

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual 2023 R	Restated 2022 R	Actual 2023 R	Restated 2022 R
NET ASSETS					
Total Net Assets					
Total Accumulated Funds		21,849,860,341	19,024,573,461	21,811,972,307	18,999,035,026
LIABILITIES					
Non-current Liabilities		3,803,041,207	3,826,209,249	3,798,658,361	3,825,668,899
Long-term Liabilities	2	1,153,063,003	1,054,416,477	1,148,680,157	1,053,876,127
Non-current Provisions - Employee Benefits	3.1	2,078,364,463	2,186,115,700	2,078,364,463	2,186,115,700
Non-current Provisions - Other	3.2	571,613,741	585,677,072	571,613,741	585,677,072
Current Liabilities		3,746,198,022	3,711,380,462	3,715,054,321	3,676,073,863
Current Provisions - Employee Benefits	4.1	604,634,204	586,839,429	598,342,375	580,911,374
Current Provisions - Other	4.2	61,000	329,489	61,000	329,489
Consumer Deposits	5	155,527,819	156,560,216	155,527,819	156,560,216
Trade and Other Payables	6	2,302,746,560	2,096,472,517	2,285,244,613	2,080,163,096
Transfers and Subsidies	7	190,569,231	365,293,015	185,445,251	360,636,959
VAT	8	300,372,408	313,038,339	298,146,463	304,625,272
Current Portion of Long-term Liabilities	2	192,286,800	192,847,457	192,286,800	192,847,457
Total Liabilities		7,549,239,229	7,537,589,711	7,513,712,682	7,501,742,762
ASSETS					
Non-current Assets		19,584,096,817	18,637,697,865	19,548,671,935	18,614,243,181
Property, Plant and Equipment (PPE)	9	19,057,011,761	18,079,873,874	19,022,651,405	18,057,546,666
Heritage Assets	10	220,196,693	218,613,163	219,946,193	218,362,663
Intangible Assets	11	43,409,499	56,360,935	42,595,473	55,483,959
Investment Property	12	142,511,606	147,161,374	142,511,606	147,161,374
Long-term Receivables - Exchange Transactions	13	77,937,439	84,577,771	77,937,439	84,577,771
Long-term Receivables - Non-exchange Transactions	13	43,029,819	51,110,748	43,029,819	51,110,748
Current Assets		9,815,002,753	7,924,465,307	9,777,013,054	7,886,534,607
Inventory	14	183,166,395	183,439,809	182,973,367	183,259,020
Trade Receivables - Exchange Transactions	15	4,138,225,439	2,378,195,724	4,138,225,439	2,378,195,724
Trade Receivables - Non-exchange Transactions	15	353,945,151	335,786,247	353,945,151	335,786,247
Other Receivables - Non-exchange Transactions	16	788,056	678,937	785,956	676,837
Other Receivables - Exchange Transactions	16	321,454,306	240,843,185	350,020,480	289,644,057
Call Deposits and Investments	17	4,577,462,833	3,861,790,425	4,577,462,833	3,861,790,425
Call Deposits and Investments - Other	18	2,387,624	2,163,388	2,387,624	2,163,388
Bank Balances and Cash	19	237,572,949	921,567,592	171,212,204	835,018,909
Total Assets		29,399,099,570	26,562,163,172	29,325,684,989	26,500,777,788

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023

Restated 2022 R		Actual 2023 R	Approved Original Budget 2023 R	Adjustments 2023 R	Approved Final Budget 2023 R	Variance between Final Budget and Actual R	%	No.	
REVENUE									
Exchange revenue									
7,994,441,725	Service Charges	21.1	10,567,326,480	8,473,842,200	1,404,649,660	9,878,491,860	(688,834,620)	-7%	1
184,186,306	Interest earned - External Investments		336,096,873	179,558,350	15,239,560	194,797,910	(141,298,963)	-73%	2
382,204,440	Interest raised - Outstanding Debtors		718,826,548	296,665,010	154,205,670	450,870,680	(267,955,868)	-59%	3
19,217,599	Licences and Permits		21,437,830	16,849,970	309,800	17,159,770	(4,278,060)	-25%	4
33,946,956	Rental of Facilities and Equipment	23.1	30,762,294	29,487,990	19,930	29,507,920	(1,254,374)	-4%	5
4,032,166	Income for Agency Services		4,329,093	3,453,110	0	3,453,110	(875,983)	-25%	6
107,352,469	Other Revenue	23.2	106,841,423	148,588,830	(5,606,970)	142,981,860	36,140,437	25%	
739,753	Gain on disposal of Property Plant and Equipment	35.8.2	359,800	0	450,000	450,000	90,200	20%	
Non-exchange revenue									
701,573,000	Other Revenue	23.2	754,473,000	754,473,000	0	754,473,000	0	0%	
2,654,802,017	Property Rates	20	2,738,529,554	2,838,816,470	0	2,838,816,470	100,286,916	4%	
115,801,941	Interest raised - Outstanding Debtors		182,802,273	102,962,720	0	102,962,720	(79,839,553)	-78%	2
105,050,761	Fines, Penalties and Forfeits	21.2	77,510,533	94,347,080	(16,000,000)	78,347,080	836,547	1%	
2,157,420,198	Transfers and Subsidies	22	3,033,759,158	2,693,081,640	169,453,670	2,862,535,310	(171,223,848)	-6%	
1,416	Licences and Permits		1,062	0	0	0	(1,062)	0%	
14,460,770,747	Total Revenue		18,573,055,921	15,632,126,370	1,722,721,320	17,354,847,690	(1,218,208,231)		
EXPENDITURE									
3,660,837,327	Employee Related Costs	24	3,710,095,138	4,210,661,970	(13,950,520)	4,196,711,450	486,616,312	12%	7
75,900,104	Remuneration of Councillors	25	81,903,295	87,809,450	85,970	87,895,420	5,992,125	7%	
3,036,462,331	Debt Impairment - Receivables	26	4,012,487,242	2,092,240,820	1,056,708,590	3,148,949,410	(863,537,832)	-27%	8
50,231,639	Debt Impairment - Other	26	34,433,525	128,886,460	0	128,886,460	94,129,810	73%	9
259,073	Debt Impairment - MBDA	26	323,125	0	0	0	0	0%	
125,549,596	Finance Charges	27	131,488,708	123,595,680	0	123,595,680	(7,893,028)	-6%	
4,377,705,071	Bulk Purchases	28	4,705,197,690	4,705,311,600	49,313,880	4,754,625,480	49,427,790	1%	
32,091,619	Transfers and Subsidies	29	(22,035,633)	63,911,810	3,158,500	67,070,310	89,105,943	133%	10
879,695,189	Contracted Services	30.1	966,180,595	1,576,121,270	(130,627,150)	1,445,494,120	479,313,525	33%	11
639,281,026	Other Expenditure	30.2	749,554,751	744,929,830	55,054,900	799,984,730	50,429,979	6%	12
126,058,372	Other Materials	30.3	115,540,382	297,844,240	13,851,950	311,696,190	196,155,808	63%	13
951,985,286	Depreciation	31.1	978,849,468	1,295,759,160	(1,666,830)	1,294,092,330	290,528,840	22%	14
50,002,580	Amortisation	31.2	14,910,723	0	0	0	0		
224,761,922	Losses	35.8.1	258,361,264	70,655,070	0	70,655,070	(187,706,194)	-266%	15
18,055,238	Impairment	35.7	9,803,299	0	0	0	0		
14,248,876,373	Total Expenditure		15,747,093,572	15,397,727,360	1,031,929,290	16,429,656,650	682,563,078		
211,894,374	Surplus for the year		2,825,962,349	234,399,010	690,792,030	925,191,040	(1,900,771,309)		

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

(Please note: SURPLUS for the year R2 825 962 349 less Transfers and Subsidies - Capital R 1 478 761 187 (Refer note 22.10, 22.25, 22.26) = True SURPLUS for the year in the amount of R1 347 201 162)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2023

Restated 2022 R		Actual 2023 R	Approved Original Budget 2023 R	Adjustments 2023 R	Approved Final Budget 2023 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
7,996,019,763	Service Charges	21.1	10,568,499,793	8,473,842,000	1,404,649,860	9,878,491,860	(690,007,933)	-7%
181,499,103	Interest earned - External Investments		331,112,632	177,308,000	15,239,910	192,547,910	(138,564,722)	-72%
382,204,440	Interest raised - Outstanding Debtors		718,826,548	291,516,870	154,205,670	445,722,540	(273,104,008)	-61%
19,217,599	Licences and Permits		21,437,830	16,847,650	309,800	17,157,450	(4,280,380)	-25%
33,946,956	Rental of Facilities and Equipment	23.1	30,762,294	29,487,990	19,930	29,507,920	(1,254,374)	-4%
4,032,166	Income for Agency Services		4,329,093	3,453,110	0	3,453,110	(875,983)	-25%
106,482,113	Other Revenue	23.2	103,679,778	148,589,000	(5,607,000)	142,982,000	39,302,222	27%
739,753	Gain on disposal of Property Plant and Equipment	35.8.2	359,800		450,000	450,000	90,200	20%
Non-exchange revenue								
701,573,000	Other Revenue	23.2	754,473,000	754,473,000	0	754,473,000	0	0%
2,654,802,017	Property Rates	20	2,738,529,554	2,838,816,470	0	2,838,816,470	100,286,916	4%
115,801,941	Interest raised - Outstanding Debtors		182,802,273	108,110,860	0	108,110,860	(74,691,413)	-69%
105,050,761	Fines, Penalties and Forfeits	21.2	77,510,533		(16,000,000)	78,347,080	836,547	1%
2,154,330,425	Transfers and Subsidies	22	3,033,043,120	2,693,081,000	169,454,710	2,862,535,710	(170,507,410)	-6%
1,416	Licences and Permits		1,062	2,320	0	2,320	1,258	0%
14,455,701,453	Total Revenue		18,565,367,310	15,629,875,350	1,722,722,880	17,352,598,230	(1,212,769,080)	
EXPENDITURE								
3,622,265,192	Employee Related Costs	24	3,672,071,462	4,171,912,000	(22,963,000)	4,148,949,000	476,877,538	11%
75,900,104	Remuneration of Councillors	25	81,903,295	87,809,450	85,970	87,895,420	5,992,125	7%
3,036,462,331	Debt Impairment - Receivables	26	4,012,487,242	2,182,494,810	1,066,781,720	3,249,276,530	(763,210,712)	-23%
50,231,639	Debt Impairment - Other	26	34,433,525	38,559,190	(9,999,720)	28,559,470	(5,874,055)	-21%
125,549,596	Finance Charges	27	131,488,708	123,595,680	0	123,595,680	(7,893,028)	-6%
4,377,705,071	Bulk Purchases	28	4,705,197,690	4,705,311,840	49,313,160	4,754,625,000	49,427,310	1%
122,525,960	Transfers and Subsidies	29	103,669,390	189,049,000	3,159,000	192,208,000	88,538,610	46%
864,875,308	Contracted Services	30.1	947,337,198	1,560,172,000	(131,774,000)	1,428,398,000	481,060,802	34%
600,831,132	Other Expenditure	30.2	686,791,408	728,250,000	42,881,000	771,131,000	84,339,592	11%
126,058,372	Other Materials	30.3	115,540,382	297,844,000	13,852,000	311,696,000	196,155,618	63%
950,750,238	Depreciation	31.1	977,830,174	1,294,834,000	(1,667,000)	1,293,167,000	290,694,004	22%
49,701,970	Amortisation	31.2	14,839,523		0	0	0	0%
18,055,238	Impairment	35.7	9,803,299		0	0	0	0%
224,758,121	Losses	35.8.1	258,361,264	70,655,000	0	70,655,000	(187,706,264)	-266%
14,245,670,272	Total Expenditure		15,751,754,560	15,450,486,970	1,009,669,130	16,460,156,100	708,401,540	
210,031,181	Surplus for the year		2,813,612,750	179,388,380	713,053,750	892,442,130	(1,921,170,620)	

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

(Please note: SURPLUS for the year R2 813 612 750 less Transfers and Subsidies - Capital R 1 478 184 104 (Refer note 22.10, 22.25, 22.26) = True SURPLUS for the year in the amount of R1 335 428 646)

NELSON MANDELA BAY MUNICIPALITY	
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED	
JUNE 2023	
30	
<u>Accumulated Surplus</u>	
R	
Balance at 01 July 2021 as previously reported	18,761,806,139
Restatements (Refer note 40.2)	51,214,953
Restated Balance at 01 July 2021	18,813,021,092
Surplus for the year as previously reported	277,046,983
Decrease in Surplus (Refer note 40.1.1)	(65,152,608)
Restated Surplus for the year	211,894,375
Transfer to Revenue from Self Insurance Reserve	(342,006)
Restated Balance at 30 June 2022	19,024,573,461
Balance at 01 July 2022	19,024,573,461
Surplus for the year	2,825,962,349
Transfer to Revenue from Self Insurance Reserve	(675,469)
Balance at 30 June 2023	21,849,860,341

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023	
<u>Accumulated Surplus</u>	
R	
Balance at 01 July 2021 as previously reported	18,738,130,897
Restatements (Refer note 40.2)	51,214,953
Restated Balance at 01 July 2021	18,789,345,850
Surplus for the year as previously reported	275,183,790
Decrease in Surplus (Refer note 40.1.1)	(65,152,608)
Restated Surplus for the year	210,031,182
Transfer to Revenue from Self Insurance Reserve	(342,006)
Restated Balance at 30 June 2022	18,999,035,026
Balance at 01 July 2022	18,999,035,026
Surplus for the year	2,813,612,750
Transfer to Revenue from Self Insurance Reserve	(675,469)
Balance at 30 June 2023	21,811,972,307

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2023	2022	2023	2022
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		11,952,962,660	11,674,132,744	11,916,527,729	11,467,583,102
- Sale of goods and services, fines and taxes levied and Other Revenue		8,892,211,831	9,059,649,447	8,873,443,158	8,855,796,842
- Transfers and Subsidies		2,725,320,908	2,429,230,512	2,712,196,175	2,429,230,512
- Interest received		335,429,921	185,252,785	330,888,396	182,555,748
Cash paid to suppliers and employees		(10,495,190,748)	(10,010,643,868)	(10,451,628,574)	(9,828,478,790)
- Employee Costs		(3,807,182,600)	(3,593,768,873)	(3,756,397,869)	(3,540,096,813)
- Suppliers		(6,563,200,954)	(6,294,479,916)	(6,570,423,511)	(6,165,986,898)
- Finance Cost	27	(124,807,194)	(122,395,079)	(124,807,194)	(122,395,079)
CASH GENERATED FROM OPERATIONS	32	1,457,771,912	1,663,488,876	1,464,899,155	1,639,104,312
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1,507,947,896)	(1,203,523,870)	(1,494,895,451)	(1,200,353,843)
Purchase of Intangible assets		(1,959,287)	(869,790)	(1,951,037)	(692,790)
Purchase of Heritage assets		(455,000)	0	(455,000)	0
Proceeds on disposal of assets		359,800	763,324	359,800	739,753
Loss on disposal of assets		(5,187,007)	(5,290,635)	(5,187,007)	(5,290,635)
Increase in Other Non-Current Receivables		0	0	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES		(1,515,189,390)	(1,208,920,971)	(1,502,128,695)	(1,205,597,515)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in Consumer Deposits		0	0	0	0
Movement in Long-term loans (External)	33	(192,847,457)	(196,369,125)	(192,847,457)	(196,369,125)
Increase in Borrowings	33	281,942,700	254,244,700	281,942,700	254,244,700
NET CASH FLOW FROM FINANCING ACTIVITIES		89,095,243	57,875,575	89,095,243	57,875,575
NET CHANGE IN CASH AND CASH EQUIVALENTS		31,677,765	512,443,480	51,865,703	491,382,372
Cash and cash equivalents at the beginning of the year		4,783,358,017	4,270,914,537	4,696,809,334	4,205,426,962
Cash and cash equivalents at the end of the year	34	4,815,035,782	4,783,358,017	4,748,675,037	4,696,809,334

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

RESERVES GOVERNED BY AN ACT:	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
1 COID RESERVE				
Balance at the beginning of the year	56,837,354	51,175,135	56,837,354	51,175,135
Premiums received - transfer from accumulated surplus	8,929,987	8,716,571	8,929,987	8,716,571
Expenditure funded during the year - transfer to accumulated surplus	(6,191,290)	(3,054,352)	(6,191,290)	(3,054,352)
Balance at the end of the year	59,576,051	56,837,354	59,576,051	56,837,354

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)	254,538,874	279,652,675	254,538,874	279,652,675
Rand Merchant Bank	300,964,122	324,359,968	300,964,122	324,359,968
Nedbank 1	190,919,836	271,357,936	190,919,836	271,357,936
Nedbank 2	569,274,150	347,763,123	569,274,150	347,763,123
Total External Loans	1,315,696,982	1,223,133,702	1,315,696,982	1,223,133,702
Long-term Liabilities - MBDA	4,382,846	540,350	0	0
Brookes Bequest	25,269,975	23,589,882	25,269,975	23,589,882
Total Long-term Liabilities	1,345,349,803	1,247,263,934	1,340,966,957	1,246,723,584
Less : Current portion transferred to current liabilities	192,286,800	192,847,457	192,286,800	192,847,457
Development Bank of Southern Africa (DBSA)	27,233,034	24,406,728	27,233,034	24,406,728
Rand Merchant Bank	25,558,009	23,201,948	25,558,009	23,201,948
Nedbank 1	85,921,830	76,671,989	85,921,830	76,671,989
Nedbank 2	53,573,927	68,566,792	53,573,927	68,566,792
	1,153,063,003	1,054,416,477	1,148,680,157	1,053,876,127

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 R24 406 728 and interest of R30 896 004 was repaid during the financial year. (2022: Capital repaid R21 799 983 and interest repaid of R33 502 750)

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 383 998, 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 R76 671 989 and interest of R28 096 008 was repaid during the financial year. (2022: Capital repaid R68 515 464 and Interest paid R36 252 533)

NEDBANK 2

A further loan of R750 602 100 was taken up during the 2020/21 financial year and is repayable over 10 years in 20 half yearly instalments of R51 459 329, 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 R69 513 808 and interest of R33 404 850 was repaid during the financial year. (2022: Capital repaid R85 056 503 and Interest paid R18 039 853)

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 R23 200 600 and interest of R32 357 453 was repaid during the financial year. (2022: Capital repaid R20 995 325 and Interest paid R35 562 728)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor, which was bequeathed to the Municipality in 1934. The capital of the fund may not be used until 100 years after the death of the last annuitant. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The interest may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 6.9% 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 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
3.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Benefit	7,913,167	24,882,700	7,913,167	24,882,700
Post Retirement Benefits	1,387,524,296	1,418,385,000	1,387,524,296	1,418,385,000
Long Service Awards and Long Service Bonus	682,927,000	742,848,000	682,927,000	742,848,000
Total Employee Benefit Obligation	2,078,364,463	2,186,115,700	2,078,364,463	2,186,115,700

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	24,882,700	5,550,597	24,882,700	5,550,597
Movement in Obligation	(16,969,533)	19,332,103	(16,969,533)	19,332,103
Balance at end of year	7,913,167	24,882,700	7,913,167	24,882,700

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	1,418,385,000	1,411,114,076	1,418,385,000	1,411,114,076
Movement in Obligation	(30,860,704)	7,270,924	(30,860,704)	7,270,924
Balance at end of year	1,387,524,296	1,418,385,000	1,387,524,296	1,418,385,000

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	742,848,000	736,991,000	742,848,000	736,991,000
Contributions to Obligation	(59,921,000)	5,857,000	(59,921,000)	5,857,000
Balance at end of year	682,927,000	742,848,000	682,927,000	742,848,000

3.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	461,882,232	483,341,175	461,882,232	483,341,175
Rehabilitation of Swartkops River	109,731,509	102,335,897	109,731,509	102,335,897
Total Non-current Provisions	571,613,741	585,677,072	571,613,741	585,677,072

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R182 787 167 for the Arlington Landfill site, R120 079 432 for the Koedoeskloof Landfill site and R159 015 633 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 2028 (Arlington) and 2028 (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 5.4%. The projected amounts are discounted to the present value at the average borrowing rate of 10.54%. 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	483,341,175	406,886,060	483,341,175	406,886,060
Contributions to Provision	(21,458,943)	76,455,115	(21,458,943)	76,455,115
Balance at end of year	461,882,232	483,341,175	461,882,232	483,341,175

Rehabilitation of Swartkops River

Balance at beginning of year	102,335,897	94,665,077	102,335,897	94,665,077
Contributions to Provision - unwinding of discount factor	7,395,612	7,670,820	7,395,612	7,670,820
Balance at end of year	109,731,509	102,335,897	109,731,509	102,335,897

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 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
4 EMPLOYEE BENEFITS AND PROVISIONS				
4.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Obligation	6,404,302	17,116,800	6,404,302	17,116,800
Post Retirement Benefits	90,210,100	71,592,000	90,210,100	71,592,000
Performance Bonus Liability	8,199,025	10,130,174	6,940,276	8,617,523
Long service awards and long service bonuses	109,593,000	124,747,000	109,593,000	124,747,000
Provision for Workmen's Compensation	83,864	50,147	0	0
Provision for Leave pay	390,143,913	363,203,308	385,194,697	358,838,051
Total Current Employee Benefit Obligation	604,634,204	586,839,429	598,342,375	580,911,374
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	17,116,800	4,639,392	17,116,800	4,639,392
Movement in Obligation	(6,769,342)	18,421,764	(6,769,342)	18,421,764
Expenditure incurred	(3,943,156)	(5,944,356)	(3,943,156)	(5,944,356)
Balance at end of year	6,404,302	17,116,800	6,404,302	17,116,800
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	71,592,000	74,338,869	71,592,000	74,338,869
Contributions to Obligation	100,894,821	76,450,042	100,894,821	76,450,042
Expenditure incurred	(82,276,721)	(79,196,911)	(82,276,721)	(79,196,911)
Balance at end of year	90,210,100	71,592,000	90,210,100	71,592,000
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	10,130,174	9,992,720	8,617,523	7,906,666
Movement in Obligation	(418,498)	4,045,786	(1,677,247)	2,533,135
Expenditure incurred	(1,512,651)	(3,908,332)	0	(1,822,278)
Balance at end of year	8,199,025	10,130,174	6,940,276	8,617,523
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	124,747,000	96,539,000	124,747,000	96,539,000
Movement in Obligation	(15,154,000)	28,208,000	(15,154,000)	28,208,000
Balance at end of year	109,593,000	124,747,000	109,593,000	124,747,000
Provision for Workmen's Compensation				
Balance at beginning of year	50,147	52,377	0	0
Contributions to Obligation	83,864	50,147	0	0
Expenditure incurred	(50,147)	(52,377)	0	0
Balance at end of year	83,864	50,147	0	0
Provision for Leave pay				
The obligation is in respect of leave pay				
Balance at beginning of year	363,203,308	387,494,594	358,838,051	382,834,548
Movement in Obligation	26,940,605	(24,291,286)	26,356,646	(23,996,497)
Balance at end of year	390,143,913	363,203,308	385,194,697	358,838,051
4.2 CURRENT PROVISIONS - OTHER				
Provision for Litigation and Claims	61,000	329,489	61,000	329,489
Total Current Provisions	61,000	329,489	61,000	329,489
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	329,489	15,277,529	329,489	15,277,529
Contribution to the provision	0	329,489	0	329,489
Provision utilised/reversed	(268,489)	(15,277,529)	(268,489)	(15,277,529)
Balance at end of year	61,000	329,489	61,000	329,489
5 CONSUMER DEPOSITS				
Electricity and Water	153,207,029	154,602,608	153,207,029	154,602,608
Interest	2,320,790	1,957,608	2,320,790	1,957,608
	155,527,819	156,560,216	155,527,819	156,560,216
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 2023

