,383,411	-	17,383,411	-	-	133,414	-	-	17,516,825	95,839	-	95,839	-	210,268	1	306,106	17,210,719
Other Assets	6,014,788	-	6,014,788	-	-	356,826	15,995	-	6,355,619	2,938,151	-	2,938,151	-	643,782	4,799	3,577,134	2,778,485
	26,398,199	10,072,508	26,601,529,891	-0	78,061,276	1,288,974,631	15,995	-17,980,611	27,950,791,169	9,293,605,770	1,874,823	9,295,480,593	-	932,776,697	4,800	10,228,252,390	17,722,538,780

NOTE 55.1(CONTINUED)

ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2021

	COST									ACCUMULATED AMORTISATION									Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance		
Intangible	682,063	-	682,063	-	-	716,351	-	-	1,398,414	370,012	-	370,012	-	25,817	-	-	395,829	1,002,585	
MBDA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Assets Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Computer Software - Internally Generated	219,956,400	-	219,956,400	-	-	-	-	-	219,956,400	131,198,955	-	131,198,955	-	28,865,906	-	-	160,064,861	59,891,539	
Computer Software - Other	239,346,119	-	239,346,119	-	-	3,068,493	-	-	242,414,612	176,907,528	-	176,907,528	-	20,743,484	-	-	197,651,012	44,763,601	
	459,984,582	-	459,984,582	-	-	3,784,844	-	-	463,769,426	308,476,495	-	308,476,495	-	49,635,207	-	-	358,111,702	105,657,724	
ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2021																			
	COST									ACCUMULATED DEPRECIATION									Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance		
Investment Property	236,618,413	-9,850,531	226,767,882	-	-	-	-	-	226,767,882	71,530,871	-1,874,823	69,656,048	-	4,993,233	-	-	74,649,281	152,118,601	
Assets Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land & Buildings	236,618,413	-9,850,531	226,767,882	-	-	-	-	-	226,767,882	71,530,871	-1,874,823	69,656,048	-	4,993,233	-	-	74,649,281	152,118,601	
ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2021																			
	COST									ACCUMULATED DEPRECIATION									Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfer	Additions	Disposals	Impairment	Closing Balance		
Heritage Assets	250,500	-	250,500	-	-	-	-	250,500	-	-	-	-	-	-	-	-	-	250,500	
MBDA	250,500	-	250,500	-	-	-	-	250,500	-	-	-	-	-	-	-	-	-	250,500	
Assets Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Heritage Buildings	138,749,661	-	138,749,661	-	7,866,938	-	-	146,616,599	-	-	-	-	-	-	-	-	-	146,616,599	
Memorials & Statues	48,070,066	-	48,070,066	-	-	-	-	48,070,066	-	-	-	-	-	-	-	-	-	48,070,066	
Land	6,655,783	-	6,655,783	-	-	-	-	6,655,783	-	-	-	-	-	-	-	-	-	6,655,783	
Art Works	17,588,979	-	17,588,979	-	-	-	-	17,588,979	-	-	-	-	-	-	-	-	-	17,588,979	
	211,314,988	-	211,314,988	-	7,866,938	-	-	219,181,926	-	-	-	-	-	-	-	-	-	219,181,926	
Grand Totals Assets	27,499,597,343	221,977	27,499,597,343	-0	85,928,214	1,292,759,475	15,995	-17,980,611	28,860,510,403	9,673,613,136	-	9,673,613,136	-	987,405,037	4,800	-	10,661,013,372	18,199,497,031	

