

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

ECONOMIC ENTITY

MUNICIPALITY

	Note	Actual 2019 R	Restated 2018 R	Actual 2019 R	Restated 2018 R
NET ASSETS AND LIABILITIES					
Net Assets					
Total Accumulated Funds		17 303 307 043	15 828 481 703	17 289 106 942	15 819 298 632
Non-current Liabilities					
		3 785 046 241	3 688 047 385	3 783 207 479	3 686 553 095
Long-term Liabilities	3	1 118 615 583	1 209 505 493	1 116 776 821	1 208 011 203
Non-current Provisions - Employee Benefits	4.1	2 187 691 857	2 089 611 527	2 187 691 857	2 089 611 527
Non-current Provisions - Other	4.2	478 738 801	388 930 365	478 738 801	388 930 365
Current Liabilities					
		2 841 058 648	2 853 300 745	2 804 882 338	2 813 871 892
Current Provisions - Employee Benefits	5.1	203 405 512	180 429 719	202 253 435	180 128 968
Current Provisions - Other	5.2	82 002	38 771 537	82 002	38 771 537
Consumer Deposits	6	153 380 769	148 632 182	153 380 769	148 632 182
Trade and Other Payables	7	2 323 391 049	2 404 490 247	2 288 366 816	2 366 578 795
VAT	8	71 140 815	1 216 650	71 140 815	0
Current Portion of Long-term Liabilities	3	89 658 501	79 760 410	89 658 501	79 760 410
Total Net Assets and Liabilities		<u>23 929 411 932</u>	<u>22 369 829 833</u>	<u>23 877 196 759</u>	<u>22 319 723 619</u>
ASSETS					
Non-current Assets					
		18 278 689 525	17 437 670 359	18 266 583 677	17 430 449 187
Property, Plant and Equipment (PPE)	9	17 387 253 663	16 467 333 687	17 375 470 029	16 460 414 172
Heritage Assets	10	216 956 187	229 700 993	216 705 687	229 450 493
Intangible Assets	11	368 664 994	442 651 355	368 593 280	442 600 198
Investment Property	12	215 618 058	220 379 727	215 618 058	220 379 727
Long-term Receivables - Exchange Transactions	13	60 508 659	50 395 448	60 508 659	50 395 448
Long-term Receivables - Non-exchange Transactions	13	29 687 964	27 209 149	29 687 964	27 209 149
Current Assets					
		5 650 722 407	4 932 159 474	5 610 613 082	4 889 274 432
Inventory	14	133 005 498	162 799 720	132 843 468	162 275 532
Trade Receivables - Exchange Transactions	15	1 628 698 450	1 318 332 433	1 628 698 450	1 318 332 433
Trade Receivables - Non-exchange Transactions	15	250 886 112	380 294 122	250 886 112	380 294 122
Other Receivables - Non-exchange Transactions	16	159 158	3 453 392	0	0
Other Receivables - Exchange Transactions	16	412 203 258	405 257 315	390 212 812	405 742 993
VAT	8	7 200 205	42 935 069	0	42 935 069
Call Deposits and Investments	17	3 009 413 994	2 371 934 859	3 009 413 994	2 371 934 859
Call Deposits and Investments - Other	18	3 198 229	2 867 194	3 198 229	2 867 194
Bank Balances and Cash	19	205 957 503	244 285 370	195 360 017	204 892 230
Total Assets		<u>23 929 411 932</u>	<u>22 369 829 833</u>	<u>23 877 196 759</u>	<u>22 319 723 619</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

Restated 2018 R		Actual 2019 R	Approved Original Budget 2019 R	Adjustments 2019 R	Approved Final Budget 2019 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
5 185 897 074	Service Charges	21.1	5 233 561 069	5 469 035 250	742 500	5 469 777 750	236 216 681	4%
155 545 977	Interest earned - External Investments		208 830 372	106 591 640	(691 030)	105 900 610	(102 929 762)	-97%
144 507 859	Interest raised - Outstanding Debtors		142 208 489	129 078 231	0	129 078 231	(13 130 258)	-10%
14 453 000	Licences and Permits		20 662 183	28 033 850	0	28 033 850	7 371 667	26%
22 713 087	Rental of Facilities and Equipment		27 481 302	37 118 460	89 930	37 208 390	9 727 088	26%
2 774 279	Income for Agency Services		3 153 626	2 892 060	0	2 892 060	(261 566)	-9%
142 949 202	Other Revenue	23	165 252 062	202 085 730	7 436 340	209 522 070	44 270 008	21%
0	Gain on disposal of Property Plant and Equipment		0	0	473 480	473 480	473 480	0%
Non-exchange revenue								
1 999 182 848	Property Rates	20	2 128 248 924	2 177 931 330	0	2 177 931 330	49 682 406	2%
80 141 319	Interest raised - Outstanding Debtors		92 409 729	92 409 729	0	92 409 729	0	0%
0	Interest - SARS		114 048	0	0	0	(114 048)	0%
230 424 419	Fines, Penalties and Forfeits	21.2	215 022 098	303 735 420	(14 963 890)	288 771 530	73 749 432	26%
2 943 648 623	Transfers and Subsidies	22	3 156 240 874	2 951 989 824	289 070 530	3 241 060 354	84 819 480	3%
5 003 119	Licences and Permits		2 831	0	0	0	(2 831)	0%
123 095	Dividends received		0	0	0	0	0	100%
10 927 363 901	Total Revenue		11 393 187 607	11 500 901 524	282 157 860	11 783 059 384	389 871 777	
EXPENDITURE								
2 821 355 676	Employee Related Costs	24	3 116 817 703	3 272 707 651	17 112 370	3 289 820 021	173 002 318	5%
71 264 771	Remuneration of Councillors	25	74 229 126	73 450 700	2 035 080	75 485 780	1 256 654	2%
730 844 488	Debt Impairment - Receivables	26	630 223 038	366 681 730	10 045 930	376 727 660	(253 495 378)	-67%
141 837 351	Debt Impairment - Other	26	128 886 451	174 923 500	(9 901 330)	165 022 170	36 135 719	22%
55 340	Debt Impairment - MBDA	26	469 812	0	0	0	(469 812)	0%
144 137 540	Finance Charges	27	134 571 555	142 392 290	0	142 392 290	7 820 735	5%
3 013 776 454	Bulk Purchases	28	3 210 346 442	3 181 932 490	22 843 990	3 204 776 480	(5 569 962)	0%
89 467 077	Transfers and Subsidies	29	86 466 591	89 037 910	(5 586 570)	83 451 340	(3 015 251)	-4%
1 100 478 043	Contracted Services	30.1	977 132 004	1 369 473 185	44 506 920	1 413 980 105	436 848 101	31%
399 704 268	Other Expenditure	30.2	410 045 565	694 958 243	44 846 815	739 805 058	329 759 493	45%
132 807 590	Other Materials		157 731 779	191 818 700	13 918 390	205 737 090	48 005 311	23%
636 792 858	Depreciation	31.1	883 598 105	817 711 733	(79 176 552)	738 535 181	(145 062 924)	-20%
(356 696 282)	Amortisation	31.2	90 833 288	0	0	0	(90 833 288)	0%
62 696	Loss on Disposal of Property Plant and Equipment	35.6	1 190 151	0	0	0	(1 190 151)	0%
0	Impairment	35.8	15 820 657	0	0	0	(15 820 657)	0%
8 925 887 870	Total Expenditure		9 918 362 267	10 375 088 132	60 645 043	10 435 733 175	533 191 565	
2 001 476 031	Surplus for the year		1 474 825 340	1 125 813 392	221 512 817	1 347 326 209	(143 319 788)	

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

(Please note: Surplus for the year R1 474 825 340 less Transfers and Subsidies - Capital R1 397 578 556= True Profit/(Loss) for the year in the amount of R77 246 784)

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

Restated 2018 R		Actual 2019 R	Approved Original Budget 2019 R	Adjustments 2019 R	Approved Final Budget 2019 R	Variance between Final Budget and Actual R	%	No.	
REVENUE									
Exchange revenue									
5 186 419 663	Service Charges	21.1	5 234 658 834	5 468 835 250	0	5 468 835 250	234 176 416	4%	
153 156 363	Interest earned - External Investments		206 374 035	104 591 640	(691 030)	103 900 610	(102 473 425)	-99%	1
144 507 859	Interest raised - Outstanding Debtors		142 208 489	129 078 231	0	129 078 231	(13 130 258)	-10%	2
14 453 000	Licences and Permits		20 662 183	28 033 850	0	28 033 850	7 371 667	26%	3
22 713 087	Rental of Facilities and Equipment		27 481 302	36 318 460	89 930	36 408 390	8 927 088	25%	4
2 774 279	Income for Agency Services		3 153 626	2 892 060	0	2 892 060	(261 566)	-9%	
138 462 278	Other Revenue	23	162 724 338	202 085 730	7 436 340	209 522 070	46 797 732	22%	5
0	Gain on disposal of Property Plant and Equipment		0	0	473 480	473 480	473 480	0%	
Non-exchange revenue									
1 999 182 848	Property Rates	20	2 128 248 924	2 177 931 330	0	2 177 931 330	49 682 406	2%	
80 141 319	Interest raised - Outstanding Debtors		92 409 729	92 409 729	0	92 409 729	0	0%	
0	Interest - SARS		114 048						
230 424 419	Fines, Penalties and Forfeits	21.2	215 022 098	303 735 420	(14 963 890)	288 771 530	73 749 432	26%	6
2 936 509 121	Transfers and Subsidies	22	3 153 805 026	2 920 195 210	313 517 382	3 233 712 592	79 907 566	2%	
5 003 119	Licences and Permits		2 831	0	0	0	(2 831)	0%	
123 095	Dividends received		0	0	0	0	0	100%	7
10 913 870 450	Total Revenue		11 386 865 463	11 466 106 910	305 862 212	11 771 969 122	385 217 707		
EXPENDITURE									
2 800 638 045	Employee Related Costs	24	3 086 045 285	3 241 609 620	15 612 370	3 257 221 990	171 176 705	5%	
71 264 771	Remuneration of Councillors	25	74 229 126	73 450 700	1 292 580	74 743 280	514 154	1%	
730 844 488	Debt Impairment - Receivables	26	630 223 038	366 620 730	9 901 330	376 522 060	(253 700 978)	-67%	8
141 837 351	Debt Impairment - Other	26	128 886 451	174 923 500	(9 901 330)	165 022 170	36 135 719	22%	9
144 137 540	Finance Charges	27	134 571 555	142 392 290	0	142 392 290	7 820 735	5%	
3 013 776 454	Bulk Purchases	28	3 210 346 442	3 181 932 490	22 843 990	3 204 776 480	(5 569 962)	0%	
89 467 077	Transfers and Subsidies	29	86 466 591	187 479 340	(4 928 380)	182 550 960	96 084 369	53%	10
1 083 358 951	Contracted Services	30.1	964 730 342	1 359 867 270	44 506 920	1 404 374 190	439 643 848	31%	11
425 812 334	Other Expenditure	30.2	453 117 529	656 478 250	36 766 100	693 244 350	240 126 821	35%	12
132 807 590	Other Materials		157 731 780	191 818 700	13 918 390	205 737 090	48 005 310	23%	13
636 107 209	Depreciation	31.1	882 886 052	816 904 988	(79 216 948)	737 688 040	(145 198 012)	-20%	14
(356 731 317)	Amortisation	31.2	90 814 045	0	0	0	(90 814 045)	0%	14
20 510	Loss on Disposal of Property Plant and Equipment	35.6	1 188 260	0	0	0	(1 188 260)	0%	
0	Impairment	35.8	15 820 657	0	0	0	(15 820 657)	0%	14
8 913 341 003	Total Expenditure		9 917 057 153	10 393 477 878	50 795 022	10 444 272 900	527 215 747		
2 000 529 447	Surplus for the year		1 469 808 310	1 072 629 032	255 067 190	1 327 696 222	(141 998 040)		

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

(Please note: Surplus for the year R1 469 808 310 less Transfers and Subsidies - Capital R1 397 578 556= True Profit/(Loss) for the year in the amount of R72 229 754)

NELSON MANDELA BAY MUNICIPALITY	
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2017 as previously reported	13 872 523 350
Restatements (Refer note 40.2)	(45 517 678)
Restated Balance at 01 July 2017	13 827 005 672
Surplus for the year as previously reported	2 069 923 600
Increase in Surplus (Refer note 40.1.1)	(68 447 569)
Restated Surplus for the year	2 001 476 031
Restated Balance at 30 June 2018	15 828 481 703
Balance at 01 July 2018	15 828 481 703
Surplus for the year	1 474 825 340
Balance at 30 June 2019	17 303 307 043

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2017 as previously reported	13 864 286 862
Restatements (Refer note 40.2)	(45 517 678)
Restated Balance at 01 July 2017	13 818 769 184
Surplus for the year as previously reported	2 069 038 256
Increase in Surplus (Refer note 40.1.1)	(68 508 808)
Restated Surplus for the year	2 000 529 448
Restated Balance at 30 June 2018	15 819 298 632
Balance at 01 July 2018	15 819 298 632
Surplus for the year	1 469 808 310
Balance at 30 June 2019	17 289 106 942

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2019	2018	2019	2018
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		10 894 713 784	10 131 135 669	10 855 128 356	10 109 791 500
- Sale of goods and services, fines and taxes levied and Other Revenue		7 369 772 598	6 948 708 475	7 338 441 866	6 932 764 221
- Grants		3 316 110 814	3 026 758 122	3 310 312 455	3 023 747 821
- Dividends received		0	123 095	0	123 095
- Interest received		208 830 372	155 545 977	206 374 035	153 156 363
Cash paid to suppliers and employees		(8 396 214 571)	(7 314 594 710)	(8 333 451 352)	(7 274 120 264)
- Employee Costs		(2 935 125 741)	(2 626 460 955)	(2 893 558 774)	(2 593 000 165)
- Suppliers		(5 323 565 032)	(4 541 399 124)	(5 302 368 780)	(4 534 385 468)
- Finance Cost	27	(137 523 798)	(146 734 631)	(137 523 798)	(146 734 631)
CASH GENERATED FROM OPERATIONS	32	2 498 499 213	2 816 540 959	2 521 677 004	2 835 671 236
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1 798 884 544)	(1 702 769 892)	(1 793 292 074)	(1 702 443 802)
Proceeds on Disposal of PPE		14 407	22 715	0	0
Purchase of Intangible assets		(16 846 927)	(2 561 622)	(16 807 127)	(2 511 422)
Purchase of Investment Property		(794 620)	(33 500 000)	(794 620)	(33 500 000)
Purchase of Heritage Assets		(3 075 851)	(5 478 362)	(3 075 851)	(5 478 362)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1 819 587 535)	(1 744 287 161)	(1 813 969 672)	(1 743 933 586)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Non-current Liabilities (external loan funding)	33	(79 760 410)	(86 407 312)	(79 760 410)	(86 407 312)
NET CASH FLOW FROM FINANCING ACTIVITIES		(79 760 410)	(86 407 312)	(79 760 410)	(86 407 312)
NET CHANGE IN CASH AND CASH EQUIVALENTS		599 151 268	985 846 486	627 946 922	1 005 330 338
Cash and cash equivalents at the beginning of the year		2 616 220 229	1 630 373 743	2 576 827 089	1 571 496 751
Cash and cash equivalents at the end of the year	34	3 215 371 497	2 616 220 229	3 204 774 011	2 576 827 089

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
RESERVES GOVERNED BY AN ACT: Note 1 and Note 2				
1 HOUSING REVOLVING FUND				
Housing Revolving Fund	0	109 731 779	0	109 731 779
The amount for this note has been included in the Total Accumulated Funds.				
<u>Housing Revolving Fund</u>				
Balance at the beginning of the year	109 731 779	109 731 779	109 731 779	109 731 779
Transfer to Accumulated Surplus	(109 731 779)	0	(109 731 779)	0
Balance at the end of the year	0	109 731 779	0	109 731 779

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

2 COID RESERVE				
Balance at the beginning of the year	37 185 503	33 033 807	37 185 503	33 033 807
Premiums received - transfer from accumulated surplus	7 315 725	6 276 491	7 315 725	6 276 491
Expenditure funded during the year - transfer to accumulated surplus	(3 179 360)	(2 124 795)	(3 179 360)	(2 124 795)
Balance at the end of the year	41 321 868	37 185 503	41 321 868	37 185 503

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

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
3. LONG-TERM LIABILITIES				
Financial Liabilities:				
Development Bank of Southern Africa (DBSA)	339 921 853	355 901 155	339 921 853	355 901 155
Rand Merchant Bank	381 960 644	397 658 841	381 960 644	397 658 841
Nedbank	464 178 769	515 213 923	464 178 769	515 213 923
Total External Loans	1 186 061 266	1 268 773 919	1 186 061 266	1 268 773 919
Long-term Liabilities - Entity	1 838 762	1 494 290	0	0
Brookes Bequest	20 374 056	18 997 694	20 374 056	18 997 694
Total Long-term Liabilities	1 208 274 084	1 289 265 903	1 206 435 322	1 287 771 613
Less : Current portion transferred to current liabilities	89 658 501	79 760 410	89 658 501	79 760 410
Development Bank of Southern Africa (DBSA)	17 801 889	15 512 299	17 801 889	15 512 299
Rand Merchant Bank	17 315 635	15 569 153	17 315 635	15 569 153
Nedbank	54 540 977	48 678 958	54 540 977	48 678 958
	1 118 615 583	1 209 505 493	1 116 776 821	1 208 011 203

The Financial liabilities are measured at amortised cost taking into account relevant interest rates.

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 R15 512 299 and interest of R39 790 434 was repaid during the financial year. (2018: Capital repaid R13 872 609 and Interest paid R41 430 124)

NEDBANK

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. A capital amount of R48 678 958 and interest of R56 089 039 was repaid during the financial year. (2018: Capital repaid R43 446 985 and Interest paid R61 321 012)

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 R15 569 153 and interest of R39 988 901 was repaid during the financial year. (2018: Capital repaid R14 087 718 and Interest paid R41 470 336)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The capital of the fund, may not be used until 100 years after the death of the last annuitant. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The interest may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 7.01% 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 2019

	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
4.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Benefit	10 596 000	10 210 000	10 596 000	10 210 000
Post Retirement Benefits	1 546 062 037	1 441 847 218	1 546 062 037	1 441 847 218
Long Service Awards and Long Service Bonus	631 033 820	637 554 309	631 033 820	637 554 309
Total Employee Benefit Obligation	2 187 691 857	2 089 611 527	2 187 691 857	2 089 611 527

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	10 210 000	10 181 000	10 210 000	10 181 000
Movement in Obligation	386 000	29 000	386 000	29 000
Balance at end of year	10 596 000	10 210 000	10 596 000	10 210 000

Post Retirement Benefits

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and ex-gratia pensions which have been actuarially assessed at R1 546 062 037.