	Economic Entity		Municipality	
	2023	Restated 2022	2023	Restated 2022
	R	R	R	R
6 TRADE AND OTHER PAYABLES				
Payables and Accruals	1,954,024,168	1,772,737,346	1,936,829,978	1,758,422,174
Payments Received in Advance - Consumer Debtors	105,446,860	98,768,238	105,446,860	98,768,238
Payments Received in Advance - Other	88,043,953	87,920,014	88,043,953	87,920,014
Retentions	155,231,579	137,046,919	154,923,822	135,052,670
Total Creditors	2,302,746,560	2,096,472,517	2,285,244,613	2,080,163,096

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 R155 231 579, 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):

	2023	Restated 2022	2023	Restated 2022
Public Transport Infrastructure Grant (See Note 22.6)	15,957,033	27,595,051	15,957,033	27,595,051
Public Transport Networks Operations Grant (See Note 22.7)	6,951,599	49,330,709	6,951,599	49,330,709
Neighbourhood Partnership Development Grant (See Note 22.13)	30,592	9,101,120	30,592	9,101,120
Neighbourhood Partnership Development Grant (See Note 22.14)	1,615	14,307,080	1,615	14,307,080
Urban Settlement Development Grant (See Note 22.15)	29,400,680	31,920,928	29,400,680	31,920,928
Programme and Project Preparation Support Grant (PPPSG) (See Note 22.19)	19,892,820	10,891,492	19,892,820	10,891,492
Drought Relief Grant (See Note 22.20)	763,767	55,667,575	763,767	55,667,575
Energy Efficiency and Demand Side Management Grant (See Note 22.27)	192,487	0	192,487	-
Informal Settlements Upgrading Grant (See Note 22.28)	49,715,992	98,732,269	49,715,992	98,732,269
Other Grants:				
PHB Subsidies (See Note 22.1 and Note 16)	41,194,912	43,952,647	41,194,912	43,952,647
Other Grants (See Note 22.9)	5,727,231	5,347,091	603,251	691,035
CDC Walmer Intervention Funding Grant (See Note 22.12)	9,068,419	9,068,420	9,068,419	9,068,420
Department of Roads and Public Works Grant (See Note 22.21)	967,678	0	967,678	-
LGSETA Discretionary Learnership Funding (See Note 22.22)	10,704,406	9,378,633	10,704,406	9,378,633
Total Transfers and Subsidies	190,569,231	365,293,015	185,445,251	360,636,959

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	101,385,672	(5,240,877)	101,385,672	(5,240,877)
VAT Receivable / (Net VAT payable) - Not yet due	(399,532,135)	(299,384,395)	(399,532,135)	(299,384,395)
Total VAT	(298,146,463)	(304,625,272)	(298,146,463)	(304,625,272)
VAT Receivable / (Net VAT payable) - MBDA	(2,225,945)	(8,413,067)	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 2023

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2023			
Land	1,226,261,163	301,751	1,225,959,412
Buildings	1,042,573,162	483,108,337	559,464,825
Infrastructure Assets	23,324,748,088	8,917,765,615	14,406,982,473
Community Assets	3,752,570,593	1,419,310,559	2,333,260,034
Other Assets	1,811,523,477	1,280,178,460	531,345,017
	31,157,676,483	12,100,664,722	19,057,011,761

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 2022

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
	Land	1,182,825,415	207,644
Buildings	1,036,737,347	440,913,631	595,823,716
Infrastructure Assets	21,513,938,025	8,194,814,781	13,319,123,244
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
	29,217,554,804	11,137,680,930	18,079,873,874

Refer Restatement Note no. 40.3.5

MUNICIPALITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2023			
Land	1,196,290,279	0	1,196,290,279
Buildings	1,042,573,162	483,108,337	559,464,825
Infrastructure Assets	23,324,748,090	8,917,765,615	14,406,982,475
Community Assets	3,752,570,593	1,419,310,559	2,333,260,034
Other Assets	1,801,521,707	1,274,867,915	526,653,792
	31,117,703,831	12,095,052,426	19,022,651,405

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 2022

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
	Land	1,164,255,148	0
Buildings	1,036,737,347	440,913,631	595,823,716
Infrastructure Assets	21,513,938,025	8,194,814,781	13,319,123,244
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
	29,190,634,594	11,133,087,928	18,057,546,666

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 2023

10 HERITAGE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2023		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		236,017,350	15,820,657	220,196,693
Refer to Note 49 for reconciliation.		236,017,350	15,820,657	220,196,693
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
MUNICIPALITY		R	R	R
As at 30 June 2023		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		235,766,850	15,820,657	219,946,193
Refer to Note 49 for reconciliation.		235,766,850	15,820,657	219,946,193
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.
No retiring from active use / disposal took place during the current year.

11 INTANGIBLE ASSETS

ECONOMIC ENTITY		Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2023				
Computer Software		428,822,706	385,413,207	43,409,499
		428,822,706	385,413,207	43,409,499
No assets were pledged as security and there were no restrictions.				
Refer to Note 50 for reconciliation.				
As at 30 June 2022				
Computer Software		464,477,335	408,116,400	56,360,935
		464,477,335	408,116,400	56,360,935
MUNICIPALITY		Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2023				
Computer Software		427,238,922	384,643,449	42,595,473
		427,238,922	384,643,449	42,595,473
No assets were pledged as security and there were no restrictions.				
Refer to Note 50 for reconciliation.				
As at 30 June 2022				
Computer Software		462,901,801	407,417,842	55,483,959
		462,901,801	407,417,842	55,483,959

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

12 INVESTMENT PROPERTY

ECONOMIC ENTITY

As at 30 June 2023

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	226,767,881	84,256,275	142,511,606
	226,767,881	84,256,275	142,511,606

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

Refer to Note 51 for reconciliation.

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

MUNICIPALITY

As at 30 June 2023

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	226,767,881	84,256,275	142,511,606
	226,767,881	84,256,275	142,511,606

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

Refer to Note 51 for reconciliation.

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

Description of Investment Property:

Nelson Mandela Bay Logistics Park
Mc Arthur Bath
Willows Resort
Beachview Resort
Van Stadens Resort
St Georges Park Resort and Wells estate
Motherwell Depot
Africa Timbers in Korsten
Mercado centre
Incinerator and Gas works
Something Good
Korsten Depot
Port Elizabeth RD Steeledale Reinforcing
PE Central Shop
North End Workshop
Moselville Old Post Office

Market Value of Investment Property

ECONOMIC ENTITY AND
MUNICIPALITY

2023	Restated 2022
R	R
284,500,000	102,300,000
21,700,000	12,290,000
59,400,000	246,430,000
20,033,000	6,250,000
10,700,000	5,250,000
167,900,000	117,500,000
2,400,000	15,010,000
1,850,000	1,990,000
25,400,000	22,830,000
6,650,000	26,730,000
800,000	4,200,000
2,050,000	1,600,000
3,900,000	980,000
1,650,000	490,000
230,000	66,000
1,200,000	1,250,000
610,363,000	565,166,000

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 valuations was based on the 2021/2022 Valuations roll, which is valid until 30 June 2026 - 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.

ECONOMIC ENTITY AND
MUNICIPALITY

Properties subject to Operating Leases:

Rental revenue included in surplus for following Investment Properties:

	2023	Restated 2022
	R	R
Beachview resort	240,000	240,000
Van Stadens Resort	240,000	240,000
Something Good	944,335	895,954

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 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
13 LONG-TERM RECEIVABLES				
Other Debtors	50,315	50,315	50,315	50,315
Consumer Debtors	120,916,943	135,638,204	120,916,943	135,638,204
Rates and General	42,979,504	51,060,433	42,979,504	51,060,433
Other Services	3,845,015	4,568,039	3,845,015	4,568,039
Electricity	25,966,529	28,716,079	25,966,529	28,716,079
Water	29,798,309	30,704,134	29,798,309	30,704,134
Refuse	7,346,068	7,907,604	7,346,068	7,907,604
Sewerage	10,981,518	12,681,915	10,981,518	12,681,915
Long-term Receivables	120,967,258	135,688,519	120,967,258	135,688,519
Long-term Receivables - Exchange Transactions	77,937,439	84,577,771	77,937,439	84,577,771
Long-term Receivables - Non-exchange Transactions	43,029,819	51,110,748	43,029,819	51,110,748
	120,967,258	135,688,519	120,967,258	135,688,519

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 8.25% and 11.25% per annum on overdue accounts.

Trade Receivables - Exchange Transactions

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

14 INVENTORY

Materials and Supplies	183,912,895	184,207,672	183,719,867	184,026,883
Finished Goods - Water Stock	172,135,433	172,561,635	172,135,433	172,561,635
Finished Goods - Other	5,147,883	4,798,259	5,147,883	4,798,259
Consumables	6,436,551	6,666,989	6,436,551	6,666,989
	193,028	180,789	0	0
Less: Provision for Obsolete Stock	(746,500)	(767,863)	(746,500)	(767,863)
	183,166,395	183,439,809	182,973,367	183,259,020

No inventory was pledged as security

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2023

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
	13,621,351,817	(9,483,842,006)	4,137,509,811
Service Debtors	1,632,308,982	(719,330,425)	912,978,557
Electricity	9,604,829,395	(6,769,894,434)	2,834,934,961
Water	873,766,670	(763,735,889)	110,030,781
Refuse	1,510,446,770	(1,230,881,258)	279,565,512
Sanitation			
House Rentals	54,938,438	(54,222,810)	715,628
Total	13,676,290,255	(9,538,064,816)	4,138,225,439

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 2022

Service Debtors
Electricity
Water
Refuse
Sanitation

House Rentals
Total

	Gross Balances	Impairment Allowance	Carrying Amount
	8,570,373,683	(6,207,222,465)	2,363,151,218
Service Debtors	1,725,416,554	(921,081,527)	804,335,027
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	8,622,728,924	(6,244,533,200)	2,378,195,724

Refer Restatement Note no. 40.3.4.1

Electricity: Ageing

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

	2023 R	Restated 2022 R
Current (0-30 days)	789,099,175	700,720,358
31 - 60 Days	82,597,069	61,652,440
61 - 90 Days	37,651,086	40,794,192
Over 90 Days	722,961,652	922,249,564
Total	1,632,308,982	1,725,416,554

Water: Ageing

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

Current (0-30 days)	607,438,529	432,499,483
31 - 60 Days	499,739,724	268,303,396
61 - 90 Days	1,326,324,926	269,006,858
Over 90 Days	7,171,326,216	3,996,345,569
Total	9,604,829,395	4,966,155,306

Refuse: Ageing

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

Current (0-30 days)	46,572,167	42,645,160
31 - 60 Days	20,916,959	17,402,952
61 - 90 Days	28,805,064	22,721,332
Over 90 Days	777,472,480	612,727,822
Total	873,766,670	695,497,266

Sanitation: Ageing

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

Current (0-30 days)	120,759,543	92,517,033
31 - 60 Days	65,706,100	56,949,671
61 - 90 Days	56,264,939	45,093,420
Over 90 Days	1,267,716,188	988,744,433
Total	1,510,446,770	1,183,304,557

Housing Rentals: Ageing

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

Current (0-30 days)	1,235,303	562,048
31 - 60 Days	387,853	225,061
61 - 90 Days	1,692,886	1,310,023
Over 90 Days	51,622,396	50,258,109
Total	54,938,438	52,355,241

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 2023			
Current (0-30 days)	588,699,687	934,683,146	41,721,884
31 - 60 Days	549,736,114	104,603,439	15,008,152
61 - 90 Days	1,362,038,835	73,385,334	15,314,732
Over 90 Days	9,662,806,785	177,988,773	150,303,374
Gross Consumer Debtors by Customer classification	<u>12,163,281,421</u>	<u>1,290,660,692</u>	<u>222,348,142</u>
Gross Consumer Debtors			13,676,290,255
Less: Impairment allowance			(9,538,064,816)
Net Consumer Debtors for the period ended 30 June 2023			<u>4,138,225,439</u>

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2022			
Current (0-30 days)	240,238,455	998,004,874	30,700,753
31 - 60 Days	299,594,344	91,174,478	13,764,698
61 - 90 Days	300,609,111	66,468,880	11,847,834
Over 90 Days	4,745,176,580	1,699,874,321	125,274,596
Gross Consumer Debtors by Customer classification	<u>5,585,618,490</u>	<u>2,855,522,553</u>	<u>181,587,881</u>
Gross Consumer Debtors			8,622,728,924
Less: Impairment allowance			(6,244,533,200)
Net Consumer Debtors for the year ended 30 June 2022			<u>2,378,195,724</u>

Reconciliation of the Impairment Allowance

	2023 R	Restated 2022 R
Balance at beginning of year	6,244,533,200	3,855,887,981
Contributions to Impairment allowance	3,908,022,142	2,651,497,381
Bad debts written off against the Impairment allowance	10,152,555,342	6,507,385,362
Balance at end of year	<u>9,538,064,816</u>	<u>6,244,533,200</u>

Financial Assets have been classified as loans and receivables.

The consumer debtors are billed at gazetted interest rate between 8.25% and 11.25% per annum on overdue accounts.

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

Neither past due nor impaired

4,138,225,439 **2,378,195,724**

Consumer Debtors for which an impairment allowance was raised

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

9,538,064,816 **6,244,533,200**

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
15 TRADE RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Property Rates	2,442,559,463	2,116,959,988	2,442,559,463	2,116,959,988
Provision for Bad Debts - Property Rates	(2,088,614,312)	(1,781,173,741)	(2,088,614,312)	(1,781,173,741)
	353,945,151	335,786,247	353,945,151	335,786,247
Refer Restatement Note no. 40.3.4.2				
Property rates: Ageing				
Current (0-30 days)	219,745,759	219,675,718	219,745,759	219,675,718
31 - 60 Days	33,573,981	33,026,975	33,573,981	33,026,975
61 - 90 Days	57,593,951	40,265,398	57,593,951	40,265,398
Over 90 Days	2,131,645,772	1,823,991,897	2,131,645,772	1,823,991,897
Total	2,442,559,463	2,116,959,988	2,442,559,463	2,116,959,988
Reconciliation of the Impairment Allowance				
Balance at beginning of year	1,781,173,741	1,366,567,567	1,781,173,741	1,366,567,567
Contributions to Impairment allowance	431,746,816	478,445,815	431,746,816	478,445,815
	2,212,920,557	1,845,013,382	2,212,920,557	1,845,013,382
Bad debts written off against the Impairment allowance	(124,306,245)	(63,839,641)	(124,306,245)	(63,839,641)
Balance at end of year	2,088,614,312	1,781,173,741	2,088,614,312	1,781,173,741
16 OTHER RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - Housing	210,732,330	210,320,725	210,732,330	210,320,725
Accrued Income: Transfers and Subsidies - E-Share	374,351	0	374,351	0
Accrued Income: Transfers and Subsidies - Roads	0	676,837	0	676,837
Accrued Income: Transfers and Subsidies - Public Health	17,112,961	17,112,961	17,112,961	17,112,961
	228,219,642	228,110,523	228,219,642	228,110,523
Provision for Bad Debts - Other Receivables - Non-Exchange	(227,433,686)	(227,433,686)	(227,433,686)	(227,433,686)
	785,956	676,837	785,956	676,837
Other Receivables: MBDA	2,100	2,100	0	0
	788,056	678,937	785,956	676,837
Refer Restatement Note no. 40.3.2.2				
OTHER RECEIVABLES - EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - MBDA	134,275,921	99,085,496	134,275,921	99,085,496
Accrued Income: Market	31,627,120	31,071,335	31,627,120	31,071,335
Accrued Income: Interest Receivable	95,272,583	57,541,568	95,272,583	57,541,568
Accrued Income: Stadium	18,571,027	18,571,027	18,571,027	18,571,027
Accrued Income: Traffic Fines	54,210,039	19,776,513	54,210,039	19,776,513
Accrued Income: Other	53,038,789	67,098,588	53,038,789	67,098,588
Prepayments and Advances	18,592,903	17,231,606	18,592,903	17,231,606
Operating Leases - Straight Lining	8,691,697	9,093,998	8,691,697	9,093,998
	414,280,079	319,470,131	414,280,079	319,470,131
Provision for Bad Debts -Other Receivables - Exchange	(64,259,599)	(29,826,074)	(64,259,599)	(29,826,074)
	350,020,480	289,644,057	350,020,480	289,644,057
Other Receivables: MBDA	136,181,710	73,541,397	0	0
Less: Intercompany transactions	(164,747,884)	(122,342,269)	0	0
	321,454,306	240,843,185	350,020,480	289,644,057
Refer Restatement Note no. 40.3.2.1				
Amounts due from Government and external debtors are normally settled within 30 days and bear no interest. Included in Accrued Income: Other above are debit balances in creditors in the amount of R3 197 245; 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 2023: 8.13%, 6.5% and 8.00% (2022: 4.81%, 4.5% and 3.5%) during the current audit period.	625,310,000	925,310,000	625,310,000	925,310,000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2023: 8.58% (2022: 5.43%) during the current audit period.	1,155,000,000	925,000,000	1,155,000,000	925,000,000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2023: 8% (2022: 4.5%) during the current audit period.	169,693,176	159,020,768	169,693,176	159,020,768
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2023: 8.65% and 7.85% (2022: 4.85% and 4.35%) during the current audit period.	1,080,500,000	925,500,000	1,080,500,000	925,500,000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2023: 8.65% (2022: 5.68%) during the current audit period.	1,546,700,000	926,700,000	1,546,700,000	926,700,000
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2023: 8.31% (2022: 5.080%) during the current audit period.	259,657	259,657	259,657	259,657
	4,577,462,833	3,861,790,425	4,577,462,833	3,861,790,425

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
17 CALL DEPOSITS AND INVESTMENTS (CONTINUED)				
DEPOSITS and INVESTMENTS				
The Investments are committed as follows:	4,577,462,833	3,861,790,425	4,577,462,833	3,861,790,425
Transfers and Subsidies	190,569,231	365,293,015	185,445,251	360,636,959
Current Portion of Long-term Liabilities	192,286,800	192,847,457	192,286,800	192,847,457
C/OID Reserve	59,576,051	56,837,354	59,576,051	56,837,354
Self Insurance Reserve	181,756,838	147,663,875	181,756,838	147,663,875
Capital Replacement Reserve	149,618,708	180,106,077	149,618,708	180,106,077
	773,807,628	942,747,778	768,683,648	938,091,722
The balance is available for Trade and Other Payables	3,803,655,205	2,919,042,647	3,808,779,185	2,923,698,703
Also refer Notes 2, 6 and 7				
18 CALL DEPOSITS AND INVESTMENTS - OTHER				
Sanlam Shares - Financial Instruments	2,387,624	2,163,388	2,387,624	2,163,388
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 387 624 (2022: R2 163 388) determined on the open market share price as at 30 June 2023. 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 286 800 (2022: R192 847 457) 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	835,018,909	395,389,822	835,018,909	395,389,822
Cash Book balance at end of the year	171,212,204	835,018,909	171,212,204	835,018,909
Bank Balance at beginning of the year	815,061,485	421,927,973	815,061,485	421,927,973
Bank Balance at end of the year	148,663,716	815,061,485	148,663,716	815,061,485
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	171,212,204	835,018,909	171,212,204	835,018,909
Mandela Bay Development Agency				
<u>Current Accounts (Primary Account)</u>				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	3,963,956	35,324,488		
Cashbook balance at end of the year	2,948,095	3,963,956		
Bank statement balance at beginning of the year	3,963,956	35,324,488		
Bank statement balance at end of the year	2,948,095	3,963,956		
Call Account Deposits				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	82,584,727	30,163,087		
Cashbook balance at end of the year	63,412,650	82,584,727		
Bank statement balance at beginning of the year	82,584,727	30,163,087		
Bank statement balance at end of the year	63,412,650	82,584,727		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	66,360,745	86,548,683		
Current Account (Primary Account)	2,948,095	3,963,956		
Call Account Deposits	63,412,650	82,584,727		
Consolidated Cash Book balance at end of the year	237,572,949	921,567,592		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
Banking facilities with ABSA:				
- Financial guarantees	5,599,000	5,599,000	5,599,000	5,599,000
- Automated Clearing Bureau Credits limit	2,000,000,000	1,650,000,000	2,000,000,000	1,650,000,000
- Daily limit	350,000,000	350,000,000	350,000,000	350,000,000
- Automated Clearing Bureau Debits limit	15,000,000	15,000,000	15,000,000	15,000,000
Banking Securities with ABSA:				
- Financial guarantees	5,280,000	5,280,000	5,280,000	5,280,000
- Outward guarantees	3,280,000	3,280,000	3,280,000	3,280,000

No fee was paid for the financial guarantees.

20 PROPERTY RATES

<u>Actual</u>				
Residential	1,333,641,570	1,184,946,595	1,333,641,570	1,184,946,595
Commercial	1,130,131,661	1,159,112,414	1,130,131,661	1,159,112,414
State	184,096,181	226,545,118	184,096,181	226,545,118
Other	90,660,142	84,197,890	90,660,142	84,197,890

2,738,529,554	2,654,802,017	2,738,529,554	2,654,802,017
----------------------	----------------------	----------------------	----------------------

Refer Restatement Note no. 40.1.6

As per the Municipal Property Rates Act, the latest date of valuation was 1 July 2021, with the implementation date being 1 July 2022 and is valid until 30 June 2026.

