

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2022

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 104, 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.


S Thys

01 December 2022

Bachelor of Commerce Degree (Accounting)
Masters of Business Leadership (MBL)

Acting City Manager

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2022**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2022

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 E Johnson
Deputy Executive Mayor	Cllr BN Mafaya
Speaker	Cllr H Muller (Acting 28 June 2022)
Chief Whip	Cllr W Jikeka
Members of the Mayoral Committee	Vacant (Infrastructure and Engineering) Cllr L Namette (Electricity and Energy) Cllr IF Ranyele (Roads and Transport) Cllr BG Mani (Corporate Services and Human Resources) Cllr L Troon (Safety and Security) Cllr MJ Jack (Economic Development, Tourism and Agriculture) Cllr MB Kamana (Sports, Recreation, Arts and Culture) Cllr TCS Buyeye (Public Health) Cllr SH Lindoor (Human Settlements) Cllr T Zumani (Budget and Treasury)
Accounting Officer (City Manager)	NL Nqwazi
Chief Financial Officer	S Thys

Chief Operating Officer (COO) (Acting)	A Dowd-Krause
Chief of Staff	JV Tutu
Metro Police Chief	A Moses (Acting)
Executive Directors	N Xhego (Corporate Services) M Pebane (Acting) (Economic Development, Tourism and Agriculture) C Williams (Acting) (Sports, Recreation, Arts and Culture) S Mvunelwa (Public Health) T Mfeya (Human Settlements) L Magalela (Electricity and Energy) Vacant (No Acting) (Infrastructure and Engineering) Y Gaffore (Acting) (Roads and Transport) S Brown (Acting) (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 Gqeberha 6001
Business Address	1 st Floor City Hall Govan Mbeki Avenue Gqeberha 6001
Postal Address	P O Box 116 Gqeberha 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 2022

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2022	2021	2022	2021
		R	R	R	R
NET ASSETS					
Total Net Assets					
Total Accumulated Funds		19,038,511,116	18,761,806,134	19,012,972,680	18,738,130,896
LIABILITIES					
Non-current Liabilities		3,806,877,146	3,646,279,277	3,806,336,796	3,645,373,327
Long-term Liabilities	2	1,054,416,477	991,072,467	1,053,876,127	990,166,517
Non-current Provisions - Employee Benefits	3.1	2,166,783,597	2,153,655,673	2,166,783,597	2,153,655,673
Non-current Provisions - Other	3.2	585,677,072	501,551,137	585,677,072	501,551,137
Current Liabilities		3,659,495,797	3,592,000,370	3,621,569,421	3,563,984,849
Current Provisions - Employee Benefits	4.1	568,479,983	573,056,954	562,489,611	566,258,476
Current Provisions - Other	4.2	329,489	15,277,529	329,489	15,277,529
Consumer Deposits	5	156,560,216	154,651,750	156,560,216	154,651,750
Trade and Other Payables	6	2,065,187,592	2,148,599,145	2,048,878,171	2,133,879,681
Transfers and Subsidies	7	366,623,955	349,598,128	361,967,900	343,100,549
VAT	8	309,467,105	154,447,739	298,496,577	154,447,739
Current Portion of Long-term Liabilities	2	192,847,457	196,369,125	192,847,457	196,369,125
Total Liabilities		7,466,372,943	7,238,279,647	7,427,906,217	7,209,358,176
ASSETS					
Non-current Assets		18,638,253,495	18,316,548,431	18,614,798,811	18,294,877,743
Property, Plant and Equipment (PPE)	9	18,080,429,504	17,726,973,934	18,058,102,296	17,706,554,332
Heritage Assets	10	218,613,163	219,181,926	218,362,663	218,931,426
Intangible Assets	11	56,360,935	105,493,725	55,483,959	104,493,139
Investment Property	12	147,161,374	152,118,601	147,161,374	152,118,601
Long-term Receivables - Exchange Transactions	13	84,577,771	72,212,925	84,577,771	72,212,925
Long-term Receivables - Non-exchange Transactions	13	51,110,748	40,567,320	51,110,748	40,567,320
Current Assets		7,866,630,564	7,683,537,350	7,826,080,086	7,652,611,329
Inventory	14	183,439,809	154,027,355	183,259,020	153,848,590
Trade Receivables - Exchange Transactions	15	2,334,620,579	2,276,280,763	2,334,620,579	2,276,280,763
Trade Receivables - Non-exchange Transactions	15	338,266,454	345,647,689	338,266,454	345,647,689
Other Receivables - Non-exchange Transactions	16	2,100	411,682,596	0	411,680,496
Other Receivables - Exchange Transactions	16	224,780,216	220,408,885	270,961,311	257,215,630
VAT	8	0	2,064,326	0	0
Call Deposits and Investments	17	3,861,790,425	3,810,037,140	3,861,790,425	3,810,037,140
Call Deposits and Investments - Other	18	2,163,388	2,511,199	2,163,388	2,511,199
Bank Balances and Cash	19	921,567,593	460,877,397	835,018,909	395,389,822
Total Assets		26,504,884,059	26,000,085,781	26,440,878,897	25,947,489,072

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022**

Restated 2021 R		Actual 2022 R	Approved Original Budget 2022 R	Adjustments 2022 R	Approved Final Budget 2022 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
6,513,947,801	Service Charges	21.1	8,061,413,254	6,930,481,490	1,036,784,920	7,967,266,410	(94,146,844)	-1%
150,039,376	Interest earned - External Investments		184,895,140	173,179,680	0	173,179,680	(11,715,460)	-7%
187,675,448	Interest raised - Outstanding Debtors		382,315,340	273,233,720	0	273,233,720	(109,081,620)	-40%
15,068,949	Licences and Permits		19,168,909	12,550,020	56,410	12,606,430	(6,562,479)	-52%
25,384,012	Rental of Facilities and Equipment	23.1	28,005,696	27,867,040	171,790	28,038,830	33,134	0%
3,734,159	Income for Agency Services		4,032,169	3,242,340	0	3,242,340	(789,829)	-24%
112,698,624	Other Revenue	23.2	104,383,737	154,184,190	465,190	154,649,380	50,265,643	33%
0	Gain on disposal of Property Plant and Equipment	35.8.2	739,753	510,000	0	510,000	(229,753)	-45%
Non-exchange revenue								
706,955,000	Other Revenue	23.2	701,573,000	701,573,000	0	701,573,000	0	0%
2,500,732,793	Property Rates	20	2,661,453,352	2,637,580,000	0	2,637,580,000	(23,873,352)	-1%
132,419,617	Interest raised - Outstanding Debtors		115,801,941	102,962,720	0	102,962,720	(12,839,221)	-12%
82,311,071	Fines, Penalties and Forfeits	21.2	109,210,349	193,046,580	(126,032,440)	67,014,140	(42,196,209)	-63%
2,539,248,920	Transfers and Subsidies	22	2,154,739,492	2,474,933,340	127,908,410	2,602,841,750	448,102,258	17%
3,539	Licences and Permits		1,416	0	0	0	(1,416)	0%
12,970,219,309	Total Revenue		14,527,733,548	13,685,344,120	1,039,354,280	14,724,698,400	196,964,852	
EXPENDITURE								
3,911,824,965	Employee Related Costs	24	3,623,150,264	3,915,582,552	78,639,226	3,994,221,778	371,071,514	9%
76,244,044	Remuneration of Councillors	25	75,900,104	87,298,540	4,160	87,302,700	11,402,596	13%
1,756,179,086	Debt Impairment - Receivables	26	3,108,668,931	1,290,079,080	756,856,760	2,046,935,840	(1,061,733,091)	-52%
15,382,045	Debt Impairment - Other	26	50,231,639	128,886,460	0	128,886,460	78,654,821	61%
700,437	Debt Impairment - MBDA	26	259,073	0	0	0	(259,073)	0%
127,597,712	Finance Charges	27	125,549,596	119,907,210	4,903,790	124,811,000	(738,596)	-1%
3,691,509,946	Bulk Purchases	28	4,377,705,071	4,289,195,330	43,105,190	4,332,300,520	(45,404,551)	-1%
28,161,010	Transfers and Subsidies	29	30,564,945	56,119,240	(2,280,000)	53,839,240	23,274,295	43%
788,041,791	Contracted Services	30.1	873,868,209	1,312,128,032	94,560,870	1,406,688,902	532,820,693	38%
714,413,839	Other Expenditure	30.2	613,925,330	702,539,611	50,340,366	752,879,977	138,954,647	18%
66,622,415	Other Materials	30.3	126,058,372	286,101,640	1,375,520	287,477,160	161,418,788	56%
937,769,830	Depreciation	31.1	951,985,286	1,033,770,465	5,435,575	1,039,206,040	19,162,936	2%
49,637,326	Amortisation	31.2	50,002,580	0	0	0	0	
217,171,118	Losses	35.8.1	224,761,922	57,678,800	6,997,910	64,676,710	(160,085,212)	-248%
17,980,611	Impairment	35.7	18,055,238	0	0	0	0	
12,399,236,175	Total Expenditure		14,250,686,560	13,279,286,960	1,039,939,367	14,319,226,327	68,539,767	
570,983,134	Surplus for the year		277,046,988	406,057,160	(585,087)	405,472,073	128,425,085	

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

(Please note: SURPLUS for the year R277 046 988 less Transfers and Subsidies - Capital R832 614 241 (Refer note 22.12, 22.26, 22.27) = True DEFICIT for the year in the amount of (R555 567 253))

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022

Restated 2021 R		Actual 2022 R	Approved Original Budget 2022 R	Adjustments 2022 R	Approved Final Budget 2022 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
6,515,078,356	Service Charges	21.1	8,062,990,294	6,930,281,490	1,036,784,920	7,967,066,410	(95,923,884)	-1%
148,638,889	Interest earned - External Investments		182,207,937	171,179,680	0	171,179,680	(11,028,257)	-6%
187,675,448	Interest raised - Outstanding Debtors		382,315,340	273,233,720	0	273,233,720	(109,081,620)	-40%
15,068,949	Licences and Permits		19,168,909	12,550,020	56,410	12,606,430	(6,562,479)	-52%
25,384,012	Rental of Facilities and Equipment	23.1	28,005,696	27,417,040	171,790	27,588,830	(416,866)	-2%
3,734,159	Income for Agency Services		4,032,169	3,242,340	0	3,242,340	(789,829)	-24%
112,062,951	Other Revenue	23.2	103,513,381	154,184,190	465,190	154,649,380	51,135,999	33%
0	Gain on disposal of Property Plant and Equipment	35.8.2	739,753	510,000	0	510,000	(229,753)	-45%
Non-exchange revenue								
706,955,000	Other Revenue	23.2	701,573,000	0	701,573,000	0	0%	
2,500,732,793	Property Rates	20	2,661,453,352	2,637,580,000	0	2,637,580,000	(23,873,352)	-1%
132,419,617	Interest raised - Outstanding Debtors		115,801,941	102,962,720	0	102,962,720	(12,839,221)	-12%
82,311,071	Fines, Penalties and Forfeits		109,210,349	193,046,580	(126,032,440)	67,014,140	(42,196,209)	-63%
2,533,865,323	Transfers and Subsidies	22	2,151,649,718	3,176,506,340	(573,664,590)	2,602,841,750	451,192,032	17%
3,539	Licences and Permits		1,416	0	0	(1,416)	0%	
12,963,930,107	Total Revenue		14,522,663,255	13,682,694,120	1,039,354,280	14,722,048,400	199,385,145	
EXPENDITURE								
3,873,455,962	Employee Related Costs	24	3,584,515,810	3,874,326,010	72,062,970	3,946,388,980	361,873,170	9%
76,244,044	Remuneration of Councillors	25	75,900,104	87,298,540	4,160	87,302,700	11,402,596	13%
1,756,179,086	Debt Impairment - Receivables	26	3,108,668,931	1,283,566,210	851,598,640	2,135,164,850	(973,504,081)	-46%
15,382,045	Debt Impairment - Other	26	50,231,639	135,330,790	(94,741,880)	40,588,910	(9,642,729)	-24%
127,597,712	Finance Charges	27	125,549,596	119,907,210	4,903,790	124,811,000	(738,596)	-1%
3,691,509,946	Bulk Purchases	28	4,377,705,071	4,289,195,330	43,105,190	4,332,300,520	(45,404,551)	-1%
112,556,342	Transfers and Subsidies	29	121,061,603	164,229,000	(2,279,710)	161,949,290	40,887,687	25%
776,903,654	Contracted Services	30.1	859,048,334	1,371,543,650	22,165,740	1,393,709,390	534,661,056	38%
674,652,664	Other Expenditure	30.2	575,474,438	660,641,740	54,824,528	715,466,268	139,991,830	20%
66,622,415	Other Materials	30.3	126,058,372	300,490,460	(13,013,300)	287,477,160	161,418,788	56%
936,915,780	Depreciation	31.1	950,750,238	1,038,281,110	0	1,038,281,110	19,773,664	2%
49,609,390	Amortisation	31.2	49,701,970	0	0	0	0	0%
17,980,611	Impairment	35.7	18,055,238	0	0	0	0	0%
217,162,723	Losses	35.8.1	224,758,121	57,678,800	6,997,910	64,676,710	(160,081,411)	-248%
12,392,772,374	Total Expenditure		14,247,479,465	13,382,488,850	945,628,038	14,328,116,888	80,637,423	
571,157,733	Surplus for the year		275,183,790	300,205,270	93,726,242	393,931,512	118,747,722	

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

(Please note: SURPLUS for the year R275 183 790 less Transfers and Subsidies - Capital R832 614 241 (Refer note 22.12, 22.26, 22.27) = True DEFICIT for the year in the amount of (R557 430 451))

NELSON MANDELA BAY MUNICIPALITY	
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED	
30 JUNE 2022	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2020 as previously reported	18,201,821,986
Restatements (Refer note 40.2)	(9,735,957)
Restated Balance at 01 July 2020	18,192,086,029
Surplus for the year as previously reported	654,157,957
Decrease in Surplus (Refer note 40.1.1)	(83,174,822)
Restated Surplus for the year	570,983,135
Transfer to Revenue from Self Insurance Reserve	(1,263,030)
Restated Balance at 30 June 2021	18,761,806,134
Balance at 01 July 2021	18,761,806,134
Surplus for the year	277,046,988
Transfer to Revenue from Self Insurance Reserve	(342,006)
Balance at 30 June 2022	19,038,511,116

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2020 as previously reported	18,178,471,071
Restatements (Refer note 40.2)	(10,234,879)
Restated Balance at 01 July 2020	18,168,236,192
Surplus for the year as previously reported	653,833,634
Decrease in Surplus (Refer note 40.1.1)	(82,675,900)
Restated Surplus for the year	571,157,734
Transfer to Revenue from Self Insurance Reserve	(1,263,030)
Restated Balance at 30 June 2021	18,738,130,896
Balance at 01 July 2021	18,738,130,896
Surplus for the year	275,183,790
Transfer to Revenue from Self Insurance Reserve	(342,006)
Balance at 30 June 2022	19,012,972,680

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	ECONOMIC ENTITY		MUNICIPALITY	
	Actual	Restated	Actual	Restated
	2022	2021	2022	2021
Note	R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from ratepayers, government and other	11,538,115,042	11,246,054,215	11,467,583,102	11,196,328,252
- Sale of goods and services, fines and taxes levied and Other Revenue	8,861,429,958	7,710,219,356	8,855,796,842	7,701,655,792
- Transfers and Subsidies	2,491,432,299	3,384,800,076	2,429,230,512	3,345,048,889
- Interest received	185,252,785	151,034,783	182,555,748	149,623,571
Cash paid to suppliers and employees	(9,874,615,160)	(9,057,731,675)	(9,828,478,790)	(9,030,862,797)
- Employee Costs	(3,593,768,873)	(3,574,395,669)	(3,540,096,813)	(3,526,075,305)
- Suppliers	(6,158,451,208)	(5,362,842,162)	(6,165,986,898)	(5,384,293,648)
- Finance Cost	(122,395,079)	(120,493,844)	(122,395,079)	(120,493,844)
CASH GENERATED FROM OPERATIONS	1,663,499,882	2,188,322,540	1,639,104,312	2,165,465,455
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of PPE	(1,203,523,870)	(1,288,974,631)	(1,200,353,843)	(1,288,484,391)
Purchase of Intangible assets	(869,790)	(3,784,844)	(692,790)	(3,068,493)
Purchase of Heritage assets	0	0	0	0
Proceeds on disposal of assets	752,319	2,801	739,753	0
Loss on disposal of assets	(5,290,635)	0	(5,290,635)	0
Increase in Other Non-Current Receivables	0	0	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,208,931,976)	(1,292,756,674)	(1,205,597,515)	(1,291,552,884)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Consumer Deposits	0	0	0	0
Movement in Long-term loans (External)	(196,369,125)	(99,142,909)	(196,369,125)	(99,142,909)
Increase in Borrowings	254,244,700	214,414,700	254,244,700	214,414,700
NET CASH FLOW FROM FINANCING ACTIVITIES	57,875,575	115,271,791	57,875,575	115,271,791
NET CHANGE IN CASH AND CASH EQUIVALENTS	512,443,481	1,010,837,657	491,382,372	989,184,362
Cash and cash equivalents at the beginning of the year	4,270,914,537	3,260,076,880	4,205,426,962	3,216,242,600
Cash and cash equivalents at the end of the year	4,783,358,018	4,270,914,537	4,696,809,334	4,205,426,962

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 25	Employee Benefits (revised)	01 April 2023
GRAP 104	Financial Instruments (revised)	01 April 2025
iGRAP 7	The limit on Defined Benefit Asset...	01 April 2023
iGRAP 21	The effect of past decisions on materiality	01 April 2023

GRAP 25 prescribes the accounting and disclosure for employee benefits. This Standard requires an entity to recognise:

- (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 104 establishes principles for recognising, measuring, presenting and disclosing financial instruments.

iGRAP 7 prescribes the minimum funding requirements to fund a post-employment or other long-term defined benefit plan.

iGRAP 21 explains the implications of adopting accounting policies for material items based on the Standards of GRAP as well as applying alternative accounting treatments for immaterial items.

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 14 June 2021, the Council adopted the 2021/22 to 2023/24 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 7.4% (2021: 4.9%) and discounted to the present value:

- a) For Arlington and Koedoeskloof landfill sites, at the average short-term borrowing cost of 10.92% (2021: 10.92%).
- 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% (2021: 10.92%). 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 provision

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-imbursements 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 of, 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
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
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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	Indefinite Life
Buildings	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 in the financial statements of 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, therefore the stadium transactions do not form part of the principal-agent accounting standard.

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

Statutory receivables thus include Property Rates, Traffic Fines, National Treasury Grants and VAT (if receivable from SARS).

No other 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 2022

	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
RESERVES GOVERNED BY AN ACT:	R	R	R	R
1 COID RESERVE				
Balance at the beginning of the year	51,175,135	46,521,089	51,175,135	46,521,089
Premiums received - transfer from accumulated surplus	8,716,571	8,060,658	8,716,571	8,060,658
Expenditure funded during the year - transfer to accumulated surplus	(3,054,352)	(3,406,612)	(3,054,352)	(3,406,612)
Balance at the end of the year	56,837,354	51,175,135	56,837,354	51,175,135

The amount for this note has been included in the Total Accumulated Funds. Also refer note 17.

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)	279,652,675	302,084,213	279,652,675	302,084,213
Rand Merchant Bank	324,359,968	345,531,984	324,359,968	345,531,984
Nedbank 1	271,357,936	343,084,805	271,357,936	343,084,805
Nedbank 2	347,763,123	173,197,434	347,763,123	173,197,434
Total External Loans	1,223,133,702	1,163,898,436	1,223,133,702	1,163,898,436
Long-term Liabilities - MBDA	540,350	905,950	0	0
Brookes Bequest	23,589,882	22,637,206	23,589,882	22,637,206
Total Long-term Liabilities	1,247,263,934	1,187,441,592	1,246,723,584	1,186,535,642
Less : Current portion transferred to current liabilities	192,847,457	196,369,125	192,847,457	196,369,125
Development Bank of Southern Africa (DBSA)	24,406,728	21,799,983	24,406,728	21,799,983
Rand Merchant Bank	23,201,948	20,997,175	23,201,948	20,997,175
Nedbank 1	76,671,989	68,515,464	76,671,989	68,515,464
Nedbank 2	68,566,792	85,056,503	68,566,792	85,056,503
	1,054,416,477	991,072,467	1,053,876,127	990,166,517

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 R21 799 983 and interest of R33 502 750 was repaid during the financial year. (2021: Capital repaid R19 471 649 and interest repaid of R35 831 084)

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 R68 515 464 and interest of R36 252 533 was repaid during the financial year. (2021: Capital repaid R60 862 226 and Interest paid R43 905 772)

NEDBANK 2

A further loan of R750 602 100 was approved during the 2020/21 financial year of which R468 659 400 was taken up to date 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 R85 056 503 and interest of R18 039 853 was repaid during the financial year. (2021: Capital repaid R47 540 209 and Interest paid R4 007 969)

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 R20 995 325 and interest of R35 562 728 was repaid during the financial year. (2021: Capital repaid R18 809 035 and Interest paid R36 749 019)

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 4.13% 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 2022

	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
3.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Benefit	5,550,597	5,550,597	5,550,597	5,550,597
Post Retirement Benefits	1,418,385,000	1,411,114,076	1,418,385,000	1,411,114,076
Long Service Awards and Long Service Bonus	742,848,000	736,991,000	742,848,000	736,991,000
Total Employee Benefit Obligation	2,166,783,597	2,153,655,673	2,166,783,597	2,153,655,673

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	5,550,597	8,028,000	5,550,597	8,028,000
Movement in Obligation	0	(2,477,403)	0	(2,477,403)
Balance at end of year	5,550,597	5,550,597	5,550,597	5,550,597

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	1,411,114,076	1,216,905,401	1,411,114,076	1,216,905,401
Movement in Obligation	7,270,924	194,208,675	7,270,924	194,208,675
Balance at end of year	1,418,385,000	1,411,114,076	1,418,385,000	1,411,114,076

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	736,991,000	594,890,848	736,991,000	594,890,848
Contributions to Obligation	5,857,000	142,100,152	5,857,000	142,100,152
Balance at end of year	742,848,000	736,991,000	742,848,000	736,991,000

3.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	483,341,175	406,886,060	483,341,175	406,886,060
Rehabilitation of Swartkops River	102,335,897	94,665,077	102,335,897	94,665,077
Total Non-current Provisions	585,677,072	501,551,137	585,677,072	501,551,137

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R189,147,021 for the Arlington Landfill site, R142,879,382 for the Koedoeskloof Landfill site and R151,314,772 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 2023 (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 7.4%. 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	406,886,060	358,133,740	406,886,060	358,133,740
Contributions to Provision	76,455,115	48,752,320	76,455,115	48,752,320
Balance at end of year	483,341,175	406,886,060	483,341,175	406,886,060

Rehabilitation of Swartkops River

Balance at beginning of year	94,665,077	73,643,693	94,665,077	73,643,693
Contributions to Provision - unwinding of discount factor	7,670,820	21,021,384	7,670,820	21,021,384
Balance at end of year	102,335,897	94,665,077	102,335,897	94,665,077