Balance at beginning of year	1 441 847 218	1 341 835 835	1 441 847 218	1 341 835 835
Movement in Obligation	104 214 819	100 011 383	104 214 819	100 011 383
Balance at end of year	1 546 062 037	1 441 847 218	1 546 062 037	1 441 847 218

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	637 554 309	637 227 493	637 554 309	637 227 493
Contributions to Obligation	(6 520 489)	326 816	(6 520 489)	326 816
Balance at end of year	631 033 820	637 554 309	631 033 820	637 554 309

4.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	407 057 209	313 248 967	407 057 209	313 248 967
Rehabilitation of Swartkops River	71 681 592	75 681 398	71 681 592	75 681 398
Total Non-current Provisions	478 738 801	388 930 365	478 738 801	388 930 365

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R117,935,831 for the Arlington Landfill site, R118,223,156 for the Koedoeskloof Landfill site and R170,898,223 for the Ibhayi Landfill site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2027 (Arlington) and 2020 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 4.5%. The projected amounts are discounted to the present value at the average borrowing rate of 11.14%. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

Balance at beginning of year	313 248 967	291 348 345	313 248 967	291 348 345
Contributions to Provision	93 808 242	21 900 622	93 808 242	21 900 622
Balance at end of year	407 057 209	313 248 967	407 057 209	313 248 967

Rehabilitation of Swartkops River

Balance at beginning of year	75 681 398	77 163 874	75 681 398	77 163 874
Contributions to Provision - unwinding of discount factor	(3 999 806)	(1 482 476)	(3 999 806)	(1 482 476)
Balance at end of year	71 681 592	75 681 398	71 681 592	75 681 398

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 2019

	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
5 EMPLOYEE BENEFITS AND PROVISIONS				
5.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Obligation	927 000	1 122 000	927 000	1 122 000
Post Retirement Benefits	87 950 176	78 467 176	87 950 176	78 467 176
Performance Bonus Liability	4 940 292	2 071 133	3 827 569	1 822 279
Long service awards and long service bonuses	109 548 690	98 717 513	109 548 690	98 717 513
Provision for Workmen's Compensation	39 354	51 897	0	0
Total Current Employee Benefit Obligation	203 405 512	180 429 719	202 253 435	180 128 968
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	1 122 000	5 632 000	1 122 000	5 632 000
Contributions to Obligation	1 549 658	(731 719)	1 549 658	(731 719)
Expenditure incurred	(1 744 658)	(3 778 281)	(1 744 658)	(3 778 281)
Balance at end of year	927 000	1 122 000	927 000	1 122 000
Post Retirement Benefits				
The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.				
Balance at beginning of year	78 467 176	65 614 068	78 467 176	65 614 068
Contributions to Obligation	80 020 056	79 609 070	80 020 056	79 609 070
Expenditure incurred	(70 537 056)	(66 755 962)	(70 537 056)	(66 755 962)
Balance at end of year	87 950 176	78 467 176	87 950 176	78 467 176
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	2 071 133	2 715 619	1 822 279	1 677 378
Contributions to Obligation	3 118 013	393 755	2 005 290	144 901
Expenditure incurred	(248 854)	(1 038 241)	0	0
Balance at end of year	4 940 292	2 071 133	3 827 569	1 822 279
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	98 717 513	88 957 224	98 717 513	88 957 224
Movement in Obligation	10 831 177	9 760 289	10 831 177	9 760 289
Balance at end of year	109 548 690	98 717 513	109 548 690	98 717 513
Provision for Workmen's Compensation				
Balance at beginning of year	51 897	25 675	0	0
Contributions to Obligation	39 354	176 982	0	0
Expenditure incurred	(51 897)	(150 760)	0	0
Balance at end of year	39 354	51 897	0	0
5.2 CURRENT PROVISIONS - OTHER				
Provision for Litigation and Claims	82 002	38 771 537	82 002	38 771 537
Total Current Provisions	82 002	38 771 537	82 002	38 771 537
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	38 771 537	92 188 982	38 771 537	92 188 982
Contribution to the provision	82 002	14 011 309	82 002	14 011 309
Provision utilised/reversed	(38 771 537)	(67 428 754)	(38 771 537)	(67 428 754)
Balance at end of year	82 002	38 771 537	82 002	38 771 537
6 CONSUMER DEPOSITS				
Electricity and Water	151 638 682	146 945 152	151 638 682	146 945 152
Interest	1 742 087	1 687 030	1 742 087	1 687 030
Refer Restatement Note no. 40.3.6	153 380 769	148 632 182	153 380 769	148 632 182
Guarantees held in lieu of Electricity and Water Deposits	15 465 278	15 465 278	15 465 278	15 465 278
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 2019

	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
7 TRADE AND OTHER PAYABLES				
Payables and Accruals	1 585 035 612	1 735 655 947	1 554 130 092	1 700 988 050
Payments Received in Advance	100 028 753	137 367 579	100 028 753	137 367 579
Staff leave	270 464 588	273 515 620	268 683 432	272 541 344
Retentions	103 810 789	102 442 374	103 810 789	102 442 374
Transfers and Subsidies (See details below)	264 051 307	155 508 727	261 713 750	153 239 448
Total Creditors	2 323 391 049	2 404 490 247	2 288 366 816	2 366 578 795

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 R103 810 789, which could be settled within the next 12 months.

No creditors are secured

TRANSFERS AND SUBSIDIES

7.1 Conditional Grants from other spheres of Government

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

	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
Public Transport Infrastructure Grant (See Note 22.7.1)	16 424 051	27 074 669	16 424 051	27 074 669
Public Transport Networks Operations Grant (See Note 22.7.2)	0	184 546	-	184 546
Integrated National Electrification Programme Grant (See Note 22.8)	0	5 704 926	-	5 704 926
Neighbourhood Partnership Development Grant (See Note 22.15)	0	4 325 066	-	4 325 066
Infrastructure Skills Development Grant (See Note 22.17)	0	3 646 465	-	3 646 465
Urban Settlement Grant (See Note 22.16)	12 081 712	0	12 081 712	-
Drought Relief Grant (See Note 22.21)	207 695 396	89 217 785	207 695 396	89 217 785
Other Grants:				
PHB Subsidies (See Note 22.1)	1 200 000	1 874 751	1 200 000	1 874 751
Smart Grid initiative Grant (See Note 22.4)	711 836	711 836	711 836	711 836
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5.1)	1 973 952	1 973 952	1 973 952	1 973 952
EU Sector Policy Support Project (See Note 22.9)	1 744 599	1 744 599	1 744 599	1 744 599
Other Grants (See Note 22.11)	3 481 457	3 842 437	1 143 900	1 573 158
National Lotteries Grant (See Note 22.13)	1 305 131	1 477 861	1 305 131	1 477 861
CDC Walmer Intervention Funding Grant (See Note 22.14.1)	9 068 420	9 068 420	9 068 420	9 068 420
EPWP Incentive Grant (See Note 22.18)	1 091 282	0	1 091 282	0
Department of Public Service and Administration fund (See Note 22.19)	0	241 156	-	241 156
LGSETA Discretionary Learnership Funding (See Note 22.24)	6 400 690	3 547 477	6 400 690	3 547 477
Provincial Department Agency: Communication Grant (See Note 22.25)	872 781	872 781	872 781	872 781
Total Transfers and Subsidies	264 051 307	155 508 727	261 713 750	153 239 448

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

8 VAT				
VAT Receivable / (Net VAT payable)	(71 140 815)	42 935 069	(71 140 815)	42 935 069
VAT Receivable / (Net VAT payable) - MBDA	7 200 205	(1 216 650)	0	0

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

Refer Restatement Note no. 40.3.3

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY	R		
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2019			
Land & Buildings	2 135 324 660	311 023 036	1 824 301 624
Infrastructure Assets	16 400 650 006	6 088 527 092	12 312 122 914
Community Assets	3 599 030 493	1 030 690 898	2 568 339 595
Other Assets	1 586 291 573	903 802 043	682 489 530
	25 721 296 732	8 334 043 069	17 387 253 663

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 2018

ECONOMIC ENTITY	R		
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2018			
Land & Buildings	2 073 131 733	274 933 372	1 798 198 361
Infrastructure Assets	16 933 264 975	5 461 695 870	11 471 569 105
Community Assets	3 473 508 913	931 599 240	2 541 909 673
Other Assets	1 444 843 950	789 187 402	655 656 548
	23 924 749 571	7 457 415 884	16 467 333 687

Refer Restatement Note no. 40.3.7

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

MUNICIPALITY		R	R	R
As at 30 June 2019		Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings		2 124 894 925	310 232 736	1 814 662 189
Infrastructure Assets		18 400 650 006	6 088 527 092	12 312 122 914
Community Assets		3 599 030 493	1 030 690 898	2 568 339 595
Other Assets		1 581 969 124	901 623 793	680 345 331
		25 706 544 548	8 331 074 519	17 375 470 029

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 2018

MUNICIPALITY		R	R	R
As at 30 June 2018		Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings		2 067 301 622	274 383 069	1 792 918 553
Infrastructure Assets		16 933 264 975	5 461 695 870	11 471 569 105
Community Assets		3 473 508 913	931 599 240	2 541 909 673
Other Assets		1 441 497 818	787 480 977	654 016 841
		23 915 573 328	7 455 159 156	16 460 414 172

Refer Restatement Note no. 40.3.7

10 HERITAGE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2019		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		232 776 844	15 820 657	216 956 187
		232 776 844	15 820 657	216 956 187

Refer to Note 49 for reconciliation.

As at 30 June 2018

ECONOMIC ENTITY		R	R	R
As at 30 June 2018		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		229 700 993	0	229 700 993
		229 700 993	0	229 700 993

MUNICIPALITY		R	R	R
As at 30 June 2019		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		232 526 344	15 820 657	216 705 687
		232 526 344	15 820 657	216 705 687

Refer to Note 49 for reconciliation.

As at 30 June 2018

MUNICIPALITY		R	R	R
As at 30 June 2018		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		229 450 493	0	229 450 493
		229 450 493	0	229 450 493

11 INTANGIBLE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2019		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		618 273 951	249 608 957	368 664 994
		618 273 951	249 608 957	368 664 994

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

Refer to Note 50 for reconciliation.

As at 30 June 2018

ECONOMIC ENTITY		R	R	R
As at 30 June 2018		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		601 427 024	158 775 669	442 651 355
		601 427 024	158 775 669	442 651 355

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11 INTANGIBLE ASSETS (Continued)

MUNICIPALITY

As at 30 June 2019

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	617 856 933	249 263 653	368 593 280
	617 856 933	249 263 653	368 593 280

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

Refer to Note 50 for reconciliation.

As at 30 June 2018

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	601 049 806	158 449 608	442 600 198
	601 049 806	158 449 608	442 600 198

12 INVESTMENT PROPERTY

ECONOMIC ENTITY

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	290 642 147	75 024 089	215 618 058
	290 642 147	75 024 089	215 618 058

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

Refer to Note 51 for reconciliation.

As at 30 June 2018

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	289 847 527	69 467 800	220 379 727
	289 847 527	69 467 800	220 379 727

MUNICIPALITY

As at 30 June 2019

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	290 642 147	75 024 089	215 618 058
	290 642 147	75 024 089	215 618 058

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

Refer to Note 51 for reconciliation.

As at 30 June 2018

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	289 847 527	69 467 800	220 379 727
	289 847 527	69 467 800	220 379 727

ECONOMIC ENTITY AND
MUNICIPALITY

Description of Investment Property:

	2019 R	Restated 2018 R
Nelson Mandela Bay Logistics Park	102 300 000	102 300 000
Kings Beach	30 400 000	30 400 000
Springs Resort	2 141 000	2 141 000
Telkom Park	45 200 000	45 200 000
Mc Arthur Bath	12 290 000	12 290 000
Willows Resort	246 430 000	246 430 000
Beachview Resort	6 250 000	6 250 000
Van Stadens Resort	5 250 000	5 250 000
St Georges Park Resort and Wells estate	117 500 000	117 500 000
Motherwell Depot	15 010 000	15 010 000
Africa Timbers in Korsten	1 990 000	1 990 000
Mercado centre	22 830 000	22 830 000
Fresh Produce Market	5 500 000	5 500 000
Incinerator and Gas works	26 730 000	26 730 000
Something Good	4 200 000	4 200 000
Korsten Depot	1 600 000	1 600 000
Port Elizabeth RD Steepledale Reinforcing	980 000	980 000
PE Central Shop	490 000	490 000
North End Workshop	66 000	66 000
Moselville Old Post Office	1 250 000	1 250 000
Market Value of Investment Property	648 407 000	648 407 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12 INVESTMENT PROPERTY (Continued)

Additional Disclosure:

The NMBM applies the Cost Model.

The Market Value was determined by professional valuers of the NMBM who are experts in this field as at 30 June 2019 and there were no changes:

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

Properties subject to Operating Leases:

Rental revenue included in surplus for following Investment Properties:

Beachview resort
Van Stadens Resort
Something Good

Direct Operating expenses that generated rental revenue
Direct Operating expenses that did not generate rental revenue

**ECONOMIC ENTITY AND
MUNICIPALITY**

2019	Restated 2018
R	R
240 000	240 000
240 000	240 000
665 374	633 024

0	0
0	0

Economic Entity	
2019	Restated 2018
R	R

Municipality	
2019	Restated 2018
R	R

13 LONG-TERM RECEIVABLES

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

Long-term Receivables

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

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.

LONG-TERM RECEIVABLES - CONSUMER DEBTORS

Financial Assets - Receivables:

The consumer debtors are billed a gazetted interest rate between 10.25% and 10.5% per annum on overdue accounts.

Trade Receivables - Exchange Transactions

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

14 INVENTORY

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

Less: Provision for Obsolete Stock

No inventory was pledged as security

Refer Restatement Note no. 40.3.8

135 379 661	164 004 288
112 132 914	141 653 129
20 215	5 673
16 773 046	15 465 869
6 291 456	6 355 429
162 030	524 188
(2 374 163)	(1 204 568)
133 005 498	162 799 720

135 217 631	163 480 100
112 132 914	141 653 129
20 215	5 673
16 773 046	15 465 869
6 291 456	6 355 429
0	0
(2 374 163)	(1 204 568)
132 843 468	162 275 532

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2019

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	3 741 896 983	(2 129 195 532)	1 612 701 451
Electricity	1 455 738 806	(540 527 209)	915 211 597
Water	1 446 837 099	(984 422 716)	462 414 383
Refuse	329 969 696	(244 550 718)	85 418 978
Sanitation	509 351 382	(359 694 889)	149 656 493
House Rentals	44 216 385	(28 219 386)	15 996 999
Total	3 786 113 368	(2 157 414 918)	1 628 698 450

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 2018

	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	3 069 852 592	(1 761 749 954)	1 308 102 638
Electricity	1 166 950 980	(503 360 394)	663 590 586
Water	1 227 068 053	(790 591 133)	436 476 920
Refuse	257 123 132	(183 470 006)	73 653 126
Sanitation	418 710 427	(284 328 421)	134 382 006
House Rentals	35 216 826	(24 987 031)	10 229 795
Total	3 105 069 418	(1 786 736 985)	1 318 332 433

Refer Restatement Note no. 40.3.4

Electricity: Ageing

	2019 R	Restated 2018 R
Current (0-30 days)	773 272 176	517 068 318
31 - 60 Days	39 193 759	36 918 884
61 - 90 Days	19 555 099	17 055 127
Over 90 Days	623 717 772	595 908 651
Total	1 455 738 806	1 166 950 980

Water: Ageing

	2019 R	Restated 2018 R
Current (0-30 days)	188 819 324	195 860 794
31 - 60 Days	67 650 712	88 740 502
61 - 90 Days	59 427 724	81 578 678
Over 90 Days	1 130 939 339	860 888 079
Total	1 446 837 099	1 227 068 053

Refuse: Ageing

	2019 R	Restated 2018 R
Current (0-30 days)	31 399 754	32 684 077
31 - 60 Days	11 701 745	10 271 735
61 - 90 Days	10 025 878	7 232 766
Over 90 Days	276 842 319	206 934 554
Total	329 969 696	257 123 132

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS (Continued)	2019 R	Restated 2018 R	
Sanitation: Ageing			
Current (0-30 days)	56 601 915	56 158 260	
31 - 60 Days	27 041 372	22 548 618	
61 - 90 Days	21 129 973	21 477 248	
Over 90 Days	404 578 122	318 526 301	
Total	509 351 382	418 710 427	
Housing Rentals: Ageing			
Current (0-30 days)	3 113 114	3 331 158	
31 - 60 Days	1 219 842	1 500 875	
61 - 90 Days	1 197 379	1 176 071	
Over 90 Days	38 686 050	29 208 722	
Total	44 216 385	35 216 826	
Summary of Debtors by Customer Classification			
	R	R	R
	Residential Consumers	Industrial / Commercial	National and Provincial Government
30 June 2019			
Current (0-30 days)	283 467 830	741 285 563	28 449 812
31 - 60 Days	91 072 181	50 954 342	4 780 900
61 - 90 Days	78 415 852	27 247 084	5 673 112
Over 90 Days	1 452 873 363	941 308 852	80 584 477
Gross Consumer Debtors by Customer classification	1 905 829 226	1 760 795 841	119 488 301
Gross Consumer Debtors			3 786 113 368
Less: Impairment allowance			(2 157 414 918)
Net Consumer Debtors for the period ended 30 June 2019			1 628 698 450
Summary of Debtors by Customer Classification			
	R	R	R
	Residential Consumers	Industrial / Commercial	National and Provincial Government
30 June 2018			
Current (0-30 days)	119 073 707	656 378 157	29 647 670
31 - 60 Days	94 931 552	55 759 215	9 289 839
61 - 90 Days	91 879 076	34 175 786	2 465 021
Over 90 Days	957 261 083	963 023 888	91 184 424
Gross Consumer Debtors by Customer classification	1 263 145 418	1 709 337 046	132 586 954
Gross Consumer Debtors			3 105 069 418
Less: Impairment allowance			(1 786 736 985)
Net Consumer Debtors for the year ended 30 June 2018			1 318 332 433
Reconciliation of the Impairment Allowance			
		2019 R	Restated 2018 R
Balance at beginning of year		1 786 736 985	1 294 359 881
Contributions to Impairment allowance		503 489 137	648 824 015
Bad debts written off against the Impairment allowance		2 290 226 122	1 943 183 896
Balance at end of year		(132 811 204)	(156 446 911)
		2 157 414 918	1 786 736 985
Financial Assets have been classified as loans and receivables.			
The consumer debtors are billed a gazetted interest rate between 10.25% and 10.5% per annum on overdue accounts.			
Consumer Debtors not past due nor impaired therefore no impairment allowance raised:			
Neither past due nor impaired		1 628 698 450	1 318 332 433
Consumer Debtors for which an impairment allowance was raised			
Provision (based on the collection of outstanding debts and debtors handed over to attorneys)		2 157 414 918	1 786 736 985

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
15 TRADE RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Property Rates	1 110 059 615	1 130 994 681	1 110 059 615	1 130 994 681
Provision for Bad Debts - Property Rates	(859 173 503)	(750 700 559)	(859 173 503)	(750 700 559)
	250 886 112	380 294 122	250 886 112	380 294 122
Refer Restatement Note no. 40.3.2				
Property rates: Ageing				
Current (0-30 days)	29 913 228	166 804 794	29 913 228	166 804 794
31 - 60 Days	26 816 262	34 092 394	26 816 262	34 092 394
61 - 90 Days	24 021 453	21 992 190	24 021 453	21 992 190
Over 90 Days	1 029 308 672	908 105 303	1 029 308 672	908 105 303
Total	1 110 059 615	1 130 994 681	1 110 059 615	1 130 994 681
Reconciliation of the Impairment Allowance				
Balance at beginning of year	750 700 559	620 516 206	750 700 559	620 516 206
Contributions to Impairment allowance	137 235 251	160 954 356	137 235 251	160 954 356
	887 935 810	781 470 562	887 935 810	781 470 562
Bad debts written off against the Impairment allowance	(28 762 307)	(30 770 003)	(28 762 307)	(30 770 003)
Balance at end of year	859 173 503	750 700 559	859 173 503	750 700 559
16 OTHER RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Other Receivables: MBDA	159 158	3 453 392	0	0
16 OTHER RECEIVABLES - EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - Housing	213 744 952	215 173 761	213 744 952	215 173 761
Accrued Income: Transfers and Subsidies - Public Health	17 112 961	16 853 948	17 112 961	16 853 948
Accrued Income: Transfers and Subsidies - Coega	37 276 701	37 232 013	37 276 701	37 232 013
Accrued Income: Transfers and Subsidies - MBDA	43 070 438	61 263 081	43 070 438	61 263 081
Accrued Income: Market	30 966 759	31 286 495	30 966 759	31 286 495
Accrued Income: Other	141 236 907	123 110 349	141 236 907	123 110 349
Prepayments and Advances	14 900 000	0	14 900 000	0
Operating Leases - Straight Lining	2 898 358	1 991 536	2 898 358	1 991 536
	501 207 076	486 911 183	501 207 076	486 911 183
Provision for Bad Debts - Housing	(81 168 190)	(81 168 190)	(81 168 190)	(81 168 190)
Provision for Bad Debts - Market	(29 826 074)	0	(29 826 074)	0
	390 212 812	405 742 993	390 212 812	405 742 993
Other Receivables: MBDA	21 990 446	(485 678)	0	0
	412 203 258	405 257 315	390 212 812	405 742 993
Refer Restatement Note no. 40.3.2				
Amounts due from Government and external debtors are normally settled within 30 days and bear no interest. Included in Sundry Debtors above are debit balances in creditors 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 2019: 7.11% and 6.25% (2018: 7.21%) during the current audit period.	711 810 000	559 310 000	711 810 000	559 310 000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2019: 7.03% (2018: 7.15%) during the current audit period.	711 500 000	556 000 000	711 500 000	556 000 000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2019: 6.25% (2018: 6.75 %) during the current audit period.	140 344 337	131 665 203	140 344 337	131 665 203
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2019: 7.20% and 6.10% (2018: 6.60% and 7.34%) during the current audit period.	712 000 000	566 500 000	712 000 000	566 500 000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2019: 7.33% (2018: 7.48%) during the current audit period.	733 500 000	558 200 000	733 500 000	558 200 000
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2019: 7.30% (2018: 7.79%) during the current audit period.	259 657	259 656	259 657	259 656
	3 009 413 994	2 371 934 859	3 009 413 994	2 371 934 859
18 CALL DEPOSITS AND INVESTMENTS - OTHER				
Sanlam Shares - Financial Instruments	3 198 229	2 867 194	3 198 229	2 867 194
No Investments were pledged as security				
The Investments are committed as follows:	3 009 413 994	2 371 934 859	3 009 413 994	2 371 934 859
Transfers and Subsidies	264 051 307	155 508 727	261 713 750	153 239 448
Current Portion of Long-term Liabilities	89 658 501	79 760 410	89 658 501	79 760 410
COVID Reserve	41 321 868	37 185 503	41 321 868	37 185 503
Self Insurance Reserve	60 000 000	142 995 139	60 000 000	142 995 139
Capital Replacement Reserve	45 047 783	158 478 197	45 047 783	158 478 197
Housing Revolving Fund	0	109 731 779	0	109 731 779
	500 079 459	683 659 755	497 741 902	681 390 476
The balance is available for Trade and Other Payables	2 509 334 535	1 688 275 104	2 511 672 092	1 690 544 383

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
18 CALL DEPOSITS AND INVESTMENTS - OTHER (CONTINUES)				
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 R3 198 229 (2018: R2 867 194) determined on the open market share price as at 30 June 2019. 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 R89 658 501 (2018: R79 760 410) 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	204 892 230	226 774 020	204 892 230	226 774 020
Cash Book balance at end of the year	195 360 017	204 892 230	195 360 017	204 892 230
Bank Balance at beginning of the year	138 260 400	193 346 792	138 260 400	193 346 792
Bank Balance at end of the year	205 002 964	138 260 400	205 002 964	138 260 400
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	195 360 017	204 892 230	195 360 017	204 892 230
Refer Restatement Note no. 40.3.5				
Mandela Bay Development Agency				
Current Accounts (Primary Account)				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	2 282 646	7 587 201		
Cashbook balance at end of the year	4 565 038	2 282 646		
Bank statement balance at beginning of the year	2 282 646	2 301 470		
Bank statement balance at end of the year	4 565 038	2 282 646		
Call Account Deposits				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	37 110 494	46 756 535		
Cashbook balance at end of the year	6 032 448	37 110 494		
Bank statement balance at beginning of the year	37 110 494	46 756 535		
Bank statement balance at end of the year	6 032 448	37 110 494		
Rand Merchant Bank, Port Elizabeth				
Account Number - X021906134				
Cashbook balance at beginning of year	0	4 533 256		
Cashbook balance at end of the year	0	0		
Bank statement balance at beginning of the year	0	4 533 256		
Bank statement balance at end of the year	0	0		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	10 597 486	39 393 140		
Current Account (Primary Account)	4 565 038	2 282 646		
Call Account Deposits	6 032 448	37 110 494		
Consolidated Cash Book balance at end of the year	205 957 503	244 285 370		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
20 PROPERTY RATES				
<u>Actual</u>				
Residential	921 220 360	895 783 922	921 220 360	895 783 922
Commercial	976 314 241	862 767 677	976 314 241	862 767 677
State	154 167 598	148 952 852	154 167 598	148 952 852
Other	76 546 725	91 678 397	76 546 725	91 678 397
	2 128 248 924	1 999 182 848	2 128 248 924	1 999 182 848

Refer Restatement Note no. 40.1.8

As per the Municipal Property Rates Act, the date of valuation was 1 July 2012, with the implementation date being 1 July 2013.