*Other includes Agricultural, Public Service Infrastructure and Vacant Properties.
 These amounts are reflected excluding VAT.

<u>Valuations</u>	R'000	R'000	R'000	R'000
Residential	134,390,121	98,860,619	134,390,121	98,860,619
Commercial	61,171,006	45,549,326	61,171,006	45,549,326
State	84,540	8,521,816	84,540	8,521,816
Other	9,275,427	7,961,203	9,275,427	7,961,203

204,921,094	160,892,964	204,921,094	160,892,964
--------------------	--------------------	--------------------	--------------------

21.1 SERVICE CHARGES

Sale of Electricity	4,602,371,790	4,194,071,514	4,603,545,103	4,195,649,552
Sale of Water	4,851,512,138	2,781,818,526	4,851,512,138	2,781,818,526
Service delivery - sale of inventory	9,453,883,928	6,975,890,040	9,455,057,241	6,977,468,078
Refuse Removal	323,272,851	291,069,287	323,272,851	291,069,287
Sewerage and Sanitation charges	790,169,701	727,482,398	790,169,701	727,482,398
Service delivery - sale of services	1,113,442,552	1,018,551,685	1,113,442,552	1,018,551,685

10,567,326,480	7,994,441,725	10,568,499,793	7,996,019,763
-----------------------	----------------------	-----------------------	----------------------

Refer Restatement Note no. 40.1.2

21.2 FINES, PENALTIES AND FORFEITS

Fines (Library and Traffic)	77,510,533	105,050,761	77,510,533	105,050,761
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	38,489,830	52,240,036	38,489,830	52,240,036
Impaired, based on collection rate	(34,433,525)	(50,231,639)	(34,433,525)	(50,231,639)
Net fines collected	4,056,305	2,008,397	4,056,305	2,008,397

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 2023

22 TRANSFERS AND SUBSIDIES	Economic Entity		Municipality	
	2023	Restated 2022	2023	Restated 2022
	R	R	R	R
PHB Subsidies (See Note 22.1)	92,674,646	3,337,651	92,674,646	3,337,651
Equitable Share Allocation (See Note 22.2)	1,288,228,000	1,143,806,552	1,288,228,000	1,143,806,552
Finance Management Grant (See Note 22.3)	930,604	935,342	930,604	935,342
Provincial Government Grants: Library Services (See Note 22.5)	15,870,000	15,870,000	15,870,000	15,870,000
Public Transport Networks Operations Grant (See Note 22.7)	100,834,901	70,497,031	100,834,901	70,497,031
Other Grants (See Note 22.9)	1,291,322	4,270,244	575,284	1,180,471
Government Grant Revenue (See Note 22.10)	912,006,322	687,176,408	912,006,322	687,176,408
Neighbourhood Partnership Development Grant (See Note 22.14)	9,998,385	1,273,920	9,998,385	1,273,920
Urban Settlements Development Grant (See Note 22.15)	3,434,916	36,887,160	3,434,916	36,887,160
Infrastructure Skills Development Grant (See Note 22.16)	12,679,660	10,479,482	12,679,660	10,479,482
EPWP Incentive Grant (See Note 22.17)	9,884,000	7,116,000	9,884,000	7,116,000
Programme and Project Preparation Support Grant (PPPSG) (See Note 22.19)	373,200	326,529	373,200	326,529
Department of Roads and Public Works Grant (See Note 22.21)	11,330,951	11,250,799	11,330,951	11,250,799
LGSETA Discretionary Learnership Funding (See Note 22.22)	5,659,959	4,943,239	5,659,959	4,943,239
Fuel levy Allocation (See Note 22.24)	0	0	0	0
Other Transfers (See Note 22.25)	116,856,713	97,601,229	116,856,713	97,601,229
Public Contributions (See Note 22.26)	449,898,152	48,150,943	449,898,152	48,150,943
Informal Settlements Upgrading Grant (See Note 22.28)	1,807,427	13,497,669	1,807,427	13,497,669
	3,033,759,158	2,157,420,198	3,033,043,120	2,154,330,425

Total Grant Receipts	2,713,380,137	2,430,478,762	2,712,196,175	2,429,230,512
----------------------	----------------------	----------------------	----------------------	----------------------

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	43,952,645	1,247,591	43,952,645	1,247,591
Current year receipts	90,314,292	45,281,311	90,314,292	45,281,311
Interest received	5,618,649	761,394	5,618,649	761,394
Debtor raised - Refer Note 16	210,732,331	210,320,726	210,732,331	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	(6,427,633)	0	(6,427,633)	0
Conditions met - Transferred to revenue	(92,674,646)	(3,337,651)	(92,674,646)	(3,337,651)
Conditions still to be met - transferred to liabilities	41,194,912	43,952,645	41,194,912	43,952,645

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	1,045,975,000	1,079,614,000	1,045,975,000	1,079,614,000
Rollover not approved - various grants	241,878,649	319,607,552	241,878,649	319,607,552
Debtor raised / (reversed)	374,351	(255,415,000)	374,351	(255,415,000)
Transferred to revenue	(1,288,228,000)	(1,143,806,552)	(1,288,228,000)	(1,143,806,552)
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	(69,396)	(64,658)	(69,396)	(64,658)
Conditions met - Transferred to revenue	(930,604)	(935,342)	(930,604)	(935,342)
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	0	711,836	0	711,836
Current year receipts	0	0	0	0
Conditions met - Transferred to Other revenue	0	(711,836)	0	(711,836)
Conditions met	0	0	0	0

22.5 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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
22.6 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	27,595,051	41,967,790	27,595,051	41,967,790
Transfer from Public Transport Networks Operations Grant	165,756,500	98,659,260	165,756,500	98,659,260
	193,351,551	140,627,050	193,351,551	140,627,050
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue - capital	(149,799,467)	(71,064,209)	(149,799,467)	(71,064,209)
Transfer to E-Share	(27,595,051)	(41,967,790)	(27,595,051)	(41,967,790)
Conditions still to be met - transferred to liabilities	15,957,033	27,595,051	15,957,033	27,595,051
22.7 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	49,330,709	93,172,582	49,330,709	93,172,582
Current year receipts	273,543,000	218,487,000	273,543,000	218,487,000
Transfer to Public Transport Infrastructure Grant	(165,756,500)	(98,659,260)	(165,756,500)	(98,659,260)
Transfer to E-Share - Owing to NT	(49,330,709)	(93,172,582)	(49,330,709)	(93,172,582)
Conditions met - Transferred to revenue	(100,834,901)	(70,497,031)	(100,834,901)	(70,497,031)
Conditions still to be met - transferred to liabilities	6,951,599	49,330,709	6,951,599	49,330,709
22.8 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	0	1,744,599	0	1,744,599
Current year receipts	0	0	0	0
Conditions met - Transferred to Other revenue	0	(1,744,599)	0	(1,744,599)
Conditions met	0	0	0	0
22.9 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	5,347,091	7,121,802	691,035	624,223
Current year receipts	1,671,462	2,495,533	487,500	1,247,283
Conditions met - Transferred to revenue	(1,291,322)	(4,270,244)	(575,284)	(1,180,471)
Conditions still to be met - transferred to liabilities	5,727,231	5,347,091	603,251	691,035
22.10 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	912,006,322	687,176,408	912,006,322	687,176,408

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
22.11 National Lotteries Grant				
This grant is used to fund Art and Culture programmes				
Balance unspent at beginning of year	0	1,305,131	0	1,305,131
Current year receipts	0	0	0	0
Conditions met - Transferred to Other revenue	0	(1,305,131)	0	(1,305,131)
Conditions met	0	0	0	0
22.12 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
22.13 Neighbourhood Partnership Development Grant				
This grant is used for the urban renewal of certain targeted / designated townships.				
Balance unspent at beginning of year	9,101,120	2,157,622	9,101,120	2,157,622
Transfer to E-share	(9,101,120)	(2,157,622)	(9,101,120)	(2,157,622)
Current year receipts	10,000,000	33,700,000	10,000,000	33,700,000
Conditions met - Transferred to revenue - capital	(8,669,051)	(12,694,678)	(8,669,051)	(12,694,678)
Debtor accrual reversed	0	(10,000,000)	0	(10,000,000)
Conditions met - Transferred to Other Income - VAT	(1,300,358)	(1,904,202)	(1,300,358)	(1,904,202)
Conditions still to be met - transferred to liabilities	30,591	9,101,120	30,591	9,101,120
22.14 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	14,307,080	0	14,307,080	0
Transfer to E-share	-14,307,080	0	-14,307,080	0
Current year receipts	10,000,000	15,581,000	10,000,000	15,581,000
Conditions met - Transferred to revenue	(9,998,385)	(1,273,920)	(9,998,385)	(1,273,920)
Conditions still to be met - transferred to liabilities	1,615	14,307,080	1,615	14,307,080
22.15 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	31,920,928	175,124,719	31,920,928	175,124,719
Transfer to E-Share - Owing to NT	(31,920,928)	(175,124,719)	(31,920,928)	(175,124,719)
Current year receipts	588,945,000	593,145,000	588,945,000	593,145,000
Conditions met - Transferred to revenue - capital	(483,249,806)	(453,003,185)	(483,249,806)	(453,003,185)
Conditions met - Transferred to Other Income - VAT portion	(72,859,599)	(71,333,727)	(72,859,599)	(71,333,727)
Conditions met - Transferred to revenue	(3,434,915)	(36,887,160)	(3,434,915)	(36,887,160)
Conditions still to be met - transferred to liabilities	29,400,680	31,920,928	29,400,680	31,920,928
22.16 Infrastructure Skills Development Grant				
This grant is used for skills development in certain targeted service delivery directorates.				
Balance unspent at beginning of year	0	1,892,694	0	1,892,694
Transfer to E-Share - Owing to NT	0	(1,892,694)	0	(1,892,694)
Current year receipts	0	0	0	0
Current year receipts	12,750,000	10,500,000	12,750,000	10,500,000
Conditions met - Transferred to revenue	(12,679,660)	(10,479,482)	(12,679,660)	(10,479,482)
Conditions met - Transferred to Other Income - VAT portion	(70,340)	(20,518)	(70,340)	(20,518)
Conditions met	0	0	0	0
22.17 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	9,884,000	7,116,000	9,884,000	7,116,000
Conditions met - Transferred to revenue	(9,884,000)	(7,116,000)	(9,884,000)	(7,116,000)
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 2023

22		Economic Entity		Municipality	
		2023	Restated 2022	2023	Restated 2022
		R	R	R	R
22	TRANSFERS AND SUBSIDIES (Continued)				
	22.18 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	0	5,292,146	0	5,292,146
	Transfer to E-Share - Owing to NT	0	(5,292,146)	0	(5,292,146)
	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
	22.19 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	10,891,492	0	10,891,492	0
	Transfer to E-Share - Owing to NT	(10,891,492)	0	(10,891,492)	0
	Current year receipts	20,322,000	11,267,000	20,322,000	11,267,000
	Conditions met - Transferred to revenue	(373,200)	(326,529)	(373,200)	(326,529)
	Conditions met - Transferred to Other Income - VAT portion	(55,980)	(48,979)	(55,980)	(48,979)
	Conditions still to be met - transferred to liabilities	19,892,820	10,891,492	19,892,820	10,891,492
	22.20 Drought Relief Grant				
	The grant is used fro responding to the immediate communities needs with the aim to alleviate the immediate consequences of drought within the municipality.				
	Balance unspent at beginning of year	55,667,575	0	55,667,575	0
	Transfer to E-Share - Owing to NT	0	0	0	0
	Current year receipts	0	57,829,000	0	57,829,000
	Conditions met - Transferred to revenue - capital	(47,742,442)	(1,879,500)	(47,742,442)	(1,879,500)
	Conditions met - Transferred to revenue - VAT	(7,161,366)	(281,925)	(7,161,366)	(281,925)
	Conditions still to be met - transferred to liabilities	763,767	55,667,575	763,767	55,667,575
	22.21 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	14,870,564	12,410,128	14,870,564	12,410,128
	Debtor raised /(reversed)	(676,835)	676,835	(676,835)	676,835
	Conditions met - Transferred to revenue	(11,330,951)	(11,250,799)	(11,330,951)	(11,250,799)
	Conditions met - Transferred to Other Income	(169,964)	(169,170)	(169,964)	(169,170)
	Conditions met - Transferred to revenue - VAT	(1,725,136)	(1,666,994)	(1,725,136)	(1,666,994)
	Conditions still to be met - transferred to liabilities	967,678	0	967,678	0
	22.22 LGSETA Discretionary Learnership Funding				
	This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.				
	Balance unspent at beginning of year	9,378,633	7,918,417	9,378,633	7,918,417
	Current year receipts	6,985,732	6,403,455	6,985,732	6,403,455
	Conditions met - Transferred to revenue	(5,659,959)	(4,943,239)	(5,659,959)	(4,943,239)
	Conditions still to be met - transferred to liabilities	10,704,406	9,378,633	10,704,406	9,378,633
	22.23 Provincial Department Agency: Communication Grant				
	This grant is used for the roll out pf public Wi-Fi to all Muniiciapl Libraries, Customer Care centres and Traffic Licensing centres.				
	Balance unspent at beginning of year	0	872,781	0	872,781
	Current year receipts	0	0	0	0
	Conditions met - Transferred to revenue	0	(872,781)	0	(872,781)
	Conditions met	0	0	0	0
	22.24 Fuel Levy				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts	754,473,000	701,573,000	754,473,000	701,573,000
	Transferred to Other revenue	(754,473,000)	(701,573,000)	(754,473,000)	(701,573,000)
	Conditions met	0	0	0	0
	22.25 Other Transfers				
	Balance unspent at beginning of year	116,856,713	97,601,229	116,856,713	97,601,229
	Relates to the Funding of VAT on Capital and Operating Projects				
	22.26 Public Contributions				
	Balance unspent at beginning of year	449,898,152	48,150,943	449,898,152	48,150,943
	Relates to the Funding of Capital Projects from Donations				
	22.27 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	9,000,000	0	9,000,000	0
	Conditions met - Transferred to Other Income - VAT portion	(1,148,806)	0	(1,148,806)	0
	Conditions met - Transferred to revenue - capital	(7,658,707)	0	(7,658,707)	0
	Conditions still to be met - transferred to liabilities	192,487	0	192,487	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

22	TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
		2023	Restated 2022	2023	Restated 2022
		R	R	R	R
	22.28 Informal Settlements Upgrading Grant				
	This grant is to provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading informal settlements.				
	Balance unspent at beginning of year	98,732,269	0	98,732,269	0
	Transfer to E-Share - Owing to NT	-98,732,269	0	-98,732,269	0
	Current year receipts	298,876,000	283,045,000	298,876,000	283,045,000
	Conditions met - Transferred to revenue	(1,807,427)	(13,497,669)	(1,807,427)	(13,497,669)
	Conditions met - Transferred to Other Income - VAT portion	(32,465,732)	(22,280,225)	(32,465,732)	(22,280,225)
	Conditions met - Transferred to revenue - capital	(214,886,849)	(148,534,837)	(214,886,849)	(148,534,837)
	Conditions still to be met - transferred to liabilities	49,715,992	98,732,269	49,715,992	98,732,269
	23.1 RENTAL OF FACILITIES AND EQUIPMENT				
	Hire of Halls	2,039,419	1,289,939	2,039,419	1,289,939
	Hire of Containers	4,813,304	4,754,051	4,813,304	4,754,051
	Hire of Buildings	9,341,974	8,665,166	9,341,974	8,665,166
	Resorts rentals	503,642	503,614	503,642	503,614
	Rentals of Sporting Facilities	1,140,719	933,140	1,140,719	933,140
	Rentals: Other	5,249,312	10,728,430	5,249,312	10,728,430
	Accommodation rentals	7,673,924	7,072,616	7,673,924	7,072,616
		30,762,294	33,946,956	30,762,294	33,946,956
	Refer Restatement Note no. 40.1.3				
	23.2 OTHER REVENUE				
	EXCHANGE REVENUE:				
	Operational Revenue: Administrative Handling Fees	171,719	169,170	171,719	169,170
	Operational Revenue: Inspection Fees	3,524,421	4,804,662	3,524,421	4,804,662
	Operational Revenue: Commission	17,138,184	13,836,319	17,138,184	13,836,319
	Operational Revenue: Other	9,186,042	6,039,973	9,186,042	6,039,973
	Sales of Goods and Rendering of Services: Building Plan Approval	8,980,268	12,350,172	8,980,268	12,350,172
	Sales of Goods and Rendering of Services: Academic Services	1,332,672	1,670,270	1,332,672	1,670,270
	Sales of Goods and Rendering of Services: Advertisements	2,919,833	2,129,084	2,919,833	2,129,084
	Sales of Goods and Rendering of Services: Cemetery and Burial	11,461,596	14,877,285	11,461,596	14,877,285
	Sales of Goods and Rendering of Services: Entrance Fees	151,180	1,776,285	151,180	1,776,285
	Sales of Goods and Rendering of Services: Transport Fees	7,645,290	6,882,578	7,645,290	6,882,578
	Sales of Goods and Rendering of Services: Scrap, Waste & Other Goods: Recycling of Waste	6,885,844	9,733,852	6,885,844	9,733,852
	Sales of Goods and Rendering of Services: Legal Fees	25,642,063	24,614,313	25,642,063	24,614,313
	Sales of Goods and Rendering of Services: Other	8,640,666	7,598,150	8,640,666	7,598,150
		103,679,778	106,482,113	103,679,778	106,482,113
	Other Revenue - MBDA	3,161,645	870,356	0	0
		106,841,423	107,352,469	103,679,778	106,482,113
	NON-EXCHANGE REVENUE:				
	Fuel Levy	754,473,000	701,573,000	754,473,000	701,573,000
	Refer Restatement Note no. 40.1.4				
	24 EMPLOYEE RELATED COSTS				
	Employee related costs - Municipal Staff - Salaries and Wages	2,166,921,907	2,094,435,067	2,166,921,907	2,094,435,067
	Employee related costs - Senior Management - Salaries and Wages	15,432,557	15,360,067	15,432,557	15,360,067
	Employee related costs - Municipal Staff - Social Contributions	674,400,716	709,830,733	674,400,716	709,830,733
	Employee related costs - Senior Management - Social Contributions	15,764	18,598	15,764	18,598
	Employee related costs - Municipal Staff - Allowances	323,658,054	251,615,857	323,658,054	251,615,857
	Housing benefits	14,544,308	13,742,418	14,544,308	13,742,418
	Overtime payouts	388,464,442	348,103,597	388,464,442	348,103,597
	Performance bonus: Municipal Staff	42,756,286	38,622,800	42,756,286	38,622,800
	Performance bonus: Senior Management	-1,677,247	894,312	-1,677,247	894,312
	Long-service Awards/ Bonuses	47,554,675	149,641,743	47,554,675	149,641,743
		3,672,071,462	3,622,265,192	3,672,071,462	3,622,265,192
	Employee related costs - MBDA - Salaries and Wages	28,769,588	28,352,136	0	0
	Employee related costs - MBDA - Directors Remuneration	1,127,500	1,725,000	0	0
	Employee related costs - MBDA - Social Contributions	6,868,107	6,861,908	0	0
	Employee related costs - MBDA - Allowances	48,000	48,000	0	0
	Performance bonus - MBDA	1,210,481	1,513,345	0	0
	Long-service Awards/ Bonuses - MBDA	0	71,746	0	0
		38,023,676	38,572,135	0	0
		3,710,095,138	3,660,837,327	3,672,071,462	3,622,265,192
	Refer Restatement Note no. 40.2.1				
	Remuneration of the City Manager (current)				
	Annual Remuneration and correction made	2,628,769	670,020	2,628,769	670,020
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	180,000	0	180,000	0
	Total	2,808,769	670,020	2,808,769	670,020
	Remuneration of the Chief Financial Officer				
	Annual Remuneration	2,247,012	2,213,808	2,247,012	2,213,808
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	Total	2,247,012	2,213,808	2,247,012	2,213,808
	Remuneration of the Chief Operating Officer - Current				
	Annual Remuneration	337,931	0	337,931	0
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	Total	337,931	0	337,931	0
	Remuneration of the Chief Operating Officer - Previous				
	Annual Remuneration	0	258,972	0	258,972
	Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	22,920	0	22,920
	Total	0	281,892	0	281,892

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
Remuneration of the Chief of Staff - Current				
Annual Remuneration	93,531	0	93,531	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	93,531	0	93,531	0
Remuneration of the Chief of Staff - Previous 1				
Annual Remuneration	681,654	0	681,654	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	681,654	0	681,654	0
Remuneration of the Chief of Staff - previous 2				
Annual Remuneration	320,998	624,134	320,998	624,134
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	320,998	624,134	320,998	624,134
Remuneration of the Chief of Staff - previous 3				
Annual Remuneration	0	518,852	0	518,852
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	0	518,852	0	518,852
Remuneration of the Chief of Police				
Annual Remuneration	0	1,862,509		1,862,509
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0		0
Total	0	1,862,509	0	1,862,509
Remuneration of Individual Executive Directors				
Corporate Services				
Annual Remuneration	2,247,012	2,213,808	2,247,012	2,213,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,247,012	2,213,808	2,247,012	2,213,808
Economic Development, Tourism and Agriculture (Vacant)				
Annual Remuneration	1,370,008	2,021,808	1,370,008	2,021,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	128,000	192,000	128,000	192,000
Total	1,498,008	2,213,808	1,498,008	2,213,808
Infrastructure and Engineering (Vacant)				
Annual Remuneration	0	1,291,388	0	1,291,388
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	0	1,291,388	0	1,291,388
Electricity and Energy				
Annual Remuneration	1,896,216	1,911,347	1,896,216	1,911,347
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,896,216	1,911,347	1,896,216	1,911,347
Safety and Security (Vacant)				
Annual Remuneration	787,840	1,862,868	787,840	1,862,868
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	787,840	1,862,868	787,840	1,862,868
Human Settlements				
Annual Remuneration	1,738,380	1,744,505	1,738,380	1,744,505
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,738,380	1,744,505	1,738,380	1,744,505
Sports, Recreation, Arts and Culture (Vacant)				
Annual Remuneration	0	1,453,495	0	1,453,495
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	180,000	0	180,000
Total	0	1,633,495	0	1,633,495
Public Health				
Annual Remuneration	2,247,012	2,213,808	2,247,012	2,213,808
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,247,012	2,213,808	2,247,012	2,213,808