The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period is in accordance with GRAP 26. There were no transfers from PPE to Inventory.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ECONOMIC ENTITY	Actual 2021 R	Approved Original Budget 2021 R	Adjustments 2021 R	Approved Final Budget 2021 R	Variance between Final Budget and Actual 2021 R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	18,854,716,926	18,307,296,392	(41,484,026)	18,265,812,366	(588,904,560)	-3%	1
Non-current Liabilities	3,646,279,277	4,019,525,958	(540,765,330)	3,478,760,628			
Long-term Liabilities	991,072,467	1,001,082,478	0	1,001,082,478	10,010,011	1%	
Non-current Provisions - Employee Benefits	2,153,655,673	2,491,074,000	-488,351,026	2,002,722,974	(150,932,699)	-8%	
Non-current Provisions - Other	501,551,137	527,369,480	(26,818,343)	474,955,176	(26,595,961)	-6%	
Current Liabilities	3,475,127,593	3,274,519,447	-141,061,794	3,133,457,653			
Current Provisions - Employee Benefits	185,496,240	341,374,646	-141,061,794	200,312,852	(460,917)	0%	
Current Provisions - Other	15,277,529	0	0	0	0		
Consumer Deposits	154,651,750	163,346,566	0	163,346,566	8,694,816	5%	
Trade and Other Payables	2,411,662,229	2,529,231,226	0	2,529,231,226	117,568,997	5%	2
Transfers and Subsidies	351,572,080	54,276,020	0	54,276,020	(297,296,060)	-548%	2
VAT	160,098,640	30,000,000	0	30,000,000	(130,098,640)	-434%	2
Current Portion of Long-term Liabilities	196,369,125	156,290,989	0	156,290,989	(40,078,136)	-26%	3
Total Net Assets and Liabilities	25,976,123,796	25,601,341,797	(723,311,150)	24,878,030,647			
ASSETS							
Non-current Assets	18,312,277,272	20,145,654,878	-1,620,096,227	18,525,558,651			
Property, Plant and Equipment (PPE)	17,722,538,776	19,511,032,171	-1,326,054,319	18,184,977,852	243,257,150	1%	4
Heritage Assets	219,181,926	0	0	0	0		4
Intangible Assets	105,657,724	305,090,360	-181,268,043	123,822,317	18,164,593	15%	5
Investment Property	152,118,601	211,284,574	-51,921,427	159,363,147	7,244,546	5%	
Long-term Receivables - Exchange Transactions	72,212,925	118,247,773	-60,852,438	57,395,335	(55,384,910)	-96%	6
Long-term Receivables - Non-exchange Transactions	40,567,320	0	0	0	0		6
Current Assets	7,663,846,524	5,455,686,919	896,785,077	6,352,471,996			
Inventory	153,982,613	146,638,562	16,775,115	163,413,677	9,431,064	6%	
Trade Receivables - Exchange Transactions	2,288,491,068	2,285,499,590	182,839,967	2,468,339,557	(172,698,814)	-7%	
Trade Receivables - Non-exchange Transactions	352,547,303	0	0	0	0		
Other Receivables - Non-exchange Transactions	411,682,596	0	0	0	0		7
Other Receivables - Exchange Transactions	181,652,882	428,722,146	0	428,722,146	(164,613,332)	-38%	7
VAT	2,064,326	0	0	0	(2,064,326)		
Call Deposits and Investments	3,810,037,140	2,394,626,621	697,169,995	3,091,796,616	(720,751,723)	-23%	8
Call Deposits and Investments - Other	2,511,199	0	0	0	0		8
Bank Balances and Cash	460,877,397	200,200,000	0	200,200,000	(260,677,397)	-130%	9
Total Assets	25,976,123,796	25,601,341,797	(723,311,150)	24,878,030,647			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

ECONOMIC ENTITY	56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)				Variance	%	No.
	Actual 2021 R	Approved Original Budget 2021 R	Adjustments 2021 R	Approved Final Budget 2021 R	between Final Budget and Actual 2021 R		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	11,250,554,865	11,408,708,850	-422,804,844	10,985,904,006			
- Sale of goods and services, fines and taxes levied	7,714,180,284	8,073,625,084	-450,816,292	7,622,808,792	(91,371,492)	-1%	1
- Grants	3,385,339,798	3,173,572,956	28,011,448	3,201,584,404	(183,755,394)	-6%	2
- Interest received	151,034,783	161,510,810	0	161,510,810	10,476,027	6%	
Cash paid to suppliers and employees	(9,062,232,325)	(9,842,870,736)	(108,758,210)	(9,951,628,946)			
- Employee Costs	(3,575,205,431)	(3,764,320,188)	11,217,990	(3,753,102,198)	(177,896,767)	5%	3
- Suppliers	(5,366,533,050)	(5,955,035,360)	(114,617,658)	(6,069,653,018)	(703,119,968)	12%	4
- Finance Cost	(120,493,844)	(123,515,188)	(5,358,542)	(128,873,730)	(8,379,886)	7%	
CASH GENERATED FROM OPERATIONS	2,188,322,540	1,565,838,114	-531,563,054	1,034,275,060			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,288,974,631)	(1,641,529,815)	502,759,338	(1,138,770,477)	153,988,998	-14%	5
Proceeds on Disposal of PPE	2,801	0	0	0			
Purchase of Intangible assets	(3,784,844)	0	0	0			
Increase in Other Non-Current Receivables	0	(14,521,657)	75,374,095	60,852,438	60,852,438		
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,292,756,674)	(1,656,051,472)	578,133,433	(1,077,918,039)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	5,065,010	0	5,065,010	5,065,010		
Repayment of Non-current Liabilities (external loan funding)	(99,142,909)	(148,049,275)	0	(148,049,275)	(48,906,366)	33%	6
Increase in Borrowings	214,414,700	214,414,700	0	214,414,700	0		
NET CASH FLOW FROM FINANCING ACTIVITIES	115,271,791	71,430,435	0	71,430,435			
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,010,837,657	-18,782,923	46,570,379	27,787,456			
Cash and cash equivalents at the beginning of the year	3,260,076,880	2,613,609,544	650,599,616	3,264,209,160	4,132,280	0%	
Cash and cash equivalents at the end of the year	4,270,914,537	2,516,993,038	96,616,506	2,613,609,544			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)