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 2022

	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
4 EMPLOYEE BENEFITS AND PROVISIONS				
4.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Obligation	(1,304,964)	4,639,392	(1,304,964)	4,639,392
Post Retirement Benefits	71,592,000	74,338,869	71,592,000	74,338,869
Performance Bonus Liability	10,130,174	9,992,720	8,617,523	7,906,666
Long service awards and long service bonuses	124,747,000	96,539,000	124,747,000	96,539,000
Provision for Workmen's Compensation	50,147	52,378	0	0
Provision for Leave pay	363,265,626	387,494,595	358,838,052	382,834,549
Total Current Employee Benefit Obligation	568,479,983	573,056,954	562,489,611	566,258,476
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	4,639,392	4,618,000	4,639,392	4,618,000
Movement in Obligation	0	8,500,599		8,500,599
Expenditure incurred	(5,944,356)	(8,479,207)	(5,944,356)	(8,479,207)
Balance at end of year	(1,304,964)	4,639,392	(1,304,964)	4,639,392
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	74,338,869	69,961,544	74,338,869	69,961,544
Contributions to Obligation	76,450,042	82,490,073	76,450,042	82,490,073
Expenditure incurred	(79,196,911)	(78,112,748)	(79,196,911)	(78,112,748)
Balance at end of year	71,592,000	74,338,869	71,592,000	74,338,869
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	9,992,720	6,833,030	7,906,666	5,411,709
Movement in Obligation	4,045,786	4,581,011	2,533,135	2,494,957
Expenditure incurred	(3,908,332)	(1,421,321)	(1,822,278)	0
Balance at end of year	10,130,174	9,992,720	8,617,523	7,906,666
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	96,539,000	100,231,352	96,539,000	100,231,352
Movement in Obligation	28,208,000	(3,692,352)	28,208,000	(3,692,352)
Balance at end of year	124,747,000	96,539,000	124,747,000	96,539,000
Provision for Workmen's Compensation				
Balance at beginning of year	52,378	16,667	0	0
Contributions to Obligation	50,147	52,378	0	0
Expenditure incurred	(52,378)	(16,667)	0	0
Balance at end of year	50,147	52,378	0	0
Refer Restatement Notes no. 40.3.8				
Provision for Leave pay				
The obligation is in respect of leave pay				
Balance at beginning of year	387,494,595	315,115,899	382,834,549	311,244,364
Movement in Obligation	(24,228,969)	72,378,696	(23,996,497)	71,590,185
Balance at end of year	363,265,626	387,494,595	358,838,052	382,834,549
Refer Restatement Notes no. 40.3.9				
4.2 CURRENT PROVISIONS - OTHER				
Provision for Litigation and Claims	329,489	15,277,529	329,489	15,277,529
Total Current Provisions	329,489	15,277,529	329,489	15,277,529
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	15,277,529	14,515,171	15,277,529	14,515,171
Contribution to the provision	329,489	762,358	329,489	762,358
Provision utilised/reversed	(15,277,529)	0	(15,277,529)	0
Balance at end of year	329,489	15,277,529	329,489	15,277,529
5 CONSUMER DEPOSITS				
Electricity and Water	154,602,608	152,721,461	154,602,608	152,721,461
Interest	1,957,608	1,930,289	1,957,608	1,930,289
	156,560,216	154,651,750	156,560,216	154,651,750
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 2022

	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
6 TRADE AND OTHER PAYABLES				
Payables and Accruals	1,831,366,684	1,952,591,262	1,815,057,263	1,937,871,798
Payments Received in Advance	98,768,238	91,934,710	98,768,238	91,934,710
Retentions	135,052,670	104,073,173	135,052,670	104,073,173
Total Creditors	2,065,187,592	2,148,599,145	2,048,878,171	2,133,879,681
Transfers and Subsidies (See details below)	366,623,955	349,598,128	361,967,900	343,100,549

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 R135 052 670, 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)	27,595,051	41,967,790	27,595,051	41,967,790
Public Transport Networks Operations Grant (See Note 22.7.2)	49,330,709	93,172,582	49,330,709	93,172,582
Neighbourhood Partnership Development Grant (See Note 22.15.1 and Note 16)	9,101,120	2,157,622	9,101,120	2,157,622
Neighbourhood Partnership Development Grant (See Note 22.15.2 and Note 16)	14,307,080	0	14,307,080	-
Urban Settlement Grant (See Note 22.16 and Note 16)	31,920,928	175,124,719	31,920,928	175,124,719
Infrastructure Skills Development Grant (See Note 22.17)	0	1,892,693	-	1,892,693
Integrated City Development Grant (ICDG) (See Note 22.19)	0	5,292,146	-	5,292,146
Programme and Project Preparation Support Grant (PPPSG) (See Note 22.20)	10,891,492	0	10,891,492	-
Drought Relief Grant (See Note 22.21)	55,667,575	0	55,667,575	-
Informal Settlements Upgrading Grant (See Note 22.29)	98,732,269	0	98,732,269	-
Other Grants:				
PHB Subsidies (See Note 22.1)	43,243,812	1,247,590	43,243,812	1,247,590
Smart Grid initiative Grant (See Note 22.4)	0	711,836	-	711,836
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5)	0	0	-	-
EU Sector Policy Support Project (See Note 22.9)	0	1,744,599	-	1,744,599
Other Grants (See Note 22.11)	5,347,090	7,121,802	691,035	624,223
National Lotteries Grant (See Note 22.13)	0	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
Department of Roads and Public Works Grant (See Note 22.22)	2,039,776	0	2,039,776	-
LGSETA Discretionary Learnership Funding (See Note 22.23)	9,378,633	7,918,417	9,378,633	7,918,417
Provincial Department Agency: Communication Grant (See Note 22.24)	0	872,781	-	872,781
Total Transfers and Subsidies	366,623,955	349,598,128	361,967,900	343,100,549

The unspent portion of transfers and subsidies represent cash as included in note 17 below.

Refer Restatement Note no. 40.3.8

8 VAT

VAT Receivable / (Net VAT payable) - Vat 201	(5,240,877)	14,165,581	(5,240,877)	14,165,581
VAT Receivable / (Net VAT payable) - Not yet due	(293,255,700)	(168,613,320)	(293,255,700)	(168,613,320)
Total VAT	(298,496,577)	(154,447,739)	(298,496,577)	(154,447,739)
VAT Receivable / (Net VAT payable) - MBDA	(10,970,528)	2,064,326	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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2022			
Land	1,189,356,710	41,082,050	1,148,274,660
Buildings	1,030,060,127	400,039,225	630,020,902
Infrastructure Assets	21,514,639,580	8,194,814,781	13,319,824,799
Community Assets	3,699,085,967	1,340,599,603	2,358,486,364
Other Assets	1,784,968,050	1,161,145,271	623,822,779
	29,218,110,434	11,137,680,930	18,080,429,504

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 2021

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land	1,174,310,252	42,194,460	1,132,115,792
Buildings	1,024,656,238	357,732,709	666,923,529
Infrastructure Assets	20,375,594,884	7,502,611,804	12,872,983,080
Community Assets	3,701,929,664	1,254,770,288	2,447,159,376
Other Assets	1,678,410,067	1,070,617,910	607,792,157
	27,954,901,105	10,227,927,171	17,726,973,934

Refer Restatement Note no. 40.3.5

MUNICIPALITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2022			
Land	1,175,356,119	41,180,513	1,134,175,606
Buildings	1,025,490,451	399,733,118	625,757,333
Infrastructure Assets	21,514,639,580	8,194,814,781	13,319,824,799
Community Assets	3,699,085,967	1,340,599,603	2,358,486,364
Other Assets	1,776,618,107	1,156,759,913	619,858,194
	29,191,190,224	11,133,087,928	18,058,102,296

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 2021

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land	1,161,229,687	42,096,248	1,119,133,439
Buildings	1,020,219,976	357,636,870	662,583,106
Infrastructure Assets	20,375,594,884	7,502,611,804	12,872,983,080
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
	27,930,923,483	10,224,369,151	17,706,554,332

Refer Restatement Note no. 40.3.5

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10 HERITAGE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2022		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		234,433,820	15,820,657	218,613,163
		234,433,820	15,820,657	218,613,163

Refer to Note 49 for reconciliation.

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

MUNICIPALITY		R	R	R
As at 30 June 2022		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		234,183,320	15,820,657	218,362,663
		234,183,320	15,820,657	218,362,663

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

Refer to Note 49 for reconciliation.

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

11 INTANGIBLE ASSETS

ECONOMIC ENTITY		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		464,477,335	408,116,400	56,360,935
		464,477,335	408,116,400	56,360,935

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

Refer to Note 50 for reconciliation.

As at 30 June 2021		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		463,607,545	358,113,820	105,493,725
		463,607,545	358,113,820	105,493,725

MUNICIPALITY		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		462,901,801	407,417,842	55,483,959
		462,901,801	407,417,842	55,483,959

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

Refer to Note 50 for reconciliation.

As at 30 June 2021		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		462,209,011	357,715,872	104,493,139
		462,209,011	357,715,872	104,493,139

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12 INVESTMENT PROPERTY

ECONOMIC ENTITY

As at 30 June 2022

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	226,767,881	79,606,507	147,161,374
	226,767,881	79,606,507	147,161,374

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

Refer to Note 51 for reconciliation.

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

MUNICIPALITY

As at 30 June 2022

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	226,767,881	79,606,507	147,161,374
	226,767,881	79,606,507	147,161,374

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

Refer to Note 51 for reconciliation.

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

ECONOMIC ENTITY AND
MUNICIPALITY

Description of Investment Property:

	2022 R	Restated 2021 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 Steeledale 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
	565,166,000	565,166,000

Market Value of Investment Property

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.

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. Therefore the valuations will only be applicable from 01 July 2022.

ECONOMIC ENTITY AND
MUNICIPALITY

Properties subject to Operating Leases:

Rental revenue included in surplus for following Investment Properties:

	2022 R	Restated 2021 R
Beachview resort	240,000	240,000
Van Stadens Resort	240,000	240,000
Something Good	895,954	739,175

Rental revenue is included with Rental of Facilities and Equipment

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13 LONG-TERM RECEIVABLES	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
Other Debtors	50,315	50,315	50,315	50,315
Consumer Debtors	135,638,204	112,729,930	135,638,204	112,729,930
Rates and General	51,060,433	40,517,005	51,060,433	40,517,005
Other Services	4,568,039	5,181,849	4,568,039	5,181,849
Electricity	28,716,079	16,739,745	28,716,079	16,739,745
Water	30,704,134	27,457,347	30,704,134	27,457,347
Refuse	7,907,604	8,666,672	7,907,604	8,666,672
Sewerage	12,681,915	14,167,312	12,681,915	14,167,312
Long-term Receivables	135,688,519	112,780,245	135,688,519	112,780,245
Long-term Receivables - Exchange Transactions	84,577,771	72,212,925	84,577,771	72,212,925
Long-term Receivables - Non-exchange Transactions	51,110,748	40,567,320	51,110,748	40,567,320
	135,688,519	112,780,245	135,688,519	112,780,245

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% and 8.25% per annum on overdue accounts.

Trade Receivables - Exchange Transactions

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

14 INVENTORY	184,207,672	154,769,948	184,026,883	154,591,183
Materials and Supplies	172,561,635	144,136,137	172,561,635	144,136,137
Work in Progress - Other	0	49,711	0	49,711
Finished Goods - Water Stock	4,798,259	3,970,917	4,798,259	3,970,917
Finished Goods - Other	6,666,989	6,434,418	6,666,989	6,434,418
Consumables	180,789	178,765	0	0
Less: Provision for Obsolete Stock	(767,863)	(742,593)	(767,863)	(742,593)
	183,439,809	154,027,355	183,259,020	153,848,590

No inventory was pledged as security

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 2022

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2022

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
	8,526,798,538	(6,207,222,465)	2,319,576,073
Service Debtors	1,681,841,409	(921,081,527)	760,759,882
Electricity	4,966,155,306	(3,734,261,896)	1,231,893,410
Water	695,497,266	(600,951,077)	94,546,189
Refuse	1,183,304,557	(950,927,965)	232,376,592
Sanitation			
House Rentals	52,355,241	(37,310,735)	15,044,506
Total	8,579,153,779	(6,244,533,200)	2,334,620,579

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 2021

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

	Gross Balances	Impairment Allowance	Carrying Amount
	6,076,647,711	(3,812,018,944)	2,264,628,767
Service Debtors	2,028,930,242	(749,785,638)	1,279,144,604
Electricity	2,545,744,643	(1,952,115,311)	593,629,332
Water	564,021,433	(430,630,395)	133,391,038
Refuse	937,951,393	(679,487,600)	258,463,793
Sanitation			
House Rentals	55,521,033	(43,869,037)	11,651,996
Total	6,132,168,744	(3,855,887,981)	2,276,280,763

Refer Restatement Note no. 40.3.4.1

Electricity: Ageing

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

	2022 R	Restated 2021 R
Current (0-30 days)	657,145,213	1,152,201,651
31 - 60 Days	61,652,440	37,302,224
61 - 90 Days	40,794,192	25,134,654
Over 90 Days	922,249,564	814,291,713
Total	1,681,841,409	2,028,930,242

Water: Ageing

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

Current (0-30 days)	432,499,483	192,008,241
31 - 60 Days	268,303,396	190,976,910
61 - 90 Days	269,006,858	145,682,747
Over 90 Days	3,996,345,569	2,017,076,745
Total	4,966,155,306	2,545,744,643

Refuse: Ageing

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

Current (0-30 days)	42,645,160	58,411,838
31 - 60 Days	17,402,952	22,310,041
61 - 90 Days	22,721,332	15,250,221
Over 90 Days	612,727,822	468,049,333
Total	695,497,266	564,021,433

Sanitation: Ageing

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

Current (0-30 days)	92,517,033	128,719,204
31 - 60 Days	56,949,671	47,208,360
61 - 90 Days	45,093,420	33,330,052
Over 90 Days	988,744,433	728,693,777
Total	1,183,304,557	937,951,393

Housing Rentals: Ageing

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

Current (0-30 days)	562,048	3,044,313
31 - 60 Days	225,061	1,285,093
61 - 90 Days	1,310,023	1,150,045
Over 90 Days	50,258,109	50,041,582
Total	52,355,241	55,521,033

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022			
Current (0-30 days)	191,610,568	991,342,080	42,416,289
31 - 60 Days	324,288,646	63,680,990	16,563,884
61 - 90 Days	332,607,368	41,260,952	5,057,505
Over 90 Days	4,937,138,867	1,515,481,444	117,705,186
Gross Consumer Debtors by Customer classification	5,785,645,449	2,611,765,466	181,742,864
Gross Consumer Debtors			8,579,153,779
Less: Impairment allowance			(6,244,533,200)
Net Consumer Debtors for the period ended 30 June 2022			2,334,620,579

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)	881,197,741	617,375,599	35,811,907
31 - 60 Days	83,911,748	174,678,533	40,492,347
61 - 90 Days	141,100,697	47,423,399	32,023,623
Over 90 Days	2,610,924,308	1,313,307,818	153,921,024
Gross Consumer Debtors by Customer classification	3,717,134,494	2,152,785,349	262,248,901
Gross Consumer Debtors			6,132,168,744
Less: Impairment allowance			(3,855,887,981)
Net Consumer Debtors for the year ended 30 June 2021			2,276,280,763

Reconciliation of the Impairment Allowance

	2022 R	Restated 2021 R
Balance at beginning of year	3,855,887,981	2,603,388,713
Contributions to Impairment allowance	2,651,497,381	1,535,540,039
	6,507,385,362	4,138,928,752
Bad debts written off against the Impairment allowance	(262,852,162)	(283,040,771)
Balance at end of year	6,244,533,200	3,855,887,981

Financial Assets have been classified as loans and receivables.

The consumer debtors are billed at gazetted interest rate between 7% and 8.25% per annum on overdue accounts.

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

Neither past due nor impaired

2,334,620,579 **2,276,280,763**

Consumer Debtors for which an impairment allowance was raised

Provision (based on the outstanding debts over 90 days and debtors handed over to attorneys)

6,244,533,200 **3,855,887,981**

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
15 TRADE RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Property Rates	2,119,440,195	1,712,215,256	2,119,440,195	1,712,215,256
Provision for Bad Debts - Property Rates	(1,781,173,741)	(1,366,567,567)	(1,781,173,741)	(1,366,567,567)
	338,266,454	345,647,689	338,266,454	345,647,689
Refer Restatement Note no. 40.3.4.2				
Property rates: Ageing				
Current (0-30 days)	222,155,925	97,038,721	222,155,925	97,038,721
31 - 60 Days	33,026,975	51,772,326	33,026,975	51,772,326
61 - 90 Days	40,265,398	28,323,137	40,265,398	28,323,137
Over 90 Days	1,823,991,897	1,535,081,072	1,823,991,897	1,535,081,072
Total	2,119,440,195	1,712,215,256	2,119,440,195	1,712,215,256
Reconciliation of the Impairment Allowance				
Balance at beginning of year	1,366,567,567	1,061,256,830	1,366,567,567	1,061,256,830
Contributions to Impairment allowance	478,445,815	403,403,038	478,445,815	403,403,038
	1,845,013,382	1,464,659,868	1,845,013,382	1,464,659,868
Bad debts written off against the Impairment allowance	(63,839,641)	(98,092,301)	(63,839,641)	(98,092,301)
Balance at end of year	1,781,173,741	1,366,567,567	1,781,173,741	1,366,567,567
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 - NPDG	0	10,000,000	0	10,000,000
Accrued Income: Transfers and Subsidies - E-Share	0	255,415,000	0	255,415,000
Accrued Income: Transfers and Subsidies - Public Health	17,112,961	17,112,961	17,112,961	17,112,961
	227,433,686	492,848,686	227,433,686	492,848,686
Provision for Bad Debts - Housing	(227,433,686)	(81,168,190)	(227,433,686)	(81,168,190)
	0	411,680,496	0	411,680,496
Other Receivables: MBDA	2,100	2,100	0	0
	2,100	411,682,596	0	411,680,496
Refer Restatement Note no. 40.3.2				
OTHER RECEIVABLES - EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - MBDA	100,549,853	81,383,320	100,549,853	81,383,320
Accrued Income: Market	31,071,335	31,296,751	31,071,335	31,296,751
Accrued Income: Interest Receivable	57,541,568	47,269,451	57,541,568	47,269,451
Accrued Income: Stadium	18,571,027	16,714,012	18,571,027	16,714,012
Accrued Income: Traffic Fines	19,776,513	19,776,513	19,776,513	19,776,513
Accrued Income: Other	53,072,170	70,788,621	53,072,170	70,788,621
Prepayments and Advances	17,231,606	16,333,276	17,231,606	16,333,276
Operating Leases - Straight Lining	2,973,313	3,479,760	2,973,313	3,479,760
	300,787,385	287,041,704	300,787,385	287,041,704
Provision for Bad Debts - Market	(29,826,074)	(29,826,074)	(29,826,074)	(29,826,074)
	270,961,311	257,215,630	270,961,311	257,215,630
Other Receivables: MBDA	76,098,856	84,159,916	0	0
Less: Intercompany transactions	(122,279,951)	(120,966,661)	0	0
	224,780,216	220,408,885	270,961,311	257,215,630
Refer Restatement Note no. 40.3.2				
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 R3 073 140; 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 2022: 4.81%, 4.5% and 3.5% (2021: 3.87%, 3.25% and 2.5%) during the current audit period.	925,310,000	911,310,000	925,310,000	911,310,000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2022: 5.43% (2021: 3.92%) during the current audit period.	925,000,000	908,000,000	925,000,000	908,000,000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2022: 4.5% (2021: 3.25%) during the current audit period.	159,020,768	153,354,883	159,020,768	153,354,883
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2022: 4.85% and 4.35% (2021: 3.94% and 3.10%) during the current audit period.	925,500,000	918,500,000	925,500,000	918,500,000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2022: 5.68% (2021: 4.42%) during the current audit period.	926,700,000	918,612,600	926,700,000	918,612,600
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2022: 5.080% (2021: 3.908%) during the current audit period.	259,657	259,657	259,657	259,657
	3,861,790,425	3,810,037,140	3,861,790,425	3,810,037,140

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
17 CALL DEPOSITS AND INVESTMENTS (CONTINUED)				
DEPOSITS and INVESTMENTS				
The Investments are committed as follows:	3,861,790,425	3,810,037,140	3,861,790,425	3,810,037,140
Transfers and Subsidies	361,967,900	333,100,549	361,967,900	333,100,549
Current Portion of Long-term Liabilities	192,847,457	196,369,125	192,847,457	196,369,125
COID Reserve	56,837,354	51,175,135	56,837,354	51,175,135
Self Insurance Reserve	147,663,875	115,122,651	147,663,875	115,122,651
Capital Replacement Reserve	180,106,077	113,684,823	180,106,077	113,684,823
	939,422,663	809,452,283	939,422,663	809,452,283
The balance is available for Trade and Other Payables	2,922,367,762	3,000,584,857	2,922,367,762	3,000,584,857
Also refer Notes 2, 6 and 7				
18 CALL DEPOSITS AND INVESTMENTS - OTHER				
Sanlam Shares - Financial Instruments	2,163,388	2,511,199	2,163,388	2,511,199
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 163 388 (2021: R2 511 199) determined on the open market share price as at 30 June 2022. 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 R192 847 457 (2021: R196 369 125) 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	395,389,822	906,338,766	395,389,822	906,338,766
Cash Book balance at end of the year	835,018,909	395,389,822	835,018,909	395,389,822
Bank Balance at beginning of the year	421,927,973	978,420,814	421,927,973	978,420,814
Bank Balance at end of the year	815,061,485	421,927,973	815,061,485	421,927,973
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	835,018,909	395,389,822	835,018,909	395,389,822
Mandela Bay Development Agency				
<u>Current Accounts (Primary Account)</u>				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	35,324,488	35,324,488		
Cashbook balance at end of the year	3,963,957	35,324,488		
Bank statement balance at beginning of the year	35,324,488	35,324,488		
Bank statement balance at end of the year	3,963,957	35,324,488		
Call Account Deposits				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	30,163,087	37,610,045		
Cashbook balance at end of the year	82,584,727	30,163,087		
Bank statement balance at beginning of the year	30,163,087	37,610,045		
Bank statement balance at end of the year	82,584,727	30,163,087		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	86,548,684	65,487,575		
Current Account (Primary Account)	3,963,957	35,324,488		
Call Account Deposits	82,584,727	30,163,087		
Consolidated Cash Book balance at end of the year	921,567,593	460,877,397		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
Banking facilities with ABSA:				
- Financial guarantees	5,599,000	4,034,000	5,599,000	4,034,000
- Automated Clearing Bureau Credits limit	1,650,000,000	1,600,000,000	1,650,000,000	1,600,000,000
- Daily limit	350,000,000	350,000,000	350,000,000	350,000,000
- Automated Clearing Bureau Debits limit	15,000,000	150,000,000	15,000,000	150,000,000
Banking Securities with ABSA:				
- Financial guarantees	5,280,000	3,272,000	5,280,000	3,272,000
- Outward guarantees	3,280,000	3,590,990	3,280,000	3,590,990

No fee was paid for the financial guarantees.