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	62,005	0	0	0
Performance Bonuses	0	0	0	0
Total	62,005	0	0	0
Remuneration of the Chief Executive Officer - MBDA - previous				
Annual Remuneration	0	2,483,925	0	0
Performance Bonuses	0	110,375	0	0
Acting allowance and Notice pay	0	1,106,320	0	0
Total	0	3,700,620	0	0
Remuneration of the Chief Financial Officer - MBDA				
Annual Remuneration	1,613,170	1,827,523	0	0
Performance Bonuses	54,767	157,982	0	0
Total	1,667,937	1,985,505	0	0
Remuneration of the Operations Executive - MBDA				
Annual Remuneration	1,530,489	1,836,258	0	0
Performance Bonuses	56,029	158,738	0	0
Total	1,586,518	1,994,996	0	0
Remuneration of the Stadium Manager - MBDA				
Annual Remuneration	1,226,309	1,310,900	0	0
Car allowance	24,000	24,000	0	0
Acting Allowance / Performance Bonus	1,113,384	115,046	0	0
Total	2,363,693	1,449,946	0	0
Remuneration of the Company Secretary - MBDA				
Annual Remuneration	1,085,420	1,143,440	0	0
Performance Bonuses	57,072	54,877	0	0
Total	1,142,492	1,198,317	0	0
25 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1,485,335	1,311,284	1,485,335	1,311,284
Deputy Mayor's Remuneration	1,197,985	1,095,120	1,197,985	1,095,120
Speaker's Remuneration	1,388,710	890,974	1,388,710	890,974
Mayoral Committee members	14,708,384	12,367,289	14,708,384	12,367,289
Other Councillors' Remuneration	58,187,189	54,928,978	58,187,189	54,928,978
Telephone Allowances	4,795,900	5,100,894	4,795,900	5,100,894
3G Allowance	139,792	205,565	139,792	205,565
	81,903,295	75,900,104	81,903,295	75,900,104
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 consist of the following:				
Bad debts expense	921,257,073	456,958,995	921,257,073	456,958,995
ATTP and Miscellaneous fees and charges - Funding	738,796,771	326,691,802	738,796,771	326,691,802
Miscellaneous - Non-funding	182,460,302	202,473,793	182,460,302	202,473,793
Other	0	(72,206,600)	0	(72,206,600)
Net Contribution to doubtful debts	3,091,230,169	2,579,503,336	3,091,230,169	2,579,503,336
Contribution to doubtful debts (inclusive of VAT) - Service Charges	3,908,022,143	2,651,497,381	3,908,022,143	2,651,497,381
Contribution to doubtful debts - Property Rates	431,746,816	478,445,815	431,746,816	478,445,815
Less: VAT portion	509,742,019	223,748,058	509,742,019	223,748,058
Contribution to doubtful debts (excluding VAT)	3,830,026,940	2,906,195,138	3,830,026,940	2,906,195,138
Less: Bad debts written off against the provision	738,796,771	326,691,802	738,796,771	326,691,802
	3,091,230,169	2,579,503,336	3,091,230,169	2,579,503,336
	4,012,487,242	3,036,462,331	4,012,487,242	3,036,462,331
Refer Restatement Note no. 40.2.5				
DEBT IMPAIRMENT - OTHER				
Impairment - Traffic Fines	34,433,525	50,231,639	34,433,525	50,231,639
	34,433,525	50,231,639	34,433,525	50,231,639
Impairment - MBDA	323,125	259,073	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	129,168,024	123,715,704	129,168,024	123,715,704
Interest on Other	2,320,684	1,833,892	2,320,684	1,833,892
Total Finance Charges	131,488,708	125,549,596	131,488,708	125,549,596
Finance cost accrued / Prior year accrual reversals	6,681,514	3,154,517	6,681,514	3,154,517
Finance charges paid	124,807,194	122,395,079	124,807,194	122,395,079

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
28 BULK PURCHASES				
Electricity	4,705,197,690	4,377,705,071	4,705,197,690	4,377,705,071
	4,705,197,690	4,377,705,071	4,705,197,690	4,377,705,071
29 TRANSFERS AND SUBSIDIES				
Grants in aid	4,151,038	9,833,795	4,151,038	9,833,795
Grants to Other Organisations	(26,186,671)	22,257,824	99,518,352	112,692,165
	(22,035,633)	32,091,619	103,669,390	122,525,960
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	23,834,995	20,022,431	23,834,995	20,022,431
Consultants and Professional Services:Infrastructure and Planning	35,121,348	27,073,270	35,121,348	27,073,270
Consultants and Professional Services:Laboratory Services	239,324	281,771	239,324	281,771
Consultants and Professional Services:Legal Cost	96,508,679	110,759,743	96,508,679	110,759,743
Contractors:Building	93,418,516	3,010,983	93,418,516	3,010,983
Contractors:Other	20,975,319	22,548,571	20,975,319	22,548,571
Contractors:Maintenance of Buildings and Facilities	95,522,125	98,683,402	95,522,125	98,683,402
Contractors:Maintenance of Equipment	148,661,871	131,163,645	148,661,871	131,163,645
Contractors:Maintenance of Unspecified Assets	27,618,624	25,578,924	27,618,624	25,578,924
Contractors:Sewerage Services	72,116,590	57,371,351	72,116,590	57,371,351
Contractors:Management of Informal Settlements	2,281,629	6,625,813	2,281,629	6,625,813
Contractors:Safeguard and Security	3,017,464	4,358,197	3,017,464	4,358,197
Contractors:Transportation	31,422,174	36,673,846	31,422,174	36,673,846
Outsourced Services:Other	10,670,116	9,871,563	10,670,116	9,871,563
Outsourced Services:Alien Vegetation Control	9,829,004	7,497,377	9,829,004	7,497,377
Outsourced Services:Animal Care	1,254,792	1,191,255	1,254,792	1,191,255
Outsourced Services:Business and Advisory:Project Management	129,941,074	130,047,196	129,941,074	130,047,196
Outsourced Services:Clearing and Grass Cutting Services	26,776,989	23,859,584	26,776,989	23,859,584
Outsourced Services:Electrical	41,910,697	46,927,857	41,910,697	46,927,857
Outsourced Services:Hygiene Services	15,090,787	39,254,047	15,090,787	39,254,047
Outsourced Services:Litter Picking and Street Cleaning	6,500	1,779	6,500	1,779
Outsourced Services:Meter Management	12,460,490	13,942,839	12,460,490	13,942,839
Outsourced Services:Refuse Removal	27,668,251	41,303,529	27,668,251	41,303,529
Outsourced Services:Security Services	20,939,438	6,811,242	20,939,438	6,811,242
Outsourced Services:Transport Services	50,402	15,093	50,402	15,093
Contractors: MBDA	18,843,397	14,819,881	0	0
	966,180,595	879,695,189	947,337,198	864,875,308
Refer Restatement Note no. 40.2.2				
30.2 OTHER EXPENDITURE				
Is made up as follows:				
Operating Leases: Various Assets	39,884,770	40,468,881	39,884,770	40,468,881
Operational Cost: Advertising, Publicity and Marketing	7,663,994	14,741,685	7,663,994	14,741,685
Operational Cost: Other	42,359,836	40,375,816	42,359,836	40,375,816
Operational Cost: External Audit fees	28,825,136	24,599,991	28,825,136	24,599,991
Operational Cost: Learnerships and Internships	6,125,075	5,437,661	6,125,075	5,437,661
Operational Cost: Levies paid - water resource management	14,229,377	9,558,535	14,229,377	9,558,535
Operational Cost: Municipal Services	55,979,165	61,335,112	55,979,165	61,335,112
Operational Cost: Management fee	8,802,857	12,342,696	8,802,857	12,342,696
Operational Cost: External Computer Service	123,570,086	121,619,029	123,570,086	121,619,029
Operational Cost: Hire Charges	227,100,500	145,252,859	227,100,500	145,252,859
Operational Cost: Insurance Underwriting	22,246,142	17,702,963	22,246,142	17,702,963
Operational Cost: Intercompany/Parent-subsidiary Transactions	6,013,565	4,830,586	6,013,565	4,830,586
Operational Cost: Licences	5,949,619	6,673,931	5,949,619	6,673,931
Operational Cost: Commission:Prepaid Electricity and Third Party Vendors	14,117,519	20,772,898	14,117,519	20,772,898
Operational Cost: Communication	30,147,124	29,499,120	30,147,124	29,499,120
Operational Cost: Registration Fees	1,734,246	931,359	1,734,246	931,359
Operational Cost: Skills Development Fund Levy	31,785,901	30,145,162	31,785,901	30,145,162
Operational Cost: Travel and Subsistence	3,018,807	760,004	3,018,807	760,004
Operational Cost: Uniform and Protective Clothing	6,166,487	6,822,900	6,166,487	6,822,900
Operational Cost: Workmen's Compensation Fund	11,071,202	6,959,944	11,071,202	6,959,944
Operational Cost: MBDA	62,763,343	38,449,894	0	0
	749,554,751	639,281,026	686,791,408	600,831,132
Refer Restatement Note no. 40.2.3				
30.3 OTHER MATERIALS				
Is made up as follows:				
Consumables: Standard	65,877,035	73,012,328	65,877,035	73,012,328
Consumables: Zero-rated	62,112,567	66,348,142	62,112,567	66,348,142
Finished Goods	9,809,050	10,069,153	9,809,050	10,069,153
Water	-90,136,522	-80,167,644	-90,136,522	-80,167,644
Materials and Supplies	67,878,252	56,796,393	67,878,252	56,796,393
	115,540,382	126,058,372	115,540,382	126,058,372

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment and Investment Property	978,849,468	951,985,286	977,830,174	950,750,238
31.2 Amortisation	14,910,723	50,002,580	14,839,523	49,701,970
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	2,825,962,349	211,894,374	2,813,612,750	210,031,181
Adjustment for:				
Interest revenue accrued	224,236	-1,056,644	224,236	-1,056,644
Impairment of receivables - movement	3,600,972,187	3,028,853,418	3,600,972,187	3,028,853,418
Write down to net realisable value - movement	(21,364)	25,270	(21,364)	25,270
Depreciation	978,849,465	951,985,286	977,830,174	950,750,238
Amortisation	14,910,723	50,002,580	14,839,523	49,701,970
Finance cost accrued	6,681,514	3,158,988	6,681,514	3,158,988
Contribution to provisions / employee benefit obligation - non-current	(107,751,237)	32,460,027	-107,751,237	32,460,027
Contribution to provisions / employee benefit obligation - current	17,812,884	125,138,721	17,431,001	125,942,430
Loss on Disposal of Property Plant and Equipment	5,187,007	5,294,436	5,187,007	5,290,635
PPE Take-on	(469,060,069)	0	-469,060,069	0
Impairment of PPE / Heritage Assets	9,803,299	18,055,238	9,803,299	18,055,238
Operating Surplus before working capital changes	6,883,570,994	4,425,811,694	6,869,749,021	4,423,212,751
(Increase) / Decrease in Inventory	273,414	(29,437,724)	285,653	(29,435,700)
(Increase)/ Decrease in Trade Receivables	(5,379,160,806)	(2,920,058,657)	-5,379,160,806	(2,920,058,657)
(Increase)/ Decrease in Other Receivables	(123,125,855)	251,386,297	-60,485,542	240,192,780
(Decrease) / Increase in VAT	(12,665,931)	157,087,631	-6,478,809	146,610,226
(Decrease) / Increase in Trade Payables	218,544,347	(491,536,742)	204,917,274	(475,881,607)
(Decrease) / Increase in Transfers and Subsidies	(140,928,323)	34,639,209	-175,191,708	18,867,351
(Decrease) / Increase in Consumer Deposits	(1,032,397)	1,908,465	-1,032,397	1,908,465
Movement to provisions / employee benefit obligation - current	(2,424,792)	256,596,976	-2,424,792	256,596,976
(Increase) / Decrease in Long-term Receivables	14,721,261	(22,908,274)	14,721,261	(22,908,274)
	1,457,771,912	1,663,488,875	1,464,899,155	1,639,104,311
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	281,942,700	254,244,700	281,942,700	254,244,700
Loans repaid	(192,847,457)	(196,369,125)	(192,847,457)	(196,369,125)
	89,095,243	57,875,575	89,095,243	57,875,575
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	4,577,462,833	3,861,790,425	4,577,462,833	3,861,790,425
Bank balances and cash	237,572,949	921,567,592	171,212,204	835,018,909
Total Cash and Cash Equivalents	4,815,035,782	4,783,358,017	4,748,675,037	4,696,809,334
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	16,370,026	15,516,612	16,370,026	15,516,612
Amount paid - current year	(16,370,026)	(15,516,612)	(16,370,026)	(15,516,612)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	(131,061)	0		0
Current year audit fee	34,287,465	29,781,491	32,707,357	28,544,736
Amount paid - current year	(33,823,827)	(29,912,552)	(32,243,719)	(28,544,736)
Amount paid - previous year	131,061	0		0
Balance unpaid (included in creditors)	463,638	(131,061)	463,638	0
35.3 VAT				
The Net effect of the VAT inputs and VAT output is shown in note 8. All VAT returns have been submitted by the due date throughout the year.				
35.4 PAYE and UIF				
Opening balance	47,779,418	50,622,282	47,779,418	50,622,282
Current year payroll deductions	642,787,552	614,530,567	631,909,192	603,657,290
Amount paid - current year	(589,970,268)	(566,751,149)	(579,091,908)	(555,877,872)
Amount paid - previous year	(47,779,418)	(50,622,282)	(47,779,418)	(50,622,282)
Balance unpaid (included in creditors)	52,817,284	47,779,418	52,817,284	47,779,418
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	0	297,487	0	0
Current year payroll deductions and Council Contributions	906,298,956	876,456,885	901,015,552	870,429,116
Amount paid - current year	(906,298,956)	(876,456,885)	(901,015,552)	(870,429,116)
Amount paid - previous year	0	(297,487)		0
Balance unpaid (included in creditors)	0	0	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	2,456,802	2,529,707	2,456,802	2,529,707
Current year payroll deductions	31,785,901	30,145,086	31,785,901	30,145,086
Amount paid - current year	(29,081,994)	(27,688,284)	(29,081,994)	(27,688,284)
Amount paid - previous year	(2,456,802)	(2,529,707)	(2,456,802)	(2,529,707)
Balance unpaid (included in creditors)	2,703,907	2,456,802	2,703,907	2,456,802

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2023 R	Restated 2022 R	2023 R	Restated 2022 R
OTHER ADDITIONAL DISCLOSURES:				
35.7 IMPAIRMENT				
Impairment	<u>9,803,299</u>	<u>18,055,238</u>	<u>9,803,299</u>	<u>18,055,238</u>
The Impairment relates to vehicles, facilities etc...				
No reversals for Impairment were applicable during the current financial year				
35.8.1 LOSSES				
Loss on disposal of property, plant and equipment	5,187,007	5,294,436	5,187,007	5,290,635
Inventory Losses	(21,364)	25,270	(21,364)	25,270
Water Losses	<u>253,195,621</u>	<u>219,442,216</u>	<u>253,195,621</u>	<u>219,442,216</u>
	<u>258,361,264</u>	<u>224,761,922</u>	<u>258,361,264</u>	<u>224,758,121</u>
The Loss on Disposal of Property, Plant and Equipment relates to various property plant and equipment Inventory (Gain)/ Losses variance, are due to the stock count compared to the general ledger.				
35.8.2 GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Gains on disposal of property, plant and equipment	<u>359,800</u>	<u>739,753</u>	<u>359,800</u>	<u>739,753</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 43,721 megalitres (43.14%) amounting to R253.2 million (2022: 40,657 megalitres (39.29%) amounting to R219.4 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 43.14% of water losses are made up of apparent (commercial) losses and real (physical) losses. 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 25.90% amounting to total accumulative losses of R986,1 million (2022: 22.66% amounting to R822,9 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 and non-technical losses. 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%.				
35.11 PRINCIPAL AND AGENT ARRANGEMENTS				
AGENT ARRANGMENTS				
Agent for the Eastern Cape Department of Transport:				
The Municipality acts as an agent for the Department of Transport, where it provides drivers testing and licences on behalf of the Department of Transport.				
In terms of the Road Traffic Act 1996 ("NTRA"), the Department is responsible for the overall administration and management of road traffic matters. No comrnision received as the Municipality recognises their own revenue and pay over only the portion relating to the issue of the driving licence and card production fee.				
The Municipality is responsible for all the functions relating to the production of the learners and drivers licences as set out in the SLA; paragraph 5.3.				
No resources are held on behalf of the Principal, therefore no assets have been recognised. No liabilities incurred on behalf of the Principal.				
Revenue received on behalf of the principal	-3,816,964	-3,420,044	-3,816,964	-3,420,044
Revenue paid over to principal	<u>3,816,964</u>	<u>3,420,044</u>	<u>3,816,964</u>	<u>3,420,044</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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:

30 June 2023

	<u>R</u>	<u>R</u>
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
Councillor B Jacobs	-	16
Councillor MR Jakuja	801	-
Councillor Z Kalani *	-	35,368
Councillor RC Kayser	-	27
Councillor LN Lawu	-	15
Councillor GD Maqula	-	16
Councillor T Maswana	16,637	-
Councillor NM Mbambo	86,009	-
Councillor L Mfana*	-	1,622
Councillor GG Miggels	-	18
Councillor MP Momo	94,683	-
Councillor K Mpehlo	-	2,737
Councillor BN Murray	-	4,246
Councillor K Ngqisha	25,647	-
Councillor MG Steyn	-	701
Councillor L Troon	-	670
Councillor ZP Tsotso	11,115	-
Councillor IL Van Wyk	4,144	-
Councillor PB Vani	-	90
	<u>239,036</u>	<u>45,526</u>

* The councillors residing at these properties are not the accountholders.

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

30 June 2022

	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
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
	<u>101,772</u>	<u>261,786</u>

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, Key Personnel and related transactions

1 Solely-controlled entities

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

Mandela Bay Development Agency (excluding VAT)

	<u>Economic Entity</u>		<u>Municipality</u>	
	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>
	R	R	R	R
	<u>125,722,655</u>	<u>136,721,450</u>	<u>125,722,655</u>	<u>136,721,450</u>

Although a related party relationship does exist, the transactions were made in the ordinary course of business and the related party transaction disclosure is not required in terms of GRAP 20. However these amounts have been included as the additional disclosure is required by the MFMA. Of the above amount there is a balance due to NMBM. (Refer Note 16)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

36	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
		2023	Restated 2022	2023	Restated 2022
		R	R	R	R
36.2 List of Entities, Key Personnel and related transactions (Continued)					
2	Key Management Personnel Section 57 Employees (See note 24) Councillors (See note 25)				
36.3 Suppliers in which close family members of employees, councillors/ directors or Mayor has an interest					
The rand value of awards were made to Family of employees who have interest in government suppliers				ECONOMIC ENTITY AND MUNICIPALITY 9,317,637 86,849,608	
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.				4,179,828	4,711,299
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.				0	2,542,707

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2022/23 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

		2023		Restated 2022	
		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	14	30	16	27
	MBDA	0	0	0	0
(ii)	If such goods or services are produced or available from a single provider only;				
	NMBM	3	20	9	17
	MBDA	0	0	1	0
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;				
	NMBM	0	0	0	2
	MBDA	0	0	0	0
(iv)	Acquisition of animals for zoos and/or nature and game reserves;				
	NMBM	0	1	0	1
	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	67	89	55	79
	MBDA	22	0	33	0
In terms of section 36 (1)(b):					
Ratify any minor breaches of the procurement processes.					
	NMBM	1	0	0	0
	MBDA			0	0
		107	140	114	126

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 2023

37	CAPITAL COMMITMENTS	Economic Entity		Municipality	
		2023 R	Restated 2022 R	2023 R	Restated 2022 R
	Approved and contracted for	64,167,392	240,817,000	64,167,392	240,817,000
	Land and Buildings	3,802,337	0	3,802,337	0
	Infrastructure	51,233,481	236,584,604	51,233,481	236,584,604
	Community	5,918,123	3,229,647	5,918,123	3,229,647
	Intangible	0	1,002,749	0	1,002,749
	Other	3,213,451	0	3,213,451	0
	Approved and contracted for - MBDA	51,451,014	73,315,290	0	0
	Approved and not yet contracted for - MBDA	0	4,530,591	0	0
	Total	115,618,406	318,662,881	64,167,392	240,817,000
	This expenditure will be financed from:				
	Fuel Levy	8,004,073	6,676,701	8,004,073	6,676,701
	Urban Settlements Development Grant (USDG)	36,412,880	216,526,977	36,412,880	216,526,977
	Integrated Public Transport Grant	8,790,264	9,904,947	8,790,264	9,904,947
	Capital Replacement Reserve	4,625,784	620,999	4,625,784	620,999
	Upgrading of Informal Settlements Partnership Grant (UISP)	6,334,391	7,087,376	6,334,391	7,087,376
	MBDA	51,451,014	77,845,881	0	0
	Total	115,618,406	318,662,881	64,167,392	240,817,000
38	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term liabilities (See Note 2)	1,315,696,982	1,223,133,702	1,315,696,982	1,223,133,702
	Used to Finance property, plant and equipment - at cost	1,315,696,982	1,223,133,702	1,315,696,982	1,223,133,702
	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.	192,286,800	192,847,457	192,286,800	192,847,457
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	2,147,514,981	1,959,425,598	2,130,320,791	1,945,110,426
> 3 months	155,231,579	137,046,919	154,923,822	135,052,670
	2,302,746,560	2,096,472,517	2,285,244,613	2,080,163,096

Long term borrowings

< 12 months	192,286,800	192,847,457	192,286,800	192,847,457
> 12 months	1,153,063,003	1,054,416,477	1,148,680,157	1,053,876,127