MUNICIPALITY	Actual 2021 R	Approved Original Budget 2021 R	Adjustments 2021 R	Approved Final Budget 2021 R	Variance between Final Budget and Actual 2021 R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	18,831,041,677	18,177,066,005	(89,198,876)	18,087,867,129	(743,174,548)	-4%	1
Non-current Liabilities	3,645,373,327	4,019,525,958	(540,765,330)	3,478,760,628			
Long-term Liabilities	990,166,517	1,001,082,478	0	1,001,082,478	10,915,961	1%	
Non-current Provisions - Employee Benefits	2,153,655,673	2,491,074,000	-488,351,026	2,002,722,974	(150,932,699)	-8%	
Non-current Provisions - Other	501,551,137	527,369,480	(52,414,304)	474,955,176	(26,595,961)	-6%	
Current Liabilities	3,485,546,940	3,255,319,447	-136,861,794	3,118,457,653			
Current Provisions - Employee Benefits	183,423,927	337,174,646	-136,861,794	200,312,852	1,611,396	1%	
Current Provisions - Other	15,277,529	0	0	0			
Consumer Deposits	154,651,750	163,346,566	0	163,346,566	8,694,816	5%	
Trade and Other Payables	2,430,651,468	2,568,507,246	0	2,568,507,246	(337,317,363)	-13%	2
Transfers and Subsidies	345,074,501	0	0	0			2
VAT	160,098,640	30,000,000	0	30,000,000			2
Current Portion of Long-term Liabilities	196,369,125	156,290,989	0	156,290,989	(40,078,136)	-26%	3
Total Net Assets and Liabilities	25,961,961,944	25,451,911,410	(766,826,000)	24,685,085,410			
ASSETS							
Non-current Assets	18,291,034,983	20,013,752,711	-1,613,143,923	18,400,608,788			
Property, Plant and Equipment (PPE)	17,702,549,572	19,393,578,850	-1,330,087,690	18,063,491,160	142,010,162	1%	4
Heritage Assets	218,931,426	0	0	0	0	0%	4
Intangible Assets	104,655,139	296,541,514	-176,182,419	120,359,095	15,703,956	13%	5
Investment Property	152,118,601	205,384,574	-46,021,376	159,363,198	7,244,597	5%	
Long-term Receivables - Exchange Transactions	72,212,925	118,247,773	-60,852,438	57,395,335	(55,384,910)	-96%	6
Long-term Receivables - Non-exchange Transactions	40,567,320	0	0	0			6
Current Assets	7,670,926,961	5,438,158,699	846,317,923	6,284,476,622			
Inventory	153,803,848	146,638,562	16,775,115	163,413,677	9,609,829	6%	
Trade Receivables - Exchange Transactions	2,288,491,068	2,285,499,590	182,839,967	2,468,339,557	(172,698,814)	-7%	
Trade Receivables - Non-exchange Transactions	352,547,303	0	0	0			
Other Receivables - Non-exchange Transactions	411,680,496	0	0	0			7
Other Receivables - Exchange Transactions	256,466,085	426,122,146	0	426,122,146	(242,024,435)	-57%	7
Call Deposits and Investments	3,810,037,140	2,379,898,401	646,702,841	3,026,601,242	(785,947,097)	-26%	8
Call Deposits and Investments - Other	2,511,199	0	0	0			8
Bank Balances and Cash	395,389,822	200,000,000	0	200,000,000	(195,389,822)	-98%	9
Total Assets	25,961,961,944	25,451,911,410	(766,826,000)	24,685,085,410			