20 PROPERTY RATES

Actual

Residential	1,191,597,930	1,113,284,359	1,191,597,930	1,113,284,359
Commercial	1,159,112,414	1,125,709,060	1,159,112,414	1,125,709,060
State	226,545,118	175,069,403	226,545,118	175,069,403
Other	84,197,890	86,669,971	84,197,890	86,669,971
	2,661,453,352	2,500,732,793	2,661,453,352	2,500,732,793

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	98,860,619	97,902,483	98,860,619	97,902,483
Commercial	45,549,326	46,365,552	45,549,326	46,365,552
State	8,521,816	6,580,638	8,521,816	6,580,638
Other	7,961,203	8,439,622	7,961,203	8,439,622
	160,892,964	159,288,295	160,892,964	159,288,295

21.1 SERVICE CHARGES

Sale of Electricity	4,213,422,559	3,973,872,761	4,214,999,599	3,975,003,316
Sale of Water	2,832,242,400	1,564,205,035	2,832,242,400	1,564,205,035
Service delivery - sale of inventory	7,045,664,959	5,538,077,796	7,047,241,999	5,539,208,351
Refuse Removal	291,402,540	258,941,924	291,402,540	258,941,924
Sewerage and Sanitation charges	724,345,755	716,928,081	724,345,755	716,928,081
Service delivery - sale of services	1,015,748,295	975,870,005	1,015,748,295	975,870,005
	8,061,413,254	6,513,947,801	8,062,990,294	6,515,078,356

Refer Restatement Note no. 40.1.2

21.2 FINES, PENALTIES AND FORFEITS

Fines (Library and Traffic)	109,210,349	82,311,071	109,210,349	82,311,071
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	52,240,036	19,883,757	52,240,036	19,883,757
Impaired, based on collection rate	(50,231,639)	(15,382,045)	(50,231,639)	(15,382,045)
Net fines collected	2,008,397	4,501,712	2,008,397	4,501,712

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 2022

22 TRANSFERS AND SUBSIDIES	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
PHB Subsidies (See Note 22.1)	3,337,651	0	3,337,651	0
Equitable Share Allocation (See Note 22.2)	1,143,806,552	1,260,840,000	1,143,806,552	1,260,840,000
Finance Management Grant (See Note 22.3)	935,342	935,351	935,342	935,351
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)	70,497,031	61,676,911	70,497,031	61,676,911
Other Grants (See Note 22.11)	4,270,245	5,974,181	1,180,471	590,584
Government Grant Revenue (See Note 22.12)	687,176,408	891,117,491	687,176,408	891,117,491
Neighbourhood Partnership Development Grant (See Note 22.15.2)	1,273,920	0	1,273,920	0
Urban Settlements Development Grant (See Note 22.16)	36,887,160	116,990,053	36,887,160	116,990,053
Infrastructure Skills Development Grant (See Note 22.17)	10,479,482	7,898,791	10,479,482	7,898,791
EPWP Incentive Grant (See Note 22.18)	7,116,000	10,117,000	7,116,000	10,117,000
Programme and Project Preparation Support Grant (PPPSG) (See Note 22.20)	326,529	0	326,529	0
Department of Roads and Public Works Grant (See Note 22.22)	8,884,431	11,977,827	8,884,431	11,977,827
LGSETA Discretionary Learnership Funding (See Note 22.23)	4,943,239	5,774,367	4,943,239	5,774,367
Fuel levy Allocation (See Note 22.25)	0	0	0	0
Other Transfers (See Note 22.26)	97,286,890	118,394,918	97,286,890	118,394,918
Public Contributions (See Note 22.27)	48,150,943	31,682,030	48,150,943	31,682,030
Informal Settlements Upgrading Grant (See Note 22.29)	13,497,669	0	13,497,669	0
	2,154,739,492	2,539,248,920	2,151,649,718	2,533,865,323
Total Grant Receipts	3,132,051,762	3,351,856,170	3,130,803,512	3,345,048,889
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	1,247,591	1,200,000	1,247,591	1,200,000
Current year receipts	45,281,311	0	45,281,311	0
Interest received	52,561	47,591	52,561	47,591
Debtor raised - Refer Note 16	210,320,726	210,320,726	210,320,726	210,320,726
Reversal of prior year accrual	(210,320,726)	(210,320,726)	(210,320,726)	(210,320,726)
Interest paid over to Provincial Treasury	0	0	0	0
Conditions met - Transferred to revenue	(3,337,651)	0	(3,337,651)	0
Conditions still to be met - transferred to liabilities	43,243,812	1,247,591	43,243,812	1,247,591
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	1,079,614,000	962,565,000	1,079,614,000	962,565,000
Rollover not approved - various grants	319,607,552	298,275,000	319,607,552	298,275,000
Debtor raised - Refer Note 16	0	255,415,000	0	255,415,000
Debtor previously raised - reversed	(255,415,000)	(255,415,000)	(255,415,000)	(255,415,000)
Transferred to revenue	(1,143,806,552)	(1,260,840,000)	(1,143,806,552)	(1,260,840,000)
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	(64,658)	(64,649)	(64,658)	(64,649)
Conditions met - Transferred to revenue	(935,342)	(935,351)	(935,342)	(935,351)
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 Other revenue	(711,836)	0	(711,836)	0
Conditions met	0	711,836	0	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	0	1,973,952	0	1,973,952
Current year receipts	0	0	0	0
Conditions met - Transferred to Other revenue	0	(1,973,952)	0	(1,973,952)
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 2022

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 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	41,967,790	84,019,013	41,967,790	84,019,013
Transfer from Public Transport Networks Operations Grant	98,659,260	65,484,507	98,659,260	65,484,507
	140,627,050	149,503,520	140,627,050	149,503,520
Current year receipts	0	129,052,000	0	129,052,000
Conditions met - Transferred to revenue - capital	(71,064,209)	(152,570,260)	(71,064,209)	(152,570,260)
Debtor accrual reversed	0	(83,370,000)	0	(83,370,000)
Transfer to E-Share	(41,967,790)	(647,470)	(41,967,790)	(647,470)
Conditions still to be met - transferred to liabilities	27,595,051	41,967,790	27,595,051	41,967,790
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	93,172,582	96,112,294	93,172,582	96,112,294
Current year receipts	218,487,000	220,334,000	218,487,000	220,334,000
Transfer to Public Transport Infrastructure Grant	(98,659,260)	(65,484,507)	(98,659,260)	(65,484,507)
Transfer to E-Share - Owing to NT	(93,172,582)	(96,112,294)	(93,172,582)	(96,112,294)
Conditions met - Transferred to revenue	(70,497,031)	(61,676,911)	(70,497,031)	(61,676,911)
Conditions still to be met - transferred to liabilities	49,330,709	93,172,582	49,330,709	93,172,582
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 met - Transferred to Other revenue	(1,744,599)	0	(1,744,599)	0
Conditions met	0	1,744,599	0	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 2022

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
22.11 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	7,121,802	5,965,979	624,223	889,807
Current year receipts	2,495,533	7,132,281	1,247,283	325,000
Conditions met - Transferred to Other Income	0	(2,277)	0	0
Conditions met - Transferred to revenue	(4,270,245)	(5,974,181)	(1,180,471)	(590,584)
Conditions still to be met - transferred to liabilities	5,347,090	7,121,802	691,035	624,223
22.12 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	687,176,408	891,117,491	687,176,408	891,117,491
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 Other revenue	(1,305,131)	0	(1,305,131)	0
Conditions met	0	1,305,131	0	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
22.15.1 Neighbourhood Partnership Development Grant				
This grant is used for the urban renewal of certain targeted / designated townships.				
Balance unspent at beginning of year	2,157,622	13,085,004	2,157,622	13,085,004
Transfer to E-share	(2,157,622)	(13,085,004)	(2,157,622)	(13,085,004)
Current year receipts	33,700,000	15,000,000	33,700,000	15,000,000
Conditions met - Transferred to revenue - capital	(12,694,678)	(11,167,285)	(12,694,678)	(11,167,285)
Debtor accrual raised - Refer Note 16	0	10,000,000	0	10,000,000
Debtor accrual reversed	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Conditions met - Transferred to Other Income - VAT	(1,904,202)	(1,675,093)	(1,904,202)	(1,675,093)
Conditions still to be met - transferred to liabilities	9,101,120	2,157,622	9,101,120	2,157,622
22.15.2 Neighbourhood Partnership Development Grant				
The grant is for eradicating spatial inequality towards the creation of liveable, sustainable, resilient, efficient and integrated town and cities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	15,581,000	0	15,581,000	0
Conditions met - Transferred to revenue	(1,273,920)	0	(1,273,920)	0
Conditions still to be met - transferred to liabilities	14,307,080	0	14,307,080	0
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	175,124,719	307,341,901	175,124,719	307,341,901
Transfer to E-Share - Owing to NT	(175,124,719)	0	(175,124,719)	0
Current year receipts	593,145,000	1,205,880,000	593,145,000	1,205,880,000
Conditions met - Transferred to revenue - capital	(453,003,185)	(716,896,202)	(453,003,185)	(716,896,202)
Conditions met - Transferred to Other Income - VAT portion	(71,333,727)	(113,936,927)	(71,333,727)	(113,936,927)
Debtor accrual reversed	0	(390,274,000)	0	(390,274,000)
Conditions met - Transferred to revenue	(36,887,160)	(116,990,053)	(36,887,160)	(116,990,053)
Conditions still to be met - transferred to liabilities	31,920,928	175,124,719	31,920,928	175,124,719
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	1,892,694	0	1,892,694	0
Transfer to E-Share - Owing to NT	(1,892,694)	0	(1,892,694)	0
	0	0	0	0
Current year receipts	10,500,000	9,806,000	10,500,000	9,806,000
Conditions met - Transferred to revenue	(10,479,482)	(7,898,791)	(10,479,482)	(7,898,791)
Conditions met - Transferred to Other Income - VAT portion	(20,518)	(14,515)	(20,518)	(14,515)
Conditions met	0	1,892,694	0	1,892,694
22.18 EPWP Incentive Grant				
This grant is used to implement expanded public works programme.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	7,116,000	10,117,000	7,116,000	10,117,000
Conditions met - Transferred to revenue	(7,116,000)	(10,117,000)	(7,116,000)	(10,117,000)
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 2022

22	TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
		2022 R	Restated 2021 R	2022 R	Restated 2021 R
	22.19 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	5,292,146	351,265	5,292,146	351,265
	Transfer to E-Share - Owing to NT	(5,292,146)	(351,265)	(5,292,146)	(351,265)
	Current year receipts	0	10,356,000	0	10,356,000
	Conditions met - Transferred to revenue - capital	0	(4,403,351)	0	(4,403,351)
	Conditions met - Transferred to Other Income - VAT portion	0	(660,503)	0	(660,503)
	Conditions met	0	5,292,146	0	5,292,146
	22.20 Programme and Project Preparation Support Grant (PPPSG)				
	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	0	0	0	0
	Transfer to E-Share - Owing to NT	0	0	0	0
	Current year receipts	11,267,000	0	11,267,000	0
	Conditions met - Transferred to revenue	(326,529)	0	(326,529)	0
	Conditions met - Transferred to Other Income - VAT portion	(48,979)	0	(48,979)	0
	Conditions still to be met - transferred to liabilities	10,891,492	0	10,891,492	0
	22.21 Drought Relief Grant				
	The grant is used for 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	0	188,078,967	0	188,078,967
	Transfer to E-Share - Owing to NT	0	(188,078,967)	0	(188,078,967)
	Current year receipts	57,829,000	0	57,829,000	0
	Conditions met - Transferred to revenue - capital	(1,879,500)	0	(1,879,500)	0
	Conditions met - Transferred to revenue - VAT	(281,925)	0	(281,925)	0
	Conditions still to be met - transferred to liabilities	55,667,575	0	55,667,575	0
	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	12,410,128	13,981,119	12,410,128	13,981,119
	Conditions met - Transferred to revenue	(8,884,431)	(11,977,828)	(8,884,431)	(11,977,828)
	Conditions met - Transferred to Other Income	(133,266)	(179,667)	(133,266)	(179,667)
	Conditions met - Transferred to revenue - VAT	(1,352,655)	(1,823,624)	(1,352,655)	(1,823,624)
	Conditions still to be met - transferred to liabilities	2,039,776	0	2,039,776	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	7,918,417	9,260,412	7,918,417	9,260,412
	Current year receipts	6,403,455	5,825,740	6,403,455	5,825,740
	Accrual raised / (reversed)	0	(1,393,368)	0	(1,393,368)
	Conditions met - Transferred to revenue	(4,943,239)	(5,774,367)	(4,943,239)	(5,774,367)
	Conditions still to be met - transferred to liabilities	9,378,633	7,918,417	9,378,633	7,918,417
	22.24 Provincial Department Agency: Communication Grant				
	This grant is used for the roll out of public Wi-Fi to all Municipal 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	(872,781)	0	(872,781)	0
	Conditions met	0	872,781	0	872,781
	22.25 Fuel Levy				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts	701,573,000	706,955,000	701,573,000	706,955,000
	Transferred to Other revenue	(701,573,000)	(706,955,000)	(701,573,000)	(706,955,000)
	Conditions met	0	0	0	0
	22.26 Other Transfers				
	Balance unspent at beginning of year	97,286,890	118,394,918	97,286,890	118,394,918
	Relates to the Funding of VAT on Capital and Operating Projects				
	22.27 Public Contributions				
	Balance unspent at beginning of year	48,150,943	31,682,030	48,150,943	31,682,030
	Relates to the Funding of Capital Projects from Donations				
	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	0	6,300,000	0	6,300,000
	Conditions met - Transferred to Other Income - VAT portion	0	(219,607)	0	(219,607)
	Conditions met - Transferred to revenue - capital	0	(6,080,393)	0	(6,080,393)
	Conditions met	0	0	0	0

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	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
22 TRANSFERS AND SUBSIDIES (Continued)				
22.29 Informal Settlements Upgrading Grant				
This grant is to provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	283,045,000	0	283,045,000	0
Conditions met - Transferred to revenue	(13,497,669)	0	(13,497,669)	0
Conditions met - Transferred to Other Income - VAT portion	(22,280,225)	0	(22,280,225)	0
Conditions met - Transferred to revenue - capital	(148,534,837)	0	(148,534,837)	0
Conditions still to be met - transferred to liabilities	98,732,269	0	98,732,269	0
23.1 RENTAL OF FACILITIES AND EQUIPMENT				
Hire of Halls	1,289,939	527,907	1,289,939	527,907
Hire of Containers	4,774,924	4,545,568	4,774,924	4,545,568
Hire of Buildings	8,665,701	8,090,669	8,665,701	8,090,669
Resorts rentals	503,614	503,589	503,614	503,589
Rentals of Sporting Facilities	933,490	338,853	933,490	338,853
Rentals: Other	4,607,745	5,107,321	4,607,745	5,107,321
Accommodation rentals	7,230,283	6,270,105	7,230,283	6,270,105
	28,005,696	25,384,012	28,005,696	25,384,012
Refer Restatement Note no. 40.1.3				
23.2 OTHER REVENUE				
EXCHANGE REVENUE:				
Operational Revenue: Administrative Handling Fees	133,266	224,607	133,266	224,607
Operational Revenue: Inspection Fees	4,804,662	4,192,804	4,804,662	4,192,804
Operational Revenue: Commission	13,836,319	13,662,705	13,836,319	13,662,705
Operational Revenue: Other	4,744,886	22,835,044	4,744,886	22,835,044
Sales of Goods and Rendering of Services: Building Plan Approval	12,350,172	10,600,044	12,350,172	10,600,044
Sales of Goods and Rendering of Services: Academic Services	1,649,526	1,160,265	1,649,526	1,160,265
Sales of Goods and Rendering of Services: Advertisements	2,129,084	1,832,212	2,129,084	1,832,212
Sales of Goods and Rendering of Services: Cemetery and Burial	14,877,285	18,267,473	14,877,285	18,267,473
Sales of Goods and Rendering of Services: Entrance Fees	1,776,285	650,241	1,776,285	650,241
Sales of Goods and Rendering of Services: Transport Fees	6,882,578	5,067,285	6,882,578	5,067,285
Sales of Goods and Rendering of Services: Scrap, Waste & Other Goods: Recycling of Waste	9,734,830	11,310,789	9,734,830	11,310,789
Sales of Goods and Rendering of Services: Legal Fees	24,614,313	15,682,926	24,614,313	15,682,926
Sales of Goods and Rendering of Services: Other	5,980,175	6,576,556	5,980,175	6,576,556
	103,513,381	112,062,951	103,513,381	112,062,951
Other Revenue - MBDA	870,356	635,673	0	0
	104,383,737	112,698,624	103,513,381	112,062,951
NON-EXCHANGE REVENUE:				
Fuel Levy	701,573,000	706,955,000	701,573,000	706,955,000
Refer Restatement Note no. 40.1.4				
24 EMPLOYEE RELATED COSTS				
Employee related costs - Municipal Staff - Salaries and Wages	2,094,439,553	2,042,541,515	2,094,439,553	2,042,541,515
Employee related costs - Senior Management - Salaries and Wages	15,360,067	14,635,237	15,360,067	14,635,237
Employee related costs - Municipal Staff - Social Contributions	672,106,289	851,139,426	672,106,289	851,139,426
Employee related costs - Senior Management - Social Contributions	18,598	14,426	18,598	14,426
Employee related costs - Municipal Staff - Allowances	251,586,433	318,888,265	251,586,433	318,888,265
Housing benefits	13,742,418	13,740,727	13,742,418	13,740,727
Overtime payouts	348,103,597	344,278,484	348,103,597	344,278,484
Performance bonus: Municipal Staff	38,622,800	37,051,930	38,622,800	37,051,930
Performance bonus: Senior Management	894,312	2,494,957	894,312	2,494,957
Long-service Awards/ Bonuses	149,641,743	248,670,995	149,641,743	248,670,995
	3,584,515,810	3,873,455,962	3,584,515,810	3,873,455,962
Employee related costs - MBDA - Salaries and Wages	28,414,454	28,147,660	0	0
Employee related costs - MBDA - Directors Remuneration	1,725,000	1,355,076	0	0
Employee related costs - MBDA - Social Contributions	6,861,909	6,721,876	0	0
Employee related costs - MBDA - Allowances	48,000	48,000	0	0
Performance bonus - MBDA	1,513,345	2,086,046	0	0
Long-service Awards/ Bonuses - MBDA	71,746	10,345	0	0
	38,634,454	38,369,003	0	0
	3,623,150,264	3,911,824,965	3,584,515,810	3,873,455,962
Refer Restatement Note no. 40.2.1				
Remuneration of the City Manager (current)				
Annual Remuneration and correction made	670,020	0	670,020	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	670,020	0	670,020	0
Remuneration of the City Manager (Previous)				
Annual Remuneration and correction made	0	(1,084,650)	0	(1,084,650)
Settlement	0	2,603,160	0	2,603,160
Total	0	1,518,510	0	1,518,510
Remuneration of the Chief Financial Officer				
Annual Remuneration	2,213,808	2,213,808	2,213,808	2,213,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,213,808	2,213,808	2,213,808	2,213,808

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24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
Remuneration of the Chief Operating Officer - Current - Vacant				
Annual Remuneration	0	0	0	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	0	0	0	0
Remuneration of the Chief Operating Officer - Previous				
Annual Remuneration	258,972	2,161,600	258,972	2,161,600
Travel, Subsistence, UIF, Medical, Pension Funds, Other	22,920	475,669	22,920	475,669
Total	281,892	2,637,269	281,892	2,637,269
Remuneration of the Chief of Staff - Current				
Annual Remuneration	624,134	0	624,134	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	624,134	0	624,134	0
Remuneration of the Chief of Staff - Previous				
Annual Remuneration	518,852	305,294	518,852	305,294
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	518,852	305,294	518,852	305,294
Remuneration of the Chief of Staff - previous 1				
Annual Remuneration	0	769,306	0	769,306
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	130,500	0	130,500
Total	0	899,806	0	899,806
Remuneration of the Chief of Staff - previous 2				
Annual Remuneration	0	216,828	0	216,828
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	0	216,828	0	216,828
Remuneration of the Chief of Police				
Annual Remuneration	1,862,509	1,905,360	1,862,509	1,905,360
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	370,008	0	370,008
Total	1,862,509	2,275,368	1,862,509	2,275,368
Remuneration of Individual Executive Directors				
Corporate Services				
Annual Remuneration	2,213,808	553,452	2,213,808	553,452
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,213,808	553,452	2,213,808	553,452
Economic Development, Tourism and Agriculture				
Annual Remuneration	2,021,808	2,021,808	2,021,808	2,021,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	192,000	228,367	192,000	228,367
Total	2,213,808	2,250,175	2,213,808	2,250,175
Infrastructure and Engineering (Vacant)				
Annual Remuneration	1,291,388	2,213,808	1,291,388	2,213,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,291,388	2,213,808	1,291,388	2,213,808
Electricity and Energy				
Annual Remuneration	1,911,347	1,868,192	1,911,347	1,868,192
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,911,347	1,868,192	1,911,347	1,868,192
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	1,744,505	254,778	1,744,505	254,778
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,744,505	254,778	1,744,505	254,778
Sports, Recreation, Arts and Culture				
Annual Remuneration	1,453,495	2,033,808	1,453,495	2,033,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	180,000	180,000	180,000	180,000
Total	1,633,495	2,213,808	1,633,495	2,213,808
Public Health				
Annual Remuneration	2,213,808	2,197,573	2,213,808	2,197,573
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	2,630	0	2,630
Total	2,213,808	2,200,203	2,213,808	2,200,203