The Municipality is in the process of a property valuation in line with the Municipal Property Rates Act and the results thereof has been implemented with effective of 01 July 2019.

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

	R'000	R'000	R'000	R'000
<u>Valuations</u>				
Residential	96 907 099	96 013 106	96 907 099	96 013 106
Commercial	45 918 312	45 569 594	45 918 312	45 569 594
State	8 513 357	8 661 448	8 513 357	8 661 448
Other	6 688 553	6 678 750	6 688 553	6 678 750
	158 027 321	156 922 898	158 027 321	156 922 898

21.1 SERVICE CHARGES

Sale of Electricity	3 684 019 339	3 484 068 197	3 685 117 104	3 484 590 786
Sale of Water	850 693 871	1 074 104 967	850 693 871	1 074 104 967
Service delivery - sale of inventory	4 534 713 210	4 558 173 164	4 535 810 975	4 558 695 753
Refuse Removal	192 746 229	170 247 868	192 746 229	170 247 868
Sewerage and Sanitation charges	506 101 630	457 476 042	506 101 630	457 476 042
Service delivery - sale of services	698 847 859	627 723 910	698 847 859	627 723 910
	5 233 561 069	5 185 897 074	5 234 658 834	5 186 419 663

Refer Restatement Note no. 40.1.2

21.2 FINES, PENALTIES AND FORFEITS

Fines (Library and Traffic)	215 022 098	230 424 419	215 022 098	230 424 419
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	171 834 050	176 697 278	171 834 050	176 697 278
Impaired, based on collection rate	(128 886 451)	(141 837 351)	(128 886 451)	(141 837 351)
Net fines collected	42 947 599	34 859 927	42 947 599	34 859 927

Refer Restatement Note no. 40.1.6

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

22 TRANSFERS AND SUBSIDIES	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
PHB Subsidies (See Note 22.1)	2 667 132	4 795 313	2 667 132	4 795 313
Equitable Share Allocation (See Note 22.2)	939 530 000	844 287 010	939 530 000	844 287 010
Finance Management Grant (See Note 22.3)	982 577	1 012 141	982 577	1 012 141
Provincial Government Grants: Library Services (See Note 22.6)	15 870 000	15 000 000	15 870 000	15 000 000
Public Transport Networks Operations Grant (See Note 22.7.2)	86 681 950	68 559 829	86 681 950	68 559 829
EU Sector Policy Support Project (See Note 22.9)	0	120 783	0	120 783
Health Subsidies (See Note 22.10)	259 013	942 534	259 013	942 534
Other Grants (See Note 22.11)	6 233 912	10 971 958	3 798 064	3 832 456
Government Grant Revenue (See Note 22.12)	1 205 860 794	1 133 831 817	1 205 860 794	1 133 831 817
National Lotteries Grant (See Note 22.13)	172 730	182 528	172 730	182 528
Urban Settlements Development Grant (See Note 22.16)	37 971 982	63 498 791	37 971 982	63 498 791
Infrastructure Skills Development Grant (See Note 22.17)	11 609 633	11 511 551	11 609 633	11 511 551
EPWP Incentive Grant (See Note 22.18)	5 592 646	5 097 649	5 592 646	5 097 649
Department of Public Service and Administration (See Note 22.19)	1 224 552	492 114	1 224 552	492 114
Integrated City Development Grant (See Note 22.20)	688 791	0	688 791	0
Department of Roads and Public Works Grant (See Note 22.22)	9 063 928	9 300 603	9 063 928	9 300 603
LGSETA Discretionary Learnership Funding (See Note 22.23)	2 760 747	4 846 628	2 760 747	4 846 628
Fuel levy Allocation (See Note 22.25)	623 566 000	545 217 656	623 566 000	545 217 656
Other Transfers (See Note 22.26)	174 604 228	171 501 066	174 604 228	171 501 066
Public Contributions (See Note 22.27)	23 775 239	52 478 652	23 775 239	52 478 652
Municipal Emergency Housing Grant (See Note 22.28)	7 125 020	0	7 125 020	0
	3 156 240 874	2 943 648 623	3 153 805 026	2 936 509 121

Refer Restatement Note no. 40.1.7

Total Grant Receipts	3 316 110 814	3 026 758 122	3 310 312 455	3 023 747 821
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22.1 PHB Subsidies

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

Balance at beginning of year	1 874 751	1 874 752	1 874 751	1 874 752
Current year receipts	3 421 189	9 682 619	3 421 189	9 682 619
Interest received	136 230	132 081	136 230	132 081
Debtor raised	211 664 416	213 093 224	211 664 416	213 093 224
Reversal of prior year accrual	(213 093 224)	(217 980 531)	(213 093 224)	(217 980 531)
Interest paid over to Provincial Treasury	(136 230)	(132 081)	(136 230)	(132 081)
Conditions met - Transferred to revenue	(2 667 132)	(4 795 313)	(2 667 132)	(4 795 313)
Conditions still to be met - transferred to liabilities	1 200 000	1 874 751	1 200 000	1 874 751

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	939 530 000	844 287 010	939 530 000	844 287 010
Transferred to revenue	(939 530 000)	(844 287 010)	(939 530 000)	(844 287 010)
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	1 050 000	1 000 000	1 050 000
Conditions met - Transferred to Other Income - VAT portion	(17 423)	(37 859)	(17 423)	(37 859)
Conditions met - Transferred to revenue	(982 577)	(1 012 141)	(982 577)	(1 012 141)
Conditions met	0	0	0	0

22.4 Smart Grid Initiative

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

Balance unspent at beginning of year	711 836	711 836	711 836	711 836
Current year receipts	9 884 259	8 000 000	9 884 259	8 000 000
Conditions met - Transferred to revenue - capital	(9 884 259)	(8 000 000)	(9 884 259)	(8 000 000)
Debtor (reversed) / raised				
Conditions still to be met - transferred to liabilities	711 836	711 836	711 836	711 836

22.5 Provincial Department of Human Settlements: Accreditation Grant

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

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
22.6 Provincial Government Grants: Library Services				
This grant is received from the Provincial Government and used to subsidise Libraries.				
Balance at beginning of year	0	0	0	0
Current year receipts	15 870 000	15 000 000	15 870 000	15 000 000
Conditions met - Transferred to revenue	(15 870 000)	(15 000 000)	(15 870 000)	(15 000 000)
Conditions met	0	0	0	0
22.7.1 Public Transport Infrastructure Grant				
This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.				
Balance unspent at beginning of year	27 074 669	2 351 663	27 074 669	2 351 663
Transfer from Public Transport Networks Operations Grant	65 972 595	0	65 972 595	0
	93 047 264	2 351 663	93 047 264	2 351 663
Current year receipts	123 065 000	204 973 000	123 065 000	204 973 000
Conditions met - Transferred to revenue - capital	(172 613 544)	(180 249 994)	(172 613 544)	(180 249 994)
Transfer to E-Share	(27 074 670)	0	(27 074 670)	0
Conditions still to be met - transferred to liabilities	16 424 050	27 074 669	16 424 050	27 074 669
22.7.2 Public Transport Networks Operations Grant				
This grant is to provide supplementary operational funding to Municipalities in order to operationalise the IPTS project within NMBM.				
Balance unspent at beginning of year	184 545	420 374	184 545	420 374
Current year receipts	152 470 000	68 324 000	152 470 000	68 324 000
Transfer to Public Transport Infrastructure Grant	(65 972 595)	0	(65 972 595)	0
Conditions met - Transferred to revenue	(86 681 950)	(68 559 829)	(86 681 950)	(68 559 829)
Conditions still to be met - transferred to liabilities	0	184 545	0	184 545
22.8 Integrated National Electrification Programme Grant				
This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.				
Balance unspent at beginning of year	5 704 926	0	5 704 926	0
Transfer to E-Share	(5 704 926)	0	(5 704 926)	0
Current year receipts	19 503 000	30 000 000	19 503 000	30 000 000
Conditions met - Transferred to revenue - capital	(16 959 140)	(21 909 349)	(16 959 140)	(21 909 349)
Conditions met - Transferred to Other Income - VAT portion	(2 543 860)	(2 385 725)	(2 543 860)	(2 385 725)
Conditions still to be met - transferred to liabilities	0	5 704 926	0	5 704 926
22.9 EU Sector Policy Support Project				
This Grant is received from the European Union to fund various authorised developmental projects within certain designated targeted areas of the NMBM (i.e Motherwell).				
Balance unspent at beginning of year	1 744 599	1 865 382	1 744 599	1 865 382
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	(120 783)	0	(120 783)
Conditions met - Transferred to revenue - capital	0	0	0	0
Conditions still to be met - transferred to liabilities	1 744 599	1 744 599	1 744 599	1 744 599
22.10 Health Subsidies				
This grant is received from the Provincial Government and used in the Health function.				
Balance unspent at beginning of year	0	0	0	0
Debtor raised	259 013	942 534	259 013	942 534
Conditions met - Transferred to revenue	(259 013)	(942 534)	(259 013)	(942 534)
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 2019

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
22.11 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	3 842 437	4 552 688	1 573 158	1 605 500
Current year receipts	9 759 880	6 972 915	3 961 521	3 962 614
Accruals raise / reversed	(3 294 233)	3 288 792	0	(162 500)
Transfer to Other Revenue	(592 715)	0	(592 715)	0
Conditions met - Transferred to revenue	(6 233 912)	(10 971 958)	(3 798 064)	(3 832 456)
Conditions still to be met - transferred to liabilities	3 481 457	3 842 437	1 143 900	1 573 158
22.12 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	1 205 860 794	1 133 831 817	1 205 860 794	1 133 831 817
22.13 National Lotteries Grant				
This grant is used to fund Art and Culture programmes				
Balance unspent at beginning of year	1 477 861	1 660 389	1 477 861	1 660 389
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	(172 730)	(182 528)	(172 730)	(182 528)
Conditions still to be met - transferred to liabilities	1 305 131	1 477 861	1 305 131	1 477 861
22.14.1 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	20 546 957	9 068 420	20 546 957
Current year receipts	0	0	0	0
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue - Capital	0	(11 478 537)	0	(11 478 537)
Conditions still to be met - transferred to liabilities	9 068 420	9 068 420	9 068 420	9 068 420
22.15 Neighbourhood Partnership Development Grant				
This grant is used for the urban renewal of certain targeted / designated townships.				
Balance unspent at beginning of year	4 325 066	562 222	4 325 066	562 222
Transfer to E-share	(4 325 066)	(562 222)	(4 325 066)	(562 222)
Current year receipts	0	12 110 000	0	12 110 000
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue - capital	0	(6 661 817)	0	(6 661 817)
Conditions met - Transferred to Other Income - VAT	0	(1 123 117)	0	(1 123 117)
Conditions still to be met - transferred to liabilities	0	4 325 066	0	4 325 066
22.16 Urban Settlements Development Grant				
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	1 105 664 000	1 090 561 000	1 105 664 000	1 090 561 000
Conditions met - Transferred to revenue - capital	(912 499 151)	(892 345 994)	(912 499 151)	(892 345 994)
Conditions met - Transferred to Other Income - VAT portion	(143 111 155)	(134 716 215)	(143 111 155)	(134 716 215)
Conditions met - Transferred to revenue	(37 971 982)	(63 498 791)	(37 971 982)	(63 498 791)
Conditions still to be met - transferred to liabilities	12 081 712	0	12 081 712	0
22.17 Infrastructure Skills Development Grant				
This grant is used for skills development in certain targeted service delivery directorates.				
Balance unspent at beginning of year	3 646 465	4 720 444	3 646 465	4 720 444
Transfer to E-Share - Owing to NT	(3 646 465)	(4 720 444)	(3 646 465)	(4 720 444)
Current year receipts	0	0	0	0
Current year receipts	11 834 000	15 394 000	11 834 000	15 394 000
Conditions met - Transferred to revenue	(11 609 633)	(11 511 551)	(11 609 633)	(11 511 551)
Conditions met - Transferred to Other Income - VAT portion	(224 367)	(235 984)	(224 367)	(235 984)
Conditions still to be met - transferred to liabilities	0	3 646 465	0	3 646 465
22.18 EPWP Incentive Grant				
This grant is used to implement expanded public works programme.				
Balance unspent at beginning of year	0	290 649	0	290 649
Current year receipts	6 711 000	4 807 000	6 711 000	4 807 000
Conditions met - Transferred to revenue	(5 592 646)	(5 097 649)	(5 592 646)	(5 097 649)
Conditions met - Transferred to Other Income - VAT portion	(27 072)	0	(27 072)	0
Conditions still to be met - transferred to liabilities	1 091 282	0	1 091 282	0

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	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
22 TRANSFERS AND SUBSIDIES (Continued)				
22.19 Department of Public Service and Administration Grant				
This grant is used for the improvement of front -line public service delivery in South Africa.				
Balance unspent at beginning of year	241 156	0	241 156	0
Current year receipts	983 396	733 270	983 396	733 270
Conditions met - Transferred to revenue	(1 224 552)	(492 114)	(1 224 552)	(492 114)
Conditions still to be met - transferred to liabilities	0	241 156	0	241 156
22.20 Intergrated City Development Grant				
This grant is used for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	12 355 000	7 308 000	12 355 000	7 308 000
Conditions met - Transferred to revenue - capital	(10 054 687)	(6 418 983)	(10 054 687)	(6 418 983)
Conditions met - Transferred to Other Income - VAT portion	(1 611 522)	(889 017)	(1 611 522)	(889 017)
Conditions met - Transferred to revenue	(688 791)	0	(688 791)	0
Conditions met	0	0	0	0
22.21 Drought Relief Grant				
The grant is used fro responding to the immediate communities needs with the aim to alleviate the immediate consequences of drought within the municipality.				
Balance unspent at beginning of year	89 217 785	0	89 217 785	0
Transfer to E-Share	(18 494 873)	0	(18 494 873)	0
Current year receipts	233 400 000	97 000 000	233 400 000	97 000 000
Conditions met - Transferred to revenue - capital	(83 850 014)	(6 767 143)	(83 850 014)	(6 767 143)
Conditions met - Transferred to revenue - VAT	(12 577 502)	(1 015 072)	(12 577 502)	(1 015 072)
Conditions still to be met - transferred to liabilities	207 695 396	89 217 785	207 695 396	89 217 785
22.22 Department of Roads and Public Works Grant				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	10 579 870	9 422 754	10 579 870	9 422 754
Conditions met - Transferred to revenue	(9 063 928)	(9 300 603)	(9 063 928)	(9 300 603)
Conditions met - Transferred to Other Income	(1 379 983)	(122 151)	(1 379 983)	(122 151)
Conditions met - Transferred to revenue - VAT	(135 959)	0	(135 959)	0
Conditions met	0	0	0	0
22.23 LGSETA Discretionary Learnership Funding				
This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.				
Balance unspent at beginning of year	3 547 477	4 957 859	3 547 477	4 957 859
Current year receipts	5 613 960	3 436 246	5 613 960	3 436 246
Conditions met - Transferred to revenue	(2 760 747)	(4 846 628)	(2 760 747)	(4 846 628)
Conditions still to be met - transferred to liabilities	6 400 690	3 547 477	6 400 690	3 547 477
22.24 Provincial Department Agency: Communication Grant				
This grant is used for the roll out pf public Wi-Fi to all Municipapl Libraries, Customer Care centres and Traffic Licensing centres.				
Balance unspent at beginning of year	872 782	872 782	872 782	872 782
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	872 782	872 782	872 782	872 782
22.25 Fuel Levy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	623 566 000	545 217 656	623 566 000	545 217 656
Transferred to revenue	(623 566 000)	(545 217 656)	(623 566 000)	(545 217 656)
Conditions met	0	0	0	0
22.26 Other Transfers				
Balance unspent at beginning of year	174 604 228	171 501 066	174 604 228	171 501 066
Relates to the Funding of VAT on Capital and Operating Projects				
22.27 Public Contributions				
Balance unspent at beginning of year	23 775 240	52 478 652	23 775 240	52 478 652
Relates to the Funding of Capital Projects from Donations				
22.28 Municipal Emergency Housing Grant				
This grant is used to provide funding to municipalities for provision of temporary shelter assistance to households				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	7 125 020	0	7 125 020	0
Conditions met - Transferred to revenue	(7 125 020)	0	(7 125 020)	0
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
Electricity (Vacant) (Acting in place)				
Annual Remuneration	0	0	0	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	0	0	0	0
Safety and Security				
Remuneration for 7 months	1 862 868	1 031 514	1 862 868	1 031 514
Travel, Subsistence, UIF, Medical, Pension Funds, Other	35 300	15 750	35 300	15 750
	1 898 168	1 047 264	1 898 168	1 047 264
Human Settlements - Current				
Annual Remuneration	1 946 352	1 851 912	1 946 352	1 851 912
	1 946 352	1 851 912	1 946 352	1 851 912
Sports, Recreation, Arts and Culture				
Annual Remuneration	1 748 112	1 654 560	1 748 112	1 654 560
Travel, Subsistence, UIF, Medical, Pension Funds, Other	208 534	215 988	208 534	215 988
	1 956 646	1 870 548	1 956 646	1 870 548
Public Health (Vacant) (Acting in place)				
Annual Remuneration	0	0	0	0
	0	0	0	0
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	2 219 685	862 661	0	0
Car allowance	0	20 000	0	0
Total	2 219 685	882 661	0	0
Remuneration of the Chief Financial Officer 1 - MBDA				
Annual Remuneration	493 750	1 162 431	0	0
Performance Bonuses	0	101 795	0	0
Car allowance	0	24 000	0	0
Total	493 750	1 288 226	0	0
Remuneration of the Chief Financial Officer 2 / Acting Corporate Executive / Compliance Executive - MBDA				
Annual Remuneration	192 641	0	0	0
Performance Bonuses	54 460	0	0	0
Car allowance /Acting allowance / Gratuity payment	1 256 687	0	0	0
Total	1 503 788	0	0	0
Remuneration of the Planning and Development Manager (Inner City) - MBDA				
Annual Remuneration	0	1 139 164	0	0
Performance Bonuses	0	97 651	0	0
Car allowance	0	24 000	0	0
Total	0	1 260 815	0	0
Remuneration of the Operations Executive/ Manager - MBDA				
Annual Remuneration	1 057 446	734 192	0	0
Performance Bonuses	0	62 464	0	0
Total	1 057 446	796 656	0	0
Remuneration of the Planning and Development Manager (Townships) - MBDA				
Annual Remuneration	0	533 210	0	0
Performance Bonuses	0	56 667	0	0
Total	0	589 877	0	0
Remuneration of the Marketing and Communications Manager - MBDA				
Annual Remuneration	0	975 381	0	0
Performance Bonuses	0	83 166	0	0
Total	0	1 058 547	0	0
Remuneration of the Stadium Manager - MBDA				
Annual Remuneration	1 119 713	1 057 333	0	0
Car allowance	24 000	24 000	0	0
Acting Allowance / Performance Bonus	50 000	122 636	0	0
Total	1 193 713	1 203 969	0	0
Remuneration of the STC Manager - MBDA				
Annual Remuneration	0	51 709	0	0
Total	0	51 709	0	0
Remuneration of the Company Secretary - MBDA				
Annual Remuneration	871 711	764 400	0	0
Performance Bonuses	37 500	0	0	0
Total	909 211	764 400	0	0
Remuneration of the Acting Planning and Dev Manager (Townships) - MBDA				
Acting Allowance	0	74 060	0	0
Total	0	74 060	0	0
Remuneration of the Acting STC Manager - MBDA				
Acting Allowance	0	36 076	0	0
Total	0	36 076	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
25 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1 349 977	1 298 317	1 349 977	1 298 317
Deputy Mayor's Remuneration	908 740	154 369	908 740	154 369
Speaker's Remuneration	1 090 255	1 048 546	1 090 255	1 048 546
Mayoral Committee members	13 306 944	12 520 293	13 306 944	12 520 293
Other Councillors' Remuneration	52 254 668	50 929 972	52 254 668	50 929 972
Telephone Allowances	4 884 142	4 883 674	4 884 142	4 883 674
3G Allowance	434 400	429 600	434 400	429 600
	74 229 126	71 264 771	74 229 126	71 264 771