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

MUNICIPALITY	Actual	Approved	Adjustments	Approved	Variance	%	No.
	2021	Original Budget	2021	Final Budget	between Final Budget and Actual 2021		
	R	R	R	R	R		
56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)							
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	11,200,289,180	11,404,212,234	-454,643,974	10,949,568,260			
- Sale of goods and services, fines and taxes levied	7,705,616,720	8,073,025,084	-450,816,292	7,622,208,792	(83,407,928)	-1%	1
- Grants	3,345,048,889	3,171,676,340	-3,827,682	3,167,848,658	(177,200,231)	-6%	2
- Interest received	149,623,571	159,510,810	0	159,510,810	9,887,239	6%	
Cash paid to suppliers and employees	(9,034,823,725)	(9,870,133,851)	(137,186,334)	(10,007,320,185)			
- Employee Costs	(3,526,885,067)	(3,807,292,756)	13,567,198	(3,793,725,558)	(266,840,491)	7%	3
- Suppliers	(5,387,444,814)	(5,939,325,907)	(145,394,990)	(6,084,720,897)	(697,276,083)	11%	4
- Finance Cost	(120,493,844)	(123,515,188)	(5,358,542)	(128,873,730)	(8,379,886)	7%	
CASH GENERATED FROM OPERATIONS	2,165,465,455	1,534,078,383	-591,830,308	942,248,075			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,288,484,391)	(1,608,624,019)	540,319,433	(1,068,304,586)	223,248,298	-21%	5
Purchase of Intangible assets	(3,068,493)	0	0	0			
Increase in Other Non-Current Receivables	0	(14,521,657)	75,374,095	60,852,438	60,852,438	0%	
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,291,552,884)	(1,623,145,676)	615,693,528	(1,007,452,148)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	5,065,010	0	5,065,010	5,065,010		
Repayment of Non-current Liabilities (external loan funding)	(99,142,909)	(148,049,275)	0	(148,049,275)	(48,906,366)	33%	6
Increase in Borrowings	214,414,700	214,414,700	0	214,414,700	0		
NET CASH FLOW FROM FINANCING ACTIVITIES	115,271,791	71,430,435	0	71,430,435			
NET CHANGE IN CASH AND CASH EQUIVALENTS	989,184,362	-17,636,858	23,863,220	6,226,362			
Cash and cash equivalents at the beginning of the year	3,216,242,600	2,597,535,259	622,839,622	3,220,374,881	4,132,281	0%	
Cash and cash equivalents at the end of the year	4,205,426,962	2,498,199,660	99,335,599	2,597,535,259			

Refer to Note 57 of the Financial Statements for explanation of variances

57 EXPLANATION FOR VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2020 as approved by National Treasury.

The Original Budget was approved on 29 June 2020 for the 2020/21 financial year (01 July 2020 to 30 June 2021), and the Final Budget was approved on 26 February 2021.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of Financial Position and Statement of Cash Flows, with the reasons in variances explained below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

57 EXPLANATION FOR VARIANCES CONTINUED:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

57.1 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF FINANCIAL POSITION)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Total Accumulated Funds

The accumulated funds variance is affected by all the other variances and their explanations are given below.

2 Trade and Other Payables / Transfers and Subsidies / VAT

The above three categories are budgeted together and the variance is based on all three together. The main variance is due to receiving grants that were withheld in the previous financial year, only being paid out in the current financial year.

3 Current Portion of Longterm liabilities

The increase in the current portion is due to the increase in new borrowings taken up. The new loan has a shorter repayment term compared to the existing loans, therefore the current portion for the new loan is higher than the existing loans.

4 Property, Plant and Equipment (PPE) and Heritage Assets

Refer to Note 54, which gives a breakdown and reasons for the under-expenditure.

5 Intangible Assets

Refer to Note 54, which gives a breakdown and reasons for the under-expenditure.