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	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	2,483,925	2,225,507	0	0
Performance Bonuses	110,375	198,676	0	0
Unpaid amount - pending approval	0	88,300	0	0
Acting allowance and Notice pay	1,106,320	0	0	0
Total	3,700,620	2,512,483	0	0
Remuneration of the Chief Financial Officer - MBDA				
Annual Remuneration	1,827,523	1,620,333	0	0
Performance Bonuses	157,982	50,634	0	0
Car allowance	0	0	0	0
Total	1,985,505	1,670,967	0	0
Remuneration of the Operations Executive - MBDA				
Annual Remuneration	1,836,258	1,765,084	0	0
Performance Bonuses	158,738	84,794	0	0
Car allowance /Acting allowance	0	0	0	0
Total	1,994,996	1,849,878	0	0
Remuneration of the Stadium Manager - MBDA				
Annual Remuneration	1,310,900	1,296,295	0	0
Car allowance	24,000	24,000	0	0
Acting Allowance / Performance Bonus	115,046	0	0	0
Total	1,449,946	1,320,295	0	0
Remuneration of the Company Secretary - MBDA				
Annual Remuneration	1,143,440	1,111,938	0	0
Performance Bonuses	54,877	94,979	0	0
Total	1,198,317	1,206,917	0	0
25 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1,311,284	1,511,984	1,311,284	1,511,984
Deputy Mayor's Remuneration	1,095,120	478,759	1,095,120	478,759
Speaker's Remuneration	890,974	1,131,001	890,974	1,131,001
Mayoral Committee members	12,367,289	13,242,799	12,367,289	13,242,799
Other Councillors' Remuneration	54,928,978	54,874,741	54,928,978	54,874,741
Telephone Allowances	5,100,894	4,870,700	5,100,894	4,870,700
3G Allowance	205,565	134,060	205,565	134,060
Total	75,900,104	76,244,044	75,900,104	76,244,044
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	529,165,595	398,656,913	529,165,595	398,656,913
ATTP and Miscellaneous fees and charges - Funding	326,691,802	381,133,072	326,691,802	381,133,072
Miscellaneous - Non-funding	202,473,793	17,523,841	202,473,793	17,523,841
Other - Non-funding	0	0	0	0
Net Contribution to doubtful debts	2,579,503,336	1,357,522,173	2,579,503,336	1,357,522,173
Contribution to doubtful debts (inclusive of VAT) - Service Charges	2,651,497,381	1,535,540,038	2,651,497,381	1,535,540,038
Contribution to doubtful debts - Property Rates	478,445,815	403,403,038	478,445,815	403,403,038
Less: VAT portion	223,748,058	200,287,831	223,748,058	200,287,831
Contribution to doubtful debts (excluding VAT)	2,906,195,138	1,738,655,245	2,906,195,138	1,738,655,245
Less: Bad debts written off against the provision	326,691,802	381,133,072	326,691,802	381,133,072
Total	2,579,503,336	1,357,522,173	2,579,503,336	1,357,522,173
	3,108,668,931	1,756,179,086	3,108,668,931	1,756,179,086
DEBT IMPAIRMENT - OTHER				
Impairment - Traffic Fines	50,231,639	15,382,045	50,231,639	15,382,045
Total	50,231,639	15,382,045	50,231,639	15,382,045
Impairment - MBDA	259,073	700,437	0	0
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	123,715,704	122,919,139	123,715,704	122,919,139
Interest on Other	1,833,892	4,678,573	1,833,892	4,678,573
Finance Charges	125,549,596	127,597,712	125,549,596	127,597,712
Interest and Penalties	0	0	0	0
Total Finance Charges	125,549,596	127,597,712	125,549,596	127,597,712
Finance cost accrued / Prior year accrual reversals	3,154,517	7,103,868	3,154,517	7,103,868
Finance charges paid	122,395,079	120,493,844	122,395,079	120,493,844
Refer Restatement Note no. 40.2.7				

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	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
28 BULK PURCHASES				
Electricity	4,377,705,071	3,691,509,946	4,377,705,071	3,691,509,946
Water (Refer to restatement Note 40.2.5)	0	0	0	0
	<u>4,377,705,071</u>	<u>3,691,509,946</u>	<u>4,377,705,071</u>	<u>3,691,509,946</u>
Refer Restatement Note no. 40.2.5				
29 TRANSFERS AND SUBSIDIES				
Grants in aid	5,247,620	1,361,644	5,247,620	1,361,644
Grants to Other Organisations	25,317,325	26,799,366	115,813,983	111,194,698
	<u>30,564,945</u>	<u>28,161,010</u>	<u>121,061,603</u>	<u>112,556,342</u>
Refer Restatement Note no. 40.2.6				
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	38,855,299	18,258,270	38,855,299	18,258,270
Consultants and Professional Services:Infrastructure and Planning	27,073,270	18,456,339	27,073,270	18,456,339
Consultants and Professional Services:Laboratory Services	281,771	268,645	281,771	268,645
Consultants and Professional Services:Legal Cost	104,932,769	75,824,865	104,932,769	75,824,865
Contractors:Building	30,560,843	9,453,544	30,560,843	9,453,544
Contractors:Other	22,535,156	23,182,161	22,535,156	23,182,161
Contractors:Maintenance of Buildings and Facilities	78,608,278	63,523,220	78,608,278	63,523,220
Contractors:Maintenance of Equipment	163,203,926	112,809,631	163,203,926	112,809,631
Contractors:Maintenance of Unspecified Assets	25,479,034	42,479,900	25,479,034	42,479,900
Contractors:Sewerage Services	57,371,351	47,941,264	57,371,351	47,941,264
Contractors:Management of Informal Settlements	6,625,813	1,680,127	6,625,813	1,680,127
Contractors:Safeguard and Security	4,358,197	463,156	4,358,197	463,156
Contractors:Transportation	867,042	33,011,808	867,042	33,011,808
Outsourced Services:Other	9,860,371	10,325,003	9,860,371	10,325,003
Outsourced Services:Alien Vegetation Control	7,497,377	3,027,796	7,497,377	3,027,796
Outsourced Services:Animal Care	1,191,255	580,575	1,191,255	580,575
Outsourced Services:Business and Advisory:Project Management	111,238,932	159,601,226	111,238,932	159,601,226
Outsourced Services:Clearing and Grass Cutting Services	23,859,584	16,556,960	23,859,584	16,556,960
Outsourced Services:Electrical	46,927,857	34,287,195	46,927,857	34,287,195
Outsourced Services:Hygiene Services	39,254,047	47,255,563	39,254,047	47,255,563
Outsourced Services:Illegal Dumping	0	1,541,306	0	1,541,306
Outsourced Services:Litter Picking and Street Cleaning	1,779	5,364,563	1,779	5,364,563
Outsourced Services:Meter Management	13,942,840	12,958,942	13,942,840	12,958,942
Outsourced Services:Refuse Removal	41,303,529	33,438,403	41,303,529	33,438,403
Outsourced Services:Security Services	3,091,464	3,049,823	3,091,464	3,049,823
Outsourced Services:Traffic Fines Management	0	1,556,274	0	1,556,274
Outsourced Services:Transport Services	126,550	7,095	126,550	7,095
Contractors: MBDA	14,819,875	11,138,137	0	0
	<u>873,868,209</u>	<u>788,041,791</u>	<u>859,048,334</u>	<u>776,903,654</u>
Refer Restatement Note no. 40.2.2				
30.2 OTHER EXPENDITURE				
Is made up as follows:				
Operating Leases: Various Assets	40,468,881	41,317,261	40,468,881	41,317,261
Operational Cost: Advertising, Publicity and Marketing	14,741,686	8,073,614	14,741,686	8,073,614
Operational Cost: Other	40,325,984	118,735,044	40,325,984	118,735,044
Operational Cost: External Audit fees	24,599,991	22,122,640	24,599,991	22,122,640
Operational Cost: Learnerships and Internships	5,437,661	6,269,415	5,437,661	6,269,415
Operational Cost: Levies paid - water resource management	9,558,535	9,547,030	9,558,535	9,547,030
Operational Cost: Municipal Services	61,434,939	87,714,020	61,434,939	87,714,020
Operational Cost: Management fee	12,342,696	6,546,972	12,342,696	6,546,972
Operational Cost: External Computer Service	96,430,424	105,333,206	96,430,424	105,333,206
Operational Cost: Hire Charges	145,221,298	139,368,860	145,221,298	139,368,860
Operational Cost: Insurance Underwriting	17,516,437	15,153,298	17,516,437	15,153,298
Operational Cost: Intercompany/Parent-subsidiary Transactions	4,830,586	3,560,732	4,830,586	3,560,732
Operational Cost: Licences	6,673,932	8,414,297	6,673,932	8,414,297
Operational Cost: Commission:Prepaid Electricity and Third Party Vendors	20,772,898	22,978,959	20,772,898	22,978,959
Operational Cost: Communication	29,499,120	32,031,870	29,499,120	32,031,870
Operational Cost: Registration Fees	931,359	913,672	931,359	913,672
Operational Cost: Skills Development Fund Levy	30,145,162	29,229,866	30,145,162	29,229,866
Operational Cost: Travel and Subsistence	760,004	487,100	760,004	487,100
Operational Cost: Uniform and Protective Clothing	6,822,901	7,307,935	6,822,901	7,307,935
Operational Cost: Workmen's Compensation Fund	6,959,944	9,546,873	6,959,944	9,546,873
Operational Cost: MBDA	38,450,892	39,761,175	0	0
	<u>613,925,330</u>	<u>714,413,839</u>	<u>575,474,438</u>	<u>674,652,664</u>
Refer Restatement Note no. 40.2.3				
30.3 OTHER MATERIALS				
Is made up as follows:				
Consumables: Standard	73,012,328	65,941,247	73,012,328	65,941,247
Consumables: Zero-rated	66,348,142	45,341,471	66,348,142	45,341,471
Finished Goods	10,069,153	8,023,943	10,069,153	8,023,943
Water	-80,167,644	-91,220,226	-80,167,644	-91,220,226
Materials and Supplies	56,796,393	38,535,980	56,796,393	38,535,980
	<u>126,058,372</u>	<u>66,622,415</u>	<u>126,058,372</u>	<u>66,622,415</u>
Refer Restatement Note no. 40.2.4				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment and Investment Property	951,985,286	937,769,830	950,750,238	936,915,780
31.2 Amortisation	50,002,580	49,637,326	49,701,970	49,609,390
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	277,046,988	570,983,134	275,183,790	571,157,733
Adjustment for:				
Interest revenue accrued	-347,811	-984,682	-347,811	-984,682
Impairment of receivables - movement	3,028,853,418	1,557,810,005	3,028,853,418	1,557,810,005
Write down to net realisable value - movement	25,270	(1,598,196)	25,270	(1,598,196)
Depreciation	951,996,282	937,838,233	950,750,238	936,915,780
Amortisation	50,002,580	49,637,326	49,701,970	49,609,390
Finance cost accrued	3,158,988	7,136,742	3,158,988	7,136,742
Contribution to provisions / employee benefit obligation - non-current	13,127,924	333,831,424	13,127,924	333,831,424
Contribution to provisions / employee benefit obligation - current	106,716,961	92,401,045	107,520,666	90,555,635
Loss on Disposal of Property Plant and Equipment	5,294,436	8,395	5,290,635	0
Impairment of PPE / Heritage Assets	18,055,238	17,980,611	18,055,238	17,980,611
Transfer from Accumulated Surplus	0	(301,909)	0	(301,909)
Operating Surplus before working capital changes	4,453,930,274	3,564,742,128	4,451,320,326	3,562,112,533
(Increase) / Decrease in Inventory	(29,437,724)	(13,627,019)	-29,435,700	(13,596,852)
Increase in Trade Receivables	(2,926,416,574)	(1,814,967,781)	-2,926,416,574	(1,814,967,781)
Increase in Other Receivables	259,730,376	390,280,180	251,669,319	406,766,266
Decrease / (Increase) in VAT	157,083,704	1,403,779	144,048,838	1,593,268
(Decrease) / Increase in Trade and Other Payables	(521,626,550)	561,843,687	-506,546,415	544,436,551
Increase/(Decrease) in Transfers and Subsidies	34,639,209	(353,388,735)	18,867,351	(372,914,831)
(Decrease) / Increase in Consumer Deposits	1,908,465	(1,735,328)	1,908,465	(1,735,328)
Movement to provisions / employee benefit obligation - current	256,596,976	(86,591,955)	256,596,976	(86,591,955)
(Increase) / Decrease in Long-term Receivables	(22,908,274)	(59,636,416)	(22,908,274)	(59,636,416)
	1,663,499,882	2,188,322,540	1,639,104,312	2,165,465,455
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(196,369,125)	(99,142,909)	(196,369,125)	(99,142,909)
	(196,369,125)	(99,142,909)	(196,369,125)	(99,142,909)
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	3,861,790,425	3,810,037,140	3,861,790,425	3,810,037,140
Bank balances and cash	921,567,593	460,877,397	835,018,909	395,389,822
Total Cash and Cash Equivalents	4,783,358,018	4,270,914,537	4,696,809,334	4,205,426,962
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	15,516,612	14,131,905	15,516,612	14,131,905
Amount paid - current year	(15,516,612)	(14,131,905)	(15,516,612)	(14,131,905)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	0	0	0	0
Current year audit fee	29,781,491	26,145,694	28,544,736	25,273,504
Amount paid - current year	(29,912,552)	(26,145,694)	(28,544,736)	(25,273,504)
Amount paid - previous year	0	0	0	0
Balance unpaid (included in creditors)	(131,061)	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	49,898,151	45,549,254	50,622,282	44,825,124
Current year payroll deductions	614,530,567	592,343,856	603,657,290	581,901,771
Amount paid - current year	(566,751,149)	(542,445,705)	(555,877,872)	(531,279,489)
Amount paid - previous year	(50,622,282)	(45,549,254)	(50,622,282)	(44,825,124)
Balance unpaid (included in creditors)	47,055,287	49,898,151	47,779,418	50,622,282
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	297,487	0	0	0
Current year payroll deductions and Council Contributions	879,897,193	863,141,273	870,429,116	854,511,393
Amount paid - current year	(879,897,193)	(862,843,786)	(870,429,116)	(854,511,393)
Amount paid - previous year	0	0	0	0
Balance unpaid (included in creditors)	297,487	297,487	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	2,529,707	0	2,529,707	0
Current year payroll deductions	30,145,086	24,380,213	30,145,086	24,380,213
Amount paid - current year	(27,688,284)	(21,850,506)	(27,688,284)	(21,850,506)
Amount paid - previous year	(2,529,707)	0	(2,529,707)	0
Balance unpaid (included in creditors)	2,456,802	2,529,707	2,456,802	2,529,707

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
OTHER ADDITIONAL DISCLOSURES:				
35.7 IMPAIRMENT				
Impairment	<u>18,055,238</u>	<u>17,980,611</u>	<u>18,055,238</u>	<u>17,980,611</u>
The Impairment relates to vehicles, facilities and clinics.				
No reversals for Impairment were applicable during the current financial year				
35.8.1 LOSSES				
Loss on disposal of property, plant and equipment	5,294,436	8,395	5,290,635	0
Inventory Losses	25,270	0	25,270	0
Water Losses (Refer restatement note 40.2.4.2)	<u>219,442,216</u>	<u>217,162,723</u>	<u>219,442,216</u>	<u>217,162,723</u>
	<u>224,761,922</u>	<u>217,171,118</u>	<u>224,758,121</u>	<u>217,162,723</u>
The Loss on Disposal of Property, Plant and Equipment relates to various property plant and equipment				
35.8.2 GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Gains on disposal of property, plant and equipment	<u>739,753</u>	<u>0</u>	<u>739,753</u>	<u>0</u>
The Gains on Disposal of Property, Plant and Equipment relates to sale of motor vehicles				
35.9 WATER LOSSES				
The NMBM suffered water losses of 40,657 megalitres (39.29%) amounting to R219.4 million (2021: 43,349 megalitres (39.93%) amounting to R217.2 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 39.29% of water losses are made up of apparent (commercial) losses (10.63%) and real (physical) losses (28.66%).				
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 23.86% amounting to total accumulative losses of R 867,6 million (2021: 20.08% amounting to R 600.67 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 213,207,774.57) and non-technical losses (17.82% amounting to R 654,383,579.96). Technical losses are inherent losses in a distribution system ad these includes copper losses, Iron losses and heat losses due to current flow. 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 2022

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 2022		
Councillor TP Adams	932	-
Councillor AA Andries	-	36,947
Councillor JA Arends	-	1,733
Councillor BJ Brown	-	33,132
Councillor MR Jakuja	1,259	-
Councillor E Johnson	6,440	-
Councillor Z Kalani	-	29,956
Councillor RC Kayser	-	62,472
Councillor LZ Longbooi	579	-
Councillor NM Mbambo	-	95,761
Councillor L Mfana	-	1,622
Councillor BN Murray	-	72
Councillor K Ngqisha	41,034	-
Councillor L Troon	24,625	-
Councillor ZP Tsotso	15,265	-
Councillor IL Van Wyk	11,638	-
Councillor PB Vani	-	91
	101,772	261,786

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

	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
30 June 2021		
Councillor BM Bhanga	25,457	-
Councillor NM Booie	-	28,045
Councillor MS Breakfast	0	43,012
Councillor Z Dlula	-	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' consumer accounts outstanding for more than 90 days at a particular month-end are deducted from the Councillors' remuneration for the following month unless an arrangement was entered to.

36.2 List of Entities and related transactions

1 Solely-controlled entities

The following entity is solely controlled by the NMBM and have received the following grants:

	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
	R	R	R	R
Mandela Bay Development Agency (excluding VAT)	<u>136,721,450</u>	<u>102,500,020</u>	<u>136,721,450</u>	<u>102,500,020</u>

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

36	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
		2022	Restated 2021	2022	Restated 2021
		R	R	R	R

36.2 List of Entities and related transactions (Continued)

2 Section 57 Employees (See note 24)

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.

ECONOMIC ENTITY AND
MUNICIPALITY
86,849,608 74,990,900

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. 4,711,299 4,791,991

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. 2,542,707 10,234,354

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2021/22 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

		2022		Restated 2021		
		Awarded current year	Awarded prior year with spending in current year	Awarded current year	Awarded prior year with spending in current year	
Deviations: Supply Chain Management Policy						
In terms of section 36 (1)(a):						
(i)	In an emergency;					
		NMBM	16	27	16	23
		MBDA	0	0	0	0
(ii)	If such goods or services are produced or available from a single provider only;					
		NMBM	9	17	8	13
		MBDA	1	0	2	0
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;					
		NMBM	0	2	2	0
		MBDA	0	0	0	0
(iv)	Acquisition of animals for zoos and/or nature and game reserves;					
		NMBM	0	1	0	2
		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	55	79	44	67
		MBDA	33	0	24	0
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
			114	126	96	105

Invalid deviations forming part of the total amount of deviations have been disclosed as Irregular.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

37 CAPITAL COMMITMENTS	Economic Entity		Municipality	
	2022 R	Restated 2021 R	2022 R	Restated 2021 R
Approved and contracted for	240,817,000	159,412,534	240,817,000	159,412,534
Infrastructure	236,584,604	133,179,864	236,584,604	133,179,864
Community	3,229,647	25,425,772	3,229,647	25,425,772
Intangible	1,002,749	0	1,002,749	0
Other	0	806,898	0	806,898
Approved and contracted for - MBDA	73,315,290	44,394,177	0	0
Approved and not yet contracted for - MBDA	4,530,591	5,196,934	0	0
Total	318,662,881	209,003,645	240,817,000	159,412,534
This expenditure will be financed from:				
Fuel Levy	6,676,701	29,189,610	6,676,701	29,189,610
Urban Settlements Development Grant (USDG)	216,526,977	113,305,735	216,526,977	113,305,735
Integrated Public Transport Grant	9,904,947	13,118,027	9,904,947	13,118,027
Capital Replacement Reserve	620,999	3,694,493	620,999	3,694,493
Neighbourhood Development Partnership Grant	0	104,669	0	104,669
Upgrading of Informal Settlements Partnership Grant (UISP)	7,087,376	0	7,087,376	0
MBDA	77,845,881	49,591,111	0	0
Total	318,662,881	209,003,645	240,817,000	159,412,534
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (See Note 3)	1,223,133,702	1,163,898,436	1,223,133,702	1,163,898,436
Used to Finance property, plant and equipment - at cost	1,223,133,702	1,163,898,436	1,223,133,702	1,163,898,436
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.	192,847,457	196,369,125	192,847,457	196,369,125
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.

Trade payables				
1-3 months	2,296,758,877	2,394,124,100	2,275,793,401	2,372,907,057
> 3 months	135,052,670	104,073,173	135,052,670	104,073,173
	2,431,811,547	2,498,197,273	2,410,846,071	2,476,980,230
Long term borrowings				
< 12 months	192,847,457	196,369,125	192,847,457	196,369,125
> 12 months	1,054,416,477	991,072,467	1,053,876,127	990,166,517

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

40 RESTATED PRIOR YEAR COMPARATIVES	ECONOMIC ENTITY Restated 2021 R	MUNICIPALITY Restated 2021 R
Prior Period Adjustments:		
Net effect of changes - see details below	(83,174,822)	(82,675,900)
Net effect on surplus	<u>(83,174,822)</u>	<u>(82,675,900)</u>
Statement of Financial Performance		
40.1.1 Surplus for the year		
Balance as per audited financial statements (as previously reported)	654,157,957	653,833,634
Net effect on surplus	(83,174,822)	(82,675,900)
Service Charges (Refer 40.1.2)	153,115	153,115
Rental of Facilities and Equipment (Refer 40.1.3)	(1,657,501)	(1,657,501)
Other Revenue (Refer 40.1.4)	1,953,702	2,453,781
Fines, Penalties and Forfeits (Refer 40.1.5)	2,331,860	2,331,860
Property Rates (Refer 40.1.6)	(5,686,964)	(5,686,964)
Interest raised - Outstanding Debtors (Refer 40.1.7)	(382,922)	(382,922)
Licences and Permits (Refer 40.1.8)	30,000	30,000
Employee Related Costs (Refer 40.2.1)	341,719	809,762
Contracted Services (Refer 40.2.2)	(49,468,358)	(49,399,955)
Other Expenditure (Refer 40.2.3)	(34,363,978)	(34,363,978)
Other Materials (Refer 40.2.4.1)	90,058,151	90,058,151
Water Losses (Refer 40.2.4.2)	(217,162,722)	(217,162,722)
Bulk Purchases (Refer 40.2.5)	128,383,420	128,383,420
Transfers and Subsidies (Refer 40.2.6)	2,264,901	1,725,179
MBDA Correction	(2,119)	0
Finance Charges (Refer 40.2.7)	32,874	32,874
Restated surplus for 2020/21	<u>570,983,135</u>	<u>571,157,734</u>
40.1.2 Service Charges		
Income as per Audited financial statements (as previously reported)	6,513,794,686	6,514,925,241
Transfer from Other Receivables	14,498,680	14,498,680
Transfer to Trade and Other Payables	132,381	132,381
Transfer from Trade Receivables - Exchange Transactions	(14,477,946)	(14,477,946)
	<u>6,513,947,801</u>	<u>6,515,078,356</u>
Service charges in the amount of R153 115, which have not been previously accrued for or corrected.		
40.1.3 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	27,041,513	27,041,513
Transfer to Trade and Other Payables	-6,080	-6,080
Transfer to Other Revenue	-19,848	-19,848
Transfer from Other Receivables	(1,631,573)	(1,631,573)
	<u>25,384,012</u>	<u>25,384,012</u>
Rentals in the amount of R1 657 501 which have been previously incorrectly accrued for.		
40.1.4 Other Revenue		
Income as per Audited financial statements (as previously reported)	110,744,922	109,609,170
Transfer from Other Receivables	2,433,933	2,433,933
Transfer to Rental of Facilities and Equipment	19,848	19,848
MBDA Correction	(500,079)	0
	<u>112,698,624</u>	<u>112,062,951</u>
Other Revenue in the amount of R2 453 781 which have not been previously accrued for or have been corrected. MBDA correction in the amount of R500 079.		
40.1.4 Other Revenue: Non-Exchange Revenue / Transfers and Subsidies		
Fuel levy in the amount of R706 955 000 was transferred from Transfers and Subsidies to Other Revenue: Non-Exchange due to MSCOA changes		
40.1.5 Fines, Penalties and Forfeits		
Income as per Audited financial statements (as previously reported)	79,979,211	79,979,211
Transfer from Transfers and Subsidies	1,973,952	1,973,952
Transfer from Other Receivables	357,908	357,908
	<u>82,311,071</u>	<u>82,311,071</u>
Revenue in the amount of R2 331 860, which have not been previously accrued for.		
40.1.6 Property Rates		
Income as per Audited financial statements (as previously reported)	2,506,419,757	2,506,419,757
Transfer from Trade Receivables - Non-Exchange Transactions	(5,686,964)	(5,686,964)
	<u>2,500,732,793</u>	<u>2,500,732,793</u>
Propert rates adjustment in the amount of R5 686 964, which have not been previously accrued for.		
40.1.7 Interest raised - Outstanding Debtors		
Income as per Audited financial statements (as previously reported)	188,058,370	188,058,370
Transfer from Other Receivables	(382,922)	(382,922)
	<u>187,675,448</u>	<u>187,675,448</u>
Interest accrual in the amount of R382 922 not taken into account previously.		
40.1.8 Licences and Permits		
Income as per Audited financial statements (as previously reported)	15,038,949	15,038,949
Transfer from Other Receivables	30,000	30,000
	<u>15,068,949</u>	<u>15,068,949</u>
Licences in the amount of R30 000 not taken into account previously.		