In-kind Benefits

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

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

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

26 DEBT IMPAIRMENT - RECEIVABLES

Bad debts consists of the following:

Bad debts expense

ATTP and Miscellaneous fees and charges - Funding

Miscellaneous - Non-funding

Other - Non-funding

Net Contribution to doubtful debts

Contribution to doubtful debts (inclusive of VAT) - Service Charges

Contribution to doubtful debts (inclusive of VAT) - Property Rates

Less: VAT portion

Contribution to doubtful debts (excluding VAT)

Less: Bad debts written off against the provision

DEBT IMPAIRMENT - OTHER

Impairment - Traffic Fines

Impairment - MBDA

	216 744 656	199 456 569	216 744 656	199 456 569
ATTP and Miscellaneous fees and charges - Funding	161 573 511	187 216 915	161 573 511	187 216 915
Miscellaneous - Non-funding	25 345 071	12 241 845	25 345 071	12 241 845
Other - Non-funding	29 826 074	(2 191)	29 826 074	(2 191)
Net Contribution to doubtful debts	413 478 382	531 387 919	413 478 382	531 387 919
Contribution to doubtful debts (inclusive of VAT) - Service Charges	503 489 138	648 824 015	503 489 138	648 824 015
Contribution to doubtful debts (inclusive of VAT) - Property Rates	137 235 251	160 954 356	137 235 251	160 954 356
Less: VAT portion	65 672 496	91 173 537	65 672 496	91 173 537
Contribution to doubtful debts (excluding VAT)	575 051 893	718 604 834	575 051 893	718 604 834
Less: Bad debts written off against the provision	161 573 511	187 216 915	161 573 511	187 216 915
	413 478 382	531 387 919	413 478 382	531 387 919
	630 223 038	730 844 488	630 223 038	730 844 488
DEBT IMPAIRMENT - OTHER				
Impairment - Traffic Fines	128 886 451	141 837 351	128 886 451	141 837 351
	128 886 451	141 837 351	128 886 451	141 837 351
Impairment - MBDA	469 812	55 340	0	0

The Impairment of Traffic Fines was based on the collection rate of fines. Refer Note 21.2 for more details.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
27 FINANCE CHARGES				
Interest on External Loans	132 916 132	142 508 812	132 916 132	142 508 812
Interest on Other	1 655 423	1 628 728	1 655 423	1 628 728
Finance Charges	134 571 555	144 137 540	134 571 555	144 137 540
Interest and Penalties	0	0	0	0
Total Finance Charges	134 571 555	144 137 540	134 571 555	144 137 540
Finance cost accrued / Prior year accrual reversals	(2 952 243)	(2 597 091)	(2 952 243)	(2 597 091)
Finance charges paid	137 523 798	146 734 631	137 523 798	146 734 631
Refer Restatement Note no. 40.2.2				
28 BULK PURCHASES				
Electricity	3 084 412 549	2 892 077 061	3 084 412 549	2 892 077 061
Water	125 933 893	121 699 393	125 933 893	121 699 393
Refer Restatement Note no. 40.2.3	3 210 346 442	3 013 776 454	3 210 346 442	3 013 776 454
29 TRANSFERS AND SUBSIDIES				
Grants in aid	23 848 722	6 673 569	23 848 722	6 673 569
Grants to Other Organisations	62 617 869	82 793 508	62 617 869	82 793 508
Refer Restatement Note no. 40.2.4	86 466 591	89 467 077	86 466 591	89 467 077
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	24 477 218	13 565 217	24 477 218	13 565 217
Consultants and Professional Services:Infrastructure and Planning:Town Planner	23 741 703	29 644 993	23 741 703	29 644 993
Consultants and Professional Services:Laboratory Services	138 443	95 282	138 443	95 282
Consultants and Professional Services:Legal Cost	62 271 993	61 951 919	62 271 993	61 951 919
Contractors:Building	3 487 925	31 879 017	3 487 925	31 879 017
Contractors:Other	19 184 692	58 129 333	19 184 692	58 129 333
Contractors:Maintenance of Buildings and Facilities	86 148 998	54 443 148	86 148 998	54 443 148
Contractors:Maintenance of Equipment	88 569 021	114 234 317	88 569 021	114 234 317
Contractors:Maintenance of various other Assets	42 286 799	37 345 013	42 286 799	37 345 013
Contractors:Sewerage Services	44 484 984	41 764 495	44 484 984	41 764 495
Contractors:Transportation	9 185 976	5 772 543	9 185 976	5 772 543
Contractors:Management of Informal Settlements	779 653	855 644	779 653	855 644
Contractors:Safeguard and Security	34 597 623	67 455	34 597 623	67 455
Outsourced Services:Other	6 578 194	9 074 074	6 578 194	9 074 074
Outsourced Services:Alien Vegetation Control	1 526 283	1 492 101	1 526 283	1 492 101
Outsourced Services:Business and Advisory	595 104	13 272 045	595 104	13 272 045
Outsourced Services:Business and Advisory:Project Management	307 286 154	290 356 577	307 286 154	290 356 577
Outsourced Services:Clearing and Grass Cutting Services	25 199 401	27 598 414	25 199 401	27 598 414
Outsourced Services:Electrical	26 151 577	32 088 383	26 151 577	32 088 383
Outsourced Services:Hygiene Services	30 046 139	56 120 003	30 046 139	56 120 003
Outsourced Services:Illegal Dumping	7 373 926	7 729 699	7 373 926	7 729 699
Outsourced Services:Litter Picking and Street Cleaning	16 209 968	24 143 424	16 209 968	24 143 424
Outsourced Services:Meter Management	10 947 977	9 020 970	10 947 977	9 020 970
Outsourced Services:Refuse Removal	10 358 837	13 168 848	10 358 837	13 168 848
Outsourced Services:Security Services	67 950 414	132 693 061	67 950 414	132 693 061
Outsourced Services:Traffic Fines Management	15 015 624	13 364 824	15 015 624	13 364 824
Outsourced Services:Transport Services	135 716	3 488 151	135 716	3 488 151
Contractors: MBDA	12 401 662	17 119 093	0	0
Refer Restatement Note no. 40.2.5	977 132 004	1 100 478 043	964 730 342	1 083 358 950
30.2 OTHER EXPENDITURE				
Is made up as follows:				
Operating Leases: Various Assets	35 446 134	29 711 859	35 446 134	29 711 859
Operational Cost:Advertising, Publicity and Marketing	6 789 652	6 694 446	6 789 652	6 694 446
Operational Cost:Other	62 044 656	64 636 000	62 044 656	64 636 000
Operational Cost:External Computer Service	47 193 717	64 625 531	47 193 717	64 625 531
Operational Cost:Hire Charges	97 520 594	72 914 884	97 520 594	72 914 884
Operational Cost:Insurance Underwriting	10 634 487	11 735 407	10 634 487	11 735 407
Operational Cost:Intercompany/Parent-subsidiary Transactions	78 767 024	61 517 312	78 767 024	61 517 312
Operational Cost:Licences	7 528 089	8 614 081	7 528 089	8 614 081
Operational Cost:Commission:Prepaid Electricity	16 788 164	18 358 046	16 788 164	18 358 046
Operational Cost:Communication	37 330 318	40 101 927	37 330 318	40 101 927
Operational Cost:Registration Fees	5 395 073	2 995 613	5 395 073	2 995 613
Operational Cost:Skills Development Fund Levy	25 384 086	21 994 999	25 384 086	21 994 999
Operational Cost:Travel and Subsistence	6 051 812	5 641 736	6 051 812	5 641 736
Operational Cost:Uniform and Protective Clothing	9 999 060	10 928 351	9 999 060	10 928 351
Operational Cost:Workmen's Compensation Fund	6 244 663	5 342 142	6 244 663	5 342 142
Operational Cost: MBDA	-43 071 964	-26 108 066	0	0
Refer Restatement Note no. 40.2.6	410 045 565	399 704 268	453 117 529	425 812 334

The names of expenditure have been changed to align them with mSCOA.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment	883 598 105	636 792 858	882 886 052	636 107 209
31.2 Amortisation	90 833 288	(356 696 282)	90 814 045	(356 731 317)
Refer Restatement Note no. 40.1.13.1 and 40.1.13.2				
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	1 474 825 340	2 001 476 031	1 469 808 310	2 000 529 447
Adjustment for:				
Interest accrued	(62 488 861)	(38 613 306)	(62 488 861)	(38 613 306)
Impairment of receivables	508 976 951	622 561 457	508 976 951	622 561 457
Write down to net realisable value	1 169 595	(662 515)	1 169 595	(662 515)
Depreciation	883 598 105	636 792 858	882 886 052	636 107 209
Amortisation	90 833 288	(356 696 282)	90 814 045	(356 731 317)
Finance cost accrued	34 196 583	37 148 825	34 196 583	37 148 825
Contribution to provisions / employee benefit obligation - non-current	189 546 971	120 265 664	187 888 766	120 785 345
Contribution to provisions / employee benefit obligation - current	(16 565 068)	(35 169 147)	(16 565 068)	(35 169 147)
Unrealised gain to Sanlam shares	(1 376 363)	(215 643)	(1 376 363)	(215 643)
Loss on Disposal of Property Plant and Equipment	1 190 151	62 696	1 188 260	20 510
Impairment of PPE / Heritage Assets/ Fines	144 707 108	141 837 351	144 707 108	141 837 351
Fines Income accrued	(166 715 221)	(139 692 931)	(166 715 221)	(139 692 931)
Operating Surplus before working capital changes	3 081 898 579	2 989 095 058	3 074 490 157	2 987 905 285
(Increase) / Decrease in Inventory	28 624 627	17 369 926	28 262 469	17 365 672
Increase in Trade Receivables	(660 108 884)	(593 489 172)	(660 108 884)	(593 489 172)
Increase in Other Receivables	15 109 760	(179 338 156)	14 295 893	(140 039 217)
Decrease / (Increase) in VAT	105 659 030	(70 336 180)	114 075 884	(70 825 681)
(Decrease) / Increase in Trade and Other Payables	(60 091 873)	666 784 715	(36 746 489)	648 299 581
(Increase) / Decrease in Long-term Receivables	(12 592 026)	(13 545 232)	(12 592 026)	(13 545 232)
	2 498 499 213	2 816 540 959	2 521 677 004	2 835 671 236
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(79 760 410)	(86 407 312)	(79 760 410)	(86 407 312)
	(79 760 410)	(86 407 312)	(79 760 410)	(86 407 312)
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	3 009 413 994	2 371 934 859	3 009 413 994	2 371 934 859
Bank balances and cash	205 957 503	244 285 370	195 360 017	204 892 230
Total Cash and Cash Equivalents	3 215 371 497	2 616 220 229	3 204 774 011	2 576 827 089
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	14 100 000	12 635 000	14 100 000	12 635 000
Amount paid - current year	(14 100 000)	(12 635 000)	(14 100 000)	(12 635 000)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	196 905	80 378	196 905	80 378
Current year audit fee	23 501 497	20 039 616	22 412 517	19 102 534
Amount paid - current year	(23 126 273)	(19 842 711)	(22 037 293)	(18 905 629)
Amount paid - previous year	(196 905)	(80 378)	(196 905)	(80 378)
Balance unpaid (included in creditors)	375 224	196 905	375 224	196 905

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
35.3 VAT				
The Net effect of the VAT inputs and VAT output are shown in note 17. All VAT returns have been submitted by the due date throughout the year.				
35.4 PAYE and UIF				
Opening balance	33 753 626	30 017 608	33 753 626	30 017 608
Current year payroll deductions	493 713 737	412 512 957	485 603 145	405 984 812
Amount paid - current year	(453 337 261)	(378 759 331)	(445 226 669)	(372 231 186)
Amount paid - previous year	(33 753 626)	(30 017 608)	(33 753 626)	(30 017 608)
Balance unpaid (included in creditors)	40 376 476	33 753 626	40 376 476	33 753 626
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	161 208	0	0	0
Current year payroll deductions and Council Contributions	761 623 402	679 750 329	754 343 760	675 807 184
Amount paid - current year	(761 694 496)	(679 589 121)	(754 343 760)	(675 807 184)
Balance unpaid (included in creditors)	90 114	161 208	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	1 879 401	1 687 189	1 879 401	1 687 189
Current year payroll deductions	25 370 698	21 994 999	25 370 698	21 994 999
Amount paid - current year	(23 245 579)	(20 115 598)	(23 245 579)	(20 115 598)
Amount paid - previous year	(1 879 401)	(1 687 189)	(1 879 401)	(1 687 189)
Balance unpaid (included in creditors)	2 125 119	1 879 401	2 125 119	1 879 401
OTHER ADDITIONAL DISCLOSURES:				
35.7 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Loss on disposal of property, plant and equipment	1 190 151	62 696	1 188 260	20 510
The disposal relates to various property, plant and equipment.				
35.8 IMPAIRMENT				
Impairment	15 820 657	0	15 820 657	0
The Impairment relates mainly to heritage assets.				
35.9 WATER LOSSES				
The NMBM suffered water losses of 44,220 megalitres (43.9%) amounting to R169.9 million (2018: 43,834 megalitres (43.9%) amounting to R162.9 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 43.9% of water losses are made up of unbilled authorised consumption(2.9%), apparent (commercial) losses (7%) and real (physical) losses (34%). 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 14.34% amounting to total accumulative losses of R 371,0 million (2018: 13.95% amounting to R 339.5 million). Various electricity management interventions are being implemented to curb these losses are being implemented.				
The Electricity losses as defined above are separated between technical (6%), Public Lighting (1,5%) and non-technical losses (5%). Technical losses are inherent losses in a distribution system and these includes copper losses, Iron losses and heat losses due to current flow. Public lighting includes traffic signals, Highmast and Streelights. Non-Technical Losses can be attributed to theft that is illegal connections, meter tampering and non billed revenue due to faulty meters.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts

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

	R	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
30 June 2019		
Councillor TP Adams		23
Councillor ME Bobani		11 309
Councillor KK Boqwana		4
Councillor V Dyele	20 335	
Councillor FVN Greyling		17
Councillor AD Isaacs		23
Councillor RC Kayser		36 159
Councillor AW Lungisa		1
Councillor GG Miggels		17
Councillor M Mngcokoca	7 296	
Councillor L Mrara	-	616
Councillor SS Plaatjes	823	
Councillor LP Qukubana	431	
Councillor NE Sikweyiya	3 602	
Councillor PB Vani		13
Councillor MM Zinto	4 765	
	<u>37 252</u>	<u>48 182</u>

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

	Arrangements	Outstanding more than 90 days
30 June 2018		
Councillor KK Boqwana		4
Councillor V Dyele	30 898	
Councillor AD Isaacs		36
Councillor RC Kayser		40 377
Councillor AW Lungisa		1
Councillor VM Manyati	4 440	
Councillor GG Miggels		19
Councillor M Mngcokoca	16 765	
Councillor L Mrara	3 694	
Councillor PS Ndoni	7 396	
Councillor SS Plaatjes	10 474	
Councillor LP Qukubana	1 466	
Councillor NE Sikweyiya	14 408	
Councillor L Suka		42 219
Councillor PB Vani		19
Councillor MM Zinto	11 698	
	<u>101 239</u>	<u>82 675</u>

36.2 List of Entities and related transactions

1 Solely-controlled entities

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

Mandela Bay Development Agency (excluding VAT)

	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
Mandela Bay Development Agency (excluding VAT)	<u>98 001 225</u>	<u>86 969 510</u>	<u>98 001 225</u>	<u>86 969 510</u>

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
	R	R	R	R
36.2 List of Entities and related transactions (Continued)				
2 Section 57 Employees (See note 24)				
3 Other Organisations The Organisations have received the following grants / payments:				
1. Uitenhage Despatch Development Initiative		0 970 765	0	970 765
2. Nelson Mandela Bay Tourism	7 275 629	13 925 050	7 275 629	13 925 050
3. Surf lifesaving Club	209 360	204 000	209 360	204 000
Grants / payments to Other Organisations	7 484 989	15 099 815	7 484 989	15 099 815

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

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

	ECONOMIC ENTITY AND MUNICIPALITY	
	2019	2018
Family of employees who have an interest in a government supplier.	56 704 780	56 651 499

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.

5 163 573 2 984 908

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

10 927 719 19 021 962

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2018/19 financial year are detailed as follows in terms of section 39 (1) (a) of the Supply Chain Management Policy:

1. Nelson Mandela Bay Metropolitan Municipality		2019	Restated 2018
Deviations: Supply Chain Management Policy		Payments made R	Payments made R
(i)	In an emergency;	184 891	0
(ii)	If such goods or services are produced or available from a single provider only;	46 603 567	22 062 733
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	0	0
(iv)	Acquisition of animals for zoos and/or nature and game reserves;	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	0	0
	39 (1) (b) - Ratify any minor breaches of the procurement processes.	0	0

2. Mandela Bay Development Agency

2019 Financial year:

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R143 290

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R459 769

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R611 528

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R10 198 556

2018 Financial year:

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R112 996

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R810 671

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R5 078 581

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Economic Entity

37 CAPITAL COMMITMENTS	Economic Entity		Municipality	
	2019 R	Restated 2018 R	2019 R	Restated 2018 R
Approved and contracted for	537 111 297	433 444 590	537 111 297	433 444 590
Land and Buildings	6 111 957	11 441 040	6 111 957	11 441 040
Infrastructure	500 186 152	398 805 826	500 186 152	398 805 826
Community	14 504 777	7 031 126	14 504 777	7 031 126
Intangible	16 308 411	16 166 598	16 308 411	16 166 598
Approved but not yet contracted for	101 342 002	69 850 763	101 342 002	69 850 763
Infrastructure	99 524 880	68 049 442	99 524 880	68 049 442
Community	1 750 882	1 735 657	1 750 882	1 735 657
Intangible	66 240	65 664	66 240	65 664
Total	638 453 299	503 295 353	638 453 299	503 295 353
This expenditure will be financed from:				
Fuel Levy	78 886 152	67 540 463	78 886 152	67 540 463
Urban Settlements Development Grant (USDG)	458 494 155	412 659 096	458 494 155	412 659 096
Service Charges - Water Revenue	0	12 412 934	0	12 412 934
Neighbourhood Development Partnership Grant	2 478 866	2 155 536	2 478 866	2 155 536
Integrated Public Transport Grant	83 965 921	8 527 324	83 965 921	8 527 324
Capital Replacement Reserve	1 001 870	0	1 001 870	0
Municipal Disaster Grant - Emergency Drought Relief	13 626 335	0	13 626 335	0
Total	638 453 299	503 295 353	638 453 299	503 295 353
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (See Note 3)	1 186 061 266	1 268 773 919	1 186 061 266	1 268 773 919
Used to Finance property, plant and equipment - at cost	1 186 061 266	1 268 773 919	1 186 061 266	1 268 773 919
Sub-total	0	0	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	89 658 501	79 760 410	89 658 501	79 760 410
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 3 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	2 219 580 260	2 302 047 873	2 184 556 027	2 264 136 421
> 3 months	103 810 789	102 442 374	103 810 789	102 442 374
	2 323 391 049	2 404 490 247	2 288 366 816	2 366 578 795
Long term borrowings				
< 12 months	89 658 501	79 760 410	89 658 501	79 760 410
> 12 months	1 118 615 583	1 209 505 493	1 116 776 821	1 208 011 203

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

39 FINANCIAL RISK MANAGEMENT (Continued)

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.