6 Long-term Receivables - Exchange and Non-Exchange

Both the above categories have been budgeted together and the variance is based on both. The variance is as a result of consumers who have now entered into new arrangements for longer than 12 months.

7 Other Receivables - Exchange Transactions and Non-Exchange Transactions

The increase in Other Receivables is due to accruals being raised for outstanding grants not yet received from NT in the amount of R265 million - refer note 16 for a breakdown of the grants.

8 Call deposits and Investments

The increase is due to more money invested.

9 Bank Balances and Cash

More money kept in bank account than anticipated as per budget.

57.2 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF CASH FLOWS)

Explanations of Significant Variances and those greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 Sale of goods and services, fines and taxes levied

Refer to Notes 21.1 in the AFS. Reduction is mainly related to the Sale of Electricity, comparing year over year.

2 Grants

The increase in grant receipts are due to grant monies withheld during the prior year, received in the current year.

3 Employee Costs

Less than anticipated.

4 Cash paid to Suppliers

Due to underspending of the Operating and Capital Budgets.

5 Purchase of Intangibles Assets, Investment Property, Heritage Assets

When comparing the actual capital expenditure incurred to the final approved budget it results in an overspending of R223 million. Reference is thus made to Note 54, where after the final budget was approved, further budget amendments (virements) was done, for the possible increase in capital expenditure. These amendments were done in the amount of R321 million (Refer columns D-H on Note 54). Therefore reference is also made to the explanations in Note 54.

6 Movement in Long-term loans (External)

The budget was based on the inclusion of the new loan.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