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2021 R	Restated 2021 R
40.2.1 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	3,912,166,684	3,874,265,724
Transfer to Trade and Other Payables	(809,762)	-809,762
MBDA Correction	468,043	
	<u>3,911,824,965</u>	<u>3,873,455,962</u>
Expenses in the amount of R809 762, which have not been previously accrued for. MBDA correction in the amount of R468 043		
40.2.2 Contracted Services		
Expense as per Audited financial statements (as previously reported)	738,573,433	727,503,699
Transfer to Trade and Other Payables	49,399,955	49,399,955
MBDA Correction	68,403	
	<u>788,041,791</u>	<u>776,903,654</u>
Expenses in the amount of R49 399 955 which have not been previously accrued for. MBDA correction in the amount of R68 403		
40.2.3 Other Expenditure		
Expense as per Audited financial statements (as previously reported)	680,049,861	640,288,686
Transfer to Trade and Other Payables	34,363,978	34,363,978
	<u>714,413,839</u>	<u>674,652,664</u>
Expenses in the amount of R34 363 978 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)	156,680,566	156,680,566
Transfer from Bulk Purchases	125,942,496	125,942,496
Transfer to Losses	-217,162,722	-217,162,722
Transfer to Trade and Other Payables	1,162,075	1,162,075
	<u>66,622,415</u>	<u>66,622,415</u>
40.2.4.2 Water Losses		
Expense as per Audited financial statements (as previously reported)	0	0
Transfer to Other Materials	217,162,722	217,162,722
	<u>217,162,722</u>	<u>217,162,722</u>
Expenses in the amount of R1 162 075 which have not been previously accrued for or have been corrected.		
In terms of MSCOA reclassification, Water Bulk Purchases are now part of Other Materials (Water Inventory) and Water losses must now be accounted for in the General Ledger.		
40.2.5 Bulk Purchases		
Expense as per Audited financial statements (as previously reported)	3,819,893,366	3,819,893,366
Transfer to Trade and Other Payables	-2,396,182	-2,396,182
Transfer to Other Materials	-125,942,496	-125,942,496
Transfer to Inventory	-44,742	-44,742
	<u>3,691,509,946</u>	<u>3,691,509,946</u>
Correction of Bulk Purchases in the amount of R2 440 924.		
In terms of MSCOA reclassification, Water Bulk Purchases are now part of Other Materials (Water Inventory) and Water losses must now be accounted for in the General Ledger.		
40.2.6 Transfers and Subsidies (Expense)		
Expense as per Audited financial statements (as previously reported)	30,425,911	114,281,521
Transfer to Trade and Other Payables	-2,911,504	(2,911,504)
Transfer to Other Receivables	1,186,325	1,186,325
MBDA Correction	(539,722)	
	<u>28,161,010</u>	<u>112,556,342</u>
Grants in the amount of R1 725 179 which have not been previously accrued for or have been corrected. MBDA correction in the amount of R539 722		
40.2.7 Finance Charges		
Expense as per Audited financial statements (as previously reported)	127,630,586	127,630,586
Transfer to Trade and Other Payables	-32,874	-32,874
	<u>127,597,712</u>	<u>127,597,712</u>
Finance charges in the amount of R32 874, now corrected.		
Statement of Financial Position		
40.3 Total Accumulated Funds		
Closing Balance as per audited financial statements (as previously reported)	18,854,716,926	18,831,041,676
Decrease in Surplus (Refer to Note 40.1.1)	(83,174,822)	(82,675,900)
Restatements prior 2021	(9,735,957)	(10,234,879)
Transfer to VAT	(570,038)	(570,038)
Transfer to Other Receivables	(10,692,094)	(10,692,094)
Transfer to Trade and Other Payables	2,239,903	2,239,903
Transfer from Trade Receivables - Non-exchange transactions	(1,212,650)	(1,212,650)
MBDA Correction	498,922	0
Restated Closing Balance	<u>18,761,806,147</u>	<u>18,738,130,897</u>

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2021 R	Restated 2021 R
40.3.1 Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	2,411,662,230	2,430,651,469
Transfer from Contracted Services	49,399,955	49,399,955
Transfer from Other Expenditure	34,363,978	34,363,978
Transfer from Other Materials	1,162,075	1,162,075
Transfer to Bulk Purchases	(2,396,182)	(2,396,182)
Transfer to Finance Charges	(32,874)	(32,874)
Transfer to Transfers and Subsidies	(2,911,504)	(2,911,504)
Transfer from Rental of facilities and equipment	6,080	6,080
Transfer to Service Charges	(132,381)	(132,381)
Transfer to Employee Related Costs	(809,762)	(809,762)
Transfer to Accumulated Surplus	(2,239,903)	(2,239,903)
Transfer to Property, plant and equipment	4,004,764	4,004,764
Transfer to Intangible Assets	(162,000)	(162,000)
Transfer to VAT	5,802,827	5,802,827
Transfer to Provision for Leave pay	(387,494,595)	(382,834,549)
Transfer from Trade Receivables - Exchange Transactions	8,447	8,447
Transfer to Other Receivables	(759)	(759)
Transfer to Other Receivables - MBDA/ MBDA Correction	38,368,749	-
	<u>2,148,599,145</u>	<u>2,133,879,681</u>
Expenses in the amount of R86 062 761 (net movement), Relates to various expenses not previously accrued for or corrections made.		
Inter-company transactions in the amount of R38 368 749, now correctly eliminated.		
Leave pay in the amount of R382 834 549 previously disclosed as an accrual under Trade and Other Payables, have now been transferred to Provisions in terms of an Accounting Policy change - Refer note 41.3		
40.3.2 Other Receivables - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	181,652,885	256,466,088
Transfer from Service Charges	14,498,680	14,498,680
Transfer to VAT	-2,677,306	(2,677,306)
Transfer to Interest raised - Outstanding Debtors	-382,922	-382,922
Transfer from Licences and Permits	30,000	30,000
Transfer to Accumulated Surplus	-10,692,094	-10,692,094
Transfer to Fines, Penalties and Forfeits	357,908	357,908
Transfer to Trade and Other Payables	(759)	(759)
Transfer to Other Revenue	2,433,933	2,433,933
Transfer to Transfers and Subsidies	(1,186,325)	(1,186,325)
Transfer to Rental of Facilities and Equipment	(1,631,573)	(1,631,573)
Transfer to Trade and Other Payables - MBDA	38,006,458	0
	<u>220,406,885</u>	<u>257,215,630</u>
Income in the amount of R749 542, relates to various income (net movement), not previously accrued for or corrections made.		
Inter-company transactions in the amount of R38 006 458, now correctly eliminated.		
40.3.3 VAT		
Balance as per Audited financial statements (as previously reported)	160,098,640	160,098,640
Transfer from Accumulated Surplus	570,038	570,038
Transfer to Trade and Other Payables	(5,802,827)	(5,802,827)
Transfer from Trade Receivables - Exchange Transactions	2,259,194	2,259,194
Transfer from Other Receivables	(2,677,306)	(2,677,306)
	<u>154,447,739</u>	<u>154,447,739</u>
Vat in the amount of R5 650 901 (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)	2,288,491,068	2,288,491,068
Transfer from Trade and Other Payables	8,447	8,447
Transfer from VAT	2,259,194	2,259,194
Transfer from Service Charges	(14,477,946)	(14,477,946)
	<u>2,276,280,763</u>	<u>2,276,280,763</u>
Services charges adjustment in the amount of R12 210 305 which have not been previously accrued for.		
40.3.4.2 Trade Receivables - Non-exchange Transactions		
Balance as per Audited financial statements (as previously reported)	352,547,303	352,547,303
Transfer to Accumulated Surplus	(1,212,650)	(1,212,650)
Transfer from Property Rates	(5,686,964)	-5,686,964
	<u>345,647,689</u>	<u>345,647,689</u>
Property rates adjustment in the amount of R6 899 614, which have not been previously accrued for.		
40.3.5 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	17,722,538,772	17,702,549,568
Transfer from Trade and Other Payables	4,004,764	4,004,764
MBDA Correction	430,398	-
	<u>17,726,973,934</u>	<u>17,706,554,332</u>
Assets in the amount of R4 004 764, which was not previously accrued for. MBDA correction in the amount of R430 398		
40.3.6 Intangible Assets		
Balance as per Audited financial statements (as previously reported)	105,657,724	104,655,139
Transfer to Trade and Other Payables	(162,000)	(162,000)
MBDA Correction	(2,000)	-
	<u>105,493,724</u>	<u>104,493,139</u>
Correction of an Asset expense in the amount of R162 000. MBDA correction in the amount of R2 000		

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2021 R	Restated 2021 R
40.3.7 Inventory		
Balance as per Audited financial statements (as previously reported)	153,982,613	153,803,848
Transfer to Bulk Purchases	<u>44,742</u>	<u>44,742</u>
	<u>154,027,355</u>	<u>153,848,590</u>
Correction of Water Inventory in the amount of R44 742.		
40.3.8 Transfers and Subsidies - Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	351,572,080	345,074,501
Transfer to Other Revenue	<u>(1,973,952)</u>	<u>(1,973,952)</u>
	<u>349,598,128</u>	<u>343,100,549</u>
Grants in the amount of R1 973 952, have been transferred to revenue.		
40.3.9 Provision for Leave pay		
Balance as per Audited financial statements (as previously reported)	0	0
Transfer from Trade and Other Payables	<u>382,834,549</u>	<u>382,834,549</u>
	<u>382,834,549</u>	<u>382,834,549</u>

Leave pay in the amount of R382 834 549 previously disclosed as an accrual under Trade and Other Payables, have now been transferred to Provisions in terms of an Accounting Policy change - Refer note 41.3

**41.1 PRIOR PERIOD ERROR
PROPERTY, PLANT AND EQUIPMENT
2022 Financial year**

GRAP 17 requires that an entity shall at each reporting date assess whether there has been a change to an entity's assessment of residual value and useful life of assets. The assessment is required to include a consideration on whether the life of the asset has increased or decreased because of its' current condition. In the current financial year, the entity has fully addressed the GRAP 17 requirements to assess an assets useful life at each reporting date. In previous financial years the assessments had not been sufficiently considered.

As a result of the review 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, eg 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.

Calculating the prior period adjustment, was considered impracticable by the entity as the restatement requires assumption on management's intentions in the prior years and the retrospective restatement would require significant estimates and it is not possible to distinguish objective information about the estimates.

As per the requirements of GRAP 3, when it is impracticable to determine the period-specific effects, the entity shall apply the corrected values at the beginning of the earliest period where application is practicable, which may be the current period. The entity has therefore applied the changes in the current year and is effectively treated as a prospective adjustment.

**41.2 CHANGE IN ACCOUNTING ESTIMATE
CONSUMER DEBTORS - PROVISION FOR BAD DEBTS
2022 Financial year**

During the 2022 financial year, management has done a review on the provision for bad debts due to new information received, which allows for more accurate estimations per consumer debtor into the different service charges, aged accordingly and per debtor category.

The effect of this revision has increased the Provision for Bad Debts for the current year by R116 935 240. This change affects the current periods' surplus / deficit and is therefore recognised in the current period.

Due to the uncertainty in knowing how much the outstanding consumer debt will be over the next 12 months, estimating the effect on future periods will be impracticable.

**41.3 CHANGE IN ACCOUNTING POLICY
LEAVE PAY PROVISION
2022 Financial year**

During the 2022 financial year, management has changed its accounting policy regarding accounting for the leave balance from a leave accrual to a leave provision. The change in policy has been made because its management's opinion that this measurement method will more accurately reflects the Municipality's leave balance.

This change have been applied retrospectively.

For the impact in the change in policy - Refer note 4.1, disclosed in full.

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42 OTHER GRAP DISCLOSURES	ECONOMIC ENTITY AND MUNICIPALITY	
	2022	Restated 2021
42.1 CONSTRUCTION CONTRACTS		
Amount of revenue recognised - Operating	3,337,651	0
Amount of revenue recognised - Capital	35,082,569	0
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	1,119,896,637	1,162,226,890
Amount of advances received	43,243,812	1,247,591
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 6 - Included with Trade and Other Payables		
42.2 STATUTORY RECEIVABLES		
Property Rates	338,266,454	345,647,689
Traffic Fines	19,776,513	19,776,513
Longterm Receivables - Non-Exchange	51,110,748	40,567,320
Other Receivables - Non-Exchange	0	265,415,000
VAT (Payable to SARS) - NMBM	0	14,165,581
VAT (Payable to SARS) - MBDA	0	2,064,326
	409,153,715	687,636,429

43 OPERATING LEASE COMMITMENTS	Economic Entity		Municipality	
	2022	Restated 2021	2022	Restated 2021
Municipality as Lessee	R	R	R	R
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 off.				
The Municipality has no sale and leaseback transactions.				
Future minimum lease payments under non-cancellable operating leases:				
Buildings	2,788,477	9,372,911	2,788,477	9,372,911
Payable within one year	1,808,857	6,623,934	1,808,857	6,623,934
Payable within two to five years	979,620	2,748,977	979,620	2,748,977
Photocopier, fax machines and other equipment	15,025,839	2,742,345	14,875,895	2,579,729
Payable within one year	6,271,578	2,627,326	6,148,753	2,494,997
Payable within two to five years	8,753,261	114,019	8,727,142	84,732
Payable above five years	1,000	1,000	0	0
	17,814,316	12,115,256	17,664,372	11,952,640
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.				
Land	10,640,477	11,120,441	10,640,477	11,120,441
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	8,240,417	8,720,381	8,240,417	8,720,381
Buildings	35,337,512	41,660,387	35,333,512	41,549,347
Receivable within one year	7,064,887	8,176,641	7,060,887	8,065,601
Receivable within two to five years	5,060,723	9,704,654	5,060,723	9,704,654
Receivable after 5 years	23,211,902	23,779,092	23,211,902	23,779,092
	45,977,989	52,780,828	45,973,989	52,669,788

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		Economic Entity and Municipality	
		2022	Restated 2021
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
	Incident / Disciplinary steps / Criminal Proceedings		
44.1	Unauthorised Expenditure		
	Opening Balance	849,459,173	257,062,641
	Incurred - Current year - Relating to current year	0	847,087,284
	Approved by Council - refer below	(840,563,796)	(254,690,752)
	Recoveries - Current year	0	0
		8,895,377	849,459,173
44.1.1	Actual expenditure in excess of approved budget votes		
	The total actual expenditure, including non-cash flow items amounted to R15 400 858 697 , compared to the approved adjustments budget of R15 908 899 137 . The actual expenditure was thus R508 040 440 below the approved adjustments budget and does not constitute unauthorised expenditure.	0	840,563,796
	The total actual expenditure per budget vote did not exceed the approved adjustments budget		
44.1.2	Request for authority to pay Service Provider for work executed prior to approval of Loan Funding.	0	6,523,488
	Total	0	847,087,284
	Approved by Council in accordance with Regulation 23(6)(b) of the Municipal Budget and Reporting Regulations No. 32141	(840,563,796)	(254,690,752)
44.2	Irregular Expenditure		
	Opening Balance - previously stated	18,871,381,011	17,731,225,088
	Restatement	(31,508)	(254,315,781)
	Restated Opening Balance	18,871,349,503	17,476,909,307
	Incurred - Current year - Relating to current year (awards)	160,147,621	68,636,702
	Incurred - Current year - Relating to prior year (awards / other)	1,221,649,467	1,325,835,002
	Approved by Council - Other	(4,910,156)	0
		20,248,236,435	18,871,381,011
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.	201,233,834	194,866,856
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.	88,193,009	75,562,909
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	97,148,127	5,009,388
	- Relating to prior year	812,647,843	638,068,829
4	Breach of the Supply Chain Management policy		
	Payments made which was in contravention of the scm policy which was not previously disclosed.		
	- Relating to current year	37,073,646	1,675,006
	- Relating to prior year	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		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	24,780,584	57,285,814
	Incurred - Current year - Relating to prior year Tenders	119,574,781	417,336,408
6	MBDA - Irregular Expenditure	1,145,264	4,666,494
	Total	1,381,797,088	1,394,471,704
	Total amount approved by Council in respect of ALL cases / Condoned by MBDA Board	(4,910,156)	0
7	Information not available (Limitation of Scope)		
	Opening Balance - previously stated	2,503,639,570	3,338,900,013
	Restatement	0	-981,942,127
	Restate Opening Balance	2,503,639,570	2,356,957,886
	Incurred - Current year - Relating to prior year Tenders	123,663,794	146,681,684
	Approved by Council - Other	0	0
		2,627,303,364	2,503,639,570
	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	668,488,055	667,488,239
	Restatement - Incurred	0	0
	Restated Opening Balance	668,488,055	667,488,239
	Incurred - Current year - Relating to current year	8,376,040	999,816
	Incurred - Current year - Relating to prior year	0	0
	Approved by Council - Other reversed	(9,000)	0
		676,855,095	668,488,055
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.	3,793,196	999,816
2	Breach of the Supply Chain Management policy - Fruitless and Wasteful expenditure	4,036,834	0
3	MBDA - Fruitless and Wasteful Expenditure	546,010	0
	TOTAL	8,376,040	999,816
	Total amount approved by Council for in respect of ALL cases / Condoned by MBDA Board	(9,000)	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		Economic Entity and Municipality	
		2022	Restated 2021
		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).		
	<u>Possible Contingent liabilities:</u>		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	361,567,513	350,113,403
2	Various claims due to municipal administrative matters that are under dispute or investigation.	138,350	23,935,888
3	Various claims by current or terminated employees due to alleged unfair labour practices.	1,682,793	10,232,171
4	Various claims due to supply chain related issues or creditor payment related matters.	259,512,780	259,204,758
		622,901,436	643,486,220
	Contingent Liability - MBDA	0	0
	Total Consolidated Amount	622,901,436	643,486,220
45(b)	PROVISION FOR LITIGATION AND CLAIMS		
	<u>Detail of Provision raised in Note 4.2</u>		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	329,489	15,277,529
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 4.2	329,489	15,277,529
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.		
	<u>Possible Contingent assets</u>		
1	Various claims due to supply chain related issues or creditor payment related matters.	252,005,195	177,933,302
		252,005,195	177,933,302
46	EVENTS AFTER REPORTING DATE		
46.1	Nelson Mandela Bay Municipality		
	None		
46.3	Mandela Bay Development Agency (MBDA)		
	The entity issued awards of tenders during the period after the reporting date, the procurement process for these awards had started during the current financial year, of this amount R1 851 594 relates to post balance sheet capital commitments. On 30 August 2022, the Board of Directors approved, an amount of R92 660, relating to Irregular expenditure incurred for the award to suppliers based on unfair functionality criteria (locality) - Refer Note 28 in MBDA's financial statements.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 R350,457 million (2021: R341,338 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2022.

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 2021. The overall funding level at 30 June 2021 was 100.5%.

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 2022. The unfunded liability in respect of past service has been valued at R44,511 million (2021: R48,579 million), of which R40,873 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 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024	Year ending 30/06/2025
Opening Accrued Liability	48,578,751	44,511,000	45,609,000	46,884,000
Current service cost	0	0	0	0
Interest cost	4,615,625	4,736,000	4,860,000	5,006,000
Benefits paid	-3,453,400	-3,638,000	-3,585,000	-3,504,000
Total Annual Expense	1,162,225	1,098,000	1,275,000	1,502,000
Actuarial Loss / (Gain)	-5,229,976			
Closing Accrued Liability	44,511,000	45,609,000	46,884,000	48,386,000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

47 Information on Post Retirement Benefits (Continued)

Statement of Financial Position Figures

Unfunded Accrued Liability

	Year ending 30/06/2022	Year ending 30/06/2023
Balance Sheet		
Fair Value of Plan Assets	0	0
Accrued Liability	44,511,000	45,609,000
Unfunded Accrued Liability	44,511,000	45,609,000
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	44,511,000	45,609,000

Reconciling and Projecting the Unfunded Accrued Liability

	Year ending 30/06/2022	Year ending 30/06/2023
Unfunded Accrued Liability		
Opening Balance	48,578,751	44,511,000
Current Service Cost	0	0
Interest Cost	4,615,625	4,736,000
Expected Return on Plan Assets	0	0
Actuarial (Gain) /Loss	-5,229,976	0
Past Service Cost		
Effect of Curtailment / Settlement		
Expected Employer Benefit Payments	-3,453,400	-3,638,000
Employer Prefunding Contributions	0	0
Closing Balance	44,511,000	45,609,000
Projected Accrued Liability	49,740,976	45,609,000

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

Category	Year ending 30/06/2022	Year ending 30/06/2023
Current Service Cost (In-Service members only)	0	0
Interest Cost	4,615,625	4,736,000
Actuarial (Gain)/Loss	-5,229,976	0
Total employee benefits expense	-614,351	4,736,000

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Current Valuation 30 June 2021	Current Valuation 30 June 2022
Discount rate	9.84%	11.08%
Inflation Assumption	6.12%	0
Salary Increase Rate	7.12%	7.32%
Net Effective Discount Rate (Pre-Retirement)	6.58%	3.50%
Pension Increase Rate	3.06%	3.16%
Net Effective Discount Rate (Post-Retirement)		7.68%

Discount Rate Assumption:

The discount rate of 11.08% per annum has been used and the corresponding index-linked yield at this term is 4.00%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022.

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 7.32% per annum has been used as at 30 June 2022.

The future salary inflation assumption was set at 7.12% per annum for the previous valuation.

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 2022.

The expected pension increase rate was set at 3.06% 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 2022 is assumed to be 3.50% per annum (derived from the discount rate of 11.08% and the expected increase rate of 3.16%).

The net discount rate was set at 6.58% 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 2022

47 Information on Post Retirement Benefits (Continued)

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 light table, adjusted for female lives.

Post-retirement Mortality:

The post-retirement mortality assumption is based on the PA (90) ultimate table, adjusted down by one year of age and a 1% annual compound mortality improvement from 2010.

Assumed Retirement Age:

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Family Profile:

It has been assumed that female spouses will be four years younger than their male counterparts. It has been further assumed that eligible employees will have the same marital status at retirement as they had at the Valuation date.

Withdrawal Rates:

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

Withdrawal rates

2022 Valuation		
Age	Withdrawal Rate Females	Withdrawal Rate Males
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
60+	0%	0%

2021 Valuation		
Age	Withdrawal Rate Females	Withdrawal Rate Males
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60+	0%	0%

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62, on average, which allows for expected rates of ill-health and early retirement.

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:

Sensitivity Results:

The liability at the valuation date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the inflation rate;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a one-year age increase and decrease in the assumed rates of post-employment mortality; and
- (iv) a one-year decrease and decrease in the assumed average retirement age.