	ECONOMIC ENTITY Restated 2018 R	MUNICIPALITY Restated 2018 R
40 RESTATED PRIOR YEAR COMPARATIVES		
<u>Prior Period Adjustments:</u>		
Net effect of changes - see details below	(68 447 569)	(68 508 808)
Net effect on surplus	<u>(68 447 569)</u>	<u>(68 508 808)</u>
<u>Statement of Financial Performance</u>		
40.1.1 Surplus for the year		
Balance as per audited financial statements (as previously reported)	2 069 923 600	2 069 038 256
Net effect on surplus	(68 447 569)	(68 508 808)
Service Charges (Refer 40.1.2)	3 831 669	3 831 669
Interest raised - Outstanding Debtors (Refer 40.1.3)	15 229	15 229
Interest raised - External Investments (Refer 40.1.3.1)	61 530	
Rental of Facilities and Equipment (Refer 40.1.4)	(183)	(183)
Other Revenue (Refer 40.1.5)	14 476 972	14 476 972
Fines, Penalties and Forfeits (Refer 40.1.6)	17 353 145	17 353 145
Transfers and Subsidies (Revenue - Refer 40.1.7)	120 783	120 783
Property Rates (Refer 40.1.8)	(8 422 622)	(8 422 622)
Employee Related Costs (Refer 40.2.1)	(18 488 140)	(18 488 140)
Finance Charges (Refer 40.2.2)	87	87
Bulk Purchases (Refer 40.2.3)	766 480	766 480
Transfers and Subsidies (Expenditure - Refer 40.2.4)	(5 542 502)	(5 542 211)
Contracted Services (Refer 40.2.5)	(59 036 334)	(59 036 334)
Other Expenditure (Refer 40.2.6)	(12 500 006)	(12 500 006)
Other Materials (Refer 40.2.7)	(1 082 182)	(1 082 182)
Depreciation (Refer 40.2.8)	(1 495)	(1 495)
Restated surplus for 2017/18	<u>2 001 476 031</u>	<u>2 000 529 448</u>
40.1.2 Service Charges		
Income as per Audited financial statements (as previously reported)	5 182 065 405	5 182 587 994
Transfer from Trade and Other Payables	(17 274)	(17 274)
Transfer from Trade Receivables	1 924 618	1 924 618
Transfer from Other Receivables	1 924 325	1 924 325
	<u>5 185 897 074</u>	<u>5 186 419 663</u>
Service charges in the amount of R3 831 669, which have not been previously accrued for.		
40.1.3 Interest raised - Outstanding Debtors		
Income as per Audited financial statements (as previously reported)	224 633 949	224 633 949
Transfer from Trade and Other Payables	15 229	15 229
	<u>224 649 178</u>	<u>224 649 178</u>
Interest in the amount of R15 229 was previously not recognised.		
40.1.3.1 Interest raised - External Investments		
Income as per Audited financial statements (as previously reported)	155 484 447	0
Transfer from Other Receivables	61 530	0
	<u>155 545 977</u>	<u>0</u>
Interest in the amount of R15 229 was previously not recognised.		
40.1.4 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	22 472 315	22 472 315
Transfer from Trade and Other Payables	(183)	(183)
Transfer from Other Receivables	240 955	240 955
	<u>22 713 087</u>	<u>22 713 087</u>
Rentals in the amount of R240 772, which have been previously incorrectly accrued for.		
40.1.5 Other Revenue		
Income as per Audited financial statements (as previously reported)	128 713 185	124 226 261
Transfer from Other Receivables	14 236 017	14 236 017
	<u>142 949 202</u>	<u>138 462 278</u>
Other Revenue in the amount of R14 236 017, which have not been previously accrued for.		
40.1.5.1 Other Revenue - MBDA		
Income as per Audited financial statements (as previously reported)	7 139 502	0
Transfer to Transfers and Subsidies	(7 139 502)	0
	<u>0</u>	<u>0</u>
MBDA transferred an amount of R7 139 502 to Transfers and Subsidies		
40.1.6 Fines, Penalties and Forfeits		
Income as per Audited financial statements (as previously reported)	213 071 274	213 071 274
Transfer from Trade and Other Payables	16 308 616	16 308 616
Transfer from Other Receivables	1 044 529	1 044 529
	<u>230 424 419</u>	<u>230 424 419</u>
Retentions in the amount of R17 353 145, have been transferred to Revenue as no obligation exists.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2018 R	Restated 2018 R
40.1.7 Transfers and Subsidies		
Income as per Audited financial statements (as previously reported)	2 936 388 338	2 936 388 338
Transfer from Trade and Other Payables	120 783	120 783
Transfer from Other Revenue - MBDA	7 139 502	0
	<u>2 943 648 623</u>	<u>2 936 509 121</u>
Funding in the amount of R120 783, which have not been previously accrued for.		
MBDA transferred an amount of R7 139 502 to Transfers and Subsidies		
40.1.8 Property Rates		
Income as per Audited financial statements (as previously reported)	2 007 605 470	2 007 605 470
Transfer from Other Receivables	(8 422 622)	(8 422 622)
	<u>1 999 182 848</u>	<u>1 999 182 848</u>
Rates adjustment, which have not been previously accrued for.		
40.2.1 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	2 802 867 536	2 782 149 905
Transfer from Trade and Other Payables	18 293 573	18 293 573
Transfer from Trade and Other Payables	296 605	296 605
Transfer to Other Receivables	(102 038)	0
	<u>2 821 355 676</u>	<u>2 800 740 083</u>
Expenses in the amount of R194 567, which have not been previously accrued for.		
Leave provision in the amount of R18 293 573, which have now been corrected.		
40.2.2 Finance Charges		
Expense as per Audited financial statements (as previously reported)	144 137 627	144 137 627
Transfer to Trade and Other Payables	(87)	(87)
	<u>144 137 540</u>	<u>144 137 540</u>
Expenses in the amount of R87, which have now been corrected.		
40.2.3 Bulk Purchases		
Expense as per Audited financial statements (as previously reported)	3 014 542 934	3 014 542 934
Transfer to Trade and Other Payables	(766 480)	(766 480)
	<u>3 013 776 454</u>	<u>3 013 776 454</u>
Expenses in the amount of R766 480, which have now been corrected.		
40.2.4 Transfers and Subsidies (Expense)		
Expense as per Audited financial statements (as previously reported)	31 589 318	83 924 866
Transfer to Trade and Other Payables	5 542 211	5 542 211
Transfer from Other Expenditure	52 335 548	0
	<u>89 467 077</u>	<u>89 467 077</u>
Expenses in the amount of R5 542 211 which have not been previously accrued for.		
Transfer from Other Expenditure to Transfers and Subsidies in the amount of R52 335 548		
40.2.5 Contracted Services		
Expense as per Audited financial statements (as previously reported)	1 041 441 709	1 024 322 616
Transfer to Trade and Other Payables	41 675 387	41 675 387
Transfer to Other Receivables	(4 725)	(4 725)
Transfer to Inventory	17 365 672	17 365 672
	<u>1 100 478 043</u>	<u>1 083 358 950</u>
Expenses in the amount of R59 036 334 which have not been previously accrued for.		
40.2.6 Other Expenditure		
Expense as per Audited financial statements (as previously reported)	439 539 517	413 312 328
Transfer to Trade and Other Payables	12 500 299	12 500 006
Transfer to Transfers and Subsidies	-52 335 548	0
	<u>399 704 268</u>	<u>425 812 334</u>
Expenses in the amount of R12 500 299 which have not been previously accrued for.		
Transfer from Other Expenditure to Transfers and Subsidies in the amount of R52 335 548		
40.2.7 Other Materials		
Expense as per Audited financial statements (as previously reported)	131 725 408	131 725 408
Transfer to Trade and Other Payables	1 082 182	1 082 182
	<u>132 807 590</u>	<u>132 807 590</u>
Expenses in the amount of R1 082 182 which have not been previously accrued for.		
40.2.8 Depreciation		
Expense as per Audited financial statements (as previously reported) (PPE)	636 791 365	636 105 714
Transfer to Property, Plant and Equipment	1 495	1 495
	<u>636 792 860</u>	<u>636 107 209</u>
Depreciation in the amount of R1 495, have now been corrected.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2018 R	Restated 2018 R
Statement of Financial Position		
40.3 Total Accumulated Funds		
Closing Balance as per audited financial statements (as previously reported)	15 942 446 951	15 933 325 118
Decrease in Surplus (Refer to Note 40.1.1)	(68 447 569)	(68 508 808)
	(45 517 678)	(45 517 678)
Transfer to Trade and Other Payables (leave pay)	(38 994 511)	(38 994 511)
Transfer to VAT	(2 824 560)	(2 824 560)
Transfer to Trade and Other Payables (accruals)	(7 872 530)	(7 872 530)
Transfer to Other Receivables	7 258 724	7 258 724
Transfer to Other Receivables	(3 000 309)	(3 000 309)
Transfer to Trade and Other Payables	(84 492)	(84 492)
Restated Closing Balance	15 828 481 704	15 819 298 632
40.3.1 Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	2 303 847 163	2 265 936 004
Transfer from Service Charges	17 274	17 274
Transfer from Interest raised - Outstanding Debtors	(15 229)	(15 229)
Transfer from Rentals of Facilities and Equipment	183	183
Transfer from Fines, Penalties and Forfeits	(16 308 616)	(16 308 616)
Transfer from Transfers and Subsidies	(120 783)	(120 783)
Transfer from Employee Related Costs	18 590 178	18 590 178
Transfer from Finance Charges	(87)	(87)
Transfer from Bulk Purchases	(766 480)	(766 480)
Transfer from Transfers and Subsidies	5 542 211	5 542 211
Transfer from Contracted Services	41 675 387	41 675 387
Transfer from Other Expenditure	12 500 299	12 500 006
Transfer from Other Materials	1 082 182	1 082 182
Transfer to Other Receivables	(22 872 080)	(22 872 080)
Transfer from Consumer Deposits	4 620	4 620
Transfer from Property Plant and Equipment	1 306 464	1 306 464
Transfer to VAT	13 056 028	13 056 028
Transfer to Accumulated Surplus	46 951 533	46 951 533
	2 404 490 247	2 366 578 795
Expenses in the amount of R100 643 084 (net movement), Relates to various expenses not previously accrued for or corrections made.		
40.3.2 Other Receivables		
Balance as per Audited financial statements (as previously reported)	792 544 185	789 638 001
Transfer from Other Revenue	10 788 911	10 788 911
Transfer to Trade and Other Payables	(22 872 080)	(22 872 080)
Transfer to Bank Balances and Cash	5 525 532	5 525 532
Transfer to VAT	357 280	357 280
Transfer to Accumulated Surplus	4 258 415	4 258 415
Transfer to Contracted Services	4 725	4 725
Transfer to Employee Related Costs	102 038	102 038
Transfer to Fines, Penalties and Forfeits	1 044 529	1 044 529
Transfer to Other Revenue	3 447 106	3 447 106
Transfer to Rental of Facilities and Equipment	240 955	240 955
Transfer to Service Charges	1 924 325	1 924 325
Transfer to Property Rates	(8 422 622)	(8 422 622)
Transfer from Interest Earned - External Investments	61 530	-
	789 004 829	786 037 115
Transfer to Trade Receivables - Non-exchange Transactions (Property Rates)	(380 294 122)	(380 294 122)
	408 710 707	405 742 993
Income in the amount of R9 064 888, relates to various income (net movement), not previously accrued for or corrections made.		
An amount of R5 525 532, relates to a correction between Bank and Other Receivables with regards to an audit finding on the market section.		
Property Rates have been transferred from Other Receivables to Trade Receivables in terms of MSCOA		
40.3.3 VAT		
Balance as per Audited financial statements (as previously reported)	33 334 245	33 334 245
Transfer from Accumulated Surplus	(2 824 560)	(2 824 560)
Transfer to Trade and Other Payables	13 056 028	13 056 028
Transfer from Other Receivables	(357 280)	(357 280)
Transfer from Receivables	(273 364)	(273 364)
	42 935 069	42 935 069
Vat in the amount of R9 600 824 (net movement), relates to various income and expenses not previously accrued for.		
40.3.4 Trade Receivables - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	1 316 134 451	1 316 134 451
Transfer from Service charges	1 924 618	1 924 618
Transfer from VAT	273 364	273 364
	1 318 332 433	1 318 332 433
Income in the amount of R2 197 982, relates to Service charges (net movement), not previously accrued for.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2018 R	Restated 2018 R
40.3.4.1 Trade Receivables - Non-exchange Transactions		
Balance as per Audited financial statements (as previously reported)	0	0
Other Receivables - Non-exchange Transactions	380 294 122	380 294 122
	<u>380 294 122</u>	<u>380 294 122</u>
Property Rates have been transferred from Other Receivables to Trade Receivables in terms of MSCOA		
40.3.5 Bank Balances and Cash		
Balance as per Audited financial statements (as previously reported)	249 810 902	210 417 762
Transfer from Other Receivables	(5 525 532)	(5 525 532)
	<u>244 285 370</u>	<u>204 892 230</u>
An amount of R5 525 532, relates to a correction between Bank and Other Receivables with regards to an audit finding on the market section.		
40.3.6 Consumer Deposits		
Balance as per Audited financial statements (as previously reported)	148 636 802	148 636 802
Transfer to Trade and Other Payables	(4 620)	(4 620)
	<u>148 632 182</u>	<u>148 632 182</u>
Expenses in the amount of R4 620, Relates to various expenses not previously accrued for or corrections made.		
40.3.7 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	16 466 028 717	16 459 109 203
Transfer to Depreciation	(1 495)	(1 495)
Transfer to Trade and Other Payables	1 306 464	1 306 464
	<u>16 467 333 686</u>	<u>16 460 414 172</u>
Depreciation in the amount of R1 495, has now been corrected.		
Assets in the amount of R1 306 464, which was not previously accrued for.		
40.3.8 Inventory		
Balance as per Audited financial statements (as previously reported)	180 165 392	179 641 204
Transfer to Contracted Services	(17 365 672)	(17 365 672)
	<u>162 799 720</u>	<u>162 275 532</u>
Inventory in the amount of R17 365 672, relating to land of RDP housing have been reversed.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

41 CHANGE IN ACCOUNTING ESTIMATE
PROPERTY, PLANT AND EQUIPMENT
2018 and 2019 Financial year

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

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

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

42 CONSTRUCTION CONTRACTS

ECONOMIC ENTITY AND MUNICIPALITY

	2019	Restated 2018
Amount of revenue recognised - Operating	13 727 757	16 680 339
Amount of revenue recognised - Capital	205 798 002	220 988 716

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

1 224 014 067 1 310 096 554

Amount of advances received

1 200 000 1 200 000

Amount of retentions

Refer Note 7 - Included with Trade and Other Payables

Gross amounts due from customers for contract work

213 744 952 215 173 761

Gross amounts due to customers for contract work

Refer Note 7 - Included with Trade and Other Payables

43 OPERATING LEASE COMMITMENTS	Economic Entity		Municipality	
	2019	Restated 2018	2019	Restated 2018
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.

The Municipality has no sale and leaseback transactions.

Future minimum lease payments under non-cancellable operating leases:

	1 716 351	7 425 837	1 716 351	7 425 837
Buildings				
Payable within one year	1 461 940	6 165 451	1 461 940	6 165 451
Payable within two to five years	254 411	1 260 386	254 411	1 260 386
Payable above five years	0	0	0	0
Photocopier, fax machines and other equipment	15 037 089	24 624 655	14 669 415	24 260 386
Payable within one year	9 810 733	12 098 342	9 668 629	11 902 797
Payable within two to five years	5 226 356	12 525 313	5 000 786	12 357 589
Payable above five years	0	1 000	0	0
	16 753 440	32 050 492	16 385 766	31 686 223

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.

	12 080 465	12 560 477	12 080 465	12 560 477
Land				
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	9 680 405	10 160 417	9 680 405	10 160 417
Buildings	49 483 933	56 331 657	49 317 823	55 888 697
Receivable within one year	6 959 003	6 765 184	6 792 893	6 599 074
Receivable within two to five years	17 730 591	24 315 905	17 730 591	24 039 055
Receivable after 5 years	24 794 339	25 250 568	24 794 339	25 250 568
	61 564 398	68 892 134	61 398 288	68 449 174

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		Economic Entity and Municipality	
		2019	Restated 2018
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
	Incident / Disciplinary steps / Criminal Proceedings		
44.1	Unauthorised Expenditure		
	Opening Balance	262 546 156	555 766 503
	Incurred - Current year - Relating to current year	159 818 039	260 174 267
	Incurred - Current year - Relating to prior year	24 995 239	0
	Approved by Council	(260 174 267)	(553 394 614)
	Recoveries - Current year	0	0
		187 185 167	262 546 156
44.1.1	Actual expenditure in excess of approved budget votes		
	The total actual expenditure, including non-cash flow items amounted to R11 598 488 417 , compared to the approved adjustments budget of R12 580 132 818 . The actual expenditure was thus R981 644 401 below the approved adjustments budget and does not constitute unauthorised expenditure.	159 818 039	260 174 267
	The total actual expenditure per budget vote exceeded the approved adjustments budget for certain Directorates by R159 818 039 which includes non-cash items.		
44.1.2	Over-expenditure relating to contract security resulted in unauthorised expenditure.	24 995 239	0
	Total	184 813 278	260 174 267
	Approved by Council	(260 174 267)	(553 394 614)
44.2	Irregular Expenditure		
	Opening Balance - previously stated	12 515 971 698	11 621 730 230
	Restatement		129 126 497
	Restated Opening Balance	12 515 971 698	11 750 856 727
	Incurred - Current year - Relating to current year (awards)	88 320 349	137 479 053
	Incurred - Current year - Relating to prior year (awards / other)	1 919 171 344	2 582 861 835
	Approved by Council - Other	(2 289 892)	(1 955 225 917)
		14 521 173 499	12 515 971 698
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.	253 523 522	327 699 219
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.	46 154 124	59 727 941
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	22 153 984	58 204 256
	- Relating to prior year	377 218 760	390 485 087
4	Breach of the Supply Chain Management policy		
	Payments made which was in contravention of the scm policy which was not previously disclosed.	29 558 322	27 337 713

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		Economic Entity and Municipality	
		2019	Restated 2018
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	Irregular Expenditure (Continued)		
5	Irregular Expenditure review by Internal Audit		
	NB: 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 therefore does not relate to any irregularity that may have occurred during the year under review (i.e. 2016/17). 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 are to be discussed at MPAC Sub Committee on the 31 August 2017.		
	Non-compliance with regards to the Formal Bid and Deviation process		
	Incurring - Current year - Relating to current year Tenders - missing documents	66 166 365	79 274 797
	Incurring - Current year - Relating to prior year Tenders	1 212 716 616	1 773 838 060
6	MBDA - Irregular Expenditure	0	3 773 815
	Total	2 007 491 693	2 720 340 888
	Total amount approved by Council in respect of ALL cases / Condoned by MBDA Board	(2 289 892)	(1 955 225 917)
7	Information not available (Limitation of Scope)		
	Opening Balance - previously stated	2 593 906 602	7 929 006 233
	Restatement	0	0
	Restate Opening Balance	2 593 906 602	7 929 006 233
	Incurring - Current year - Relating to prior year Tenders	463 971 145	774 557 277
	Approved by Council - Other	0	(6 109 656 908)
	Total	3 057 877 747	2 593 906 602
	Total amount approved by Council in respect of ALL cases	0	(6 109 656 908)
	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 44.2.14 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 are to be 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	659 240 075	656 473 879
	Restatement - Incurred	0	0
	Restated Opening Balance	659 240 075	656 473 879
	Incurring - Current year	10 665 534	2 850 376
	Approved by Council - Other reversed	(977 191)	(84 180)
	Total	668 928 418	659 240 075
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.	6 482 808	2 183 815
2	Additional expenditure incurred by the Directorate when a tender was in place which resulted in Fruitless and Wasteful expenditure.	4 182 726	0
3	Fruitless and Wasteful expenditure incurred by certain Directorates	0	530 370
4	MBDA - Fruitless and Wasteful Expenditure	0	136 191
	Total	10 665 534	2 850 376
	Total amount approved by Council for in respect of ALL cases / Condoned by MBDA Board	(977 191)	(84 180)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		Economic Entity and Municipality	
		2019	Restated 2018
		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.	128 566 366	102 380 358
2	Various claims due to municipal administrative matters that are under dispute or investigation.	16 554 066	788 305
3	Various claims by current or terminated employees due to alleged unfair labour practices.	882 793	18 715 902
4	Various claims due to supply chain related issues or creditor payment related matters.	222 961 772	215 602 183
		368 964 996	337 486 748
	Contingent Liability - MBDA	0	100 000
	Total Consolidated Amount	368 964 996	337 586 748
45(b) PROVISION FOR LITIGATION AND CLAIMS			
	Detail of Provision raised in Note 5.2		
1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	82 002	11 218 744
2	Various claims due to municipal administrative matters that are under dispute or investigation.	0	20 920 000
3	Various claims by current or terminated employees due to alleged unfair labour practices.	0	1 032 793
4	Various claims due to supply chain related issues or creditor payment related matters.	0	5 600 000
	TOTAL PROVISION REFER NOTE 5.2	82 002	38 771 537
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.	55 500 000	0
		55 500 000	0
46 SUBSEQUENT EVENTS			
46.1 Nelson Mandela Bay Municipality	None as yet		
46.2 Mandela Bay Development Agency			
46.2.1	The entity continues to face significant factor of uncertainty over the going-concern assumption. As at the date of the authorisation of these financial statements, the entity has not yet received the quarterly tranche for the 4th quarter of 2018/19, nor the 1st quarterly tranche for 2019/20. Should this status quo remain, this will significantly affect the entity's ability to make payments as and when due.		
46.2.2	At the reporting date the entity had appointments that were pending the lapsing of the non-objection period. At the date of submission of the AFS these contracts had been awarded or pending award in the total amount of R41, 332, 163. These relate to material commitments made subsequent to year-end for projects that were budgeted and adjudicated during the year.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 R302.028 million (2018: R269.312 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2019.