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 2023

40	ECONOMIC ENTITY Restated 2022 R	MUNICIPALITY Restated 2022 R
RESTATED PRIOR YEAR COMPARATIVES		
Prior Period Adjustments:		
Net effect of changes - see details below	(65,152,608)	(65,152,608)
Net effect on surplus	(65,152,608)	(65,152,608)
Statement of Financial Performance		
40.1.1 Surplus for the year		
Balance as per audited financial statements (as previously reported)	277,046,983	275,183,790
Net effect on surplus	(65,152,608)	(65,152,608)
Service Charges (Refer 40.1.2)	(66,970,531)	(66,970,531)
Rental of Facilities and Equipment (Refer 40.1.3)	5,941,260	5,941,260
Other Revenue (Refer 40.1.4)	2,968,732	2,968,732
Fines, Penalties and Forfeits (Refer 40.1.5)	(4,159,588)	(4,159,588)
Property Rates (Refer 40.1.6)	(6,651,335)	(6,651,335)
Interest raised - External Investments (Refer 40.1.7.1)	(708,833)	(708,833)
Interest raised - Outstanding Debtors (Refer 40.1.7.2)	(110,899)	(110,899)
Licences and Permits (Refer 40.1.8)	48,692	48,692
Transfers and Subsidies (Refer 40.1.9)	2,680,707	2,680,707
Employee Related Costs (Refer 40.2.1)	(37,749,382)	(37,749,382)
Contracted Services (Refer 40.2.2)	(5,826,974)	(5,826,974)
Other Expenditure (Refer 40.2.3)	(25,356,701)	(25,356,701)
Transfers and Subsidies (Refer 40.2.4)	(1,464,357)	(1,464,357)
Debt Impairment - Receivables (Refer 40.2.5)	72,206,601	72,206,601
MBDA Corrections	0	0
Restated surplus for 2021/22	211,894,375	210,031,182
40.1.2 Service Charges		
Income as per Audited financial statements (as previously reported)	8,061,413,254	8,062,990,294
Transfer from Other Receivables	7,180,249	7,180,249
Transfer to Debt Impairment - Receivables	(65,957,979)	-65,957,979
Transfer from Trade Receivables - Exchange Transactions	(8,192,801)	(8,192,801)
MBDA Correction	(998)	0
	7,994,441,725	7,996,019,763
Service charges in the amount of R1 013 550, which have not been previously accrued for or corrected.		
Service Charges in the amount of R65 957 979 which have been previously incorrectly written off.		
40.1.3 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	28,005,696	28,005,696
Transfer from Other Receivables	5,941,260	5,941,260
	33,946,956	33,946,956
Rentals in the amount of R5 941 260 which have been previously incorrectly accrued for.		
40.1.4 Other Revenue: Exchange Revenue		
Income as per Audited financial statements (as previously reported)	104,383,737	103,513,381
Transfer from Other Receivables	2,932,828	2,932,828
Transfer to Transfers and subsidies (Liability)	35,904	35,904
	107,352,469	106,482,113
Other Revenue in the amount of R2 968 732 which have not been previously accrued for or have been corrected.		
40.1.5 Fines, Penalties and Forfeits		
Income as per Audited financial statements (as previously reported)	109,210,349	109,210,349
Transfer to Accumulated Surplus	(4,634,348)	(4,634,348)
Transfer from Other Receivables	474,760	474,760
	105,050,761	105,050,761
Revenue in the amount of R4 159 588, which have not been previously accrued for.		
40.1.6 Property Rates		
Income as per Audited financial statements (as previously reported)	2,661,453,352	2,661,453,352
Transfer to Debt Impairment - Receivables	-6,248,622	-6,248,622.00
Transfer from Trade Receivables - Non-Exchange Transactions	(402,713)	(402,713)
	2,654,802,017	2,654,802,017
Property rates adjustment in the amount of R402 713, which have not been previously accrued for.		
Property Rates in the amount of R6 248 622 which have been previously incorrectly written off.		
40.1.7.1 Interest earned - External Investments		
Income as per Audited financial statements (as previously reported)	184,895,140	182,207,937
Transfer from Transfers and Subsidies (Liability)	(708,833)	(708,833)
	184,186,307	181,499,104
Interest accrual in the amount of R708 833 not taken into account previously.		
40.1.7.2 Interest raised - Outstanding Debtors		
Income as per Audited financial statements (as previously reported)	382,315,340	382,315,340
Transfer from Other Receivables	(110,899)	(110,899)
	382,204,441	382,204,441
Interest accrual in the amount of R110 899 not taken into account previously.		
40.1.8 Licences and Permits		
Income as per Audited financial statements (as previously reported)	19,168,907	19,168,909
Transfer from Other Receivables	48,692	48,692
	19,217,599	19,217,601
Licences in the amount of R48 692 not taken into account previously.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2022 R	Restated 2022 R
40.1.9 Transfers and Subsidies		
Income as per Audited financial statements (as previously reported)	2,154,739,491	2,151,649,718
Transfer from Transfers and Subsidies (Liability)	<u>2,680,707</u>	<u>2,680,707</u>
	<u>2,157,420,198</u>	<u>2,154,330,425</u>
Transfers and Subsidies in the amount of R2 680 707 not taken into account previously.		
40.2.1 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	3,623,150,262	3,584,515,810
Transfer from Non Current Provisions - Employee Benefits	19,332,103	19,332,103
Transfer from Current Provisions - Employee Benefits	18,421,764	18,421,764
Transfer from Other Receivables	-4,485	-4,485
MBDA correction	<u>-62,317</u>	<u>0</u>
	<u>3,660,837,327</u>	<u>3,622,265,192</u>
Expenses in the amount of R37 687 065, which have not been previously accrued for.		
40.2.2 Contracted Services		
Expense as per Audited financial statements (as previously reported)	873,868,215	859,048,334
Transfer to Trade and Other Payables	<u>5,826,974</u>	<u>5,826,974</u>
	<u>879,695,189</u>	<u>864,875,308</u>
Expenses in the amount of R5 826 974 which have not been previously accrued for.		
40.2.3 Other Expenditure		
Expense as per Audited financial statements (as previously reported)	613,925,323	575,474,431
Transfer to Trade and Other Payables	25,325,131	25,325,131
Transfer from Other Receivables	31,570	31,570
MBDA Correction	<u>-998</u>	<u>0</u>
	<u>639,281,026</u>	<u>600,831,132</u>
Expenses in the amount of R25 355 703 which have not been previously accrued for or have been corrected.		
40.2.4 Transfers and Subsidies		
Expense as per Audited financial statements (as previously reported)	30,564,945	121,061,603
Transfer from Other Receivables	1,464,357	1,464,357
MBDA Correction	<u>62,317</u>	<u>0</u>
	<u>32,091,619</u>	<u>122,525,960</u>
Expenses in the amount of R1 526 674 which have not been previously accrued for or have been corrected.		
40.2.5 Debt Impairment - Receivables		
Expense as per Audited financial statements (as previously reported)		3,108,668,931
Transfer from Property Rates		-6,248,622
Transfer from Service Charges		<u>-65,957,979</u>
		<u>3,036,462,330</u>
Service Charges and Property Rates in the amount of R72 206 600 which have been previously incorrectly written off.		
Statement of Financial Position		
40.3 Total Accumulated Funds		
Closing Balance as per audited financial statements (as previously reported)	19,038,511,116	19,012,972,681
Decrease in Surplus (Refer to Note 40.1.1)	<u>(65,152,608)</u>	<u>(65,152,608)</u>
Restatements prior 2022	51,214,953	51,214,953
Transfer to Fines, Penalties and Forfeits	4,634,348	4,634,348
Transfer to Other Receivables	3,226,716	3,226,716
Transfer to Trade and Other Payables	(505,117)	(505,117)
Transfer from Trade Receivables - Non-exchange transactions	(2,077,494)	(2,077,494)
Transfer from Trade Receivables - Exchange transactions	45,936,500	45,936,500
	<u>19,024,573,461</u>	<u>18,999,035,026</u>
Restated Closing Balance		
40.3.1 Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	2,065,187,592	2,048,878,171
Transfer from Contracted Services	5,826,974	5,826,974
Transfer from Other Expenditure	25,325,131	25,325,131
Transfer from Payables and Accruals	(87,920,014)	(87,920,014)
Transfer to Payments Received in Advance – Other	87,920,014	87,920,014
Transfer to Accumulated Surplus	505,117	505,117
Transfer to Property, plant and equipment	(555,630)	(555,630)
Transfer to VAT	183,167	183,167
Transfer to Other Receivables	<u>166</u>	<u>166</u>
	<u>2,096,472,517</u>	<u>2,080,163,096</u>
Expenses in the amount of R31 284 925 (net movement), Relates to various expenses not previously accrued for or corrections made.		
Payables and Accruals included an amount of R87 920 014 relating to Payments Received in Advance - Other within the Trade and Other Payables component.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

40	Restated 2022 R	Restated 2022 R
40.3.2.1 Other Receivables - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	224,780,216	270,961,311
Transfer from Service Charges	7,180,249	7,180,249
Transfer from Employee Related Costs	4,485	4,485
Transfer from Other Expenditure	-31,570	-31,570
Transfer to VAT	480,416	480,416
Transfer to Interest raised - Outstanding Debtors	-110,899	-110,899
Transfer to Transfers and Subsidies (Expense)	-1,464,357	-1,464,357
Transfer from Licences and Permits	48,692	48,692
Transfer to Accumulated Surplus	3,226,716	3,226,716
Transfer to Fines, Penalties and Forfeits	474,760	474,760
Transfer to Trade and Other Payables	166	166
Transfer to Other Revenue	2,932,828	2,932,828
Transfer to Rental of Facilities and Equipment	5,941,260	5,941,260
MBDA Correction	-2,619,777	0
	<u>240,843,185</u>	<u>289,644,057</u>
Income in the amount of R16 062 969, relates to various income (net movement), not previously accrued for or corrections made.		
40.3.2.2 Other Receivables - Non-Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	2,100	0
Transfer to Transfers and Subsidies (Liability)	676,837	676,837
	<u>678,937</u>	<u>676,837</u>
Income in the amount of R676 837, relates to various income (net movement), not previously accrued for or corrections made.		
40.3.3 VAT		
Balance as per Audited financial statements (as previously reported)	309,467,105	298,496,577
Transfer to Trade and Other Payables	(183,167)	(183,167)
Transfer from Trade Receivables - Exchange Transactions	5,831,446	5,831,446
Transfer from Other Receivables	480,416	480,416
MBDA Correction	(2,557,461)	0
	<u>313,038,339</u>	<u>304,625,272</u>
Vat in the amount of R3 571 234 (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)	2,334,620,579	2,334,620,579
Transfer to Accumulated Surplus	45,936,500	45,936,500
Transfer from VAT	5,831,446	5,831,446
Transfer from Service Charges	(8,192,801)	(8,192,801)
	<u>2,378,195,724</u>	<u>2,378,195,724</u>
Services charges adjustment in the amount of R43 575 145 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)	338,266,454	338,266,454
Transfer to Accumulated Surplus	(2,077,494)	(2,077,494)
Transfer from Property Rates	(402,713)	(402,713)
	<u>335,786,247</u>	<u>335,786,247</u>
Property rates adjustment in the amount of R2 480 207, which have not been previously accrued for.		
40.3.5 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	18,080,429,504	18,058,102,296
Transfer to Trade and Other Payables	(555,630)	(555,630)
	<u>18,079,873,874</u>	<u>18,057,546,666</u>
Assets in the amount of R555 630, which was not previously accrued for.		
40.3.6 Non Current Provisions - Employee Benefits		
Balance as per Audited financial statements (as previously reported)	2,166,783,597	2,166,783,597
Transfer to Employee Related Costs	19,332,103	19,332,103
	<u>2,186,115,700</u>	<u>2,186,115,700</u>
Correction of Employee Benefits in the amount of R19 332 103.		
40.3.7 Current Provisions - Employee Benefits		
Balance as per Audited financial statements (as previously reported)	568,479,983	562,489,610
Transfer to Employee Related Costs	18,421,764	18,421,764
MBDA Correction: Transfer to Employee Related Costs	-62,317	0
	<u>586,839,430</u>	<u>580,911,374</u>
Correction of Employee Benefits in the amount of R18 359 447.		
40.3.8 Transfers and Subsidies (Liability)		
Balance as per Audited financial statements (as previously reported)	366,623,956	361,967,900
Transfer from Interest raised - External Investments	708,833	708,833
Transfer to Other Receivables - Exchange Transactions	676,837	676,837
Transfer to Transfers and Subsidies (Revenue)	(2,680,707)	(2,680,707)
Transfer to Other Revenue	(35,904)	(35,904)
	<u>365,293,015</u>	<u>360,636,959</u>
Correction of Transfers and Subsidies in the amount of R1 330 941		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

41 PRIOR PERIOD ERROR
PROPERTY, PLANT AND EQUIPMENT
2023 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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

42 OTHER GRAP DISCLOSURES	ECONOMIC ENTITY AND MUNICIPALITY	
	2023	Restated 2022
42.1 CONSTRUCTION CONTRACTS		
Amount of revenue recognised - Operating	92,674,646	3,337,651
Amount of revenue recognised - Capital	162,161,011	35,082,569
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	1,087,308,705	1,119,896,637
Amount of advances received	41,194,912	43,952,645
Amount of retentions		
Refer Note 6 - Included with Trade and Other Payables		
Gross amounts due from customers for contract work	210,732,330	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	353,945,151	335,786,247
Traffic Fines	54,210,039	19,776,513
VAT Receivable	101,385,672	0
Longterm Receivables - Non-Exchange	43,029,819	51,110,748
Other Receivables - Non-Exchange	785,956	676,837
	553,356,637	407,350,345

43 OPERATING LEASE COMMITMENTS	Economic Entity		Municipality	
	2023	Restated 2022	2023	Restated 2022
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 of.				
The Municipality has no sale and leaseback transactions.				
Future minimum lease payments under non-cancellable operating leases:				
Buildings	1,065,707	2,748,977	1,065,707	2,748,977
Payable within one year	1,007,018	1,769,357	1,007,018	1,769,357
Payable within two to five years	58,689	979,620	58,689	979,620
Photocopier, fax machines and other equipment	17,618,399	24,008,743	17,256,923	23,858,799
Payable within one year	10,842,049	9,513,190	10,642,692	9,390,365
Payable within two to five years	6,775,350	14,494,553	6,614,231	14,468,434
Payable above five years	1,000	1,000	0	0
	18,684,106	26,757,720	18,322,630	26,607,776
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	10,160,417	10,640,429	10,160,417	10,640,429
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	7,760,357	8,240,369	7,760,357	8,240,369
Buildings	28,724,169	35,674,313	28,720,169	35,670,313
Receivable within one year	2,188,449	7,138,107	2,184,449	7,134,107
Receivable within two to five years	3,935,286	5,324,304	3,935,286	5,324,304
Receivable after 5 years	22,600,434	23,211,902	22,600,434	23,211,902
	38,884,586	46,314,742	38,880,586	46,310,742

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

		Economic Entity and Municipality	
		2023	Restated 2022
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
	Incident / Disciplinary steps / Criminal Proceedings		
44.1	Unauthorised Expenditure		
	Opening Balance	8,895,377	849,459,173
	Incurred - Current year - Relating to current year	65,279,619	0
	Approved by Council - refer below	0	(840,563,796)
	Recoveries - Current year	0	0
		74,174,996	8,895,377
44.1.1	Actual expenditure in excess of approved budget votes		
	The total actual expenditure, including non-cash flow items amounted to R17 279 951 072 , compared to the approved adjustments budget of R18 237 215 074 . The actual expenditure was thus R993 264 002 below the approved adjustments budget and does not constitute unauthorised expenditure.	65,279,619	0
	The total actual expenditure per budget vote exceeded the approved adjustments budget by R65 279 619		
	Total	65,279,619	0
	Approved by Council in accordance with Regulation 23(6)(b) of the Municipal Budget and Reporting Regulations No. 32141	0	(840,563,796)
44.2	Irregular Expenditure		
	Opening Balance - previously stated	18,879,107,133	18,871,381,011
	Restatement	5,544	(1,196,429,514)
	Restated Opening Balance	18,879,112,677	17,674,951,497
	Incurred - Current year - Relating to current year (awards)	687,320,752	385,637,492
	Incurred - Current year - Relating to prior year (awards / other)	715,654,133	823,428,300
	Approved by Council - Other	(2,021,363)	(4,910,156)
		20,280,066,199	18,879,107,133
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.	203,665,234	171,537,198
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.	95,707,532	71,461,751
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	383,417,769	97,148,127
	- Relating to prior year	351,637,284	738,611,293
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	0	37,073,646
	- 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 2023

		Economic Entity and Municipality	
		2023	Restated 2022
		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	3,612,063	7,271,506
	Incurred - Current year - Relating to prior year Tenders	363,323,499	84,817,007
6	MBDA - Irregular Expenditure - current year	918,154	1,145,264
	MBDA - Irregular Expenditure - prior year	693,350	0
	Total	1,402,974,885	1,209,065,792
	Total amount approved by Council in respect of ALL cases / Condoned by MBDA Board	(2,021,363)	(4,910,156)
7	Information not available (Limitation of Scope)		
	Opening Balance - previously stated	2,602,960,842	2,503,639,570
	Restatement	0	93,532,322
	Restate Opening Balance	2,602,960,842	2,597,171,892
	Incurred - Current year - Relating to prior year Tenders	1,613,409	5,788,950
		2,604,574,251	2,602,960,842
	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	700,921,634	668,488,055
	Restatement - Incurred	0	0
	Restated Opening Balance	700,921,634	668,488,055
	Incurred - Current year - Relating to current year	16,154,843	32,442,579
	Incurred - Current year - Relating to prior year	6,041,843	0
	Approved by Council - Other reversed	(673,834)	(9,000)
		722,444,486	700,921,634
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.	10,006,015	3,793,196
2	Fruitless and Wasteful expenditure - Non-attendance of training	224,812	0
3	Interest paid on Legal Fees	5,826,974	0
4	Fruitless and Wasteful expenditure - Licences review	6,011,349	28,103,373
5	MBDA - Fruitless and Wasteful Expenditure - current year	97,042	546,010
	MBDA - Fruitless and Wasteful Expenditure - prior year	30,494	0
	TOTAL	22,196,686	32,442,579
	Total amount approved by Council for in respect of ALL cases / Condoned by MBDA Board	(673,834)	(9,000)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

		Economic Entity and Municipality	
		2023	Restated 2022
		R	R
45(a) CONTINGENT LIABILITIES			
	These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.		
	Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).		
	Possible Contingent liabilities:		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	232,563,939	361,567,513
2	Various claims due to municipal administrative matters that are under dispute or investigation.	1,732,999	138,350
3	Various claims by current or terminated employees due to alleged unfair labour practices.	2,318,380	1,682,793
4	Various claims due to supply chain related issues or creditor payment related matters.	270,081,446	259,512,780
		506,696,764	622,901,436
	Contingent Liability - MBDA	0	0
	Total Consolidated Amount	506,696,764	622,901,436
45(b) PROVISION FOR LITIGATION AND CLAIMS			
	Detail of Provision raised in Note 4.2		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	61,000	329,489
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	61,000	329,489
45(c) CONTINGENT ASSETS			
	These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.		
	Possible Contingent assets		
1	Various claims due to supply chain related issues or creditor payment related matters.	253,935,194	252,005,195
		253,935,194	252,005,195
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.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 R364.580 million (2022: R350.457 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2023.

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 2023. The unfunded liability in respect of past service has been valued at R44.445 million (2022: R44.511 million), of which R40.410 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 following Financial Year.

Past year and future projected liability

	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Opening Accrued Liability	48,578,751	44,511,000	44,445,396
Current service cost	0	0	0
Interest cost	4,615,625	4,713,807	5,026,150
Benefits paid	-3,453,400	-3,906,628	-4,035,101
Total Annual Expense	1,162,225	807,179	991,049
Actuarial Loss / (Gain)	-5,229,976	-872,783	
Closing Accrued Liability	44,511,000	44,445,396	45,436,445

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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	44,445,396
Unfunded Accrued Liability	44,511,000	44,445,396
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	44,445,396

Reconciling and Projecting the Unfunded Accrued Liability

Unfunded Accrued Liability	Year ending 30/06/2022	Year ending 30/06/2023
Opening Balance	48,578,751	44,511,000
Current Service Cost	0	0
Interest Cost	4,615,625	4,713,807
Expected Return on Plan Assets	0	0
Actuarial (Gain) /Loss	-5,229,976	-872,783
Past Service Cost		
Effect of Curtailment / Settlement		
Expected Employer Benefit Payments	-3,453,400	-3,906,628
Employer Prefunding Contributions	0	0
Closing Balance	44,511,000	44,445,396
Projected Accrued Liability	49,740,976	45,318,179

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	4,713,807
Actuarial (Gain)/Loss	5,229,976	872,783
Total employee benefits expense	-614,351	3,841,024

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Current Valuation 30 June 2022	Current Valuation 30 June 2023
Discount rate	11.08%	11.83%
Price Inflation	7.32%	6.58%
Salary Inflation	8.32%	7.58%
Pension Increase Rate	3.66%	3.29%
Net Effective Discount Rate Pre-Retirement(Gap)	2.55%	3.95%
Net Effective Discount Rate Post-Retirement(Gap)	7.16%	8.27%

Discount Rate Assumption:

The discount rate of 11.83% per annum has been set by taking the average yields from the zero-coupon SA Government bond curve with a duration of 9 years, as was done for the previous valuation. The recommended discount rate as at 30 June 2023 is 11.83% per annum. The source is the Johannesburg Stock Exchange through IRESS data service.

The discount rate was set at 11.08% per annum for the previous valuation.

Future Price Inflation Assumption:

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

The market's pricing of inflation has been estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with the duration of 9 years, as was done for the previous valuation. The resulting inflation assumption is, therefore, 6.58% per annum, as at 30 June 2023.

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

The future inflation assumption was set at 7.32% 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 2023.

The expected pension increase rate was set at 3.16% per annum for the previous valuation.

Future Salary Inflation:

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

It has been assumed that salary inflation will exceed general inflation by 1.0% per annum, therefore the future salary inflation has been set at 7.58% per annum.

The future salary inflation assumption was set at 8.32% per annum for the previous valuation.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

47 Information on Post Retirement Benefits (Continued)

Pension Increase Rate:

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, 3.29% per annum as at 30 June 2023.

The expected pension increase rate was set at 3.66% per annum for the previous valuation.

Post Retirement net discount rate:

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

The net discount rate for ex-gratia pension benefits as at 30 June 2023 is assumed to be 8.27% per annum (derived from the discount rate of 11.83% and the expected increase rate of 3.29%).

The net discount rate was set at 7.16% per annum for the previous valuation.

Demographic Valuation Assumptions:

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

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

Pre-retirement Mortality:

It has been assumed that the pre-retirement mortality will be in line with the SA85-90 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 male employees will retire at the age of 63 and female employees will retire at the age of 58, which then implicitly allows for expected rates of ill-health and early retirement. For employees that are older than the assumed retirement age, it is assumed that they will retire immediately.