The results of the sensitivity analysis on Accrued Liability (Rands)

Assumption	Change	Eligible Employees	Pensioners	Total	% Change
Central Assumptions		17,361,000	27,150,000	44,511,000	
Inflation rates	+1%	19,717,000	29,014,000	48,731,000	9%
	-1%	15,373,000	25,476,000	40,849,000	-8%
Discount Rate	+1%	15,429,000	25,603,000	41,032,000	-8%
	-1%	19,675,000	28,891,000	48,566,000	9%
Post-employment mortality	+1 year	17,021,000	26,448,000	43,469,000	-2%
	-1 year	17,691,000	27,844,000	45,535,000	2%
Average Retirement Age	+1 year	16,368,000	27,150,000	43,518,000	-2%
	-1 year	18,238,000	27,150,000	45,388,000	2%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

47 Information on Post Retirement Benefits (Continued)

The results of the sensitivity analysis on Interest Cost for the year ending 30 June 2023

Assumption	Change	Interest Cost	% Change
Central Assumptions		4,736,000	
Inflation rates	+1%	5,202,000	+10%
	-1%	4,331,000	-9%
Discount Rate	+1%	4,74,3000	0%
	-1%	4,716,000	0%
Post-employment mortality	+1 year	4,620,000	-2%
	-1 year	4,849,000	+2%
Average Retirement Age	+1 year	4,626,000	-2%
	-1 year	4,833,000	+2%

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 R4,773.00 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 R1,445 billion as at 30 June 2022 (2021: R1,437 billion). Provision for R1,445 billion has been made (non-current R1,378 billion, current R67,954 million). It is expected that approximately 4.7% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

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 30/06/2022 R	Year ending 30/06/2023 R	Year ending 30/06/2024 R	Year ending 30/06/2025 R
Opening Accrued Liability	1,436,874,194	1,445,466,000	1,584,620,000	1,741,974,000
Interest Cost	176,352,075	164,547,000	180,600,000	198,776,000
Service Cost	45,464,776	42,561,000	47,519,000	53,055,000
Estimated Payments	-70,885,469	-67,954,000	-70,765,000	-73,514,000
Total Annual Expense	150,931,382	139,154,000	157,354,000	178,317,000
Actuarial (Gain)/Loss on financial basis	-142,339,576			
Actuarial (Gain)/Loss on experience				
Closing Accrued Liability	1,445,466,000	1,584,620,000	1,741,974,000	1,920,291,000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

47 Information on Post Retirement Benefits (Continued)

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

Category	Year ending 30/06/2022 R	Year ending 30/06/2023 R	Year ending 30/06/2024 R	Year ending 30/06/2025 R
Interest Cost	176,352,075	164,547,000	180,600,000	198,776,000
Service Cost (In-Service members only)	45,464,776	42,561,000	47,519,000	53,055,000
Actuarial (Gain)/Loss [2017: Gain on Financial Basis]	-142,339,576			
Actuarial (Gain)/Loss [2017: Loss on Experience]				
Total employee benefits expense	79,477,275	207,108,000	228,119,000	251,831,000

KEY VALUATION ASSUMPTIONS AND DEVELOPMENTS

Summary of economic assumptions that were used in the valuation:

Assumption	Valuation 30 June 2021	Valuation 30 June 2022
Discount rate	12.38%	11.65%
Future Inflation / Net of max subsidy inflation discount rate	7.61%	5.49%
Health Care Cost Inflation Rate	9.11%	8.29%
Maximum Subsidy Inflation	3.80%	5.84%
Net Health Care Cost Inflation discount rate	3.00%	3.10%

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date. Consequently a discount rate of 11.65% per annum has been used and the corresponding index-linked yield at this term is 4.08%.

The source of the data is the Johannesburg Stock Exchange after market close on 30 June 2022.

Health Care Cost Inflation rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs. A health care cost inflation of 8.29% has been assumed. This is 1.50% in excess of expected CPI inflation.

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 8.29% per annum for 30 June 2022.

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 3.10% per annum for 30 June 2022, (derived from the discount rate of 11.65% and the expected medical inflation rate of 8.29%).

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 ultimate table, adjusted for female lives.

Post-Retirement Mortality:

The PA90 ultimate mortality table adjusted down by one year of age and a 1% annual compound mortality improvement from 2010.

Withdrawal Rates:

2022 Valuation

Age	Withdrawal Rate	
	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
60+	0%	0%

2021 Valuation

Age	Withdrawal Rate	
	Females	Males
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
55	0%	0%
60+	0%	0%

Average Retirement Age:

The normal retirement age of employees is 65 years. It has been assumed that employees will retire at age 62, on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

47 Information on Post Retirement Benefits (Continued)

Continuation of Membership:

It has been assumed that 75% of In-Service Members will remain on the Municipality's health care arrangement should they stay until retirement.

Eligible In-Service No-Members Joining a Scheme by Retirement:

It has been assumed that 10% of eligible in-service non-members will be on medical scheme by retirement.

Family Profile:

It has been assumed that female spouses will be four years younger than their male counterparts. It has also been assumed that 60% of eligible employees on a health care arrangement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Other Assumptions:

It was assumed that the Municipality's health care arrangements and subsidy policy would remain the same. It was further assumed that the level of benefits receivable and the contributions payable would remain unchanged with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical

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 experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

Sensitivity Results:

The liability at the valuation date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the assumed rate of health care cost inflation;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) a one-year decrease in the assumed average retirement age; and
- (v) a decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

The results of the sensitivity analysis on Accrued Liability (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total	% Change
Central Assumptions		701.472	743.994	1,445.466	
Health care inflation rate	1%	752.112	774.647	1526.759	6%
	-1%	633.108	707.569	1340.677	-7%
Discount Rate	1%	602.59	686.484	1288.743	-11%
	-1%	825.558	811.099	1636.657	13%
Post-employment mortality	'+1 year	685.483	720.934	1406.417	'-3%
	'-1 year	717.078	766.963	1484.041	3%
Average Retirement Age	-1 year	759.493	743.994	1,530.487	4%
Membership Continuation	-10%	613.285	743.994	1,357.279	-6%

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonuses:

The Municipality offers employees LSA in the form of monthly bonuses, commencing when employees reach 12 years of continuous service.

The monthly bonuses are a percentage of employees' monthly basic salaries and are also paid in respect of employees' thirteenth cheques.

Employees appointed prior to 01 July 2016 will receive a once-off award to the value of 7% of their annual basic salaries, upon reaching 10 years of service.

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 milestone. This amount is not expected to increase in the future.

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.

Long Service Bonus for levels of past service:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
Less than 12	0%	None
12 - 17	5%	5% x monthly basic salary x 13
18 - 23	10%	10% x monthly basic salary x 13
24 and above	15%	15% x monthly basic salary x 13

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

47 Information on Post Retirement Benefits (Continued)

Past year and future projected liability

Obligation	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024	Year ending 30/06/2025
Opening Accrued Liability	833,530,000	867,595,000	888,477,000	916,293,000
Current service cost	54,444,000	57,471,000	63,750,000	70,716,000
Interest cost	66,442,000	88,158,000	90,357,000	93,029,000
Expected benefit vestings	-96,538,000	-124,747,000	-126,291,000	-133,195,000
Total Annual Expense	24,348,000	20,882,000	27,816,000	30,550,000
Actuarial (Gain)/Loss	9,717,000			
Accrued Liability	867,595,000	888,477,000	916,293,000	946,843,000

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet	Year ending 30/06/2021	Year ending 30/06/2022
Opening Balance	695,122,200	833,530,000
Current service cost	49,351,000	54,444,000
Interest cost	53,365,000	66,442,000
Actuarial (Gain)/Loss on basis	71,172,000	9,717,000
Actuarial (Gain)/Loss on experience	73,892,800	0
Net Periodic Cost Recognised in P&L	247,780,800	130,603,000
Expected benefit vestings	-109,373,000	-96,538,000
Closing Balance	833,530,000	867,595,000
Current Portion of Liability		124,747,000
Non-Current Portion of Liability	833,530,000	742,848,000

Key Assumptions

Key Financial Assumptions

The assumptions used are based on statistics and market data as at 30 June 2022. These valuation assumptions are consistent with the requirements of GRAP 25.

Assumption	Valuation	
	30 June 2021	30 June 2022
Discount rate	8.17%	10.93%
Future inflation	5.12%	
Salary inflation	6.12%	7.34%
Salary Inflation Premium	1.00%	
Net (Effective) Discount Rate	1.94%	3.34%

The next general earnings increase was assumed to take place on 01 July 2023.

Detailed Assumptions

Discount Rate Assumption:

A discount rate of 10.93% has been used and the corresponding liability-weighted index-linked yield is 3.84%. These rates do not reflect any adjustment for taxation and were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2022.

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 between 1.0% and 1.5% per annum. Therefore, we have used a salary inflation assumption of 7.34% per annum for 2022.

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%
>44	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 3.34% per annum, derived from the discount rate of 10.93% and the expected salary inflation rate of 7.34%.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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:

2022 Valuation		
Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
60+	0%	0%

2021 Valuation		
Age	Females	Males
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
55	0%	0%
60+	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.

Sensitivity Results:

The liability at the valuation date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- (iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Results - Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central Assumptions		867,695,000	
	1%	914,604,000	5%
Health care inflation rate	-1%	824,512,000	-5%
	1%	822,357,000	-5%
Discount Rate	-1%	917,781,000	6%
	+2 years	1,013,445,000	17%
Post-employment mortality	-2 years	725,181,000	-16%
Average Retirement Age	x2	735,154,000	15%
Membership Continuation	x 0.5	955,697,000	10%

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 2022

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 2021	30 June 2022
Discount Rate	7.56%	
Future Inflation	4.72%	
Salary Inflation	5.72%	
Salary Inflation Premium	1.00%	
Net Gap Enhanced Gratulities	1.74%	
Net Gap Standard Gratulities	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 2022 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 2022 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 2022.

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 2022, (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 the 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 2022

47 Information on Post Retirement Benefits (Continued)

Valuation Results

The Actuarial Liability was as follows at 30 June 2022:

	30 June 2021 R	30 June 2022 R
Standard Gratuity Pension Liability	6,071,999	
Enhanced Gratuity Pension Liability	3,572,385	
Monetary Enhancement	545,605	
Total Accrued Liability	10,189,989	
Balance Sheet Provision	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 2022 financial year, are as follows:

Obligation	30 June 2021 R'000	30 June 2022 R
Obligation at beginning of the year	12,645,986	10,189,989
Interest Cost	1,234,131	
Service Cost	266,284	
Gratuity Payments	-2,267,297	
Actuarial (Gain) / Loss on basis	368,088	
Actuarial (Gain) / Loss on experience	-2,057,203	
Obligation at end of the year	10,189,989	10,189,989

Projections

The projections of the expected change in the obligation over the period 01 July 2021 to 30 June 2024, are 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 2022 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 2022

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2021					
Cost	2,198,966,490	20,375,594,884	3,701,929,664	1,678,410,067	27,954,901,105
Transfers/Adjustments - Costs	-	-	-	(173,703)	(173,703)
Restatement - Cost	-	-	-	-	-
Disposal/Impairment	-	-	-	-	-
Transfers/Adjustments - Depreciation	-	-	-	-	-
Accumulated Depreciation	(399,927,169)	(7,502,611,804)	(1,254,770,288)	(1,070,617,910)	(10,227,927,171)
	1,799,039,321	12,872,983,080	2,447,159,376	607,618,454	17,726,800,231
Movement during the year ended 30 June 2022					
Acquisitions	12,762,668	1,138,960,044	29,101,874	22,666,679	1,203,491,265
Take On	7,687,679	8,757,265	6,352,839	87,871,715	110,669,498
Transfers / Adjustments - Cost	-	-	9,663,506	-	9,663,506
Useful lives Adjustment - Depreciation	-	-	-	-	-
Depreciation	(41,194,106)	(694,388,792)	(116,924,621)	(94,520,540)	(947,028,059)
	(20,743,759)	453,328,517	(71,806,402)	16,017,854	376,796,210
Carry Value of Disposals/Impairments during the year ended 30 June 2022					
Cost	-	(8,672,613)	(47,961,916)	(3,806,708)	(60,441,237)
Depreciation	-	2,185,815	31,095,306	3,993,179	37,274,300
	-	(6,486,798)	(16,866,610)	186,471	(23,166,937)
Carrying Values at 30 June 2022	1,778,295,562	13,319,824,799	2,358,486,364	623,822,779	18,080,429,504
Summary - Carrying Values at 30 June 2022					
Summary - Cost	2,219,416,837	21,514,639,580	3,699,085,967	1,784,968,050	29,218,110,434
Summary - Accumulated Depreciation	(441,121,275)	(8,194,814,781)	(1,340,599,603)	(1,161,145,271)	(11,137,680,930)
	1,778,295,562	13,319,824,799	2,358,486,364	623,822,779	18,080,429,504

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	-	-	-	173,699	173,699
Restatement - Cost	-	4,226,737	9,850,531	(183,966)	13,893,302
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	12,411,802,951	2,520,393,793	581,150,910	17,310,449,733
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)	(84,517)	(18,065,128)
Depreciation	112,056	-	-	217,964	330,020
	(1,799,701)	(3,219,001)	(12,849,853)	133,447	(17,735,108)
Carrying Values at 30 June 2021	1,799,039,321	12,872,983,080	2,447,159,376	607,792,157	17,726,973,934
Summary - Carrying Values at 30 June 2021					
Summary - Cost	2,198,966,490	20,375,594,884	3,701,929,664	1,678,410,067	27,954,901,105
Summary - Accumulated Depreciation	(399,927,169)	(7,502,611,804)	(1,254,770,288)	(1,070,617,910)	(10,227,927,171)
	1,799,039,321	12,872,983,080	2,447,159,376	607,792,157	17,726,973,934

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48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (Continued)

MUNICIPALITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2021					
Cost	2,181,449,663	20,375,594,884	3,701,929,664	1,671,949,272	27,930,923,483
Transfers/Adjustments - Costs					-
Restatement - Cost					-
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
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	12,872,983,080	2,447,159,376	604,695,331	17,706,554,332
Movement during the year ended 30 June 2022					
Acquisitions	11,709,228	1,138,960,044	29,101,874	20,582,698	1,200,353,844
Take On	7,687,679	8,757,265	6,352,839	87,871,715	110,669,498
Transfers / Adjustments - Cost		-	9,663,506	-	9,663,506
Useful lives Adjustment - Depreciation					-
Depreciation	(41,180,513)	(694,388,792)	(116,924,621)	(93,299,085)	(945,793,011)
	(21,783,606)	453,328,517	(71,806,402)	15,155,328	374,893,837
Carry Value of Disposals/Impairments during the year ended 30 June 2022					
Cost		(8,672,613)	(47,961,916)	(3,785,578)	(60,420,107)
Depreciation		2,185,815	31,095,306	3,793,113	37,074,234
		(6,486,798)	(16,866,610)	7,535	(23,345,873)
Carrying Values at 30 June 2022	1,759,932,939	13,319,824,799	2,358,486,364	619,858,194	18,058,102,296
Summary - Carrying Values at 30 June 2022					
Summary - Cost	2,200,846,570	21,514,639,580	3,699,085,967	1,776,618,107	29,191,190,224
Summary - Accumulated Depreciation	(440,913,631)	(8,194,814,781)	(1,340,599,603)	(1,156,759,913)	(11,133,087,928)
	1,759,932,939	13,319,824,799	2,358,486,364	619,858,194	18,058,102,296

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		4,226,737	9,850,531	(183,966)	13,893,302
Restatement - Cost					-
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)	(6,790,824,496)	(1,141,210,586)	(1,000,899,827)	(9,290,571,781)
	1,779,814,505	12,411,802,951	2,520,393,793	577,900,575	17,289,911,824
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	12,872,983,080	2,447,159,376	604,695,331	17,706,554,332
Summary - Carrying Values at 30 June 2021					
Summary - Cost	2,181,449,663	20,375,594,884	3,701,929,664	1,671,949,272	27,930,923,483
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	12,872,983,080	2,447,159,376	604,695,331	17,706,554,332

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2021	
Cost	235,002,583
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	219,181,926
Movement during the year ended 30 June 2022	
Acquisition	-
Take On	9,094,743
Transfers / Adjustment	(9,663,506)
Impairment	-
	(568,763)
Impairment value during the year ended 30 June 2022	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2022	218,613,163
Summary - Carrying Values at 30 June 2022	
Summary - Cost	234,433,820
Summary - Accumulated Impairment	(15,820,657)
	218,613,163

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2020	
Cost	227,135,645
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	(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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

49 HERITAGE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2021	
Cost	234,752,083
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	218,931,426
Movement during the year ended 30 June 2022	
Acquisition	-
Take On	9,094,743
Transfers / Adjustment	(9,663,506)
Impairment	-
	(568,763)
Impairment value during the year ended 30 June 2022	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2022	218,362,663
Summary - Carrying Values at 30 June 2022	
Summary - Cost	234,183,320
Summary - Accumulated Impairment	(15,820,657)
	218,362,663

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2020	
Cost	226,885,145
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	(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

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 2022

50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2021	
Cost	463,607,545
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(358,113,820)
	105,493,725
Movement during the year ended 30 June 2022	
Acquisition	869,790
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(50,002,580)
	(49,132,790)
Impairment/ Disposal value during the year ended 30 June 2022	
Cost	0
Amortisation	0
	-
Carrying Values at 30 June 2022	56,360,935
Summary - Carrying Values at 30 June 2022	
Summary - Cost	464,477,335
Summary - Accumulated Amortisation	(408,116,400)
	56,360,935

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2020	
Cost	459,984,581
Transfers/Adjustments	(162,000)
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(308,476,494)
	151,346,087
Movement during the year ended 30 June 2021	
Acquisition	3,795,969
Transfers/Adjustments	-
Transfers/Adjustments	-
Amortisation	(49,637,326)
	(45,841,357)
Impairment/ Disposal value during the year ended 30 June 2021	
Cost	11,005
Amortisation	0
	11,005
Carrying Values at 30 June 2021	105,493,725
Summary - Carrying Values at 30 June 2021	
Summary - Cost	463,607,545
Summary - Accumulated Amortisation	(358,113,820)
	105,493,725

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

50 INTANGIBLE ASSETS RECONCILIATION (Continued)

MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2021	
Cost	462,209,011
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(357,715,872)
	104,493,139
Movement during the year ended 30 June 2022	
Acquisition	692,790
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(49,701,970)
	(49,009,180)
Impairment/ Disposal value during the year ended 30 June 2022	
Cost	0
Amortisation	0
	-
Carrying Values at 30 June 2022	55,483,959
Summary - Carrying Values at 30 June 2022	
Summary - Cost	462,901,801
Summary - Accumulated Amortisation	(407,417,842)
	55,483,959

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2020	
Cost	459,302,518
Transfers/Adjustments	(162,000)
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(308,106,482)
	151,034,036
Movement during the year ended 30 June 2021	
Acquisition	3,068,493
Transfers/Adjustments	-
Transfers/Adjustments	-
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	104,493,139
Summary - Carrying Values at 30 June 2021	
Summary - Cost	462,209,011
Summary - Accumulated Amortisation	(357,715,872)
	104,493,139

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

51 INVESTMENT PROPERTY RECONCILIATION

ECONOMIC ENTITY AND MUNICIPALITY	
Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2021	
Cost	226,767,881
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(74,649,280)
	152,118,601
Movement during the year ended 30 June 2022	
Acquisition / Take-on	-
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(4,957,227)
	(4,957,227)
Carry Value of Disposals for the year ended 30 June 2022	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2022	147,161,374
Summary - Carrying Values at 30 June 2022	
Summary - Cost	226,767,881
Summary - Accumulated Depreciation	(79,606,507)
	147,161,374

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	-
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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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	2022			Restated 2021		
	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		18,080,429,504	18,080,429,504		17,726,973,934	17,726,973,934
Heritage Assets		218,613,163	218,613,163		219,181,926	219,181,926
Intangible Assets		56,360,935	56,360,935		105,493,725	105,493,725
Investment Property		147,161,374	147,161,374		152,118,601	152,118,601
Long-term Receivables - Exchange Transactions	84,577,771		84,577,771	72,212,925		72,212,925
Long-term Receivables - Non-exchange Transactions*	0		0	0		0
Inventory		183,439,809	183,439,809		154,027,355	154,027,355
Trade Receivables - Exchange Transactions	2,334,620,579		2,334,620,579	2,276,280,763		2,276,280,763
Trade Receivables - Non-Exchange Transactions*	0		0	0		0
Other Receivables - Non-Exchange Transactions*	2,100		2,100	146,267,596		146,267,596
Other Receivables - Exchange Transactions*	205,003,703		205,003,703	200,632,372		200,632,372
VAT		0	0		2,064,326	2,064,326
Short-term investment deposits (excluding Sanlam Shares)	3,861,790,425		3,861,790,425	3,810,037,140		3,810,037,140
Bank balances and cash	921,567,593		921,567,593	460,877,397		460,877,397
	7,407,562,171	18,686,004,785	26,093,566,956	6,966,308,193	18,359,859,867	25,326,168,060
LIABILITIES						
Long-term Liabilities	1,054,416,477		1,054,416,477	991,072,467		991,072,467
Non-current Provisions - Employee Benefits		2,166,783,597	2,166,783,597		2,153,655,673	2,153,655,673
Non-current Provisions - Other		585,677,072	585,677,072		501,551,137	501,551,137
Consumer deposits	156,560,216		156,560,216	154,651,750		154,651,750
Current Provisions - Employee Benefits		568,479,983	568,479,983		573,056,954	573,056,954
Current Provisions - Other		329,489	329,489		15,277,529	15,277,529
Trade and Other Payables	2,065,187,592		2,065,187,592	2,148,599,145		2,148,599,145
Transfers and Subsidies	366,623,955		366,623,955	349,598,128		349,598,128
VAT		309,467,105	309,467,105		154,447,739	154,447,739
Current Portion of Long-term Liabilities	192,847,457		192,847,457	196,369,125		196,369,125
	3,835,635,697	3,630,737,246	7,466,372,943	3,840,290,615	3,397,989,032	7,238,279,647
Net Assets		19,038,511,116	19,038,511,116		18,761,806,134	18,761,806,134
Financial Asset at Fair Value						
Sanlam Shares - Valued at the open market value	2,163,388		(2,163,388)	2,511,199		(2,511,199)
	3,574,089,864	(3,983,243,579)	(409,153,715)	3,128,528,777	(3,799,935,299)	(671,406,522)
Financial Asset at amortised cost						
Opening balance			6,966,308,193			5,543,334,983
Net other movements			441,253,978			1,422,873,210
Closing balance			7,407,562,171			6,966,308,193
Financial liabilities at amortised cost						
Opening balance			3,840,290,615			3,893,903,413
Net other movements			(4,654,918)			(53,612,798)
Closing balance			3,835,635,697			3,840,290,615

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

* This is to indicate that these items have been made either zero or reduced as they are Statutory Receivables which doesn't form part of Financial Instruments.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

52 FINANCIAL INSTRUMENTS (Continued)

MUNICIPALITY	2022			Restated 2021		
	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		18,058,102,296	18,058,102,296		17,706,554,332	17,706,554,332
Heritage Assets		218,362,663	218,362,663		218,931,426	218,931,426
Intangible Assets		55,483,959	55,483,959		104,493,139	104,493,139
Investment Property		147,161,374	147,161,374		152,118,601	152,118,601
Long-term Receivables - Exchange Transactions	84,577,771		84,577,771	72,212,925		72,212,925
Long-term Receivables - Non-exchange Transactions*	0		0	0		0
Inventory		183,259,020	183,259,020		153,848,590	153,848,590
Trade Receivables - Exchange Transactions	2,334,620,579		2,334,620,579	2,276,280,763		2,276,280,763
Trade Receivables - Non-Exchange Transactions*	0		0	0		0
Other Receivables - Non-Exchange Transactions*	0		0	146,265,496		146,265,496
Other Receivables - Exchange Transactions*	251,184,798		251,184,798	237,439,117		237,439,117
VAT		0	0		0	0
Short-term investment deposits (excluding Sanlam Shares)	3,861,790,425		3,861,790,425	3,810,037,140		3,810,037,140
Bank balances and cash	835,018,909		835,018,909	395,389,822		395,389,822
	7,367,192,482	18,662,369,312	26,029,561,794	6,937,625,263	18,335,946,088	25,273,571,351

LIABILITIES	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	Long-term Liabilities	1,053,876,127		1,053,876,127	990,166,517	
Non-current Provisions - Employee Benefits		2,166,783,597	2,166,783,597		2,153,655,673	2,153,655,673
Non-current Provisions - Other		585,677,072	585,677,072		501,551,137	501,551,137
Consumer deposits	156,560,216		156,560,216	154,651,750		154,651,750
Current Provisions - Employee Benefits		562,489,611	562,489,611		566,258,476	566,258,476
Current Provisions - Other		329,489	329,489		15,277,529	15,277,529
Trade and Other Payables	2,048,878,171		2,048,878,171	2,133,879,681		2,133,879,681
Transfers and Subsidies	361,967,900		361,967,900	343,100,549		343,100,549
VAT		298,496,577	298,496,577		154,447,739	154,447,739
Current Portion of Long-term Liabilities	192,847,457		192,847,457	196,369,125		196,369,125
	3,814,129,871	3,613,776,346	7,427,906,217	3,818,167,622	3,391,190,554	7,209,358,176

Net Assets 19,012,972,680 19,012,972,680 18,738,130,896 18,738,130,896

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	2,163,388	(2,163,388)	2,511,199
	3,555,226,001	(3,964,379,716)	3,121,968,840
			(3,793,375,362)
			(671,406,522)

	2022	Restated 2021
Financial Asset at amortised cost		
Opening balance	6,937,625,263	6,719,484,340
Net other movements	429,567,219	218,140,923
Closing balance	7,367,192,482	6,937,625,263
Financial liabilities at amortised cost		
Opening balance	3,818,167,622	3,888,696,095
Net other movements	(4,037,751)	(70,528,473)
Closing balance	3,814,129,871	3,818,167,622

* This is to indicate that these items have been made either zero or reduced as they are Statutory Receivables which doesn't form part of Financial Instruments.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 further grants included as at 30 June 2022.