57 SEGMENTAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

	Water Management	Waste Water Management	Waste Management	Energy Sources	Municipal Governance And Administration	Community And Public Safety	Economic And Environmental Services	Inter Segment Offsetting	Municipality TOTAL	MBDA	Inter-company Offsetting	Economic Entity TOTAL
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Non-current Assets	1,628,603,201	1,535,470,114	-2,017,147	2,713,289,015	-79,225,406	7,605,752,760	4,889,162,451		18,291,034,988	21,242,289		18,312,277,277
Current Assets	614,740,847	260,200,008	564,909,429	1,435,289,458	4,827,149,236	255,040,966	-286,402,980		7,670,926,964	152,392,772	-159,473,208	7,663,846,528
Total Assets	2,243,344,048	1,795,670,122	562,892,282	4,148,578,474	4,747,923,830	7,860,793,726	4,602,759,471	0	25,961,961,953	173,635,061	-159,473,208	25,976,123,806
LIABILITIES												
Non-current Liabilities	-183,940,015	-199,798,031	-57,933,033	-1,019,471,071	-1,610,184,555	0	-574,046,623		-3,645,373,328	-905,950		-3,646,279,278
Current Liabilities	-355,493,553	-116,077,004	-45,158,817	-948,814,652	-1,093,616,917	-242,943,839	-683,442,163		-3,485,546,944	-149,053,861	159,473,208	-3,475,127,597
Total Liabilities	-539,433,568	-315,875,034	-103,091,850	-1,968,285,723	-2,703,801,472	-242,943,839	-1,257,488,786	0	-7,130,920,272	-149,959,811	159,473,208	-7,121,406,875
ADDITIONS TO PPE AND OTHER ASSETS	371,085,135	99,944,530	73,813,369	183,126,559	13,089,693	86,858,795	463,541,005		1,291,459,086	21,242,289	0	1,312,701,375
STATEMENT OF FINANCIAL PERFORMANCE												
REVENUE												
Exchange Revenue	-1,747,344,860	-777,727,901	-301,704,046	-3,886,066,034	-195,371,672	-41,344,326	-57,487,452		-7,007,046,291	-25,923,134	24,517,450	-7,008,451,975
Service Charges	-1,578,366,944.12	-709,116,505.11	-259,810,178.14	-3,967,631,615.12					-6,514,825,242		1,130,555	-6,513,794,687
Interest earned - External Investments					-148,638,889				-148,638,889	-1,400,487		-150,039,376
Interest raised - Outstanding Debtors									-188,058,369			-188,058,369
Licences and Permits	-168,265,336.39	-64,297,152.64	-37,340,250.77	81,844,370.65					-15,038,949			-15,038,949
Rental of Facilities and Equipment	-687,765		-4,545,099	-15,763	-10,081,039	-9,925,740	-1,786,107		-27,041,513			-27,041,513
Income for Agency Services					-3,733,209	0	-949		-3,734,158			-3,734,158
Other Revenue	-24,814	-4,314,243	-8,518	-263,027	-32,918,535	-18,192,290	-53,887,742		-109,609,170	-1,135,752		-110,744,922
Transfers and Subsidies - MBDA									-23,386,895	23,386,895		0
Non-exchange Revenue	-475,056,528	-330,632,707	-135,097,330	-183,095,381	-3,334,842,711	-868,993,713	-631,924,075		-5,959,642,444	-104,710,618	99,327,021	-5,965,026,041
Property Rates					-2,513,531,938		7,112,181		-2,506,419,757			-2,506,419,757
Interest raised - Outstanding Debtors					-132,419,617				-132,419,617			-132,419,617
Fines, Penalties and Forfeits				-3,973,962	-55,673,275	-20,267,184	-64,788		-79,979,210			-79,979,210
Transfers and Subsidies	-475,056,528	-330,632,707	-135,097,330	-179,121,419	-633,217,880	-848,726,529	-638,967,929		-3,240,820,322	-104,710,618	99,327,021	-3,246,203,919
Licences and Permits							-3,539		-3,539			-3,539
Inter-segment Revenue	-88,485,583	-74,933,175	-63,932,502	-154,227,860	-649,587,846	-25,519,405	-112,452,443	1,169,138,814	0	0	0	0
Total Revenue	-2,310,886,971	-1,183,293,783	-500,733,879	-4,223,389,276	-4,179,802,228	-935,857,444	-801,863,970	1,169,138,814	-12,966,688,735	-130,633,752	123,844,471	-12,973,478,016
EXPENDITURE												
Employee Related Costs	1,685,331,610	747,830,497	186,645,878	4,480,159,944	1,930,438,155	1,651,747,452	1,630,701,568		12,312,855,104	130,309,428	-123,844,471	12,319,320,061
Remuneration of Councillors	228,522,655	224,021,211	47,241,602	420,267,590	1,062,937,894	1,199,287,319	691,967,455		3,874,265,724	37,900,960		3,912,166,684
Debt Impairment - Receivables	925,954,832	215,415,420	125,270,428	74,648,723	406,337,208	8,552,476	0		76,244,044			76,244,044
Debt Impairment - Other					0	15,382,044	0		15,382,044			15,382,044
Finance Charges	23,186,982	18,049,285	66,170	33,783,625	1,737,035	6,770,555	44,036,934		127,630,586	700,437		128,331,023
Bulk Purchases	125,987,239			3,693,906,128	0	0	0		3,819,893,366			3,819,893,366
Transfers and Subsidies					18,329,905	27,704,815	68,246,800		114,281,521		-83,855,610	30,425,911
Contracted Services	78,840,356	126,356,141	2,461,442	57,127,679	98,264,590	71,477,672	292,975,829		727,603,699	11,069,734		738,673,433
Other Expenditure	109,595,578	10,413,958	3,266,361	28,923,384	176,237,417	185,274,104	126,577,884		640,288,686	79,750,036	-39,988,861	680,049,861
Other Materials	38,061,350	17,530,997	8,339,874	39,980,697	7,938,046	19,979,192	24,850,409		156,680,566			156,680,566
Depreciation	155,182,618	136,043,486		131,502,119	32,802,636	99,338,664	382,046,257		936,915,780	854,049		937,769,829
Amortisation					49,609,390				49,609,390	25,817		49,635,207
Impairment						17,980,611			17,980,611			17,980,611
Loss on Disposal of Property, Plant and Equipment										8,395		8,395
Inter-segment Expenses	144,759,021	218,280,588	125,685,483	140,288,826	210,291,180	233,943,955	95,889,761	-1,169,138,814	0	0	0	0
Total Expenditure	1,830,090,631	966,111,085	312,331,360	4,620,448,770	2,140,729,336	1,885,691,407	1,726,591,329	-1,169,138,814	12,312,855,104	130,309,428	-123,844,471	12,319,320,061
NET SURPLUS FROM OPERATIONS	-480,796,339	-217,182,698	-188,402,518	397,059,495	-2,039,072,893	949,833,963	924,727,358	0	-653,833,632	-324,324	0	-654,157,956

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

58 SEGMENTAL REPORT (continued)

Description of Segments And Principal Activities

The following summary describes the principal activities and operations of each reportable segment.