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 2013. The funding level of the Share Account is 100.2%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 105.1% as at 30 June 2013.

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) and is constituted of 3 funds, namely, the Defined Benefit, Defined Contribution and Pensioner account. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2013. The trustees resolved to ring-fence the pensioner assets as at 30 June 2013. The sections are funded at 99.7%, 99.8% and 100%, respectively.

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 employees 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 2017. The unfunded liability in respect of past service has been estimated at R47.116million, of which R43.445 million relates to the non-current portion. The unfunded liability balance at 30 June 2019 is based on projected figures as determined by the Actuaries in their 2016/17 Valuation Report.

Past and Future Changes in the Accrued Liability

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

Past year and future projected liability

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
Opening Accrued Liability	42 827 090	46 786 903	46 948 394
Current service cost	0	0	0
Interest cost	3 490 206	3 825 559	3 838 995
Benefits paid	-3 113 490	-3 664 068	-3 671 176
Total Annual Expense	376 716	161 491	167 819
Actuarial Loss / (Gain)	3 583 097		
Closing Accrued Liability	46 786 903	46 948 394	47 116 213

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Balance Sheet Figures

Unfunded Accrued Liability	Year ending 30/06/2018	Year ending 30/06/2019
Balance Sheet		
Fair Value of Plan Assets		
Accrued Liability	46 948 394	47 116 213
Unfunded Accrued Liability	46 948 394	47 116 213
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	46 948 394	47 116 213

Reconciling and Projecting the Unfunded Accrued Liability

Unfunded Accrued Liability	Year ending 30/06/2018	Year ending 30/06/2019
Opening Balance	46 786 903	46 948 394
Current Service Cost	0	0
Interest Cost	3 825 559	3 838 995
Expected Return on Plan Assets	0	0
Actuarial (Gain) /Loss	0	0
Past Service Cost		
Effect of Curtailment / Settlement		
Expected Employer Benefit Payments	-3 664 068	-3 671 176
Employer Prefunding Contributions	0	0
Closing Balance	46 948 394	47 116 213
Projected Accrued Liability	46 948 394	47 116 213

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

Category	Year ending 30/06/2018	Year ending 30/06/2019
Current Service Cost (In-Service members only)	0	0
Interest Cost	3 490 206	3 838 995
Actuarial (Gain)/Loss	3 583 097	0
Total employee benefits expense	7 073 303	3 838 995

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Previous Valuation 30 June 2015	Current Valuation 30 June 2017
Discount rate	8.94% pa	8.50% pa
Future Inflation	6.57% pa	6.37% pa
Medical Inflation	8.07% pa	2.68% pa
Subsidy Inflation	0.98% pa	2.01% pa
Post Retirement Interest Rate	0.81% pa	5.67% pa

Discount Rate:

A discount rate of 8.50% per annum has been used. The corresponding index-linked yield at this term is 2.50%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Securities Exchange after the market close on 30 June 2017.

CPI Inflation:

This assumption is used to calculate the estimated growth in pensions of the eligible retirees. An expected inflation assumption of 5.37% was obtained from the differential between market yields on index-linked bonds (2.50%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.50%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+8.50\% - 0.50\%) / (1+2.50\%)$.

Thus, a pension increase rate of 2.68% per annum over the expected term of the liability has been assumed, which is 50% of the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 5.67% post-employment.

Salary Inflation Rate:

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. A general inflation rate of 6.37% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.01%.

Demographic Assumptions:

Demographic assumptions are required about the future characteristics of eligible employees and pensioners who are eligible for ex-gratia benefits.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted for female lives.

Post-retirement Mortality:

PA (90) ultimate table.

average Retirement Age:

The normal retirement age for eligible employees is 65. It has been assumed that these employees will retire at an average age of 63 for males and 58 for females, which then implicitly allows for expected rates of early retirement and ill-health retirement.

Withdrawal from Service:

If an eligible employee leaves, the employer's liability in respect of that employee ceases.

Withdrawal rates

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

Ex-Gratia Arrangement Assumptions:

It was assumed that employer's ex-gratia arrangements would remain as they are and that the level of benefits in respect of such would remain unchanged, with the exception of allowing for inflationary adjustments.

Plan Assets:

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

Sensitivity Analysis

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

Sensitivity Results

The liability at Valuation Date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed general salary inflation rate;
- A 1% increase and decrease in the discount rate;
- A one-year age reduction in the assumed rates of post-retirement mortality;
- A one-year decrease and increase in the assumed average retirement age; and
- A 50% decrease in the assumed withdrawal rates.

The table below summarises the results of the sensitivity analysis:

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Employees	Pensioners	Total Liability	% Change
Central Assumptions:		18 746 498	28 040 405	46 786 903	
Benefit increase rate	+1%	20 494 279	29 859 583	50 353 862	8%
	-1%	17 219 283	26 401 222	43 620 505	-7%
Discount Rate	+1%	16 415 494	26 498 482	42 913 975	-8%
	-1%	21 576 872	29 773 833	51 350 705	10%
Post retirement mortality	-1 yr	19 135 227	28 911 437	48 046 664	3%
Average retirement age	-1 yr	20 720 039	28 040 405	48 760 443	4%
Withdrawal Rate	-50%	19 459 236	28 040 405	47 499 640	2%

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

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 **R4,218.00** (per month, per member) for the period from 1 July 2018 to 30 June 2019. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,871.00 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 Projected Unit Credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

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.

Valuation of Assets:

As at the valuation date, the medical aid liability of the municipality was unfunded, that is, no dedicated assets have been set aside to meet this liability. Therefore, no assets have been considered as part of this valuation.

Detailed Results

The total liability in respect of post-retirement health care benefits amounts to R1,586.896 million as at 30 June 2018 (2017: R1,473.368 million). Provision for R1,473.368 million has been made (non-current R1,502.617million, current R84.279 million). It is expected that approximately 5.31% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

Past and Future Changes in the Accrued Liability

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

Past year and future projected liability

	Year ending 30/06/2016 R	Year ending 30/06/2017 R'000	Year ending 30/06/2018 R'000	Year ending 30/06/2019 R'000	Year ending 30/06/2020 R'000
Opening Accrued Liability	1 228 072 012	1 332 541	1 360 663	1 473 368	1 586 896
Service cost	40 399 544	44 010	44 099	47 337	53 006
Interest cost	107 833 956	118 774	130 556	140 987	151 770
Benefits paid	-43 764 888	-52 123	-61 950	-74 796	-84 279
Total Annual Expense	104 468 612	110 661	112 705	113 528	120 497
Actuarial Loss / (Gain)		-82 539			
Closing Accrued Liability	1 332 540 624	1 360 663	1 473 368	1 586 896	1 707 393

Balance Sheet Figures

Unfunded Accrued Liability

	Year ending 30/06/2019 R'000	Year ending 30/06/2018 R'000
Balance Sheet		
Fair Value of Plan Assets		
Accrued Liability	1 586 896	1 473 368
Unfunded Accrued Liability	1 586 896	1 473 368
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	1 586 896	1 473 368

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

Category	Year ending 30/06/2019	Year ending 30/06/2018
Service Cost (In-Service members only)	47 337	44 099
Interest Cost	140 987	130 556
Actuarial (Gain)/Loss [2017: Gain on Financial Basis]		
Actuarial (Gain)/Loss [2017: Loss on Experience]		
Total employee benefits expense	188 324	174 655

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Previous Valuation 30 June 2015	Current Valuation 30 June 2017
Discount rate	8.94% pa	9.66% pa
Future Inflation	6.57% pa	6.53% pa
Medical Inflation	8.07% pa	8.03% pa
Subsidy Inflation	0.98% pa	3.27% pa
Post Retirement Interest Rate	0.81% pa	1.5% pa

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields on Government Bonds. The average nominal yield curve produced by the Johannesburg Securities Exchange for SA Government bonds with duration between 15 and 20 years, has been used. The resultant discount rate is 9.66%

Future Inflation Assumptions:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The difference between the above nominal and real bonds with duration of between 15 and 20 years has been used and allowed for a 0.5% inflation risk premium. The implied inflation assumption is therefore 6.53% per annum.

Future medical Inflation Assumption:

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

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

The medical cost inflation was therefore set at 8.03% per annum.

In line with the previous valuation it has been assumed that the maximum subsidy will increase at a rate of 50% of inflation. It is also noted that there has not been any increase in the maximum since 2015.

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 1.50% per annum (derived from the discount rate of 9.66% and the expected medical inflation rate of 8.03%).

Demographic Valuation Assumptions:

Pre-Retirement Mortality-

The SA85/90 light mortality table, rated down by 3 years for female members, was used in the valuation for the mortality of in-service members.

Post-Retirement Mortality-

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

Withdrawal Rates:

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

Assumed Retirement Age:

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

Family Profile:

It is assumed that 90% of In-Service Members on a medical arrangement will be married at retirement. Males are assumed to be five years older than their female spouses. Where the data provided in respect of the Continuation Members, indicated that the spouse was married we have used the actual spouses date of birth. Members have been assumed to have no dependent children after retirement.

Continuation of Membership:

It has been assumed that 100% of In-Service Members will remain on the Municipality's health care arrangement should they stay until retirement. No provision has been made for employees currently not on Municipality-sponsored scheme to join prior to retirement. This is consistent with previous years' assumptions.

It was assumed that employees retiring will remain on the current plan and option at retirement and it was assumed they will remain in the same income category after retirement.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Changes since the previous valuation:

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

Plan Assets:

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

Sensitivity Analysis

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

The analysis is based on the following changes:

- (a) A 1% increase/decrease in the net discount rate; and
(b) A 1-year increase/decrease in the normal retirement age.

Sensitivity Analysis on the Accrued Liability (R millions)

Assumption	Current Assumption	1% Decrease	1% Increase
	9.66%	8.66%	10.66%
Discount Rate			
Liability (R'000)	1 360 633	1 544 019	1 209 720
Cost / (Saving) (R'000)		183 356	-150 943
Post retirement mortality			
	Current Assumption Males 63, Females 58	All Members 63	All Members 65
Liability (R'000)	1 360 633	1 257 798	1 122 878
Cost / (Saving) (R'000)		-102 865	-237 785

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonuses:

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

Long Service Awards:

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

The table below describes the benefits accruing to those employed under the SALGBC LSB Agreement. The policy applicable to the subgroups appointed prior to 01 July 2017 will change to the policy outlined in tables 3.2 to 3.4, once they reach twelve years of service.

Table 3.1: Long Service Bonus for levels of past service:

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

Tables 3.2 to 3.4 describe the policy that the Municipality is phasing-in over a four-year period, for the balance of the employees. This includes all employees from the former Municipalities of Port Elizabeth, Uitenhage, Despatch and Western District Council. However, the Uitenhage employees are already on the highest level, since this was their LSB policy prior to their transfer. The purpose of the amendment of the SALGBC LSB policy is to harmonise the conditions of employment, as it relates to the LSB, across all of the Metro employees.

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Table 3.2: Long Service Bonus for levels of past service (phase-in, year two: 01 July 2017 to 30 June 2018)

Completed Service (in years)	Long Service Bonuses (% of Annual Salary plus 13th cheque)	Description
12 to 17	4.0%	4.0% x monthly salary
18 to 23	8.5%	8.5% x monthly salary x 13
24 and above	13.0%	13.0% x monthly salary x 13

Table 3.3: Long Service Bonus for levels of past service (phase-in, year three: 01 July 2018 to 30 June 2019)

Completed Service (in years)	Long Service	Description
12 to 17	4.5%	4.5% x monthly salary
18 to 23	9.0%	9% x monthly salary x
24 and above	14.0%	14.0% x monthly

Table 3.4: Long Service Bonus for levels of past service (phase-in, year four: 01 July 2019 to 30 June 2020)

Completed Service (in years)	Long Service	Description
12 to 17	5.0%	5.0% x monthly salary
18 to 23	10.0%	10.0% x monthly
24 and above	15.0%	15.0% x monthly

Reconciliation of opening and closing accrued liability values

Past year and future projected liability

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening Accrued Liability	135 956 781	726 184 717	736 271 822	740 582 510
Current service cost	12 314 334	45 223 085	48 789 070	52 636 244
Interest cost	9 947 246	53 821 244	54 239 131	54 660 263
Expected benefit vestings	-19 343 094	-88 957 224	-98 717 513	-109 548 690
Total Annual Expense	2 918 486	10 087 105	4 310 688	-2 252 183
Past Service Cost	577 822 395			
Actuarial Loss / (Gain)	9 487 055			
Accrued Liability	726 184 717	736 271 822	740 582 510	738 330 327

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet	Year ending 30/06/2017	Year ending 30/06/2018
Opening Balance	135 956 781	726 184 717
Current service cost	12 314 334	45 223 085
Interest cost	9 947 246	53 821 244
Expected return on plan assets	0	0
Transitional Liability Recognised	0	0
Actuarial (Gain) / Loss Recognised in P&L	9 487 055	
Past service cost Recognised	577 822 395	0
Effect of curtailment / Settlement	0	0
Miscellaneous Item	0	0
Net Periodic Cost Recognised in P&L	609 571 030	99 044 329
Expected benefit vestings	-19 343 094	-88 957 224
Transitional Liability Recognised outside P&L	0	0
Actuarial (Gain) / Loss Recognised outside P&L	0	0
Closing Balance	726 184 717	736 271 822
Current Portion of Liability	88 957 224	98 717 513
Non-Current Portion of Liability	637 227 493	637 554 309

Key Assumptions

Key Financial Assumptions

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the 2017/18 financial year.

Assumption	Value p.a.
Discount Rate	7.89%
General Salary Inflation (Long Term)	5.85%
Net Effective Discount Rate	1.92%

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.63% as per the SALGBC Circular No. 02/2017. The next salary increase was assumed to take place on 1 July 2018.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Key Demographic Assumptions

Assumption	Value		
	Average retirement age	63 for males; 58 for females	
Mortality during employment	SA 85-90		
Withdrawal from service	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	1%	1%

Detailed Assumptions

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 7.89% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 2.41%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2017.

The average duration of the total liability is 5.74 years.

Salary Inflation Rate:

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

The assumption is traditionally split into two components, namely, General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation:

The expected inflation of 4.85% was obtained from the differential between market yields and index-linked bonds (2.41%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.89%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1 + 7.89\% - 0.50\%) / (1 + 2.41\%)) - 1$.

Thus a general salary inflation rate of 5.85% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 1.92%.

Demographic Assumptions

Promotional Salary Scale:

The annual inflation rates below are in addition to the General Salary Inflation assumption of 5.85% per annum for all employees.

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

Pre-Retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

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

LSB Arrangement Assumptions

It was assumed that the employer's LSB arrangements would remain unchanged, and that the level of benefits would remain unchanged, with the exception of allowing for inflationary adjustments.

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 liability at Valuation Date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed general salary inflation rate;
- A 1% increase and decrease in the discount rate;
- A two-year decrease and increase in the assumed average retirement age of employees; and
- A 50% decrease in the assumed withdrawal rates from service.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

Assumption	Change	Liability	% Change
Central Assumptions		726.185	
General salary inflation	+1%	767.599	6%
	-1%	688.181	-5%
Discount Rate	+1%	686.378	-5%
	-1%	770.388	6%
Average retirement age	-2 yrs	610.919	-16%
	+2 yrs	843.482	16%
Withdrawal rates	-50%	805.318	11%

Sensitivity analysis on current service cost and interest costs for the year ending 30 June 2016

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central Assumptions		11 416 400	9 728 900	21 145 300	
General salary inflation	+1%	12 215 400	10 304 400	22 519 800	7%
	-1%	10 692 900	9 200 600	19 893 500	-6%
Discount rate	+1%	10 753 900	10 331 000	21 084 900	0%
	-1%	12 160 000	9 037 800	21 197 800	0%
Average retirement age	-2 yrs	10 237 100	8 384 100	18 621 200	-12%
	+2 yrs	12 488 200	11 064 100	23 552 300	11%
Withdrawal rates	-50%	13 902 700	11 043 300	24 946 000	18%

GRATUITY BENEFITS

Benefit Structure

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

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

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

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

Financial Valuation Assumptions

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

Assumption	Current Valuation 30 June 2017
Discount Rate	9.09% p.a.
Future Inflation	6.00% p.a.
Wage Inflation	7.00% p.a.
Net Gap Enhanced Gratuities	1.95% p.a.
Net Gap Standard Gratuities	0% p.a.

Demographic Valuation Assumptions

Pre-Retirement Mortality

The SA85/90 light mortality table, rated down by 3 years for female members, was used in the valuation for the mortality of in-service members.

Withdrawal Rates

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

Assumed Retirement Age

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

47 Information on Post Retirement Benefits (Continued)

Valuation Results

The Actuarial Liability was as follows at 30 June 2017:

	30 June 2017 R'000
Standard Gratuity Pension Liability	10 234
Enhanced Gratuity Pension Liability	4 810
Monetary Enhancement	769
Total Accrued Liability	15 813
Balance Sheet Provision	15 813

Actuarial Gains and Losses

Disclosure of additional information relating to the costs and benefits that were paid or accrued in respect of employees during the 2016/17 financial year, could not be calculated since no prior year valuation of the gratuity benefits has been carried out.

Projections

The projections of the expected change in the obligation over the period 30 June 2017 to 30 June 2020, is as follows:

Benefit Projection	Year Ending 30 June 2018 R'000	Year Ending 30 June 2019 R'000	Year Ending 30 June 2020 R'000
PBO at start of the period	15 813	11 332	11 523
Interest Cost	944	960	999
Service Cost	207	354	389
Expected Benefit Payments	-5 632	-1 123	-928
PBO at end of period	11 332	11 523	11 983

Sensitivity Analysis

The following changes were made:

(a) A 1% increase/decrease in the net discount rate.