The Original Budget was approved on 14 June 2021 for the 2021/22 financial year (01 July 2021 to 30 June 2022), and the Final Budget was approved on 26 April 2022.

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 for 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.

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.

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.

5 Gains on disposal of PPE

Gains on disposal of PPE relates to the sale of motor vehicles.

6 Fines, Penalties and Forfeits

The increase in the actual is largely attributable to Traffic fines due to the nature of the revenue, we are uncertain how many traffic fines will be issued. In 2021 only R19million was issued and in 2022, R52million was issued.

7 Transfers and Subsidies

The fuel levy was transferred to Other Revenue in terms of MSCOA classification.

8 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.

9 Remuneration of Councillors

The decrease is due to certain ward councillors' vacancies.

10 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 accounts, therefore the budget was increased as it was anticipated that the write-off would be more. Additional debt impairment was done, relating to arrear interest of consumer debtors, internal debtors, public health and housing debtor (refer note 16)

11 Impairment - Other

More Traffic Fines was impaired than initially anticipated.

12 Transfers and Subsidies

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

13 Contracted Services

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

14 Other Expenditure

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

15 Other Materials

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

16 Losses

The major variance is attributable to water losses.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY												
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022												
64 EXPLANATION FOR CAPITAL VARIANCES:												
APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:												
In terms of GRAP 24.47 the changes between the approved original budget and approved final budget are as a consequence of modifications within the approved original budget and the inclusion of further grants as at 30 June 2022												
The Original Budget was approved on 14 June 2021 for the 2021/22 financial year (01 July 2021 to 30 June 2022), and the Final Budget was approved on 26 April 2022.												
MMEM uses the accrual basis of accounting for its budget.												
See below reconciliation between the Budget and the Actual expenditure:												
ACTUAL EXPENDITURE VERSUS 2021/22 BUDGET	2021/22 Capital Adjustments Budget (Approved 26 April 2022)	Budget Amendment - Movement between Directorates	Budget Amendment - BYPD Increases (As per Revised Business Plan)	Budget Amendment - BYPD Decreases (As per Revised Business Plan)	Budget Amendment - Additional Funds received from Ametia Water Board	2021/22 Total Capital Budget	Actual Expenditure as at 30 June 2022	% Capital Spent as at 30 June 2022	Variance	% Variance with Adjustment to Budget	Explanation of Variances greater than 10 %	
Infrastructure & Engineering - Roads & Storm water	275 999 200		38 000 000			313 999 200	271 730 374	87%	42 268 826	13	The variances can be linked to the PTFIS Programme that involve a number of projects. One of the main PTFIS Projects was the Procurement of an Automated Fare Collection System. The Project Manager has advised that due to internal processes and delays, the tender was not able to be advertised in the 2022 Financial Year. The process will continue in the next financial year. Another reason for the variance relates to the Acquisition of an Operations Monitoring System. The Directorate is still engaging with M&S as all new software purchases must go via the ICT committee. Lastly, there were various other delays as a result of internal processes and the withdrawal of the low ballers that were under construction previously.	
Human Settlements	81 127 300		-26 854 007			54 273 293	35 082 569	65%	19 190 724	35	The variance is mainly driven by the Water Sewer Retention Capital Project. The Human Settlements Directorate has advised that they had been a decision during the financial year to include the provision of technical titles to enable and investigate before long term sanitation solutions through the funded Extension Programme. This budget provision therefore remained unspent at the end of the financial year. The EDTA Directorate has underperformed on almost all of their Capital Projects. One of the projects is the Informal Trading Infrastructure. 60 Containers were ordered, however upon delivery it was determined that the goods were damaged and could not be accepted or used for. The other significant project in the Nqisi Square Redevelopment, which is fully funded by the BYPD Conditional Grant. According to the Project Manager, their anticipated spending on the project was only 60% of the total budget provision. This is reflected in their Grant Performance.	
Economic Development, Tourism & Agriculture	29 374 080					29 374 080	12 079 228	41%	16 984 852	56	As per the project manager, one of the main projects contributing towards the variance is the Creative Harbour project. The project experienced significant delays and challenges as a result of SMEB protest which brought the project to a standstill as a result of a change in ward demarcations. The late approval of the Adjustments Budget, coupled with the introduction of additional BYPD Grant facilities, resulted in a number of other projects not being able to achieve 100% performance in the short timeframe provided.	
Sport, Recreational and Cultural Service	41 725 000		15 000 000			56 725 000	34 479 338	61%	22 245 662	39	The major variance can be attributed to a number of Capital Projects relating to the Table Cloth Integrated Programme that was to be implemented during the 2022 Financial Year. The feedback received from the Project Manager indicates that there were delays experienced in the formal tender process. The City Manager then intervened to order the item as an emergency tender. The item is currently in the Evaluation Stage, and the procurement process is planned to commence in the next financial year.	
Safety & Security	40 141 950					40 141 950	9 973 103	25%	30 168 847	75	The variance is due to building work upgrades at Internal Accounting Offices could not be finalised due to excessive price increases that could not be justified. This matter remained unresolved as at 30 June 2022, and therefore the Capital Budget could not be fully utilised.	
Budget & Treasury	4 606 160					4 606 160	2 112 026	46%	2 474 134	54	Approximately 50% of the variance relates to the Purchase of Specialized Vehicles. Orders were placed by the Management but unfortunately the vehicles could not be procured as the R137 three-year tender had expired and the Directorate was not in a position to procure an alternative. Delays were also experienced on the Construction of Offices at Saldanha Park due to permission not yet being granted by the Heritage Council to proceed with the project.	
Public Health	68 401 040		13 380 851	-42 350 000		39 431 891	30 881 416	78%	8 550 256	22	One of the main reasons for the under-performance relates to the construction of the Ocean Fisheries Centre. This project is managed by Justice Management on behalf of M&S and the contracts required to complete the work were delayed at SCM. Furthermore, the Global Shortage of Chips in the Enterprise Services Market impeded the procurement and payments to be conducted before the financial year end. Another reason for the under-performance relates to the Upgrade of HRMS Offices project. According to the Project Manager, delays were encountered with Architects in submitting the final drawings (plans and therefore the project remained unspent.	
Corporate Services	33 495 010					33 495 010	16 742 750	50%	16 752 260	41	As confirmed by Project Manager, the main reason for the under-performance relates to a challenge experienced by the Directorate in terms of the award of new financial contracts. Most of the existing tenders / contracts have expired and the new processes are still ongoing.	
Sanitation Service	65 995 000	-17 160 000	0	-37 286 000		12 649 000	26 044 507	208%	(13 495 507)	-108	One of the main reasons for the under-performance would be related to the inclusion of around R27 million BYPD Grant Funding very late in the financial year. The entire BYPD business plan was revised, and unfortunately that had a negative impact on the Directorate's ability to spend the funds before the end of the financial year. The second main reason for the variance can be attributed specifically to the Mithwen Specialised Road Pump Station project. The late approval of the Adjustments Budget as well as the late notice of the 2022/23 Budget had a direct impact on the speed of the construction contract as no budget could be confirmed.	
Water Service	590 889 330	17 160 000	30 599 412	-5 207 300	15 000 000	647 621 892	597 013 864	89%	110 507 728	17	One of the main projects that remained unspent as at 30 June 2022 is the HV Transmission Lines. The Project Manager has advised the new contract for the Construction of HV Powerlines is still currently undergoing the SCM process, and is awaiting BAC approval. No work can continue until the process is finalised and a valid contract is placed. The other significant project contributing to the variance relates to Re-forecasting projects. These projects are funded by Public Contributors and are demand driven based on customer requests made.	
Electricity & Energy	242 452 580		49 447 345	-4 400 000		287 499 925	218 865 080	76%	68 634 845	24		
	1 475 286 680	0	446 427 383	(117 288 307)	15 000 000	0	1 819 615 731	1 188 624 063	79%	320 881 678	21	
CONTROLLED ENTITIES												
Mandela Bay Development Agency	12 169 038	-1 340 150				13 509 188	23 454 684	174%	(9 945 496)	-42	Purchase of property, plant and equipment - Refer MBDA's Financial Statements.	
ECONOMIC ENTITY	1 487 455 688	1 340 150	446 427 383	(117 288 307)	15 000 000	0	1 833 124 919	1 233 378 737	68%	316 746 182		
In accordance with GRAP 24.12 the entity has disclosed an explanation for the material differences between the budget and actual capital expenditure amounts. The explanations provided above account for 70% of the total variances between the approved capital budget and the final capital expenditure. The remainder of the differences were as a result of immaterial under expenditure on a number of capital projects. No capital projects incurred more expenditure than the amount included in the approved capital budget.												

NOTE 55
ECONOMIC ENTITY'S ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2022

	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	Closing Balance		
Land & Buildings																			
Assets Under Construction	18,909,940	-18,208,048	701,893	-1,867,300	-	3,347,995	-	-	2,182,588	-	-	-	-	-	-	-	-	2,182,588	
Buildings	1,006,580,511	18,208,048	1,024,788,558	1,867,300	-	7,752,976	-	-	1,034,408,834	399,733,118	-	399,733,118	-	41,180,513	-	-	440,913,631	593,495,203	
Land	1,155,959,214	-	1,155,959,214	-	7,687,679	608,257	-	-	1,164,255,150	-	-	-	-	-	-	-	-	1,164,255,150	
	2,181,449,665	-	2,181,449,665	-	7,687,679	11,709,228	-	-	2,200,846,572	399,733,118	-	399,733,118	-	41,180,513	-	-	440,913,631	1,759,932,941	
Infrastructure Assets																			
Assets Under Construction	580,295,962	19,205,272	599,501,233	-554,634,583	-	841,181,122	-	-	886,047,772	-	-	-	-	-	-	-	-	886,047,772	
Roads, Sidewalks & Stormwater Network	8,139,482,144	-18,208,048	8,121,274,096	242,712,697	8,757,265	73,070,551	-	-	8,445,814,609	3,144,831,089	-	3,144,831,089	-	270,371,280	-	-	3,415,202,369	5,030,612,239	
Beach Developments	88,256,625	-	88,256,625	-	-	114,600	-	-	79,698,612	23,755,572	-	23,755,572	-	1,393,912	-	-2,185,815	22,963,667	56,734,945	
Electricity Reticulation & Supply	3,650,769,415	4,004,764	3,654,774,179	13,748,496	-	122,719,762	-	-	3,791,242,437	1,362,939,107	-	1,362,939,107	-	111,395,009	-	-	1,474,334,116	2,316,908,321	
Fencing	215,419,499	-	215,419,499	2,205,136	-	45,921,346	-	-	263,945,981	80,357,948	-	80,357,948	-	107,687,707	-	-	155,888,273		
Sewerage Mains & Purification Works	3,212,332,723	-	3,212,332,723	55,971,945	-	414,465	-	-	3,268,719,134	1,408,743,837	-	1,408,743,837	-	136,125,458	-	-	1,544,869,295	1,723,949,838	
Waste Disposal Facilities	50,693,745	-	50,693,745	-	-	-	-	-	50,693,745	5,521,480	-	5,521,480	-	1,075,244	-	-	6,596,724	44,097,021	
Water Supply & Reticulation	2,965,294,144	-	2,965,294,144	239,005,705	-	55,538,197	-	-	3,259,838,045	1,095,898,026	-	1,095,898,026	-	98,028,835	-	-	1,193,926,861	2,065,911,184	
Dams & Treatment Works	1,462,440,921	-	1,462,440,921	990,604	-	-	-	-	1,463,431,525	375,956,527	-	375,956,527	-	46,672,562	-	-	422,629,089	1,040,802,436	
Wi-fi Infrastructure	6,604,949	-	6,604,949	-	-	-	-	-	6,604,949	4,608,216	-	4,608,216	-	1,996,734	-	-	6,604,949	-0	
	20,371,590,125	5,001,988	20,376,592,113	0	8,757,265	1,137,911,943	-	-8,672,613	21,515,636,809	7,502,611,801	-	7,502,611,801	-	694,388,792	-	-2,185,815	8,194,814,778	13,320,822,031	
Community Assets																			
Assets Under Construction	4,175,075	-	4,175,075	-16,032,036	-	17,589,927	-	-	5,732,966	-	-	-	-	-	-	-	-	5,732,966	
Libraries	44,572,432	-	44,572,432	-	-	17,589,927	-	-	44,572,432	16,804,104	-	16,804,104	-	1,260,257	-	-	18,064,361	26,508,071	
Library Books	98,321,306	-	98,321,306	-	-	-	-	-	98,321,306	39,632,467	-	39,632,467	-	2,934,442	-	-	42,566,909	55,754,266	
Fire Stations	75,948,882	-	75,948,882	870,363	-	1,002,862	-	-	77,822,107	31,921,972	-	31,921,972	-	3,318,668	-	-	35,240,640	42,581,467	
Cemeteries	135,611,301	-	135,611,301	-	1	2,571,068	-	-	138,182,371	31,866,999	-	31,866,999	-	6,259,566	-	-	38,126,565	100,055,806	
Clinics	5,735,475	-	5,735,475	-	-	-	-	-	5,735,475	2,276,405	-	2,276,405	-	402,037	-	-	2,678,443	3,057,033	
Community Centres	269,150,464	-	269,150,464	-	-	224,298	-	-	269,374,762	101,400,328	-	101,400,328	-	8,036,163	-	-	109,436,491	159,938,272	
Public Conveniences	13,619,382	-	13,619,382	-	-	-	-	-	13,619,382	4,337,710	-	4,337,710	-	507,700	-	-	4,845,410	8,773,972	
Swimming Pools	93,928,689	-	93,928,689	-	-	-	-	-	93,928,689	33,758,454	-	33,758,454	-	2,722,687	-	-	36,481,141	57,447,548	
Recreational Facilities	2,896,167,747	-	2,896,167,747	24,825,179	6,352,838	7,713,718	-	-	2,912,486,064	948,942,655	-	948,942,655	-	90,533,239	-	-11,004,978	1,028,470,916	1,884,015,147	
Selling & Letting Schemes	84,698,907	-	84,698,907	-	-	-	-	-	39,310,410	43,829,196	-	43,829,196	-	949,861	-	-20,090,327	24,688,730	14,821,680	
	3,701,929,663	-	3,701,929,663	9,663,506	6,352,839	29,101,874	-	-25,388,497	3,699,065,965	1,254,170,290	-	1,254,170,290	-	116,824,621	-20,090,327	-11,004,978	1,340,599,606	2,358,486,359	
Other Assets																			
Assets Under Construction	4,768,449	-997,224	3,771,225	-3,771,225	-	-	-	-	3,771,225	-	-	-	-	-	-	-	-	-	
Bins & Containers	31,348,203	-	31,348,203	-	-	-	-	-	31,348,203	19,779,551	-	19,779,551	-	3,631,563	-	-	23,411,114	7,937,090	
Vehicles & Plant	678,898,171	-	678,898,171	-	11,416,600	8,002,337	-3,785,578	-	694,531,529	479,226,711	-	479,226,711	-	41,299,646	-3,793,113	-	516,733,243	177,798,286	
Office Furniture & Fittings	253,458,654	-	253,458,654	-	-	4,075,907	-	-	257,534,561	203,379,711	-	203,379,711	-	-	-	-	203,379,711	54,154,850	
Air Monitoring Facilities	24,511	-	24,511	-	-	-	-	-	24,511	12,815	-	12,815	-	1,324	-	-	14,139	10,371	
Security Systems	10,395,538	-	10,395,538	-	-	-	-	-	10,395,538	10,395,538	-	10,395,538	-	-	-	-	10,395,538	-	
Tip Sites	497,547,934	-	497,547,934	3,771,225	76,455,115	-	-	-	577,774,274	228,319,153	-	228,319,153	-	48,366,552	-	-	276,685,705	301,088,569	
Computer Hardware	195,507,813	-	195,507,813	-	-	8,504,454	-	-	204,012,267	126,140,463	-	126,140,463	-	-	-	-	126,140,463	77,871,804	
	1,671,948,272	-997,224	1,670,952,049	-	87,871,715	20,574,026	-3,785,578	-	1,775,620,883	1,067,253,940	-	1,067,253,940	-	93,299,085	-3,793,113	-	1,156,759,912	618,860,971	
MBDA:																			
Land and Buildings	17,516,825	-	17,516,825	-	-	1,053,440	-	-	18,570,265	194,052	-	194,052	-	13,593	-	-	207,645	18,362,620	
Other Assets	6,287,095	-	6,287,095	-	-	2,083,981	21,130	-	8,349,946	3,363,970	-	3,363,970	-	1,221,455	200,066	-	4,385,359	3,904,587	
	27,950,722,645	4,004,764	27,954,727,409	9,663,506	110,669,498	1,202,434,492	-29,152,945	-31,246,032	29,218,110,440	10,227,927,172	-	10,227,927,172	-	947,028,059	-23,683,374	-13,190,793	11,137,680,831	18,080,429,508	

NOTE 55 (CONTINUED)
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2022

	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																			
MBDA	1,398,534		1,398,534			177,000			1,575,534	397,948		397,948		300,610			698,558	876,976	
NMBM																			
Assets Under Construction	-	-	-	-	-	692,790	-	-	692,790	-	-	-	-	-	-	-	-	692,790	
Computer Software - Internally Generated	219,956,400	-	219,956,400	-	-	-	-	-	219,956,400	160,064,861	-	160,064,861	-	28,865,906	-	-	188,930,767	31,025,633	
Computer Software - Other	242,414,612	(162,000)	242,252,612	-	-	-	-	-	242,252,612	197,651,012	-	197,651,012	-	20,836,064	-	-	218,487,076	23,765,536	
	462,371,012	-162,000	462,209,012	-	-	692,790	-	-	462,901,802	357,715,873	-	357,715,873	-	49,701,970	-	-	407,417,843	55,483,959	
ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2022																			
	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																			
Assets Under Construction																			
Land & Buildings	226,767,882	-	226,767,882	-	-	-	-	-	226,767,882	74,649,281	-	74,649,281	-	4,957,227	-	-	79,606,508	147,161,374	
ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2022																			
	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																			
MBDA	250,500		250,500						250,500									250,500	
NMBM																			
Assets Under Construction																			
Heritage Buildings	146,616,598	-	146,616,598	-3,063,487	9,094,743	-	-	-	152,647,854	-	-	-	-	-	-	-	-	152,647,854	
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	
	218,931,426	-	218,931,426	-9,663,506	9,094,743	-	-	-	218,362,663	-	-	-	-	-	-	-	-	218,362,663	
Grand Totals Assets	28,860,441,999	3,842,764	28,864,284,763	0	119,764,241	1,203,304,281	-29,152,945	-31,246,032	30,127,968,821	10,660,690,273	-	10,660,690,273	-	1,001,987,866	-23,683,374	-13,190,793	11,625,403,840	16,502,564,980	