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:

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

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:

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

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

. Cost/Saving: the accumulated obligation for Long Service Awards.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

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

DISCOUNT RATE	Current Assumption	1% Decrease	1% Increase
Liability	44,445,396	48,230,168	41,172,340
Cost / (Saving)		3,784,772	-3,273,056
Total Change		8.52%	-7.36%

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

SALARY INFLATION	Current Assumption	1% Decrease	1% Increase
Liability	44,445,396	42,246,185	46,836,103
Cost / (Saving)		-2,199,211	2,390,707
Total Change		-4.95%	5.38%

PENSION INCREASE RATE	Current Assumption	1% Decrease	1% Increase
Liability	44,445,396	41,136,427	48,175,745
Cost / (Saving)		-3,308,969	3,730,349
Total Change		-7.45%	8.39%

RETIREMENT AGE	Current Assumption	1% Decrease	1% Increase
Liability	44,445,396	45,283,346	43,658,276
Cost / (Saving)		837,950	-787,120
Total Change		1.89%	-1.77%

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 R1,434 billion as at 30 June 2023 (2022: R1,445 billion). Provision for R1,434 billion has been made (non-current R1,347 billion, current R86.175 million). It is expected that approximately 6.0% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

Past and Future Changes in the Accrued Liability

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

Past year and future projected liability

	Year ending 30/06/2022 R	Year ending 30/06/2023 R	Year ending 30/06/2024 R	Year ending 30/06/2025 R	Year ending 30/06/2025 R
Opening Accrued Liability	1,436,874,194	1,445,466,000	1,433,289,000	1,578,684,000	1,739,558,000
Interest Cost	176,352,075	165,489,000	200,235,000	220,595,000	242,919,000
Service Cost	45,464,776	47,519,000	31,335,000	31,851,000	29,256,000
Estimated Payments	-70,885,469	-98,865,000	-86,175,000	-91,572,000	-97,312,000
Total Annual Expense	150,931,382	114,153,000	145,395,000	160,874,000	174,863,000
Actuarial (Gain)/Loss on financial basis	-142,339,576	-408,346,000			
Actuarial (Gain)/Loss on experience		282,016,000			
Closing Accrued Liability	1,445,466,000	1,433,289,000	1,578,684,000	1,739,558,000	1,914,421,000

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
Interest Cost	176,352,075	165,489,000
Service Cost (In-Service members only)	45,464,776	47,519,000
Actuarial (Gain)/Loss [2017: Gain on Financial Basis]	-142,339,576	-408,346,000
Actuarial (Gain)/Loss [2017: Loss on Experience]		282,016,000
Total employee benefits expense	79,477,275	86,678,000

KEY VALUATION ASSUMPTIONS AND DEVELOPMENTS

Summary of economic assumptions that were used in the valuation:

Assumption	Valuation 30 June 2022	Valuation 30 June 2023
Discount rate	11.65%	14.23%
General Inflation	6.79%	8.68%
Medical Inflation	8.29%	10.18%
Subsidy Inflation	5.84%	4.34%
Post Retirement Interest Rate	3.10%	3.68%

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on zero-coupon Government bonds. We have used the average nominal yield curve for zero-coupon SA Government bonds with duration of between 15 and 20 years, as at 30 June 2023. The resultant discount rate was 14.23%. The source is the Johannesburg Stock Exchange through IRESS data service.

Future Price Inflation:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. We have used the difference between the above nominal and real bonds with duration of between 15 and 20 years. The implied inflation assumption is therefore, 8.68%. The source is the Johannesburg Stock Exchange through IRESS data service.

Future medical Inflation:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future medical subsidies will increase. South Africa has experienced high medical cost inflation in recent years and our assumption is that medical cost will outstrip general inflation by about 1.5% per annum.

The medical cost inflation was therefore set at 10.18% per annum for 30 June 2023.

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 3.68% per annum for 30 June 2023, (derived from the discount rate of 14.23% and the expected medical inflation rate of 10.18%).

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, rated down by 3 years for female members, which is a table reflecting mortality experience in South Africa.

Post-Retirement Mortality-

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

Withdrawal Rates:

Age Band	Withdrawal Rate	Withdrawal Rate
	Males	Females
20 - 29	16%	24%
30 - 39	10%	15%
40 - 49	6%	6%
50 - 54	2%	2%
55+	0%	0%

Assumed Retirement Age:

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

Family Profile:

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

Continuation of Membership:

It has been assumed that 100% of In-Service Members will remain on the Municipality's health care arrangement should they stay until retirement. No provision has been made for employees currently not on the Municipality's sponsored medical scheme. At the valuation date there were 462 employees that are not a member of a medical aid scheme. It was also assumed that upon retirement the retiree will remain on the current plan and option, at 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 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.

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

- . The Discount Rate;
- . The Medical Inflation;
- . The Retirement Age

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

DISCOUNT RATE	Current Assumption	1% Decrease	1% Increase
Liability	1,434,342,000	1,580,135,000	1,310,158,000
Cost / (Saving)		145,793,000	-124,185,000
Total Change		10.16%	-8.66%

SALARY INFLATION	Current Assumption	1% Decrease	1% Increase
Liability	1,434,342,000	1,333,168,000	1,547,600,000
Cost / (Saving)		-101,174,000	113,258,000
Total Change		-7.05%	7.90%

AVERAGE RETIREMENT AGE	Current Assumption	Earlier by 1 Year	Later by 1 Year
Liability	1,434,342,000	1,514,785,000	1,357,193,000
Cost / (Saving)		80,443,000	-77,149,000
Total Change		5.61%	-5.38%

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

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.

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

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	Year ending 30/06/2026
Opening Accrued Liability	833,530,000	867,595,000	792,520,000	826,620,000	868,815,000
Current service cost	54,444,000	57,471,000	50,860,000	54,854,000	59,163,000
Interest cost	66,442,000	91,312,000	92,833,000	97,196,000	103,343,000
Expected benefit vestings	-96,538,000	-123,520,000	-109,593,000	-109,855,000	-96,890,000
Total Annual Expense	24,348,000	25,263,000	34,100,000	42,195,000	65,616,000
Actuarial (Gain)/Loss	9,717,000	-100,338,000			
Accrued Liability	867,595,000	792,520,000	826,620,000	868,815,000	934,431,000

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet	Year ending 30/06/2022	Year ending 30/06/2023
Opening Balance	833,530,000	867,595,000
Current service cost	54,444,000	57,471,000
Interest cost	66,442,000	91,312,000
Actuarial (Gain)/Loss on basis	9,717,000	-30,891,000
Actuarial (Gain)/Loss on experience	0	-69,447,000
Net Periodic Cost Recognised in P&L	130,603,000	48,445,000
Expected benefit vestings	-96,538,000	-123,520,000
Closing Balance	867,595,000	792,520,000
Current Portion of Liability		109,593,000
Non-Current Portion of Liability		682,927,000

Key Assumptions

Key Financial Assumptions

The assumptions used are based on statistics and market data as at 30 June 2023. These valuation assumptions are consistent with the requirements of GRAP 25.

Assumption	Valuation 30 June 2022	Valuation 30 June 2023
Discount rate	10.93%	12.15%
Future inflation	6.34%	6.85%
Salary inflation	7.34%	7.85%
Net (Effective) Discount Rate	3.34%	3.98%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

Detailed Assumptions

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on Government bonds. The cashflow weighted duration of the liabilities is approximately 10 years. The duration used in the previous valuation was 8.5 years. Therefore the nominal yield curve for zero-coupon SA Government bonds with duration of 10 years as at 30 June 2023, was used. The resultant discount rate was 12.15% per annum. The source is the Johannesburg Stock Exchange through IRESS data services.

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 zero-coupon index-linked Government bonds and zero-coupon Government bonds, both of a 10 year duration, consistent with the duration of the liabilities. The implied inflation assumption is , therefore, 6.85% per annum for future inflation. The source of the data is the Johannesburg Stock Exchange through IRESS data service.

Future Salary Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. It is assumed that salary inflation will exceed general inflation by 1.0% per annum. Therefore, we have used a salary inflation assumption of 7.85% per annum.

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 3.98% per annum, derived from the discount rate of 12.15% and the expected salary inflation rate of 7.85%.

Demographic Valuation Assumptions

Pre-Retirement Mortality:

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

Withdrawal Rates:

Withdrawal rates have been provided for, as follows:

2022 Valuation		
Age	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55+	0%	0%

This is consistent with the previous year's valuation.

Assumed Retirement Age:

The normal retirement age for all active employees is 65. It has been assumed that the average retirement age for all active employees is 63 years, to allow for ill-health and early 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 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:

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

Liability: the aggregate of the current service cost and the interest cost components of net periodic costs and
Cost/Saving: the accumulated obligation for Long Service Awards.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

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

DISCOUNT RATE	Current Assumption	1% Decrease	1% Increase
Liability	792,520,000	837,882,000	751,399,000
Cost / (Saving)		45,362,000	-41,121,000
Total Change		5.72%	-5.19%

SALARY INFLATION	Current Assumption	1% Decrease	1% Increase
Liability	792,520,000	749,543,000	839,227,000
Cost / (Saving)		-42,976,000	46,707,000
Total Change		-5.42%	5.89%

AVERAGE RETIREMENT AGE	Current Assumption	Earlier by 1 Year	Later by 1 Year
Liability	792,520,000	717,308,000	868,320,000
Cost / (Saving)		-75,211,000	75,800,000
Total Change		-9.49%	9.56%

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

GRATUITY BENEFITS

Benefit Structure

Employees who commenced employment prior to 01 September 1988 are entitled to a gratuity amount plus a gratuity enhancement, as detailed in the following table:

Gratuity Formula	Enhancement to Gratuity Formula
Number of years of service prior to joining the PEM pension fund, rounded to the nearest 0.5 years	Number of whole months of service prior to joining the PEM pension fund, expressed in years
x	x
Fortnightly minimum of PEM Grade 03 immediately prior to joining the pension fund.	Top monthly notch of PEM Grade 03 immediately prior to joining the pension fund
	x
	0.72
Interest is added to the gratuity amount, calculated as per the above, for the period that the employee belonged to the PEM pension fund (ie, join date until termination of service)	No interest is added to the gratuity enhancement.

Furthermore:

The benefit is payable on the employee's death or retirement (normal, early, or ill-health), provided the employee has completed 10 or more continuous years of service at that time.

There is no benefit payable on dismissal or resignation.

In the event of an employee's death in service, 50% of the gratuity (with interest from the join date to the date of death) and 100% of the enhancement to gratuity is payable to the estate of the deceased.

The Municipality will pay the estate or the employee a benefit amount of R90,000 should the benefit calculated on death or retirement be less than this amount. This minimum benefit level is fixed, ie, the Municipality does not currently have a policy in place to increase this amount in future.

Financial Valuation Assumptions

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

Assumption	30 June 2022	30 June 2023
Discount Rate	8.27%	9.22%
General Inflation	6.28%	5.02%
Salary Inflation	6.28%	6.02%
Salary Inflation Premium	0.00%	0.00%
Net Discount Rate (Gap) Enhanced Gratuities	1.87%	3.02%
Net Discount Rate (Gap) Standard Gratuities	0.00%	0.00%

Discount Rate Assumption:

The discount rate that reflects the time value of money is best approximated by reference to market yield 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 3 years. The recommended discount rate as at 30 June 2023 is 9.22%.

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

Future Inflation Rate Assumption:

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

The market's pricing of inflation has been estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of 3 years.

The implied inflation assumption is therefore, 5.02% per annum, as at 30 June 2023 for future inflation.

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

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

47 Information on Post Retirement Benefits (Continued)

Future Salary Inflation Rate:

It has been assumed that salaries (total cost to company) will increase in line with 1.00% in excess of general inflation, ie, 6.02% per annum as at 30 June 2023.

Net Discount Rate:

The gap between the discount rate and the expected increase in salary inflation assumptions is referred to as the Net Discount rate.

The net discount rate for salary inflation is assumed to be 3.02% per annum as at 30 June 2023. (Derived from a discount rate of 9.22% and the expected salary inflation rate of 6.02%).

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

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 Band	Average Annual % Rate of Withdrawal	
	Males	Females
20-29	16%	24%
30-39	10%	15%
40-49	6%	6%
50-54	2%	2%
55+	0%	0%

Demographic Valuation Assumptions

Assumed Retirement Age:

The normal retirement age of employees is 65 years. It has been assumed that 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 female members are now over the age of 58, it has been assumed that they will retire in the year following the valuation.

Other Assumptions:

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

Valuation Results

Category	30-Jun-22	30-Jun-23
Accrued Liability		
Total Accrued Liability	41,999,500	14,317,469
Value of Assets	0	0
Total Unfunded Accrued Liability	41,999,500	14,317,469
Expected current portion of Liability (Payable within 12 months)	17,116,800	6,404,302
Expected non-current portion of Liability (Payable thereafter)	24,882,700	7,913,167

Current Service and Interest Costs

Current Service and Interest Costs	30 June 2022	30 June 2023
Current Service Cost (Eligible Employees)	173,060	135,000
Interest Cost (All eligible Individuals)	604,839	3,478,830

Projections

The projections of the expected change in the obligation over the period 01 July 2023 to 30 June 2026, are as follows:

Benefit Projection	Year Ending 30 June 2024 R	Year Ending 30 June 2025 R	Year Ending 30 June 2026 R
Opening Accrued Liability	14,317,469	9,184,602	8,908,682
Current Service Cost	229,594	329,575	366,485
Interest Cost	1,041,841	798,495	760,416
Expected Benefits Vesting	-6,404,302	-1,403,990	-1,721,147
Total Annual Expense	-5,132,867	-275,920	-594,246
Actuarial Loss/(Gain)			
Obligation at end of the year	9,184,602	8,908,682	8,314,436

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

47 Information on Post Retirement Benefits (Continued)

Sensitivity Analysis

Sensitivity Analysis on the Accrued Liability based on changes in the following assumptions:
 The Discount Rate, and
 The Salary inflation Rate

Discount Rate	Current Assumption	1% Decrease	1% Increase
	R	R	R
Liability	14,317,469	14,451,239	14,192,864
Cost / (Saving)		133,771	-124,605
Total Change		0.93%	-0.87%
Salary Inflation	Current Assumption	1% Decrease	1% Increase
	R	R	R
Liability	14,317,469	14,196,572	14,445,325
Cost / (Saving)		-120,897	127,856
Total Change		-0.84%	0.89%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2022					
Cost	2,219,562,762	21,513,938,025	3,699,085,967	1,784,968,050	29,217,554,804
Transfers/Adjustments - Costs					-
Restatement - Cost					-
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(441,121,275)	(8,194,814,781)	(1,340,599,603)	(1,161,145,271)	(11,137,680,930)
	1,778,441,487	13,319,123,244	2,358,486,364	623,822,779	18,079,873,874
Movement during the year ended 30 June 2023					
Acquisitions	47,671,215	1,389,136,969	29,633,039	45,779,045	1,512,220,268
Take On	7,395,612	421,673,094	44,262,537	(19,223,618)	454,107,625
Transfers / Adjustments - Cost	(608,257)	-	608,257	-	-
Useful lives Adjustment - Depreciation					-
Depreciation	(42,288,813)	(722,950,834)	(89,926,864)	(119,033,189)	(974,199,700)
	12,169,757	1,087,859,229	(15,423,031)	(92,477,762)	992,128,193
Carry Value of Disposals/Impairments during the year ended 30 June 2023					
Cost	(5,187,007)	-	(21,019,207)	-	(26,206,214)
Depreciation			11,215,908	-	11,215,908
	(5,187,007)	-	(9,803,299)	-	(14,990,306)
Carrying Values at 30 June 2023	1,785,424,237	14,406,982,473	2,333,260,034	531,345,017	19,057,011,761
Summary - Carrying Values at 30 June 2023					
Summary - Cost	2,268,834,325	23,324,748,088	3,752,570,593	1,811,523,477	31,157,676,483
Summary - Accumulated Depreciation	(483,410,088)	(8,917,765,615)	(1,419,310,559)	(1,280,178,460)	(12,100,664,722)
	1,785,424,237	14,406,982,473	2,333,260,034	531,345,017	19,057,011,761

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	145,925	(701,555)	-	-	(555,630)
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)
	1,799,185,246	12,872,281,525	2,447,159,376	607,618,454	17,726,244,601
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	1,778,441,487	13,319,123,244	2,358,486,364	623,822,779	18,079,873,874
Summary - Carrying Values at 30 June 2022					
Summary - Cost	2,219,562,762	21,513,938,025	3,699,085,967	1,784,968,050	29,217,554,804
Summary - Accumulated Depreciation	(441,121,275)	(8,194,814,781)	(1,340,599,603)	(1,161,145,271)	(11,137,680,930)
	1,778,441,487	13,319,123,244	2,358,486,364	623,822,779	18,079,873,874

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (Continued)

MUNICIPALITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2022					
Cost	2,200,992,495	21,513,938,025	3,699,085,967	1,776,618,107	29,190,634,594
Transfers/Adjustments - Costs					-
Restatement - Cost					-
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(440,913,631)	(8,194,814,781)	(1,340,599,603)	(1,156,759,913)	(11,133,087,928)
	1,760,078,864	13,319,123,244	2,358,486,364	619,858,194	18,057,546,666
Movement during the year ended 30 June 2023					
Acquisitions	36,270,598	1,389,136,971	29,633,039	44,127,218	1,499,167,826
Take On	7,395,612	421,673,094	44,262,537	(19,223,618)	454,107,625
Transfers / Adjustments - Cost	(608,257)	-	608,257	-	-
Useful lives Adjustment - Depreciation					-
Depreciation	(42,194,706)	(722,950,834)	(89,926,864)	(118,108,002)	(973,180,406)
	863,247	1,087,859,231	(15,423,031)	(93,204,402)	980,095,045
Carry Value of Disposals/Impairments during the year ended 30 June 2023					
Cost	(5,187,007)	-	(21,019,207)	-	(26,206,214)
Depreciation			11,215,908	-	11,215,908
	(5,187,007)	-	(9,803,299)	-	(14,990,306)
Carrying Values at 30 June 2023	1,755,755,104	14,406,982,475	2,333,260,034	526,653,792	19,022,651,405
Summary - Carrying Values at 30 June 2023					
Summary - Cost	2,238,863,441	23,324,748,090	3,752,570,593	1,801,521,707	31,117,703,831
Summary - Accumulated Depreciation	(483,108,337)	(8,917,765,615)	(1,419,310,559)	(1,274,867,915)	(12,095,052,426)
	1,755,755,104	14,406,982,475	2,333,260,034	526,653,792	19,022,651,405

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	145,925	(701,555)			(555,630)
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)
	1,781,862,470	12,872,281,525	2,447,159,376	604,695,331	17,705,998,702
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
Takeon	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	1,760,078,864	13,319,123,244	2,358,486,364	619,858,194	18,057,546,666
Summary - Carrying Values at 30 June 2022					
Summary - Cost	2,200,992,495	21,513,938,025	3,699,085,967	1,776,618,107	29,190,634,594
Summary - Accumulated Depreciation	(440,913,631)	(8,194,814,781)	(1,340,599,603)	(1,156,759,913)	(11,133,087,928)
	1,760,078,864	13,319,123,244	2,358,486,364	619,858,194	18,057,546,666

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2022	
Cost	234,433,820
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	218,613,163
Movement during the year ended 30 June 2023	
Acquisition	455,000
Take On	1,128,530
Transfers / Adjustment	-
Impairment	-
	1,583,530
Impairment value during the year ended 30 June 2023	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2023	220,196,693
Summary - Carrying Values at 30 June 2023	
Summary - Cost	236,017,350
Summary - Accumulated Impairment	(15,820,657)
	220,196,693

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2021	
Cost	235,002,583
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	(15,820,657)
	219,181,926
Movement during the year ended 30 June 2022	
Acquisition	-
Takeon	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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

49 HERITAGE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2022	
Cost	234,183,320
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Impairment	(15,820,657)
	218,362,663
Movement during the year ended 30 June 2023	
Acquisition	455,000
Take On	1,128,530
Transfers / Adjustment	
Impairment	
	1,583,530
Impairment value during the year ended 30 June 2023	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2023	219,946,193
Summary - Carrying Values at 30 June 2023	
Summary - Cost	235,766,850
Summary - Accumulated Impairment	(15,820,657)
	219,946,193

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2021	
Cost	234,752,083
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	(15,820,657)
	218,931,426
Movement during the year ended 30 June 2022	
Acquisition	-
Takeon	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

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 2023

50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2022	
Cost	464,477,335
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(408,116,400)
	56,360,935
Movement during the year ended 30 June 2023	
Acquisition	1,959,287
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(14,910,723)
	(12,951,436)
Impairment/ Disposal value during the year ended 30 June 2023	
Cost	-37,613,916
Amortisation	37,613,916
	-
	43,409,499
Carrying Values at 30 June 2023	
	43,409,499
Summary - Carrying Values at 30 June 2023	
Summary - Cost	428,822,706
Summary - Accumulated Amortisation	(385,413,207)
	43,409,499

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	-
Amortisation	-
	-
	56,360,935
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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

50 INTANGIBLE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2022	
Cost	462,901,801
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(407,417,842)
	55,483,959
Movement during the year ended 30 June 2023	
Acquisition	1,951,037
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(14,839,523)
	(12,888,486)
Impairment/ Disposal value during the year ended 30 June 2023	
Cost	-37,613,916
Amortisation	37,613,916
	-
Carrying Values at 30 June 2023	42,595,473
Summary - Carrying Values at 30 June 2023	
Summary - Cost	427,238,922
Summary - Accumulated Amortisation	(384,643,449)
	42,595,473

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	-
Transfers/Adjustments	-
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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

51 INVESTMENT PROPERTY RECONCILIATION

ECONOMIC ENTITY AND MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2022	
Cost	226,767,881
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(79,606,507)
	147,161,374
Movement during the year ended 30 June 2023	
Acquisition / Take-on	-
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(4,649,768)
	(4,649,768)
Carry Value of Disposals for the year ended 30 June 2023	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2023	142,511,606
Summary - Carrying Values at 30 June 2023	
Summary - Cost	226,767,881
Summary - Accumulated Depreciation	(84,256,275)
	142,511,606