	Current Assumption 8.66%	1% decrease 8.66%	1% increase 10.66%
Inflation			
Liability (R'000)	15 813	16 113	15 541
Cost / (Saving) (R'000)		300	-572

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2018					
Cost	2 073 131 733	16 933 264 975	3 473 508 913	1 444 843 950	23 924 749 571
Transfers/Adjustments - Costs					-
Restatement - Cost	-	1 304 967		(1 306 464)	(1 497)
Disposal/Impairment					
Transfers/Adjustments - Depreciation				1 497	1 497
Accumulated Depreciation	(274 933 372)	(5 461 695 870)	(931 599 240)	(789 187 402)	(7 457 415 884)
	1 798 198 361	11 472 874 072	2 541 909 673	654 351 581	16 467 333 687
Movement during the year ended 30 June 2019					
Acquisitions	61 195 370	1 442 093 064	109 372 185	50 739 838	1 663 400 457
Transfers / Adjustments - Cost	997 557	23 987 000	16 973 093	93 808 243	135 765 893
Useful lives Adjustment - Depreciation	(36 089 664)	(626 831 222)	(98 836 424)	(116 284 506)	(878 041 816)
Depreciation					-
	26 103 263	839 248 842	27 508 854	28 263 575	921 124 534
Carry Value of Disposals/Impairments during the year ended 30 June 2019					
Cost	-	-	(823 698)	(1 793 994)	(2 617 692)
Depreciation	-	-	(255 234)	1 668 368	1 413 134
	-	-	(1 078 932)	(125 626)	(1 204 558)
Carrying Values at 30 June 2019	1 824 301 624	12 312 122 914	2 568 339 595	682 489 530	17 387 253 663
Summary - Carrying Values at 30 June 2019					
Summary - Cost	2 135 324 660	18 400 650 006	3 599 030 493	1 586 291 573	25 721 296 732
Summary - Accumulated Depreciation	(311 023 036)	(6 088 527 092)	(1 030 690 898)	(903 802 043)	(8 334 043 069)
	1 824 301 624	12 312 122 914	2 568 339 595	682 489 530	17 387 253 663

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2017					
Cost	2 017 289 269	15 485 484 894	3 385 600 252	1 336 080 553	22 224 454 968
Transfers/Adjustments - Costs					-
Restatement - Cost	-	-		1 306 464	1 306 464
Disposal/Impairment					
Transfers/Adjustments - Depreciation				(1 495)	(1 495)
Accumulated Depreciation	(241 076 849)	(5 019 282 921)	(822 927 203)	(744 444 565)	(6 827 731 538)
	1 776 212 420	10 466 201 973	2 562 673 049	592 940 957	15 398 028 399
Movement during the year ended 30 June 2018					
Acquisitions	54 203 372	1 424 551 479	78 301 763	91 112 332	1 648 168 946
Transfers / Adjustments - Cost	1 639 092	23 228 602	9 647 792	18 779 054	53 294 540
Transfers / Adjustment - Depreciation	-	6 075 398	-	50 373 584	56 448 982
Depreciation	(33 856 523)	(448 488 347)	(108 672 037)	(97 291 358)	(688 308 265)
	21 985 941	1 005 367 132	(20 722 482)	62 973 612	1 069 604 203
Carry Value of Disposals/Impairments during the year ended 30 June 2018					
Cost	-	-	(40 894)	(2 434 453)	(2 475 347)
Depreciation	-	-	-	2 176 432	2 176 432
	-	-	(40 894)	(258 021)	(298 915)
Carrying Values at 30 June 2018	1 798 198 361	11 471 569 105	2 541 909 673	655 656 548	16 467 333 687
Summary - Carrying Values at 30 June 2018					
Summary - Cost	2 073 131 733	16 933 264 975	3 473 508 913	1 444 843 950	23 924 749 571
Summary - Accumulated Depreciation	(274 933 372)	(5 461 695 870)	(931 599 240)	(789 187 402)	(7 457 415 884)
	1 798 198 361	11 471 569 105	2 541 909 673	655 656 548	16 467 333 687

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (Continued)

MUNICIPALITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2018					
Cost	2 067 301 622	16 933 264 975	3 473 508 913	1 441 497 818	23 915 573 328
Transfers/Adjustments - Costs					-
Restatement - Cost	-	1 304 967		(1 306 464)	(1 497)
Disposal/Impairment					
Transfers/Adjustments - Depreciation				1 497	1 497
Accumulated Depreciation	(274 383 069)	(5 461 695 870)	(931 599 240)	(787 480 977)	(7 455 159 156)
	1 792 918 553	11 472 874 072	2 541 909 673	652 711 874	16 460 414 172
Movement during the year ended 30 June 2019					
Acquisitions	56 595 746	1 442 093 064	109 372 185	49 746 992	1 657 807 987
Transfers / Adjustments - Cost	997 557	23 987 000	16 973 093	93 808 243	135 765 893
Useful lives Adjustment - Depreciation	(35 849 667)	(626 831 222)	(98 836 424)	(115 812 450)	(877 329 763)
Depreciation					-
	21 743 636	839 248 842	27 508 854	27 742 785	916 244 117
Carry Value of Disposals/Impairments during the year ended 30 June 2019					
Cost	-	-	(823 698)	(1 777 465)	(2 601 163)
Depreciation	-	-	(255 234)	1 668 137	1 412 903
	-	-	(1 078 932)	(109 328)	(1 188 260)
Carrying Values at 30 June 2019	1 814 662 189	12 312 122 914	2 568 339 595	680 345 331	17 375 470 029
Summary - Carrying Values at 30 June 2019					
Summary - Cost	2 124 894 925	18 400 650 006	3 599 030 493	1 581 969 124	25 706 544 548
Summary - Accumulated Depreciation	(310 232 736)	(6 088 527 092)	(1 030 690 898)	(901 623 793)	(8 331 074 519)
	1 814 662 189	12 312 122 914	2 568 339 595	680 345 331	17 375 470 029

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2017					
Cost	2 011 459 158	15 485 484 894	3 385 600 252	1 332 753 043	22 215 297 347
Transfers/Adjustments - Costs					-
Restatement - Cost	-	-		1 306 464	1 306 464
Disposal/Impairment					
Transfers/Adjustments - Depreciation				(1 495)	(1 495)
Accumulated Depreciation	(240 762 698)	(5 019 282 921)	(822 927 203)	(742 945 071)	(6 825 917 893)
	1 770 696 460	10 466 201 973	2 562 673 049	591 112 941	15 390 684 423
Movement during the year ended 30 June 2018					
Acquisitions	54 203 372	1 424 551 479	78 301 763	90 786 242	1 647 842 856
Transfers / Adjustments - Cost	1 639 092	23 228 602	9 647 792	18 779 054	53 294 540
Transfers / Adjustment - Depreciation	-	6 075 398	-	50 373 584	56 448 982
Depreciation	(33 620 371)	(448 488 347)	(108 672 037)	(96 841 859)	(687 622 614)
	22 222 093	1 005 367 132	(20 722 482)	63 097 021	1 069 963 764
Carry Value of Disposals/Impairments during the year ended 30 June 2018					
Cost	-	-	(40 894)	(2 126 985)	(2 167 879)
Depreciation	-	-	-	1 933 864	1 933 864
	-	-	(40 894)	(193 121)	(234 015)
Carrying Values at 30 June 2018	1 792 918 553	11 471 569 105	2 541 909 673	654 016 841	16 460 414 172
Summary - Carrying Values at 30 June 2018					
Summary - Cost	2 067 301 622	16 933 264 975	3 473 508 913	1 441 497 818	23 915 573 328
Summary - Accumulated Depreciation	(274 383 069)	(5 461 695 870)	(931 599 240)	(787 480 977)	(7 455 159 156)
	1 792 918 553	11 471 569 105	2 541 909 673	654 016 841	16 460 414 172

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2018	
Cost	229 700 993
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	229 700 993
Movement during the year ended 30 June 2019	
Acquisition	3 075 851
Transfers / Adjustment	-
Impairment	(15 820 657)
	(12 744 806)
Impairment value during the year ended 30 June 2019	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2019	216 956 187
Summary - Carrying Values at 30 June 2019	
Summary - Cost	232 776 844
Summary - Accumulated Impairment	(15 820 657)
	216 956 187

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2017	
Cost	224 222 631
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	224 222 631
Movement during the year ended 30 June 2018	
Acquisition	-
Transfers / Adjustment	5 478 362
Impairment	-
	5 478 362
Impairment value during the year ended 30 June 2018	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2018	229 700 993
Summary - Carrying Values at 30 June 2018	
Summary - Cost	229 700 993
Summary - Accumulated Impairment	-
	229 700 993

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

49 HERITAGE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2018	
Cost	229 450 493
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	229 450 493
Movement during the year ended 30 June 2019	
Acquisition	3 075 851
Transfers / Adjustment	-
Impairment	(15 820 657)
	(12 744 806)
Impairment value during the year ended 30 June 2019	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2019	216 705 687
Summary - Carrying Values at 30 June 2019	
Summary - Cost	232 526 344
Summary - Accumulated Impairment	(15 820 657)
	216 705 687

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2017	
Cost	223 972 131
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	223 972 131
Movement during the year ended 30 June 2018	
Acquisition	-
Transfers / Adjustment	5 478 362
Impairment	-
	5 478 362
Impairment value during the year ended 30 June 2018	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2018	229 450 493
Summary - Carrying Values at 30 June 2018	
Summary - Cost	229 450 493
Summary - Accumulated Impairment	-
	229 450 493

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2018	
Cost	601 427 024
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(158 775 669)
	442 651 355
Movement during the year ended 30 June 2019	
Acquisition	16 846 927
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(90 833 288)
	(73 986 361)
Impairment/ Disposal value during the year ended 30 June 2019	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2019	368 664 994
Summary - Carrying Values at 30 June 2019	
Summary - Cost	618 273 951
Summary - Accumulated Amortisation	(249 608 957)
	368 664 994

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2017	
Cost	598 865 402
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(515 471 951)
	83 393 451
Movement during the year ended 30 June 2018	
Acquisition	2 561 622
Transfers/Adjustments	-
Transfers/Adjustments	467 784 078
Amortisation	(111 087 796)
	359 257 904
Impairment/ Disposal value during the year ended 30 June 2018	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2018	442 651 355
Summary - Carrying Values at 30 June 2018	
Summary - Cost	601 427 024
Summary - Accumulated Amortisation	(158 775 669)
	442 651 355

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

50 INTANGIBLE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2018	
Cost	601 049 806
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(158 449 608)
	442 600 198
Movement during the year ended 30 June 2019	
Acquisition	16 807 127
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	-
Amortisation	(90 814 045)
	(74 006 918)
Impairment/ Disposal value during the year ended 30 June 2019	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2019	368 593 280
Summary - Carrying Values at 30 June 2019	
Summary - Cost	617 856 933
Summary - Accumulated Amortisation	(249 263 653)
	368 593 280

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2017	
Cost	598 538 384
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(515 180 925)
	83 357 459
Movement during the year ended 30 June 2018	
Acquisition	2 511 422
Transfers/Adjustments	-
Transfers/Adjustments	467 784 078
Amortisation	(111 052 761)
	359 242 739
Impairment/ Disposal value during the year ended 30 June 2018	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2018	442 600 198
Summary - Carrying Values at 30 June 2018	
Summary - Cost	601 049 806
Summary - Accumulated Amortisation	(158 449 608)
	442 600 198

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

51 INVESTMENT PROPERTY RECONCILIATION

ECONOMIC ENTITY AND MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2018	
Cost	289 847 527
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(69 467 800)
	220 379 727
Movement during the year ended 30 June 2019	
Acquisition / Take-on	794 620
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(5 556 289)
	(4 761 669)
Carry Value of Disposals for the year ended 30 June 2019	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2019	215 618 058
Summary - Carrying Values at 30 June 2019	
Summary - Cost	290 642 147
Summary - Accumulated Depreciation	(75 024 089)
	215 618 058

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2017	
Cost	256 233 049
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(62 601 854)
	193 631 195
Movement during the year ended 30 June 2018	
Acquisition	33 614 478
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(6 865 946)
	26 748 532
Carry Value of Disposals for the year ended 30 June 2018	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2018	220 379 727
Summary - Carrying Values at 30 June 2018	
Summary - Cost	289 847 527
Summary - Accumulated Depreciation	(69 467 800)
	220 379 727

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

53 EXPLANATION FOR OPERATING VARIANCES: ECONOMIC ENTITY AND MUNICIPALITY

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2018 as approved by National Treasury.

The Original Budget was approved on 13 June 2018 for the 2018/19 financial year (01 July 2018 to 30 June 2019), and the Final Budget was approved on 28 February 2019.

NMBM uses the accrual basis of accounting for its Budget.

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

ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (REVENUE AND EXPENDITURE)

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

1 Interest earned - Investments

Interest increased due to strict cash flow management. The extent of the investment portfolio was impacted by higher levels of unspent conditional grants during the financial year.

2 Interest raised - Outstanding Debtors

Interest increased due to non payment of outstanding debt by consumers and the implementation of punitive tariff for water usage due to drought conditions.

3 Licences and Permits

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

4 Rental of facilities and equipment

Due to under utilisation of the facilities during the financial year.

5 Other Revenue

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

6 Fines, Penalties and Forfeits

Due to an accurate assessment of actual outstanding Traffic Fines the revenue as well as the impairment of Traffic Fines were adjusted accordingly

7 Dividends received

The dividend income relates to the Sanlam shares.

8 Impairment - Receivables

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

9 Impairment - Other

Less Traffic Fines was impaired than initially anticipated.

10 Transfers and Subsidies

Due to the underspending on the allocations given to the entity - MBDA.

11 Contracted Services

Due to National Government Policy change relating to the housing top structure allocation from National Government directly to HDA (Housing Development Agency) .

12 Other Expenditure

Due to the Operational Efficiencies Cost Containment spending effort of Council. .Underspending on Software Licences, Levies Projects and the downward adjustment in respect of Provision for Litigation contributed to the underspending.

13 Other Materials

Due to under utilisation of consumables by Directorates.

14 Depreciation

The overspending is due to change in useful lives of the assets.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY											
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019											
54	EXPLANATION FOR CAPITAL VARIANCES:										
	APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:										
In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2018 as approved by National Treasury.											
The Original Budget was approved on 13 June 2018 for the 2018/19 financial year (01 July 2018 to 30 June 2019), and the Final Budget was approved on 28 February 2019.											
NMBM uses the accrual basis of accounting for its Budget.											
See below reconciliation between the Budget and the Actual expenditure:											
ACTUAL EXPENDITURE VERSUS 2018/19 CAPITAL BUDGET	Approved 2018/19 Capital Adjustments Budget	Additional USDG Capital Funding	Budget Amendment / Movements between Capital and Operating Budget	Budget Amendment / Movement between Directorates	Reduction + re-distribution of IPTS Grant funds as per DOT	Additional Capital Funding Received - SANEDI	Total Revised 2018/19 Capital Adjustments Budget	2018/19 Actual Expenditure as at 30 June 2019	Variance	% Variance	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	518 192 988	21 739 130	0	286 155	-38 007 004		502 211 269	469 877 824	32 333 445	6	
Human Settlements	224 721 830	0	9 792 002	-4 024 500	0	0	230 489 332	205 798 002	24 691 330	11	Human Settlements planned to acquire additional Land Parcels during the 2018/19 Financial Year. Due to these negotiations not being concluded timeously, the full budget allocation was not able to be spent
Economic Development, Tourism & Agriculture	4 912 100	0	0		0	0	4 912 100	482 979	4 429 121	90	Informal Trading Infrastructure - The item went to BAC (General) on 10 March 2019 and it was re routed to BAC (Built Environment) . Directorate was further requested to get services of a quantity surveyor to assist with quantifying the work to be done technically. EDTA has appointed the quantity surveyor on the 17th April 2019 after an informal tender process. The item will be resubmitted to BEC on the 24 July 2019 as it was rerouted in the BEC 3 July 2019 for consideration
Sport, Recreational and Cultural Service	53 962 355	4 347 826	0	2 614 285	0	0	60 924 466	38 747 381	22 177 085	36	The variances relate to the following Capital Projects: Kwanobuhle Sports Complex - Project was Terminated due to contractor deficiencies. termination was only approved by BAC in March 2019 . Request for new tender served before the Specification Committee on 27 May 2019. Gelvandale Stadium Roof - Extensive Planning has been done by the Consultant for the Gelvandale Stadium Roof, but their Tender amount needs to be increased to accommodate the Works. The funds were therefore not utilized
Safety & Security	25 020 652	0	0		0	0	25 020 652	13 886 710	11 133 942	44	The variances relate to the following Capital Projects: Disaster Management Offices - The project was delayed due to the amalgamation of two erven numbers on one plot. Tender was only advertised on 24 April 2019. The tender documents received were all deemed non-responsive by SCM due to the minimum requirements not being met by the tenderers. Security wall/fencing - Fire Training Centre - Tenderers were non responsive, therefore no expenditure incurred Metro Police: Trooper Carrier - Item was presented at BAC for approval of Deviation on 7 September 2018. The BAC Committee requested additional Items from the Directorate and SAPS before approval. A meeting was held with the A/CM where it was resolved that the item must go to BSC. The Item was done and submitted on Friday, 15 February 2019. Tender was referred back to BEC for minor changes. BAC followed on 24/05/19 for cancellation of the tenders, due to both tenders being non-responsive. Went out on a 7 day tender. The 7 x day tender was unsuccessful, thus leaving insufficient time to conclude the procurement process before financial year-end. A carry-over request will be submitted Traffic: Motherwell Thusong - Bulk Filing Equipment - Item was approved by BAC on 17 May 2019. Successful tenderer advised the Directorate only in the month of June that he is no longer able to supply the goods.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY											
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019											
54 EXPLANATION FOR CAPITAL VARIANCES:											
APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET (CONTINUED):											
ACTUAL EXPENDITURE VERSUS 2018/19 CAPITAL BUDGET	Approved 2018/19 Capital Adjustments Budget	Additional USDG Capital Funding	Budget Amendment / Movements between Capital and Operating Budget	Budget Amendment / Movement between Directorates	Reduction + re-distribution of IPTS Grant funds as per DOT	Additional Capital Funding Received - SANEDI	Total Revised 2018/19 Capital Adjustments Budget	2018/19 Actual Expenditure as at 30 June 2019	Variance	% Variance	Explanation of Variances greater than 10 %
Budget & Treasury	24 942 500	0	0	0	0	0	24 942 500	2 390 676	22 551 824	90	The variance is mainly attributable to the system enhancements project related to the ERP system. The service provider is currently off-site while a dispute is being investigated. The pending outcome will influence the cash flow for the remaining year. Since there has been no outcome as at 30 June 2019, the funds will remain unspent
Public Health	54 308 234	34 782 606	0	0	0	0	89 090 840	84 355 528	4 735 312	5	Urban Refuse Transfer Station - The tender for this project was awarded in May 2018 but the Service Level Agreement was finally signed on the 31 January 2019, the registration by DEDEAT was approved on .The WULA (Water Usage Licence) was approved on the 11 April 2019. The Service Provider should have been on site in April 2019, however the Directorate has advised that the Contractor will only be on site in the beginning of May 2019. Directorate has confirmed that they are currently capturing all outstanding invoices and that the project will be fully spent by 30 June 2019. Replacement of Refuse Compactor - The full budget was committed, however the vehicles have not yet been delivered to NMBM
Corporate Services	52 215 000	0	0	0	0	0	52 215 000	17 586 219	34 628 781	66	The main variance can be attributed to the purchase of IT Servers and Equipment. The latest information provided by the Project Manager is that the Tender to procure replacement of IBM AS400 has closed and the process is now at the Adjudication Stage for the approval of the award. The Capital Project for EMS Enhancements could not commence until the issues surrounding the completion and implementation of the EMS are resolved, therefore the budget will remain unspent in the 2018/19 financial year
Sanitation Service	252 558 946	0	-7 800 000	-3 200 000	0	0	241 558 946	216 888 015	24 670 931	10	
Water Service	524 534 781	0	0	7 224 500	0	0	531 759 281	344 201 174	187 558 107	35	Variances can be attributed to the following: Municipal Disaster Recovery Grant - R203 million was incorporated into the Adjustments Budget. The Directorate has made it known that only R26 million of the total funds will be able to be spent by 30 June 2019 due to time constraints and SCM processes that still need to be undertaken. A request for carry-over will be done.
NMBM Stadium	13 000 000	0	0	0	0	0	13 000 000	1 389 089	11 610 911	89	
Executive and Council (COO)	4 631 956	0	0	-977 710	0	0	3 654 246	3 654 247	(1)	-0	
Electricity & Energy	238 829 829	113 043 479	0	0	0	9 884 259	361 757 567	275 236 035	86 521 531	24	The variances relate to the following Capital Projects: Replacement of Plant and Motor Vehicles - Fleet Management currently has no tender in place since they were using the transversal tender of NT. NT is still in process of renewing the tender Mayoral Project for Electrification of Ramaphosa - The work that was identified in this project was subsequently redirected to USDG funding project
	1 991 831 171	173 913 041	1 992 002	1 922 730	(38 007 004)	9 884 259	2 141 536 199	1 674 493 880	467 042 319	23	
CONTROLLED ENTITIES											
Mandela Bay Development Agency	914 225	0	1 949 219	0	0	0	2 863 444	5 632 270	-2 768 826	-97	
ECONOMIC ENTITY	1 992 745 396	173 913 041	3 941 221	1 922 730	(38 007 004)	9 884 259	2 144 399 643	1 680 126 150	464 273 493		