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 2022

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ECONOMIC ENTITY	Actual 2022 R	Approved Original Budget 2022 R	Adjustments 2022 R	Approved Final Budget 2022 R	Variance between Final Budget and Actual 2022 R	%	No.
NET ASSETS							
Total Net Assets							
Total Accumulated Funds	19,038,511,116	18,140,139,907	492,734,440	18,632,874,347	(405,636,769)	-2%	1
LIABILITIES							
Non-current Liabilities	3,806,877,146	3,903,755,210	(152,500,000)	3,751,255,210			
Long-term Liabilities	1,054,416,477	1,277,416,371	(152,500,000)	1,124,916,371	70,499,894	6%	
Non-current Provisions - Employee Benefits	2,166,783,597	2,626,338,839	0	2,626,338,839	(126,121,830)	-5%	2
Non-current Provisions - Other	585,677,072	0	0	0	0		
Current Liabilities	3,659,495,797	3,322,159,795	200,157,286	3,522,317,081			
Current Provisions - Employee Benefits	568,479,983	216,531,623	4,200,380	220,732,003	(348,077,469)	-158%	2
Current Provisions - Other	329,489	0	0	0	0		
Consumer Deposits	156,560,216	168,246,963	-12,246,963	156,000,000	(560,216)	0%	
Trade and Other Payables	2,065,187,592	2,744,533,751	208,203,869	2,952,737,620	211,458,968	7%	3
Transfers and Subsidies	366,623,955	0	0	0	0	0%	
VAT	309,467,105	0	0	0	0	0%	
Current Portion of Long-term Liabilities	192,847,457	192,847,458	0	192,847,458	1	0%	
Total Liabilities	7,466,372,943	7,225,915,005	47,657,286	7,273,572,291			
ASSETS							
Non-current Assets	18,638,253,495	19,045,505,588	-186,480,841	18,859,024,747			
Property, Plant and Equipment (PPE)	18,080,429,504	18,684,586,173	-203,462,302	18,481,123,871	182,081,204	1%	4
Heritage Assets	218,613,163	0	0	0	0		4
Intangible Assets	56,360,935	141,291,117	-60,753,952	80,537,165	24,176,230	30%	4
Investment Property	147,161,374	159,363,198	-14,779,732	144,583,466	(2,577,908)	-2%	
Long-term Receivables - Exchange Transactions	84,577,771	60,265,100	92,515,145	152,780,245	17,091,726	11%	5
Long-term Receivables - Non-exchange Transactions	51,110,748	0	0	0	0		5
Current Assets	7,866,630,564	6,320,549,325	726,872,567	7,047,421,892			
Inventory	183,439,809	168,449,000	-4,634,994	163,814,006	(19,625,803)	-12%	6
Trade Receivables - Exchange Transactions	2,334,620,579	2,616,439,931	68,063,422	2,684,503,353	11,616,320	0%	7
Trade Receivables - Non-exchange Transactions	338,266,454	0	0	0	0		7
Other Receivables - Non-exchange Transactions	2,100	0	0	0	0		8
Other Receivables - Exchange Transactions	224,780,216	450,158,100	(262,815,000)	187,343,100	(37,439,216)	-20%	8
VAT	0	0	0	0	0		
Call Deposits and Investments	3,861,790,425	2,885,302,294	926,259,139	3,811,561,433	(52,392,380)	-1%	9
Call Deposits and Investments - Other	2,163,388	0	0	0	0		9
Bank Balances and Cash	921,567,593	200,200,000	0	200,200,000	(721,367,593)	-360%	10
Total Assets	26,504,884,059	25,366,054,913	540,391,726	25,906,446,639			

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 2022

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)					Variance between Final Budget and Actual 2022	%	No.
ECONOMIC ENTITY	Actual 2022 R	Approved Original Budget 2022 R	Adjustments 2022 R	Approved Final Budget 2022 R			
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	11,538,115,042	12,023,436,424	406,351,957	12,429,788,381			
- Sale of goods and services, fines and taxes levied	8,861,429,958	9,062,831,324	337,477,234	9,400,308,558	538,878,600	6%	1
- Grants	2,491,432,299	2,467,658,450	388,641,693	2,856,300,143	364,667,844	13%	2
- Interest received	185,252,785	492,946,650	(319,766,970)	173,179,680	(12,073,105)	-7%	
Cash paid to suppliers and employees	(9,874,615,160)	(10,741,799,630)	(247,774,292)	(10,989,573,922)			
- Employee Costs	(3,593,768,873)	(3,915,582,552)	0	(3,915,582,552)	(321,813,679)	8%	3
- Suppliers	(6,158,451,208)	(6,701,860,868)	(247,319,502)	(6,949,180,370)	(790,729,162)	11%	3
- Finance Cost	(122,395,079)	(124,356,210)	(454,790)	(124,811,000)	(2,415,921)	2%	
CASH GENERATED FROM OPERATIONS	1,663,499,882	1,281,636,794	158,577,665	1,440,214,459			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,203,523,870)	(1,553,776,849)	51,331,442	(1,502,445,407)	(298,921,537)	20%	4
Purchase of Intangible assets	(869,790)	0	0	0			
Purchase of Heritage assets	0	0	0	0			
Proceeds on disposal of assets	752,319	0	0	0	(752,319)	100%	
Loss on disposal of assets	(5,290,635)	0	0	0	5,290,635	100%	
Increase in Other Non-Current Receivables	0	2,869,765	(95,384,910)	(92,515,145)	(92,515,145)	100%	5
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,208,931,976)	(1,550,907,084)	(44,053,468)	(1,594,960,552)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	4,900,394	(17,147,354)	(12,246,960)	(12,246,960)	100%	6
Movement in Long-term loans (External)	(196,369,125)	(196,369,126)	0	(196,369,126)	(1)	0%	
Increase in Borrowings	254,244,700	254,244,700	(152,546,820)	101,697,880	(152,546,820)	-150%	7
NET CASH FLOW FROM FINANCING ACTIVITIES	57,875,575	62,775,968	(169,694,174)	(106,918,206)			
NET CHANGE IN CASH AND CASH EQUIVALENTS	512,443,481	(206,494,322)	(55,169,977)	(261,664,299)			
Cash and cash equivalents at the beginning of the year	4,270,914,537	3,291,996,616	981,429,120	4,273,425,736	2,511,199	0%	
Cash and cash equivalents at the end of the year	4,783,358,018	3,085,502,294	926,259,143	4,011,761,437			

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 2022

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)

MUNICIPALITY	Actual 2022 R	Approved Original Budget 2022 R	Adjustments R	Approved Final Budget 2022 R	Variance between Final Budget and Actual 2022 R	%	No.
NET ASSETS							
Total Net Assets							
Total Accumulated Funds	19,012,972,680	17,903,127,134	561,989,696	18,465,116,830	(547,855,850)	-3%	1
LIABILITIES							
Non-current Liabilities	3,806,336,796	3,903,755,210	(152,500,000)	3,751,255,210			
Long-term Liabilities	1,053,876,127	1,277,416,371	-152,500,000	1,124,916,371	71,040,244	6%	2
Non-current Provisions - Employee Benefits	2,166,763,597	2,626,338,839	0	2,626,338,839	-126,121,830	-5%	
Non-current Provisions - Other	585,677,072		0				
Current Liabilities	3,621,569,421	3,302,959,789	206,657,289	3,509,617,078			
Current Provisions - Employee Benefits	562,489,611	212,331,620	4,200,380	216,532,000	(346,287,100)	-160%	2
Current Provisions - Other	329,489		0	0			
Consumer Deposits	156,560,216	168,246,960	-12,246,960	156,000,000	(560,216)	0%	
Trade and Other Payables	2,048,878,171	2,729,533,751	214,703,869	2,944,237,620	234,894,972	8%	3
Transfers and Subsidies	361,967,900	0	0	0			
VAT	298,496,577	0	0	0			
Current Portion of Long-term Liabilities	192,847,457	192,847,458	0	192,847,458		1	0%
Total Liabilities	7,427,906,217	25,109,842,133	616,146,985	25,725,989,118			
ASSETS							
Non-current Assets	18,614,798,811	18,772,756,731	-4,716,198	18,768,040,533			
Property, Plant and Equipment (PPE)	18,058,102,296	18,481,282,278	-88,372,892	18,392,909,386	116,444,427	1%	4
Heritage Assets	218,362,663		0				4
Intangible Assets	55,483,959	79,881,290	-1,613,854	78,267,436	22,783,477	29%	4
Investment Property	147,161,374	151,328,063	-7,244,597	144,083,466	(3,077,908)	-2%	
Long-term Receivables - Exchange Transactions	84,577,771	60,265,100	92,515,145	152,780,245	17,091,726	11%	5
Long-term Receivables - Non-exchange Transactions	51,110,748		0				5
Current Assets	7,826,080,086	6,337,085,402	620,863,183	6,957,948,585			
Inventory	183,259,020	169,270,371	-5,456,565	163,813,806	-19,445,214	-12%	6
Trade Receivables - Exchange Transactions	2,334,620,579	2,616,439,931	68,063,421	2,684,503,352	11,616,319	0%	7
Trade Receivables - Non-exchange Transactions	338,266,454	0	0	0	0		7
Other Receivables - Non-exchange Transactions	0	450,158,100	-265,415,000	184,743,100	-86,218,211	-47%	8
Other Receivables - Exchange Transactions	270,961,311		0				8
Call Deposits and Investments	3,861,790,425	2,901,217,000	823,671,327	3,724,888,327	(139,065,486)	-4%	9
Call Deposits and Investments - Other	2,163,388	0	0	0			9
Bank Balances and Cash	835,018,909	200,000,000	0	200,000,000	(635,018,909)	-318%	10
Total Assets	26,440,878,897	25,109,842,133	616,146,985	25,725,989,118			

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

MUNICIPALITY	Actual	Approved	Adjustments	Approved	Variance	%	No.
	2022	Original Budget	2022	Final Budget	Final Budget		
	R	R	R	R	and Actual		
					2022		
					R		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	11,467,583,102	12,018,061,314	409,077,067	12,427,138,381			
- Sale of goods and services, fines and taxes levied	8,855,796,842	8,360,608,324	1,039,050,234	9,399,658,558	543,861,716	6%	1
- Grants	2,429,230,512	3,166,506,340	-310,206,197	2,856,300,143	427,069,631	15%	2
- Interest received	182,555,748	490,946,650	-319,766,970	171,179,680	(11,376,068)	-7%	
Cash paid to suppliers and employees	(9,828,478,790)	(10,838,446,865)	(259,237,097)	(11,097,683,962)			
- Employee Costs	(3,540,096,813)	(10,714,090,655)	-258,782,307	(10,972,872,962)	(1,266,789,251)	12%	3
- Suppliers	(6,185,986,898)	0	0	0	0	0%	
- Finance Cost	(122,395,079)	(124,356,210)	(454,790)	(124,811,000)	(2,415,921)	2%	
CASH GENERATED FROM OPERATIONS	1,639,104,312	1,179,614,449	149,839,970	1,329,454,419			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,200,353,843)	(1,436,039,718)	22,968,820	(1,413,070,898)	-212,024,265	15%	4
Purchase of Intangible assets	(692,790)	0	0	0	0		
Purchase of Heritage assets	0	0	0	0	0		
Proceeds on disposal of assets	739,753	0	0	0	0		
Loss on disposal of assets	(5,290,635)	0	0	0	0		
Increase in Other Non-Current Receivables	0	2,870,000	(95,385,145)	(92,515,145)	(92,515,145)	100%	5
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,205,597,515)	(1,433,169,718)	(72,416,325)	(1,505,586,043)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	4,900,000	-17,146,960	-12,246,960	(12,246,960)	100%	6
Movement in Long-term loans (External)	(196,369,125)	(196,369,000)	-130	(196,369,130)	(5)	0%	
Increase in Borrowings	254,244,700	254,245,000	-152,547,120	101,697,880	(152,546,820)	-150%	7
NET CASH FLOW FROM FINANCING ACTIVITIES	57,875,575	62,776,000	(169,694,210)	(106,918,210)			
NET CHANGE IN CASH AND CASH EQUIVALENTS	491,382,372	-190,779,269	-92,270,565	-283,049,834			
Cash and cash equivalents at the beginning of the year	4,205,426,962	3,291,997,000	915,941,161	4,207,938,161	2,511,199	0%	
Cash and cash equivalents at the end of the year	4,696,809,334	3,101,217,731	823,670,596	3,924,868,327			

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 further grants as at 30 June 2022.

The Original Budget was approved on 14 June 2021 for the 2021/22 financial year (01 July 2021 to 30 June 2022), and the Final Budget was approved on 26 April 2022.

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, Statement of Financial Performance and Statement of Cash Flows, with the reasons for variances explained below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 **Non-current / Current Provisions - Employee Benefits**
The Employee benefits amount is based on the value assessed by the Actuaries - Refer the financial statement notes 3.1 and 4.1 for the movement calculated by the actuaries. During the 2022 financial year, management has changed its accounting policy regarding accounting for the leave balance from a leave accrual to a leave provision, hence the increase in current provisions.
 - 3 **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 an increase in VAT payable.
 - 4 **Property, Plant and Equipment (PPE) and Heritage Assets**
Refer to Note 54, which gives a breakdown and reasons for the under-expenditure.
 - 4 **Intangible Assets**
Refer to Note 54, which gives a breakdown and reasons for the under-expenditure.
 - 5 **Long-term Receivables - Exchange and Non-Exchange**
Both the above categories have been budgeted together and the variance is based on both. The budget was increased based on the significant increase of outstanding debt with reference to Note 15 and therefore taking into account the probability that more consumers will opt for an arrangement to pay off outstanding debts, but it wasn't the case as consumers did not take up the option.
 - 6 **Inventory**
The main variance relates to materials and supplies.
 - 7 **Trade Receivables - Exchange Transactions and Non-Exchange Transactions**
The Trade Receivables - Exchange and Non-Exchange is budgeted as one amount and thus included with the R2.684 billion budget. Refer Note 15 of the AFS - there is a significant increase in residential consumer debt. Due to the increase in tariffs and also as a result of water restrictions which caused the debt to increase resulting in non-payment of accounts by consumers.
 - 8 **Other Receivables - Exchange Transactions and Non-Exchange Transactions**
Other receivables were more than anticipated due to the nature of the transactions accurate projections are not possible, as it was expected that this amount would reduce significantly, hence a reduction in the budget.
 - 9 **Call deposits and Investments**
The increase is due to more money invested.
 - 10 **Bank Balances and Cash**
The Budget for Bank is based on own revenue therefore grants monies are excluded. Grant monies thus received from National Treasury, by end of March 2022, has resulted in the increase in the Bank balance.
- 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, compared to the budget.
 - 2 **Grants**
Less than anticipated. Also affected by the transfer of fuel levy to Other Revenue.
 - 3 **Employee Costs**
Less than anticipated due to actuarial valuation of employee benefits.
 - 3 **Cash paid to Suppliers**
Due to underspending of the Operating and Capital Budgets.
 - 4 **Purchase of Intangibles Assets, Investment Property, Heritage Assets**
When comparing the actual capital expenditure incurred to the final approved budget it results in an underspending of R180 million. Reference is thus made to Note 54, where after the final budget was approved, further budget amendments (virements) were done, for the possible increase in capital expenditure. These amendments were done in the amount of R100 million (Refer columns D-H on Note 54). Therefore reference is also made to the explanations in Note 54.
 - 5 **Increase in Non-Current Receivables**
Non-Current Receivables variance have been included as part of the Cash Generated from Operations note, hence not reflected un this item.
 - 6 **Increase in Consumer Deposits**
Consumer deposits variance have been included as part of the Cash Generated from Operations note, hence not reflected under this item.
 - 7 **Movement in Long-term Loans (External)**
The actual reflected is the increase in the borrowings taken up with the bank. Due to a dispute with the bank, w.r.t to the second tranche release for 2022 financial year, the budget was thus reduced with that portion as the Bank did not want to release it. Subsequently after the approval of the Final Budget, the Bank released the second tranche of the loan amount.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

58 SEGMENTAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

	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	2,026,737,152	1,426,914,126	6,004,370	2,822,278,905	-121,609,345	7,565,096,492	4,901,385,853		18,614,798,811	23,454,684		18,638,253,495
Current Assets	1,242,463,736	232,376,590	695,497,325	953,920,394	4,981,955,486	159,454,530	-439,587,977		7,826,080,085	162,830,429	-122,279,951	7,866,630,563
Total Assets	3,269,200,888	1,659,290,716	689,492,955	3,776,199,299	4,860,346,141	7,724,551,022	4,461,797,875	0	26,440,878,896	186,285,113	-122,279,951	26,504,884,058
LIABILITIES												
Non-current Liabilities	-182,067,169	-188,357,821	-50,596,000	-924,665,760	-1,809,714,773	0	-650,935,272		-3,806,336,796	-540,350		-3,806,877,146
Current Liabilities	-543,358,887	-207,482,125	88,979,886	-1,114,680,776	-666,508,904	-259,436,913	-919,081,701		-3,621,569,421	-160,206,327	122,279,951	-3,659,495,797
Total Liabilities	-725,426,056	-395,839,946	38,383,886	-2,039,346,537	-2,476,223,677	-259,436,913	-1,570,016,973	0	-7,427,906,216	-160,746,677	122,279,951	-7,466,372,942
ADDITIONS TO PPE AND OTHER ASSETS	537,013,664	26,044,507	30,881,415	218,865,080	21,874,777	79,535,010	284,709,602		1,198,924,053	23,454,684	0	1,222,378,737
STATEMENT OF FINANCIAL PERFORMANCE												
REVENUE												
Exchange Revenue	-3,077,348,544	-791,972,511	-331,629,714	-4,255,319,517	-228,786,322	-47,438,243	-50,478,626		-8,782,973,477	-26,487,103	24,506,584	-8,784,953,996
Service Charges	-2,832,242,400	-724,345,755	-291,402,540	-4,214,999,599					-8,062,990,294		1,577,040	-8,061,413,254
Interest earned - External Investments					-182,207,937				-182,207,937	-2,687,203		-184,895,140
Interest raised - Outstanding Debtors	-244,326,751	-62,711,943	-35,452,251	-39,824,395					-382,315,340			-382,315,340
Licences and Permits						-17,860,213	-1,308,696		-19,168,909			-19,168,909
Rental of Facilities and Equipment	-740,299		-4,774,924	-15,763	-9,386,067	-10,984,974	-2,103,669		-28,005,696			-28,005,696
Income for Agency Services					-4,031,020		-1,149		-4,032,169			-4,032,169
Other Revenue	-39,094	-4,914,814		-479,760	-33,161,298	-18,593,056	-46,325,359		-103,513,381	-870,356		-104,383,737
Gains on disposal							-739,753		-739,753	-22,929,544	22,929,544	-739,753
Non-exchange Revenue	-627,298,326	-217,858,695	-143,878,604	-195,043,097	-3,395,535,613	-782,860,485	-377,214,955		-5,739,689,775	-114,600,892	111,511,118	-5,742,779,549
Property Rates					-2,661,453,352	0			-2,661,453,352			-2,661,453,352
Other Revenue					-304,430,000	-277,393,150.00	-119,749,850.01		-701,573,000			-701,573,000
Interest raised - Outstanding Debtors					-115,801,941	0			-115,801,941			-115,801,941
Fines, Penalties and Forfeits				-1,299,115	-55,343,592	-52,475,496	-82,145		-109,210,349			-109,210,349
Transfers and Subsidies	-627,298,326	-217,858,695	-143,878,604	-193,743,982	-258,506,728	-452,990,424	-257,372,960		-2,151,649,718	-114,600,892	111,511,118	-2,154,739,492
Licences and Permits						-1,416			-1,416			-1,416
Inter-segment Revenue	-118,038,410	-18,378,595	-3,477,815	-191,679,219	-33,895,664	-481,374		365,951,078	0	0	0	0
Total Revenue	-3,822,685,280	-1,028,209,801	-478,986,133	-4,642,041,834	-3,658,217,599	-830,780,103	-427,693,581	365,951,078	-14,522,663,253	-141,087,995	136,017,702	-14,527,733,546
EXPENDITURE												
Employee Related Costs	2,619,689,258	777,690,312	319,629,579	5,303,697,420	1,955,717,377	1,658,113,556	1,612,941,964		14,247,479,466	139,224,797	-136,017,702	14,250,686,561
Remuneration of Councillors	222,521,106	190,262,418	82,357,877	399,713,694	810,369,771	1,229,865,588	649,425,357		3,584,515,811	38,634,453		3,623,150,264
Debt Impairment - Receivables	1,808,809,460	294,938,428	181,642,334	198,801,927	628,358,602	-3,881,819			3,108,668,932			3,108,668,932
Debt Impairment - Other						49,476,126	755,514		50,231,640	259,071		50,490,711
Finance Charges	26,049,630	21,822,666	61,870	32,675,863	1,198,309	1,538,674	42,202,583		125,549,595			125,549,595
Bulk Purchases				4,377,705,071		0			4,377,705,071			4,377,705,071
Transfers and Subsidies					28,812,407	26,989,389	65,259,807		121,061,603		-90,496,658	30,564,945
Contracted Services	115,485,371	118,886,076	1,182,618	81,377,875	138,390,124	116,773,395	286,952,873		859,048,331	14,819,878		873,868,209
Other Expenditure	119,952,062	8,373,103	38,697,909	31,726,391	171,052,729	89,112,605	116,559,637		575,474,437	83,971,937	-45,521,044	613,925,330
Other Materials	-36,569,020	7,066,584	15,686,971	57,141,678	21,645,297	20,119,767	40,967,096		126,058,373			126,058,373
Depreciation	143,998,431	136,125,458		124,554,921	85,586,080	49,665,384	410,819,964		950,760,238	1,235,047		951,995,285
Amortisation						49,701,970			49,701,970	300,610		50,002,580
Impairment		215,579				17,839,659			18,055,238			18,055,238
Losses	219,442,216	0			-5,596,047	10,912,819	-866		224,758,121	3,801		224,761,922
Inter-segment Expenses	54,333,502	62,770,204	43,039	25,754,103	25,781,904	134,424,518	62,843,809	-365,951,078	0	0	0	0
Total Expenditure	2,674,022,759	840,460,515	319,672,618	5,329,451,523	1,981,499,281	1,792,538,074	1,675,785,773	-365,951,078	14,247,479,466	139,224,797	-136,017,702	14,250,686,561
NET SURPLUS FROM OPERATIONS	-1,148,662,521	-187,749,286	-159,313,515	687,409,689	-1,676,718,318	961,757,972	1,248,092,190	0	-275,183,789	-1,863,198	0	-277,046,987

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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 2022

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure				Total Spent	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			
Financial Management Grant	NT	1,000,000	-	-	-	1,000,000	199,000	453,000	121,000	227,000	1,000,000	N / A	Yes
Urban Settlement Development Grant	DPLG	119,596,000	153,108,000	320,441,000	-	593,145,000	49,472,000	143,270,000	91,711,000	194,769,000	479,222,000	N / A	Yes
Transport or PTIS	NT	96,361,000		122,126,000		218,487,000	19,544,000	29,143,000	15,997,000	60,232,000	124,916,000	N / A	Yes
Neighbourhood Development Partnership Grant	NT	15,954,000		23,327,000		39,281,000			8,185,000	3,993,000.00	12,178,000	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT	1,779,000	3,202,000	2,135,000		7,116,000	176,000	1,462,000	2,441,000	2,448,000	6,527,000	N / A	Yes
Infrastructure Skill Development Grant	NT	5,500,000		5,000,000		10,500,000	1,972,000	2,245,000	1,961,000	4,322,000	10,500,000	N / A	Yes
Intergrated City Development Grant	NT					-					-	N / A	Yes
Programme and Project Preperation Support Grant	NT	4,300,000		4,517,000	2,450,000	11,267,000					-	N / A	Yes
Informal Settlements Upgrading Grant	NT	-	166,605,000	116,440,000		283,045,000	15,340,000	17,308,000	16,356,000	126,671,000	175,675,000	N / A	Yes
Drought Relief Grant Funding	NT	-	-	57,829,000		57,829,000				2,161,000	2,161,000	N / A	Yes

**Appendix B - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2022**

TOTAL ACCUMULATED FUNDS	2022	Restated 2021
	R	R
Made up as follows:		
Capital Replacement Reserve	180,106,077	113,684,823
Government Grant Reserve	12,025,008,383	11,335,669,782
Donations and Public Contributions Reserves	517,041,316	492,138,572
Self-Insurance Reserve	147,663,875	115,122,651
COVID Reserve	56,837,354	51,175,135
Accumulated Surplus	6,111,854,111	6,654,015,171
	<u>19,038,511,116</u>	<u>18,761,806,134</u>