REPORTABLE SEGMENTS	PRINCIPAL ACTIVITIES AND OPERATIONS
Water Management	Provide residents, business and industry with clean, safe and reliable drinking water. This entails many diverse activities from the management of water catchments areas and water storage distribution.
Wastewater Management	The treatment of wastewater and its safe disposal back into the environment.
Waste Management	Collection and disposal of waste in a safe manner as required by legislation. Ensure the general cleanliness in the city's streets, public spaces, beaches and rivers.
Energy Sources	Distribute electricity to residential, commercial and industrial customers in Nelson Mandela Bay. Construct and maintain the equipment that transforms the power supply for the consumers needs.
Municipal Governance and Administration	This segment is responsible for all aspects of governance and the centralised financial administration of the municipality. Various transactions are managed and administered centrally.
Community and Public Safety	This segment consists of a combination of various departments with aligned objectives: <ul style="list-style-type: none"> •Community and Social Services aims to provide community facilities, spaces and services, as well as developmental programmes in support of building communities and individuals capabilities towards improved social well-being. •Sport and Recreation provide world-class facilities and programmes such as community centres, district and regional parks, resorts, sports grounds/fields and cemeteries. •Public Safety is responsible for crime prevention, by-law and traffic enforcement. •Housing manages the Nelson Mandela Bay's public housing assets.
Economic and Environmental Services	This segment consists of a combination of various departments with aligned objectives: <ul style="list-style-type: none"> •Urban Planning and Development provide spatial and integrated planning, and land use management in accordance with by-laws. •Road Transport develop, maintain and manages the roads and stormwater infrastructure of Nelson Mandela Bay. •Environmental Protection coordinate and facilitate the implementation of Nelson Mandela Bay's Environmental Strategy to manage and protect the environment and ensure Nelson Mandela Bay's long-term environmental sustainability.
MBDA and Intercompany-offsetting	MBDA (Mandela Bay Development Agency) is the only entity of the Municipality, and includes all transactions relating to the entity, therefore it is 100% consolidated. <p>The intercompany-offsetting relates to all the transactions between the Municipality and MBDA.</p>
Centrally incurred assets, liabilities, revenue and expenditure	Cash and investments, have not been allocated to individual segments as these are managed centrally by the treasury department. Similarly, external interest related to cash, investments are not allocated to individual segments. All these items are allocated to the Municipal governance and administration segment.

**Appendix A
ECONOMIC ENTITY**

DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2021

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June	Total Spent		
Financial Management Grant	NT		1,000,000	-	-	1,000,000	107,782	114,380	107,677	670,161	1,000,000	N / A	Yes
Urban Settlement Development Grant	DPLG		566,717,000	639,163,000		1,205,880,000	46,435,317	107,600,811	165,976,225	627,810,829	947,823,183	N / A	Yes
Transport or PTIS	NT		129,052,000	86,964,000	133,370,000	349,386,000	7,000,170	14,129,909	36,348,002	156,769,090	214,247,171	N / A	Yes
Neighbourhood Development Partnership Grant	NT			15,000,000		15,000,000				12,842,378.30	12,842,378	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT			10,117,000		10,117,000	1,520,996	3,044,024	2,585,716	2,966,264	10,117,000	N / A	Yes
Infrastructure Skill Development Grant	NT		5,250,000	4,556,000		9,806,000	1,943,513	1,999,022	1,978,933	1,991,839	7,913,307	N / A	Yes
Intergrated City Development Grant	NT		5,241,000	5,115,000		10,356,000			903,351	4,160,503	5,063,854	N / A	Yes
Energy Efficiency and Demand Side Management	NT		2,000,000	4,300,000		6,300,000				6,300,000	6,300,000	N / A	Yes

**Appendix B - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2021**

TOTAL ACCUMULATED FUNDS	2021	2020
	R	R
Made up as follows:		
Capital Replacement Reserve	113,684,823	227,353,908
Government Grant Reserve	11,335,669,782	10,446,421,817
Donations and Public Contributions Reserves	492,138,572	461,183,174
Self-Insurance Reserve	115,122,651	85,600,224
COVID Reserve	51,175,135	46,521,089
Accumulated Surplus	6,746,925,963	6,934,741,787
	<u>18,854,716,926</u>	<u>18,201,821,999</u>