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	-
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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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	2023			Restated 2022		
	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		19,057,011,761	19,057,011,761		18,079,873,874	18,079,873,874
Heritage Assets		220,196,693	220,196,693		218,613,163	218,613,163
Intangible Assets		43,409,499	43,409,499		56,360,935	56,360,935
Investment Property		142,511,606	142,511,606		147,161,374	147,161,374
Long-term Receivables - Exchange Transactions	77,937,439		77,937,439	84,577,771		84,577,771
Long-term Receivables - Non-exchange Transactions*	0		0	0		0
Inventory		183,166,395	183,166,395		183,439,809	183,439,809
Trade Receivables - Exchange Transactions	4,138,225,439		4,138,225,439	2,378,195,724		2,378,195,724
Trade Receivables - Non-Exchange Transactions*	0		0	0		0
Other Receivables - Non-Exchange Transactions*	0		0	2,100		2,100
Other Receivables - Exchange Transactions*	267,244,267		267,244,267	221,066,672		221,066,672
Short-term investment deposits (excluding Sanlam Shares)	4,577,462,833		4,577,462,833	3,861,790,425		3,861,790,425
Bank balances and cash	237,572,949		237,572,949	921,567,592		921,567,592
	9,298,442,927	19,646,295,954	28,944,738,881	7,467,200,284	18,685,449,155	26,152,649,439
	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
LIABILITIES						
Long-term Liabilities	1,153,063,003		1,153,063,003	1,054,416,477		1,054,416,477
Non-current Provisions - Employee Benefits		2,078,364,463	2,078,364,463		2,186,115,700	2,186,115,700
Non-current Provisions - Other		571,613,741	571,613,741		585,677,072	585,677,072
Consumer deposits	155,527,819		155,527,819	156,560,216		156,560,216
Current Provisions - Employee Benefits		604,634,204	604,634,204		586,839,429	586,839,429
Current Provisions - Other		61,000	61,000		329,489	329,489
Trade and Other Payables	2,302,746,560		2,302,746,560	2,096,472,517		2,096,472,517
Transfers and Subsidies	0		0	0		0
VAT		300,372,408	300,372,408		313,038,339	313,038,339
Current Portion of Long-term Liabilities	192,286,800		192,286,800	192,847,457		192,847,457
	3,803,624,182	3,555,045,816	7,358,669,998	3,500,296,667	3,672,000,029	7,172,296,696
Net Assets		21,849,860,341	21,849,860,341		19,024,573,461	19,024,573,461
Financial Asset at Fair Value						
Sanlam Shares - Valued at the open market value	2,387,624		(2,387,624)	2,163,388		(2,163,388)
	5,497,206,371	(5,758,610,205)	(261,403,834)	3,969,067,005	(4,011,124,335)	(42,057,330)

	2023	Restated 2022
Financial Asset at amortised cost		
Opening balance	7,467,200,284	6,966,308,193
Net other movements	1,831,242,643	500,892,091
Closing balance	9,298,442,927	7,467,200,284
Financial liabilities at amortised cost		
Opening balance	3,500,296,667	3,840,290,615
Net other movements	303,327,515	(339,993,948)
Closing balance	3,803,624,182	3,500,296,667

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/ Non-exchange transactions in terms of GRAP 23, 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 2023

52 FINANCIAL INSTRUMENTS (Continued)

MUNICIPALITY	2023			Restated 2022		
	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		19,022,651,405	19,022,651,405		18,057,546,666	18,057,546,666
Heritage Assets		219,946,193	219,946,193		218,362,663	218,362,663
Intangible Assets		42,595,473	42,595,473		55,483,959	55,483,959
Investment Property		142,511,606	142,511,606		147,161,374	147,161,374
Long-term Receivables - Exchange Transactions	77,937,439		77,937,439	84,577,771		84,577,771
Long-term Receivables - Non-exchange Transactions*	0		0	0		0
Inventory		182,973,367	182,973,367		183,259,020	183,259,020
Trade Receivables - Exchange Transactions	4,138,225,439		4,138,225,439	2,378,195,724		2,378,195,724
Trade Receivables - Non-Exchange Transactions*	0		0	0		0
Other Receivables - Non-Exchange Transactions*	0		0	0		0
Other Receivables - Exchange Transactions*	295,810,441		295,810,441	269,867,544		269,867,544
Short-term investment deposits (excluding Sanlam Shares)	4,577,462,833		4,577,462,833	3,861,790,425		3,861,790,425
Bank balances and cash	171,212,204		171,212,204	835,018,909		835,018,909
	9,260,648,356	19,610,678,044	28,871,326,400	7,429,450,373	18,661,813,682	26,091,264,055
	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
LIABILITIES						
Long-term Liabilities	1,148,680,157		1,148,680,157	1,053,876,127		1,053,876,127
Non-current Provisions - Employee Benefits		2,078,364,463	2,078,364,463		2,186,115,700	2,186,115,700
Non-current Provisions - Other		571,613,741	571,613,741		585,677,072	585,677,072
Consumer deposits	155,527,819		155,527,819	156,560,216		156,560,216
Current Provisions - Employee Benefits		598,342,375	598,342,375		580,911,374	580,911,374
Current Provisions - Other		61,000	61,000		329,489	329,489
Trade and Other Payables	2,285,244,613		2,285,244,613	2,080,163,096		2,080,163,096
Transfers and Subsidies*	0		0	0		0
VAT		298,146,463	298,146,463		304,625,272	304,625,272
Current Portion of Long-term Liabilities	192,286,800		192,286,800	192,847,457		192,847,457
	3,781,739,389	3,546,528,042	7,328,267,431	3,483,446,896	3,657,658,907	7,141,105,803
Net Assets		21,811,972,307	21,811,972,307		18,999,035,026	18,999,035,026
Financial Asset at Fair Value						
Sanlam Shares - Valued at the open market value	2,387,624		(2,387,624)	2,163,388		(2,163,388)
	5,481,296,593	(5,747,822,307)	(266,525,714)	3,948,166,865	(3,994,880,251)	(46,713,386)
			2023			Restated 2022
Financial Asset at amortised cost						
Opening balance			7,429,450,373			6,937,625,263
Net other movements			1,831,197,983			491,825,110
Closing balance			9,260,648,356			7,429,450,373
Financial liabilities at amortised cost						
Opening balance			3,483,446,896			3,818,167,622
Net other movements			298,292,493			(334,720,726)
Closing balance			3,781,739,389			3,483,446,896

* This is to indicate that these items have been made either zero or reduced as they are Statutory Receivables/ Non-exchange transactions in terms of GRAP 23, 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 2023**

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 as at 30 June 2023.

The Original Budget was approved on 21 June 2022 for the 2022/23 financial year (01 July 2022 to 30 June 2023), and the Final Budget was approved on 28 February 2023.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustments 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 measure performance.

1 Interest earned - External Investments

The interest earned is influenced by the higher interest rates.

2 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 raised.

2 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 raised.

3 Licences and Permits

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

4 Income for Agency Services

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

5 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.

6 Gains on disposal of PPE

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

7 Employee Related Costs

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

8 Impairment - Receivables

Due to the increase in water tariffs as a result of water restrictions, it caused the debt to increase resulting in non-payment of 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 on consumer debtors.

9 Impairment - Other

The adjustments budget was reduced due to the fact that no tender have been concluded at the time, for camera fines; as all fines were handwritten, therefore we did not anticipate an increase in Traffic Fines.

10 Transfers and Subsidies

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

11 Contracted Services

A major part of the variance is due to no/ less maintenance being done to Property, plant and equipment and essential services required by the communities as the services are being utilised as and when required due to capacity constraints.

Also, less expenditure incurred on Business and Advisory projects as these services are also being utilised as and when required.

12 Other Expenditure

A major part of the variance is IT related expenses and Hire charges as costs are only incurred as and when required and strict cost containment measures by management.

Also, there are pending lease agreements which contributed to the lower spending.

13 Other Materials

The main reason for the variance is due to the method of calculating the water stock as per NT guidelines and less was spend on chemicals to treat the water than initially anticipated.

14 Depreciation

Due to a review of asset useful lives, depreciation is below budget.

15 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 2023

54 EXPLANATION FOR CAPITAL VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget as at 30 June 2023.

The Original Budget was approved on 21 June 2022 for the 2022/23 financial year (01 July 2022 to 30 June 2023), and the Final Budget was approved on 28 February 2023.

NMBM uses the accrual basis of accounting for its Budget.

See below reconciliation between the Budget and the Actual expenditure:

ACTUAL EXPENDITURE VERSUS 2022/23 BUDGET	2022/23 Capital Adjustments Budget (Approved 28 February 2023)	Budget Amendment - Movement between Directorates	Budget Amendment - USDG Re- prioritisation (HS Operating)	Budget Amendment - ISUPG Increases (As per Revised Business Plan)	Budget Amendment - ISUPG Decreases (As per Revised Business Plan)	Section 21 of Financial Management Policy (Movement of ISUPG Funds across Directorates)	2022/23 Total Capital Budget	Actual Expenditure as at 30 June 2023	% Capital Spend as at 30 June 2023	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	563,232,060	14,348,394	3,868,355				581,448,809	537,322,391	92%	44,126,418	8	
Human Settlements	189,277,700	-14,348,394				159,085	175,088,391	164,866,877	94%	10,221,514	6	
Economic Development, Tourism & Agriculture	7,103,760						7,103,760	3,803,760	54%	3,300,000	46	The item to approve the commencement of the Nelson Mandela Bay Statue project was delayed by EDSA Standing Committee meetings not sitting. The contract of purchasing the Scrubber and Forklift has to go out on a new tender when the Bid Committees are sitting.
Sport, Recreational and Cultural Service	53,476,510						53,476,510	30,860,345	75%	13,616,165	25	The underspending is mainly due to SCM policy requiring review, to include the PPPFA Regulations.
Safety & Security	18,050,000						18,050,000	13,162,067	73%	4,887,933	27	A significant contributing factor towards the overall expenditure variance for the safety and Security Directorate, relates specifically to the construction of the disaster management offices in Despatch.
Budget & Treasury	6,775,220						6,775,220	1,908,966	28%	4,866,254	72	The tender was awarded by the BAC in November 2022. The tender ID was only provided by SCM during May 2023. Therefore, the site could only be handed over to the contractor on 1 June 2023, which would only allow for limited expenditure in the 2022/23 financial year. The majority of the remaining work will be completed within the 2023/24 financial year.
Public Health	51,233,910				-8,733,910		42,500,000	23,765,684	56%	18,734,316	44	The procurement process relating to the construction of the SCM Building was not concluded at year end.
Corporate Services	36,300,000						36,300,000	16,194,695	45%	20,105,305	55	A significant contributing factor towards the overall expenditure variance for the Public Health Directorate, relates specifically to the fencing of the Arlington Waste Disposal Site. A Budget Amendment item was prepared by the Project manager during June 2023 to identify "savings" from the Public Health Capital projects in order to transfer a significant amount of funding to the Arlington Waste Disposal Project. Due to the timing of the preparation of this item, it was unlikely that any expenditure would be incurred before the end of the financial year. The item was only approved on 30 June 2023 by the Executive Mayor, therefore no procurement process could commence.
Sanitation Service	112,421,880			13,656,521		-159,085	125,919,316	15,253,247	12%	110,666,069	88	The underspending is mainly due to the Network and Managed services contract being canceled.
Water Service	427,720,800						427,720,800	404,559,638	95%	23,161,162	5	The tender process to Augment Collector Sewer Waterer Heights & Mount Pleasant was affected by the SCM Policy requiring review, to include the PPPFA Regulations. A delay in the approval of the ISUPG business plan caused the under-expenditure in the purchase of Chemical Toilets and Vacuum Tankers. A formal roll-over request has been done to request the National Treasury to consider the funds to be carried over to the 2023/2024 Financial Year.
Electricity & Energy	314,666,430		5,000,000				319,666,430	276,603,817	87%	43,062,613	13	The underspending is mainly due to the full scope of the project for the reinforcement of the electricity network not being implemented. These projects are funded by Public Contributions and are demand driven, based on customer deposits paid. The underspending is also due to the unavailability of certain vehicles required by the Directorate.
	1,780,258,270	0	8,868,355	13,656,521	(8,733,910)	0	1,794,049,236	1,497,301,488	83%	296,747,748	17	
CONTROLLED ENTITIES												
Mandela Bay Development Agency	13,509,188						13,509,188	35,556,012	263%	(22,046,824)	-62	Purchase of property, plant and equipment - Refer MBDA's Financial Statements.
ECONOMIC ENTITY	1,793,767,458	0	8,868,355	13,656,521	(8,733,910)	0	1,807,558,424	1,532,857,500	85%	274,700,924		

In accordance with GRAP 24.12 The entity has disclosed an explanation for the material differences between the budget and actual capital expenditure amounts.

ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2023

	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	2,182,588	-	2,182,588	-2,628,142	-	1,176,872	-	-	731,319	-	-	-	-	-	-	-	-	731,319	
Buildings	1,034,408,834	145,925	1,034,554,759	2,628,142	7,395,612	4,858,943	-	-	1,049,237,455	440,913,631	-	440,913,631	-	42,194,706	-	-	-	483,108,337	
Land	1,164,256,150	-	1,164,256,150	(608,257)	-	30,434,783	-	-	1,188,894,668	-	-	-	-	-	-	-	-	1,188,894,668	
	2,200,846,572	145,925	2,200,992,497	-608,257	7,395,612	36,270,598	-5,187,007	-	2,238,863,442	440,913,631	-	440,913,631	-	42,194,706	-	-	-	483,108,337	1,755,755,105
Infrastructure Assets																			
Assets Under Construction	886,047,772	-	886,047,772	-1,174,181,948	-	1,162,446,361	-	-	874,312,185	-	-	-	-	-	-	-	-	-	874,312,185
Roads, Sidewalks & Stormwater Network	8,445,236,920	-	8,445,236,920	353,427,650	-	111,308,342	-	-	8,909,972,912	3,415,202,369	-	3,415,202,369	-	312,302,918	-	-	-	3,727,505,288	5,179,110,600
Beach Developments	79,698,612	-	79,698,612	168,000	-	334,650	-	-	80,201,272	22,963,667	-	22,963,667	-	1,954,843	-	-	-	24,918,309	55,282,963
Electricity Reticulation & Supply	3,700,946,926	-	3,790,946,926	135,896,769	-	41,807,907	-	-	3,968,651,603	1,474,334,116	-	1,474,334,116	-	120,754,676	-	-	-	1,595,088,792	2,372,940,073
Fencing	263,545,981	-	263,545,981	32,088,604	-	10,652,364	-	-	306,286,949	107,687,707	-	107,687,707	-	25,498,723	-	-	-	133,186,430	173,100,519
Sewerage Mains & Purification Works	3,268,544,234	-	3,268,544,234	118,338,458	-	533,384	-	-	3,387,416,175	1,544,869,295	-	1,544,869,295	-	122,133,883	-	-	-	1,667,003,178	1,720,412,997
Waste Disposal Facilities	50,693,745	-	50,693,745	-	-	533,384	-	-	50,693,745	6,596,724	-	6,596,724	-	1,075,244	-	-	-	7,671,968	43,021,777
Water Supply & Reticulation	3,260,894,920	-629,801	3,260,265,019	370,013,889	77,002,546	62,414,816	-	-	3,769,696,270	1,193,926,861	-	1,193,926,861	-	93,847,025	-	-	-	1,287,773,886	2,481,922,884
Dams & Treatment Works	1,463,431,525	-71,754	1,463,359,771	164,248,578	344,431,132	-360,973	-	-	1,971,678,509	422,629,089	-	422,629,089	-	45,383,723	-	-	-	468,012,812	1,503,665,697
Wi-Fi Infrastructure	6,604,949	-	6,604,949	-	-	-	-	-	6,604,949	6,604,949	-	6,604,949	-	-	-	-	-	6,604,949	-
	21,515,645,483	-701,555	21,514,943,928	-421,433,679	1,385,157,200	1,385,157,200	-	-	23,221,534,807	8,194,814,778	-	8,194,814,778	-	722,950,834	-	-	-	8,917,765,612	14,403,769,195
Community Assets																			
Assets Under Construction	5,732,966	-	5,732,966	-19,506,273	-	17,274,943	-	-	3,501,637	-	-	-	-	-	-	-	-	-	3,501,637
Libraries	44,572,432	-	44,572,432	471,863	-	144,732	-	-296,098	44,892,930	18,064,361	-	18,064,361	-	1,306,780	-	-159,695	-	19,211,446	25,681,484
Library Books	98,321,306	-	98,321,306	-	-	-	-	-	98,321,306	42,566,909	-	42,566,909	-	2,934,442	-	-	-	45,501,351	52,819,955
Fire Stations	77,822,107	-	77,822,107	-	-	335,768	-	-	78,157,874	35,240,640	-	35,240,640	-	3,600,837	-	-	-	38,841,477	39,316,397
Cemeteries	138,182,371	-	138,182,371	-	-	3,937,616	-	-	142,119,987	38,126,565	-	38,126,565	-	6,436,305	-	-	-	44,562,870	97,557,117
Clinics	5,735,475	-	5,735,475	-	-	-	-	-	5,735,475	2,678,443	-	2,678,443	-	145,821	-	-	-	2,824,264	2,911,212
Community Centres	269,374,762	-	269,374,762	112,059	1,052,941	336,268	-	-9,175,018	261,701,013	109,436,491	-	109,436,491	-	7,996,030	-	-7,006,516	-	110,426,004	151,275,009
Public Conveniences	13,619,382	-	13,619,382	-	-	-	-	-	13,619,382	4,845,410	-	4,845,410	-	487,543	-	-	-	5,332,953	8,286,429
Swimming Pools	53,928,689	-	53,928,689	-	-	1,931,053	-	-11,548,091	84,311,651	36,481,141	-	36,481,141	-	2,455,111	-	-4,049,697	-	34,886,555	49,425,096
Recreational Facilities	2,912,486,064	-	2,912,486,064	19,530,607	43,209,596	5,672,859	-	-	2,980,998,526	1,028,470,916	-	1,028,470,916	-	63,788,673	-	-	-	1,092,259,589	1,888,639,663
Selling & Letting Schemes	39,310,410	-	39,310,410	-	-	-	-	-	39,310,410	24,688,730	-	24,688,730	-	775,323	-	-	-	25,464,052	13,846,388
	3,699,085,965	-	3,699,085,965	608,257	44,262,537	29,624,354	-	-21,019,207	3,752,561,907	1,340,599,606	-	1,340,599,606	-	89,926,864	-	-11,215,908	-	1,419,310,561	2,333,251,346
Other Assets																			
Assets Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins & Containers	31,587,619	-	31,349,203	-	-	3,731,331	-	-	35,079,534	23,411,114	-	23,411,114	-	2,581,688	-	-	-	25,992,802	9,086,732
Vehicles & Plant	694,531,529	-	694,531,529	2,235,325	-	22,509,336	-	-	719,515,606	516,733,243	-	516,733,243	-	22,656,262	-	-	-	539,389,505	180,126,101
Office Furniture & Fittings	296,153,391	-	296,153,391	-	-	9,460,721	-	-	305,614,112	203,379,711	-	203,379,711	-	14,516,774	-	-	-	217,896,485	87,433,708
Air Monitoring Facilities	24,511	-	24,511	-	-	-	-	-	24,511	14,139	-	14,139	-	1,324	-	-	-	15,463	9,047
Security Systems	10,395,538	-	10,395,538	-	-	-	-	-	10,395,538	10,395,538	-	10,395,538	-	-	-	-	-	10,395,538	-
Tip Sites	577,774,274	-	577,774,274	-	-21,458,943	-	-	-	556,315,331	276,685,705	-	276,685,705	-	65,360,274	-	-	-	342,045,979	214,269,353
Computer Hardware	165,394,765	-	165,394,765	-	-	8,426,830	-	-	173,821,595	126,140,463	-	126,140,463	-	12,991,680	-	-	-	139,132,143	34,679,452
	1,775,851,627	-	1,775,612,211	-	-19,223,618	43,843,290	-	-	1,800,471,309	1,156,759,912	-	1,156,759,912	-	118,108,002	-	-	-	1,274,867,914	525,603,394
MBDA:																			
Land and Buildings	18,570,265	-	18,570,265	-	-	11,400,617	-	-	29,970,882	207,645	-	207,645	-	94,107	-	-	-	301,752	29,668,130
Other Assets	8,349,946	-	8,349,946	-	-	1,651,827	-	-	10,001,773	4,385,359	-	4,385,359	-	925,187	-	-	-	5,310,546	4,691,227
	29,218,349,858	-555,630	29,217,794,228	-	453,868,210	1,507,947,895	-5,187,007	-21,019,207	31,157,676,484	11,137,680,931	-	11,137,680,931	-	974,199,700	-	-11,215,908	-	12,100,664,723	19,052,739,396

NOTE 55 (CONTINUED)
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2023

	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	1,575,534		1,575,534			8,250			1,583,784	698,558		698,558		71,200			769,758	814,026	
NMBM																			
Assets Under Construction	692,790	-	692,790	-2,643,827	-	1,951,037	-	-	0	-	-	-	-	-	-	-	-	0	
Computer Software - Internally Generated	219,956,400	-	219,956,400	-	-	-	-	-	219,956,400	188,930,767	-	188,930,767	-	6,369,646	-	-	195,300,413	24,655,987	
Computer Software - Other	242,252,612	-	242,252,612	2,643,827	-	-	-	(37,613,916)	207,282,523	218,487,076	-	218,487,076	-	8,469,877	-	-37,613,916	189,343,038	17,939,485	
	464,477,336	-	464,477,336	-	-	1,959,287	-	-37,613,916	428,822,707	408,116,401	-	408,116,401	-	14,910,724	-	-37,613,916	385,413,209	43,409,498	
	ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2023																		
	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	79,606,508	-	79,606,508	-	4,649,788	-	-	84,256,276	142,511,606	
	ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2023																		
	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	152,647,854	-	152,647,854	-	1,128,530	-	-	-	153,776,384	-	-	-	-	-	-	-	-	153,776,384	
Memorials & Statues	48,070,066	-	48,070,066	-	-	-	-	-	48,070,066	-	-	-	-	-	-	-	-	48,070,066	
Land	55,764	-	55,764	-	-	-	-	-	55,764	-	-	-	-	-	-	-	-	55,764	
Art Works	17,588,979	-	17,588,979	-	-	455,000	-	-	18,043,979	-	-	-	-	-	-	-	-	18,043,979	
	218,613,163	-	218,613,163	-	1,128,530	455,000	-	-	220,196,693	-	-	-	-	-	-	-	-	220,196,693	
Grand Totals Assets	30,128,208,239	-555,630	30,127,413,193	-0	454,996,740	1,510,362,182	-5,187,007	-58,633,123	32,033,463,766	11,625,403,840	-	11,625,403,840	-	993,760,192	-	-48,829,824	12,570,334,208	19,458,857,193	

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 2023

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ECONOMIC ENTITY	Actual	Approved	Adjustments	Approved	Variance between	%	No.
	2023	Original Budget	2023	Final Budget	Final Budget		
	R	R	R	R	and Actual		
					2023		
					R		
NET ASSETS							
Total Net Assets							
Total Accumulated Funds	21,849,860,341	18,172,605,330	(7,916,410)	18,164,688,920	(3,685,171,421)	-20%	1
LIABILITIES							
Non-current Liabilities	3,803,041,207	3,927,316,510	65,464,508	3,992,781,018			
Long-term Liabilities	1,153,063,003	1,272,109,700	14,868,498	1,286,978,198	133,915,195	10%	2
Non-current Provisions - Employee Benefits	2,078,364,463	2,655,206,810	50,596,010	2,705,802,820	55,824,616	2%	
Non-current Provisions - Other	571,613,741	0	0	0	0		
Current Liabilities	3,746,198,022	3,381,482,080	1,003,762,080	4,385,244,160			
Current Provisions - Employee Benefits	604,634,204	197,401,460	0	197,401,460	(407,293,744)	-206%	3
Current Provisions - Other	61,000	0	0	0	0		
Consumer Deposits	155,527,819	154,651,750	13,595,250	168,247,000	12,719,181	8%	
Trade and Other Payables	2,302,746,560	2,747,486,170	990,166,830	3,737,653,000	943,964,801	25%	4
Transfers and Subsidies	190,569,231	0	0	0	0	0%	
VAT	300,372,408	0	0	0	0	0%	
Current Portion of Long-term Liabilities	192,286,800	281,942,700	0	281,942,700	89,655,900	32%	2
Total Liabilities	7,549,239,229	7,308,798,590	1,069,226,588	8,378,025,178			
ASSETS							
Non-current Assets	19,584,096,817	18,415,895,750	1,323,196,610	19,739,092,360			
Property, Plant and Equipment (PPE)	19,057,011,761	18,016,751,220	1,323,196,610	19,339,947,830	62,739,376	0%	
Heritage Assets	220,196,693	1,700,000	0	1,700,000			
Intangible Assets	43,409,499	132,545,670	0	132,545,670	89,136,171	67%	5
Investment Property	142,511,606	152,118,610	0	152,118,610	9,607,004	6%	
Long-term Receivables - Exchange Transactions	77,937,439	112,780,250	0	112,780,250	(8,187,008)	-7%	
Long-term Receivables - Non-exchange Transactions	43,029,819	0	0	0	0		
Current Assets	9,815,002,753	6,932,390,430	212,721,721	7,145,112,151			
Inventory	183,166,395	243,131,210	3,360,790	246,492,000	63,325,605	26%	6
Trade Receivables - Exchange Transactions	4,138,225,439	458,888,390	949,835,120	1,408,723,510	(3,083,447,080)	-219%	7
Trade Receivables - Non-exchange Transactions	353,945,151	0	0	0	0		7
Other Receivables - Non-exchange Transactions	788,056	0	0	0	0		8
Other Receivables - Exchange Transactions	321,454,306	668,176,590	(62,478,180)	605,698,410	283,456,048	47%	8
Call Deposits and Investments	4,577,462,833	3,812,548,340	49,242,085	3,861,790,425	(718,060,032)	-19%	9
Call Deposits and Investments - Other	2,387,624	0	0	0	0		9
Bank Balances and Cash	237,572,949	1,749,645,900	(727,238,094)	1,022,407,806	784,834,857	77%	10
Total Assets	29,399,099,570	25,348,286,180	1,535,918,331	26,884,204,511			

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 2023

ECONOMIC ENTITY	Actual	Approved	Adjustments	Approved	Variance	%	No.
	2023	Original Budget	2023	Final Budget	between Final Budget and Actual		
	R	R	R	R	R		
56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)							
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	11,952,962,660	16,551,661,830	-4,787,670,670	11,763,991,160			
- Sale of goods and services, fines and taxes levied	8,892,211,831	16,551,661,830	-7,716,503,890	8,835,157,940	(57,053,891)	-1%	
- Grants	2,725,320,908		2,734,035,310	2,734,035,310	8,714,402	0%	
- Interest received	335,429,921		194,797,910	194,797,910	(140,632,011)	-72%	1
Cash paid to suppliers and employees	(10,495,190,748)	(6,313,742,330)	(3,753,830,350)	(10,067,572,680)			
- Employee Costs	(3,807,182,600)	0	0	0	0	0%	
- Suppliers	(6,563,200,954)	(6,313,742,330)	(3,630,234,670)	(9,943,977,000)	426,406,554	-4%	
- Finance Cost	(124,807,194)		(123,595,680)	(123,595,680)	1,211,514	-1%	
CASH GENERATED FROM OPERATIONS	1,457,771,912	10,237,919,500	-8,541,501,020	1,696,418,480			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,507,947,896)	0	(1,745,194,120)	(1,745,194,120)	(235,191,737)	13%	2
Purchase of Intangible assets	(1,959,287)	0	0	0			
Purchase of Heritage assets	(455,000)	0	0	0			
Proceeds on disposal of assets	359,800	0	0	0	(359,800)		
Loss on disposal of assets	(5,187,007)	0	0	0	5,187,007		
Increase in Non-Current Receivables	0	0	-16,572,000	-16,572,000	(16,572,000)	100%	3
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,515,189,390)	0	(1,761,766,120)	(1,761,766,120)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	0	0	0	0	0%	
Movement in Long-term loans (External)	(192,847,457)	0	(115,754,847)	(115,754,847)	77,092,610	-67%	4
Increase in Borrowings	281,942,700	0	281,942,700	281,942,700	0	0%	
NET CASH FLOW FROM FINANCING ACTIVITIES	89,095,243	0	166,187,853	166,187,853			
NET CHANGE IN CASH AND CASH EQUIVALENTS	31,677,765	10,237,919,500	(10,137,079,287)	100,840,213			
Cash and cash equivalents at the beginning of the year	4,783,358,017	0	4,783,358,018	4,783,358,018			
Cash and cash equivalents at the end of the year	<u>4,815,035,782</u>	<u>10,237,919,500</u>	<u>(5,353,721,269)</u>	<u>4,884,198,231</u>			

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 2023

MUNICIPALITY	Approved				Variance between		%	No.
	Actual 2023 R	Original Budget 2023 R	Adjustments 2023 R	Approved Final Budget 2023 R	Final Budget and Actual 2023 R			
NET ASSETS								
Total Net Assets								
Total Accumulated Funds	21,811,972,307	18,039,287,590	(583,912,248)	17,455,375,342	(4,356,596,965)	-25%	1	
LIABILITIES								
Non-current Liabilities	3,798,658,361	3,927,316,510	65,464,508	3,992,781,018				
Long-term Liabilities	1,148,680,157	1,272,109,700	14,868,498	1,286,978,198	138,298,041	11%	2	
Non-current Provisions - Employee Benefits	2,078,364,463	2,655,206,810	50,596,010	2,705,802,820	55,824,616	2%		
Non-current Provisions - Other	571,613,741		0					
Current Liabilities	3,715,054,321	3,381,482,080	985,362,080	4,366,844,160				
Current Provisions - Employee Benefits	598,342,375	197,401,460	-3,200,000	194,201,460	(404,201,915)	-208%	3	
Current Provisions - Other	61,000		0	0				
Consumer Deposits	155,527,819	154,651,750	13,595,250	168,247,000	12,719,181	8%		
Trade and Other Payables	2,285,244,613	2,747,486,170	974,966,830	3,722,453,000	953,616,673	26%	4	
Transfers and Subsidies	185,445,251	0	0	0				
VAT	298,146,463	0	0	0				
Current Portion of Long-term Liabilities	192,286,800	281,942,700	0	281,942,700	89,655,900	32%	2	
Total Liabilities	7,513,712,682	25,348,086,180	466,914,340	25,815,000,520				
ASSETS								
Non-current Assets	19,548,671,935	18,415,895,750	1,309,696,610	19,725,592,360				
Property, Plant and Equipment (PPE)	19,022,651,405	18,016,751,220	1,311,696,610	19,328,447,830	85,850,232	0%		
Heritage Assets	219,946,193	1,700,000	0	1,700,000				
Intangible Assets	42,595,473	132,545,670	-2,000,000	130,545,670	87,950,197	67%	5	
Investment Property	142,511,606	152,118,610	0	152,118,610	9,607,004	6%		
Long-term Receivables - Exchange Transactions	77,937,439	112,780,250	0	112,780,250	(8,187,008)	-7%		
Long-term Receivables - Non-exchange Transactions	43,029,819		0					
Current Assets	9,777,013,054	6,932,190,430	(842,782,270)	6,089,408,160				
Inventory	182,973,367	243,131,210	3,360,790	246,492,000	63,518,633	26%	6	
Trade Receivables - Exchange Transactions	4,138,225,439	458,888,390	919,635,120	1,378,523,510	(3,113,647,080)	-226%	7	
Trade Receivables - Non-exchange Transactions	353,945,151	0	0	0	0		7	
Other Receivables - Non-exchange Transactions	785,956	668,176,590	-65,978,180	602,198,410	251,391,974	42%	8	
Other Receivables - Exchange Transactions	350,020,480	0	0	0			8	
Call Deposits and Investments	4,577,462,833	3,812,548,340	(1,499,800,000)	2,312,748,340	(2,267,102,117)	-98%	9	
Call Deposits and Investments - Other	2,387,624	0	0	0			9	
Bank Balances and Cash	171,212,204	1,749,445,900	-200,000,000	1,549,445,900	1,378,233,696	89%	10	
Total Assets	29,325,684,989	25,348,086,180	466,914,340	25,815,000,520				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

MUNICIPALITY	Actual	Approved	Adjustments	Approved	Variance	%	No.
	2023	Original Budget	2023	Final Budget	between Final Budget and Actual		
	R	R	R	R	R		
56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)							
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	11,916,527,729	16,551,661,830	-4,787,670,670	11,763,991,160			
- Sale of goods and services, fines and taxes levied	8,873,443,158	16,551,661,830	-7,716,503,890	8,835,157,940	-38,285,218	0%	
- Grants	2,712,196,175	0	2,734,035,310	2,734,035,310	21,839,135	1%	
- Interest received	330,888,396	0	194,797,910	194,797,910	(136,090,486)	-70%	1
Cash paid to suppliers and employees	(10,451,628,574)	(6,313,742,330)	(3,753,830,350)	(10,067,572,680)			
- Employee Costs	(3,756,397,869)	(6,313,742,330)	-3,630,234,670	(9,943,977,000)	382,844,380	-4%	
- Suppliers	(6,570,423,511)	0	0	0	0	0%	
- Finance Cost	(124,807,194)	0	(123,595,680)	(123,595,680)	1,211,514	-1%	
CASH GENERATED FROM OPERATIONS	1,464,899,155	10,237,919,500	-8,541,501,020	1,696,418,480			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,494,895,451)	0	(1,745,194,120)	(1,745,194,120)	-247,892,632	14%	2
Purchase of Intangible assets	(1,951,037)	0	0	0	0		
Purchase of Heritage assets	(455,000)						
Proceeds on disposal of assets	359,800						
Loss on disposal of assets	(5,187,007)						
Increase in Other Non-Current Receivables	0	0	(16,572,000)	(16,572,000)	(16,572,000)	100%	3
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,502,128,695)	0	(1,761,766,120)	(1,761,766,120)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	0	0	0	0	0%	
Movement in Long-term loans (External)	(196,369,125)	0	-115,754,847	(115,754,847)	80,614,278	-70%	4
Increase in Borrowings	254,244,700	0	281,942,700	281,942,700	27,698,000	10%	
NET CASH FLOW FROM FINANCING ACTIVITIES	57,875,575	0	166,187,853	166,187,853			
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,646,035	10,237,919,500	-10,137,079,287	100,840,213			
Cash and cash equivalents at the beginning of the year	4,696,809,334	0	3,862,194,240	3,862,194,240	(834,615,094)	-22%	5
Cash and cash equivalents at the end of the year	4,748,675,037	10,237,919,500	(6,274,885,047)	3,963,034,453			

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 as at 30 June 2023.

The Original Budget was approved on 21 June 2022 for the 2022/23 financial year (01 July 2022 to 30 June 2023), and the Final Budget was approved on 28 February 2023.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustments 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 2023

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 measure performance targets.

1 Total Accumulated Funds

The accumulated funds variance is affected by all the other variances and their explanations are given below.

2 Longterm Liabilities / Current Portion of Long-term Liabilities

The actual liabilities are below budget. The Current Portion is as per the Bank confirmations provided to the AG. The Budget was based on the last borrowing amount; therefore it was over budgeted for.

3 Non-current Provisions - Employee Benefits / 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.

4 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 decreases in Transfers and Subsidies and Trade and Other Payables.

5 Intangible Assets

Refer to Note 54, which gives a breakdown and reasons for the under-expenditure.

6 Inventory

The budget was more due to the assumption that water stock would have increased significantly but it was not the case.

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 R1.379 billion budget. Refer Note 15 of the AFS - there is a significant increase in residential consumer debt. Due to the increase in water 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

The Other Receivables was budgeted for, without taking into account, the Provision for bad debts.

9 Call deposits and Investments

The increase is due to more money being invested.

10 Bank Balances and Cash

The decrease is due to more money being invested.

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 measure performance.

1 Interest received

The interest received is influenced by higher interest rates.

2 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 R248 million. Reference is thus made to Note 54.

3 Increase in Non-Current Receivables

Non-Current Receivables variance have been included as part of the Cash Generated from Operations note, hence not reflected under this item.

4 Movement in Long-term loans (External)

The budget was based on the increase in the borrowings taken up with the bank instead of the current portion payable to the bank.

5 Cash and Cash equivalents at the beginning of the year

Grant monies received from National Treasury, by end of March 2022, has resulted in the increase in the Bank balance, hence the reason for the actual to be greater than the budget.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

58 SEGMENTAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

	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	2,714,666,814	1,318,333,094	-6,565,907	2,951,789,344	-201,019,686	7,746,758,220	5,024,710,055		19,548,671,933	35,424,883		19,584,096,816
Current Assets	2,847,119,139	279,565,512	873,766,730	1,101,681,387	5,101,940,103	140,853,401	-567,913,220		9,777,013,054	202,737,585	-164,747,884	9,815,002,755
Total Assets	5,561,785,953	1,597,898,606	867,200,824	4,053,470,731	4,900,920,418	7,887,611,621	4,456,796,835	0	29,325,684,987	238,162,468	-164,747,884	29,399,099,571
LIABILITIES												
Non-current Liabilities	-186,768,169	-189,423,821	-51,424,000	-796,106,466	-1,953,003,576		-621,932,329		-3,798,658,361	-4,382,846		-3,803,041,207
Current Liabilities	-561,926,374	-210,727,099	100,214,422	-1,156,191,569	-597,846,877	-345,145,103	-943,431,721		-3,715,054,321	-195,891,585	164,747,884	-3,746,198,022
Total Liabilities	-748,694,544	-400,150,919	48,790,422	-1,952,298,035	-2,550,850,453	-345,145,103	-1,565,364,050	0	-7,513,712,682	-200,274,431	164,747,884	-7,549,239,229
ADDITIONS TO PPE AND OTHER ASSETS	404,559,638	15,253,247	23,765,684	276,603,817	18,103,661	217,889,289	541,126,151		1,497,301,488	35,556,012		1,532,857,500
STATEMENT OF FINANCIAL PERFORMANCE												
REVENUE												
Exchange Revenue	-5,499,579,804	-901,944,682	-389,213,307	-4,506,452,146	-385,092,781	-48,297,325	-48,427,722		-11,779,007,767	-54,760,862	47,788,289	-11,785,980,340
Service Charges	-4,851,512,138	-790,169,701	-323,272,851	-4,603,545,103					-10,568,499,792		1,173,313	-10,567,326,479
Interest earned - External Investments					-331,112,632				-331,112,632	-4,984,241		-336,096,873
Interest raised - Outstanding Debtors	-647,211,678	-108,118,720	-61,121,613	97,625,462					-718,826,548			-718,826,548
Licences and Permits						-19,855,317	-1,582,513		-21,437,830			-21,437,830
Rental of Facilities and Equipment	-709,535		-4,813,304	-15,763	-10,607,647	-12,234,170	-2,381,875		-30,762,294			-30,762,294
Income for Agency Services					-4,327,750		-1,343		-4,329,093			-4,329,093
Other Revenue	-146,453	-3,656,262	-5,540	-516,743	-39,044,752	-16,207,838	-44,102,191		-103,679,778	-3,161,645		-106,841,423
Transfers and Subsidies									0	-46,614,976	46,614,976	0
Gains on disposal							-359,800		-359,800			-359,800
Non-exchange Revenue	-822,225,284	-229,932,757	-143,878,660	-226,417,532	-3,526,163,743	-1,202,888,336	-634,853,231		-6,786,359,542	-118,921,981	118,205,943	-6,787,075,580
Property Rates					-2,738,529,554				-2,738,529,554			-2,738,529,554
Other Revenue					-350,074,000	-269,733,820	-134,665,180		-754,473,000			-754,473,000
Interest raised - Outstanding Debtors					-182,802,273				-182,802,273			-182,802,273
Fines, Penalties and Forfeits				-660,111	-37,761,446	-39,088,013			-77,510,533			-77,510,533
Transfers and Subsidies	-822,225,284	-229,932,757	-143,878,660	-225,757,421	-216,996,470	-894,066,503	-500,186,026		-3,033,043,120	-118,921,981	118,205,943	-3,033,759,158
Licences and Permits						0	-1,062		-1,062			-1,062
Inter-segment Revenue	-174,703,909	-77,378,246	-3,416,805	-183,900,791	-452,431,858	-24,600,250	-16,693,675		-933,125,535			-933,125,535
Total Revenue	-6,496,508,997	-1,209,255,684	-536,508,772	-4,916,770,470	-4,363,688,383	-1,275,785,912	-699,974,627	0	-19,498,492,844	-173,682,843	165,994,232	-19,506,181,455
EXPENDITURE												
Employee Related Costs	3,933,233,857	791,111,165	378,102,011	5,521,484,277	1,804,942,435	1,774,997,827	1,547,882,987		15,751,754,560	161,333,244	-165,994,232	15,747,093,572
Remuneration of Councillors	250,925,658	226,031,102	95,734,369	411,045,010	747,502,423	1,281,204,056	659,628,844		3,672,071,462	38,023,676		3,710,095,138
Debt Impairment - Receivables	3,044,163,755	300,805,518	170,588,780	48,541,901	81,903,295	16,600,531	70,973		81,903,295			81,903,295
Debt Impairment - Other					431,715,784	34,433,525			4,012,487,242			4,012,487,242
Finance Charges	39,196,919	20,629,746	61,870	36,678,658	879,592	1,400,904	32,641,020		34,433,525	323,125		34,756,650
Bulk Purchases				4,705,197,690					131,488,708			131,488,708
Transfers and Subsidies					102,212,433	36,242,489	-34,785,532		4,705,197,690			4,705,197,690
Contracted Services	127,449,927	108,583,160	2,656,161	82,341,985	148,227,981	206,333,650	271,744,334		103,669,390	-125,705,023		-22,035,633
Other Expenditure	127,086,529	7,534,899	96,147,546	25,076,495	202,750,450	90,216,197	137,979,293		947,337,198	18,843,397		966,180,595
Other Materials	-48,330,162	5,392,858	12,913,285	67,421,614	9,150,052	21,536,820	47,455,916		686,791,408	103,052,555	-40,289,209	749,554,754
Depreciation	139,545,611	122,133,883		145,884,465	65,782,266	71,335,810	433,148,140		115,540,382	1,019,291		115,540,382
Amortisation					14,839,523				978,830,174	71,200		978,849,465
Impairment					0	9,803,299			14,839,523			14,910,723
Losses	253,195,621			-703,540	-21,364	5,890,547			9,803,299			9,803,299
Inter-segment Expenses	149,720,678	171,201,165	21,539,592	135,149,462	56,306,698	257,296,731	141,911,209		933,125,535			933,125,535
Total Expenditure	4,082,954,535	962,312,330	399,641,603	5,656,633,740	1,861,249,133	2,032,294,558	1,689,794,196	0	16,684,880,095	161,333,244	-165,994,232	16,680,219,107
NET SURPLUS FROM OPERATIONS	-2,413,554,462	-246,943,354	-136,867,169	739,863,270	-2,502,439,250	756,508,646	989,819,567	0	-2,813,612,751	-12,349,599	0	-2,825,962,350

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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. The intercompany-offsetting relates to all the transactions between the Municipality and MBDA.
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 2023

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June	Total Spent		
Financial Management Grant	NT	1,000,000				1,000,000	114,654	106,890	189,504	588,952	1,000,000	N / A	Yes
Urban Settlement Development Grant	DPLG	119,170,000	130,978,000	338,797,000		588,945,000		75,137,440	40,908,250	443,498,630	559,544,320	N / A	Yes
Transport or PTIS	NT	108,305,000	86,007,000	79,231,000		273,543,000	8,288,831	13,759,757	13,338,433	215,247,347	250,634,368	N / A	Yes
Neighbourhood Development Partnership Grant	NT	20,000,000				20,000,000			3,048,910	16,918,983.00	19,967,893	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT	2,471,000	4,448,000	2,965,000		9,884,000	538,000	5,350,472	3,995,528		9,884,000	N / A	Yes
Infrastructure Skill Development Grant	NT	6,750,000		6,000,000		12,750,000	4,266,844	3,880,138	3,365,472	1,237,546	12,750,000	N / A	Yes
Intergrated City Development Grant	NT					-					-	N / A	Yes
Programme and Project Preperation Support Grant	NT			20,322,000		20,322,000				429,180	429,180	N / A	Yes
Informal Settlements Upgrading Grant	NT	33,488,000	83,719,000	152,669,000	29,000,000	298,876,000				249,160,008	249,160,008	N / A	Yes
Drought Relief Grant Funding	NT					-		5,868,178	9,131,822	39,903,808	54,903,808	N / A	Yes
Electricity Demand Side Management Grant	NT	3,000,000	3,000,000	3,000,000		9,000,000				8,807,513	8,807,513	N / A	Yes

**Appendix B - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2023**

TOTAL ACCUMULATED FUNDS	2023	Restated 2022
	R	R
Made up as follows:		
Capital Replacement Reserve	149,618,708	180,106,077
Government Grant Reserve	12,935,690,979	12,025,008,383
Donations and Public Contributions Reserves	540,719,029	517,041,316
Self-Insurance Reserve	181,756,838	147,663,875
COVID Reserve	59,576,051	56,837,354
Accumulated Surplus	7,982,498,736	6,097,916,455
	<u>21,849,860,341</u>	<u>19,024,573,460</u>