NOTE 55.1
ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2019

	COST							ACCUMULATED DEPRECIATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Land & Buildings																	
Buildings	955 852 986	-	-	19 062 397	8 747 707	-	-	986 663 090	274 933 372	-	274 933 372	-	36 089 664	-	-	311 023 036	675 640 054
Land	1 114 278 748	-	997 557	33 385 266	-	-	1 148 681 571	-	-	-	-	-	-	-	-	-	1 148 681 571
	2 073 131 734	-	997 557	52 447 663	8 747 707	-	-	2 135 324 661	274 933 372	-	274 933 372	-	36 089 664	-	-	311 023 036	1 824 301 625
Infrastructure Assets																	
Roads, Sidewalks & Stormwater Network	6 792 973 149	759 564	23 705 194	221 362 979	369 634 219	-	-	7 408 435 105	2 311 021 391	-	2 311 021 391	-	259 350 620	-	-	2 570 372 010	4 838 063 094
Beach Developments	69 539 432	-	-	2 783 308	952 978	-	-	73 275 718	15 500 252	-	15 500 252	-	1 856 657	-	-	17 356 908	55 918 810
Electricity Reticulation & Supply	3 199 776 517	231 722	-	208 418 545	2 091 641	-	-	3 410 518 425	1 051 982 957	-	1 051 982 957	-	105 274 081	-	-	1 157 257 038	2 253 261 387
Fencing	122 729 265	-	-	30 905 028	4 197 238	-	-	157 831 531	29 780 970	-	29 780 970	-	11 982 735	-	-	41 763 706	116 067 825
Sewerage Mains & Purification Works	2 853 821 898	507 541	-	27 692 829	206 024 721	-	-	3 088 046 989	1 029 028 590	-	1 029 028 590	-	116 234 739	-	-	1 145 263 329	1 942 783 660
Waste Disposal Facilities	45 011 547	87 946	-	-	2 199 648	-	-	47 299 141	1 992 470	-	1 992 470	-	1 418 033	-	-	3 410 503	43 888 638
Water Supply & Reticulation	2 451 440 773	-	-	119 932 026	183 430 031	-	-	2 754 802 830	782 508 405	-	782 508 405	-	87 178 473	-	-	869 686 879	1 885 115 951
Dams & Treatment Works	1 391 367 446	-	-	9 335 312	53 132 561	-	-	1 453 835 319	238 751 652	-	238 751 652	-	42 214 894	-	-	280 966 546	1 172 868 773
Wi-Fi Infrastructure	6 604 949	-	-	-	-	-	-	6 604 949	1 129 181	-	1 129 181	-	1 320 990	-	-	2 450 171	4 154 779
	16 933 264 976	1 586 773	23 705 194	620 430 027	821 663 037	-	-	18 400 650 007	5 461 695 868	-	5 461 695 868	-	626 831 222	-	-	6 088 527 090	12 312 122 918
Community Assets																	
Libraries	34 744 516	-	-	-	7 002 055	-	-	41 746 571	13 435 409	-	13 435 409	-	906 889	-	-	14 342 298	27 404 273
Library Books	89 901 561	-	9 243 443	-	-	823 698	-	98 321 306	31 534 038	-	31 534 038	-	1 974 311	-255 234	-	33 763 583	64 557 723
Fire Stations	73 667 610	-	-	628 968	862 185	-	-	75 158 763	22 269 544	-	22 269 544	-	3 054 652	-	-	25 324 196	49 834 567
Cemeteries	92 608 896	-	-	-	7 305 207	-	-	99 914 103	16 671 585	-	16 671 585	-	4 853 057	-	-	21 524 642	78 389 461
Clinics	5 482 948	-	-	-	261 522	-	-	5 744 470	1 148 454	-	1 148 454	-	215 942	-	-	1 364 397	4 380 074
Community Centres	260 661 730	-	-	3 522 753	4 481 992	-	-	268 666 475	76 966 493	-	76 966 493	-	8 409 848	-	-	85 376 342	183 290 133
Public Conveniences	9 530 835	-	-	2 832 783	-	-	-	12 363 618	3 139 278	-	3 139 278	-	284 416	-	-	3 423 694	8 939 924
Swimming Pools	86 685 903	-	-	1 020 882	2 988 913	-	-	90 695 698	26 317 941	-	26 317 941	-	2 170 695	-	-	28 488 636	62 207 062
Recreational Facilities	2 755 622 743	-	7 729 650	70 703 474	7 761 450	-	-	2 841 817 317	700 123 057	-	700 123 057	-	75 797 462	-	-	775 920 519	2 065 896 798
Selling & Letting Schemes	64 602 172	-	-	-	-	-	-	64 602 172	39 993 443	-	39 993 443	-	1 169 151	-	-	41 162 594	23 439 579
	3 473 508 914	-	16 973 093	78 708 860	30 663 324	823 698	-	3 599 030 493	931 599 242	-	931 599 242	-	98 836 424	-255 234	-	1 030 690 900	2 568 339 593
Other Assets																	
Bins & Containers	26 637 059	-	-	700 468	2 756 946	-	-	30 094 473	6 686 497	-	6 686 497	-	2 857 935	-	-	9 544 432	20 550 040
Vehicles & Plant	619 488 263	-	-	22 257 940	-	-	-	641 746 203	373 738 539	-	373 738 539	-	53 674 368	-	-	427 412 907	214 333 296
Office Furniture & Fittings	221 039 191	-	-	8 151 614	-	1 275 663	-	227 915 142	182 607 424	-	182 607 424	-	4 575 160	1 222 563	-	185 960 021	41 955 121
Air Monitoring Facilities	24 511	-	-	-	-	-	-	24 511	10 518	-	10 518	-	1 107	-	-	11 626	12 885
Security Systems	10 395 538	-	-	-	-	-	-	10 395 538	10 169 714	-	10 169 714	-	225 823	-	-	10 395 537	1
Tip Sites	394 013 684	-	93 808 243	-	4 578 900	-	-	492 400 827	98 466 461	-	98 466 461	-	45 099 162	-	-	143 565 623	348 835 204
Computer Hardware	171 939 238	-	-	12 293 971	-	518 331	-	183 714 878	117 506 754	-	117 506 754	-	9 850 949	445 805	-	126 911 898	56 802 980
	1 443 537 483	-	93 808 243	43 403 993	7 335 846	1 793 994	-	1 586 291 571	789 185 906	-	789 185 906	-	116 284 505	1 668 368	-	903 802 043	682 489 527
	23 923 443 108	1 586 773	135 484 087	794 990 543	868 409 914	2 617 692	-	25 721 296 733	7 457 414 389	-	7 457 414 389	-	878 041 815	1 413 134	-	8 334 043 069	17 387 253 663

NOTE 55.1 (CONTINUED)
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2019

	COST							ACCUMULATED AMORTISATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Intangible																	
Computer Software	601 427 025	-		39 800	16 807 127			618 273 952	158 775 670		158 775 670		90 833 288		-	249 608 958	368 664 994
	ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2019																
	COST							ACCUMULATED DEPRECIATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Investment Property																	
Land & Buildings	289 847 528	-			794 620			290 642 148	69 467 801	-	69 467 801		5 556 289			75 024 090	215 618 058
	ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2019																
	COST							ACCUMULATED DEPRECIATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Heritage Assets																	
Heritage Buildings	159 204 958		1 006 558	-	-			15 820 657	144 390 859	-	-	-	-	-	-	-	144 390 859
Memorials & Statues	46 000 773		2 069 293	-	-				48 070 066	-	-	-	-	-	-	-	48 070 066
Land	6 655 783			-	-				6 655 783	-	-	-	-	-	-	-	6 655 783
Art Works	17 839 479			-	-				17 839 479	-	-	-	-	-	-	-	17 839 479
	229 700 993	-	3 075 851	-	-	-	15 820 657	216 956 187	-	-	-	-	-	-	-	-	216 956 187
Grant Totals Assets	25 044 418 653	1 586 773	138 559 938	795 030 343	886 011 661	2 617 692	15 820 657	26 847 169 019	7 685 657 859	-	7 685 657 859	-	974 431 392	1 413 134	-	8 658 676 117	18 188 492 902

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.

**NOTE 55.2
ECONOMIC ENTITY'S**

**WORK IN PROGRESS (WIP) / UNDER-CONSTRUCTION included in the
acquisitions as per note 55.1**

PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2019

Details	Amount
Land & Buildings	
Buildings	8 747 707
	8 747 707
Infrastructure Assets	
Roads, Sidewalks & Stormwater Network	369 634 219
Beach Developments	952 978
Electricity Reticulation & Supply	2 091 641
Fencing	4 197 238
Sewerage Mains & Purification Works	206 024 721
Waste Disposal Facilities	2 199 648
Water Supply & Reticulation	183 430 031
Dams & Treatment Works	53 132 561
	821 663 037
Community Assets	
Libraries	7 002 055
Fire Stations	862 185
Cemeteries	7 305 207
Clinics	261 522
Community Centres	4 481 992
Swimming Pools	2 988 913
Recreational Facilities	7 761 450
	30 663 324
Other Assets	
Tip Sites	4 578 900
Bins & Containers	2 756 946
	7 335 846
	868 409 914
INTANGIBLE ASSETS AS AT 30 JUNE 2019	
Details	Amount
Intangible	
Computer Software	16 807 127
INVESTMENT PROPERTY AS AT 30 JUNE 2019	
Details	Amount
Investment Property	
Land & Buildings	794 620
HERITAGE ASSETS AS AT 30 JUNE 2019	
Details	Amount
Heritage Assets	
	-
Grand Total	886 011 661

Some property, plant and equipment have taken a longer period to complete than expected, due to delays.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ECONOMIC ENTITY	Actual 2019 R	Approved Original Budget 2019 R	Adjustments 2019 R	Approved Final Budget 2019 R	Variance between Final Budget and Actual R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	17 303 307 043	15 313 914 816	406 672 264	15 720 587 080	(1 582 719 963)	-10%	1
Non-current Liabilities	3 785 046 241	3 721 780 403	108 488 842	3 830 269 245			
Long-term Liabilities	1 118 615 583	1 203 437 653	148 289 700	1 351 727 353	233 111 770	17%	2
Non-current Provisions - Employee Benefits	2 187 691 857	2 039 603 949	-39 800 858	1 999 803 091	(187 888 766)	-9%	
Non-current Provisions - Other	478 738 801	478 738 801	0	478 738 801	0	0%	
Current Liabilities	2 841 058 648	2 646 569 816	174 853 306	2 821 423 122			
Current Provisions - Employee Benefits	203 405 512	256 367 928	0	256 367 928	52 962 416	21%	3
Current Provisions - Other	82 002	82 002	0	82 002	0	0%	
Consumer Deposits	153 380 769	139 220 777	0	139 220 777	(14 159 992)	-10%	10
Trade and Other Payables	2 323 391 049	2 086 588 466	174 853 306	2 261 441 772	(61 949 277)	-3%	
VAT	71 140 815	71 140 815	0	71 140 815	0	0%	
Current Portion of Long-term Liabilities	89 658 501	93 169 828	0	93 169 828	3 511 327	4%	
Total Net Assets and Liabilities	23 929 411 932	21 682 265 035	690 014 412	22 372 279 447			
ASSETS							
Non-current Assets	18 278 689 525	17 154 030 437	412 003 601	17 566 034 038			
Property, Plant and Equipment (PPE)	17 387 253 663	16 611 394 777	412 003 601	17 023 398 378	(363 855 285)	-2%	
Heritage Assets	216 956 187	216 956 187	0	216 956 187	0	0%	
Intangible Assets	368 664 994	61 136 817	0	61 136 817	(307 528 177)	-503%	4
Investment Property	215 618 058	197 280 265	0	197 280 265	(18 337 793)	-9%	
Long-term Receivables - Exchange Transactions	60 508 659	37 574 427	0	37 574 427	(22 934 232)	-61%	5
Long-term Receivables - Non-exchange Transactions	29 687 964	29 687 964	0	29 687 964	0	0%	
Current Assets	5 650 722 407	4 528 234 598	278 010 811	4 806 245 409			
Inventory	133 005 498	205 781 978	0	205 781 978	72 776 480	35%	6
Trade Receivables - Exchange Transactions	1 628 698 450	1 224 323 598	79 793 842	1 304 117 440	(324 581 010)	-25%	7
Trade Receivables - Non-exchange Transactions	250 886 112	250 886 112	0	250 886 112	0	0%	
Other Receivables - Non-exchange Transactions	159 158	159 158	0	159 158	0	0%	
Other Receivables - Exchange Transactions	412 203 258	473 275 290	0	473 275 290	61 072 032	13%	8
VAT	7 200 205	7 200 205	0	7 200 205	0	0%	
Call Deposits and Investments	3 009 413 994	2 162 410 028	198 216 969	2 360 626 997	(648 786 997)	-27%	9
Call Deposits and Investments - Other	3 198 229	3 198 229	0	3 198 229	0	0%	
Bank Balances and Cash	205 957 503	201 000 000	0	201 000 000	(4 957 503)	-2%	
Total Assets	23 929 411 932	21 682 265 035	690 014 412	22 372 279 447			

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 2019

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

ECONOMIC ENTITY	Actual	Approved	Adjustments	Approved	Variance	%	No.
	2019	Original Budget	2019	Final Budget	between Final Budget and Actual		
	R	R	R	R	R		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	10 894 713 784	10 983 250 244	281 410 818	11 264 661 062			
- Sale of goods and services, fines and taxes levied	7 369 772 598	7 574 668 799	9 266 072	7 583 934 871	214 162 273	3%	
- Grants	3 316 110 814	3 301 989 805	272 835 776	3 574 825 581	258 714 767	7%	
- Dividends received	0	0	0	0	0	0%	
- Interest received	208 830 372	106 591 640	-691 030	105 900 610	(102 929 762)	-97%	1
Cash paid to suppliers and employees	(8 396 214 571)	(8 959 664 202)	(390 542 162)	(9 350 206 364)			
- Employee Costs	(2 935 125 741)	(2 935 125 741)	0	(2 935 125 741)	0	0%	
- Suppliers	(5 323 565 032)	(5 882 146 171)	(390 542 162)	(6 272 688 333)	(949 123 301)	15%	2
- Finance Cost	(137 523 798)	(142 392 290)	0	(142 392 290)	(4 868 492)	3%	
CASH GENERATED FROM OPERATIONS	2 498 499 213	2 023 586 042	-109 131 344	1 914 454 698			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1 798 884 544)	(1 728 084 330)	(315 054 419)	(2 043 138 749)	(244 254 205)	12%	3
Proceeds on Disposal of PPE	14 407	0	0	0	(14 407)	0%	
Purchase of Intangible assets	(16 846 927)	0	0	0	16 846 927	100%	3
Purchase of Investment Property	(794 620)	0	0	0	794 620	100%	3
Purchase of Heritage Assets	(3 075 851)	0	0	0	3 075 851	100%	3
Increase in Other Non-Current Receivables	0	(3 202 967)	0	-3 202 967	(3 202 967)	100%	4
NET CASH FLOW FROM INVESTING ACTIVITIES	(1 819 587 535)	(1 731 287 297)	(315 054 419)	(2 046 341 716)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	7 880 421	2 120 000	10 000 421	10 000 421	100%	5
Repayment of Non-current Liabilities (external loan funding)	(79 760 410)	(83 305 638)	(18 000)	(83 323 638)	(3 563 228)	4%	
Increase in Borrowings	0	148 289 700	0	148 289 700	148 289 700	100%	6
NET CASH FLOW FROM FINANCING ACTIVITIES	(79 760 410)	72 864 483	2 102 000	74 966 483			
NET CHANGE IN CASH AND CASH EQUIVALENTS	599 151 268	365 163 228	(422 083 763)	(56 920 535)			
Cash and cash equivalents at the beginning of the year	2 616 220 229	2 001 445 029	620 300 732	2 621 745 761	5 525 532	0%	
Cash and cash equivalents at the end of the year	3 215 371 497	2 366 608 257	198 216 969	2 564 825 226			

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 2019

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

MUNICIPALITY	Actual 2019 R	Approved Original Budget 2019 R	Adjustments 2019 R	Approved Final Budget 2019 R	Variance between Final Budget and Actual R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	17 289 106 942	15 269 923 380	372 523 625	15 642 447 005	(1 646 659 937)	-11%	1
Non-current Liabilities	3 783 207 479	3 721 780 403	108 488 842	3 830 269 245			
Long-term Liabilities	1 116 776 821	1 203 437 653	148 289 700	1 351 727 353	234 950 532	17%	2
Non-current Provisions - Employee Benefits	2 187 691 857	2 039 603 949	-39 800 858	1 999 803 091	(187 888 766)	-9%	
Non-current Provisions - Other	478 738 801	478 738 801	0	478 738 801	0	0%	
Current Liabilities	2 804 882 338	2 611 342 615	184 853 306	2 796 195 921			
Current Provisions - Employee Benefits	202 253 435	246 367 928	0	246 367 928	44 114 493	18%	3
Current Provisions - Other	82 002	82 002	0	82 002	0	0%	
Consumer Deposits	153 380 769	139 220 777	10 000 000	149 220 777	(4 159 992)	-3%	
Trade and Other Payables	2 288 366 816	2 132 502 080	174 853 306	2 307 355 386	18 988 570	1%	
VAT	71 140 815	0	0	0	(71 140 815)	0%	
Current Portion of Long-term Liabilities	89 658 501	93 169 828	0	93 169 828	3 511 327	4%	
Total Net Assets and Liabilities	23 877 196 759	21 603 046 398	665 865 773	22 268 912 171			
ASSETS							
Non-current Assets	18 266 583 677	17 110 806 904	371 410 057	17 482 216 961			
Property, Plant and Equipment (PPE)	17 375 470 029	16 569 571 824	331 490 988	16 901 062 812	(474 407 217)	-3%	
Heritage Assets	216 705 687	216 705 687	12 744 806	229 450 493	12 744 806	6%	
Intangible Assets	368 593 280	59 986 817	27 174 263	87 161 080	(281 432 200)	-323%	4
Investment Property	215 618 058	197 280 265	0	197 280 265	(18 337 793)	-9%	
Long-term Receivables - Exchange Transactions	60 508 659	67 262 311	-29 687 964	37 574 347	(22 934 312)	-61%	5
Long-term Receivables - Non-exchange Transactions	29 687 964	0	29 687 964	29 687 964	0	0%	
Current Assets	5 610 613 082	4 492 239 494	294 455 716	4 786 695 210			
Inventory	132 843 468	205 781 978	0	205 781 978	72 938 510	35%	6
Trade Receivables - Exchange Transactions	1 628 698 450	1 224 323 598	79 793 842	1 304 117 440	(324 581 010)	-25%	7
Trade Receivables - Non-exchange Transactions	250 886 112	250 886 112	0	250 886 112	0	0%	
Other Receivables - Non-exchange Transactions	0	0	0	0	0	0%	
Other Receivables - Exchange Transactions	390 212 812	480 634 653	0	480 634 653	90 421 841	19%	8
VAT	0	0	0	0	0	0%	
Call Deposits and Investments	3 009 413 994	2 127 414 924	214 661 874	2 342 076 798	(667 337 196)	-28%	9
Call Deposits and Investments - Other	3 198 229	3 198 229	0	3 198 229	0	0%	
Bank Balances and Cash	195 360 017	200 000 000	0	200 000 000	4 639 983	2%	
Total Assets	23 877 196 759	21 603 046 398	665 865 773	22 268 912 171			

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 2019

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

MUNICIPALITY	Actual 2019 R	Approved Original Budget 2019 R	Adjustments 2019 R	Approved Final Budget 2019 R	Variance between Final Budget and Actual R	%	No.
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	10 855 128 356	10 949 455 629	306 652 920	11 256 108 549			
- Sale of goods and services, fines and taxes levied	7 338 441 866	7 574 668 799	7 523 572	7 582 192 371	243 750 505	3%	
- Grants	3 310 312 455	3 270 195 190	299 820 378	3 570 015 568	259 703 113	7%	
- Dividends received	0	0	0	0	0	0%	
- Interest received	206 374 035	104 591 640	-691 030	103 900 610	(102 473 425)	-99%	1
Cash paid to suppliers and employees	(8 333 451 352)	(8 977 194 947)	(395 941 447)	(9 373 136 394)			
- Employee Costs	(2 893 558 774)	(2 893 558 774)	0	(2 893 558 774)	0	0%	
- Suppliers	(5 302 368 780)	(5 941 243 883)	(395 941 447)	(6 337 185 330)	(1 034 816 550)	16%	2
- Finance Cost	(137 523 798)	(142 392 290)	0	(142 392 290)	(4 868 492)	3%	
CASH GENERATED FROM OPERATIONS	2 521 677 004	1 972 260 682	-89 288 527	1 882 972 155			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1 793 292 074)	(1 676 776 846)	(315 054 419)	(1 991 831 265)	(198 539 191)	10%	3
Proceeds on Disposal of PPE	0	0	0	0	0	0%	
Purchase of Intangible assets	(16 807 127)	0	0	0	16 807 127	100%	3
Purchase of Investment Property	(794 620)	0	0	0	794 620	100%	3
Purchase of Heritage Assets	(3 075 851)	0	0	0	3 075 851	100%	3
Increase in Non-Current Receivables	0	0	0	0	0	0%	
Increase in Other Non-Current Receivables	0	-3 202 967	3 202 967	0	0	0%	4
NET CASH FLOW FROM INVESTING ACTIVITIES	(1 813 969 672)	(1 679 979 813)	(311 851 452)	(1 991 831 265)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	7 880 421	2 120 000	10 000 421	10 000 421	100%	5
Repayment of Non-current Liabilities (external loan funding)	(79 760 410)	(83 305 637)	0	(83 305 637)	(3 545 227)	4%	
Increase in Borrowings	0	148 289 700	0	148 289 700	148 289 700	100%	6
NET CASH FLOW FROM FINANCING ACTIVITIES	(79 760 410)	72 864 484	2 120 000	74 984 484			
NET CHANGE IN CASH AND CASH EQUIVALENTS	627 946 922	365 145 353	-399 019 979	-33 874 626			
Cash and cash equivalents at the beginning of the year	2 576 827 089	1 965 467 801	611 359 288	2 576 827 089	0	0%	
Cash and cash equivalents at the end of the year	3 204 774 011	2 330 613 154	212 339 309	2 542 952 463			

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 2019

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

The Original Budget was approved on 13 June 2018 for the 2018/19 financial year (01 July 2018 to 30 June 2019), and the Final Adjustment Budget was approved on 28

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of

57.1 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF FINANCIAL POSITION)

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

1 **Total Accumulated Funds**

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

2 **Long-term Liabilities**

Decrease due to loans reaching the end of their term.

3 **Current Provisions - Employee Benefits**

These provisions are calculated by experts, of which various factors are taken into account to determine the valuation.

4 **Intangible Assets**

The variance is due to a re-assessment of the useful lives.

5 **Long-term Receivables**

The variance is as a result of an Increase in consumer debt, resulting in consumers requesting debt to be paid off over a longer period.

6 **Inventory**

The reduction is due to the write-out of land stock.

7 **Trade Receivables**

Increase in outstanding debts by consumers, which was more than anticipated.

8 **Other Receivables**

The reduction is due to less monies owing by our entity - MBDA

9 **Call deposits and Investments**

There is a significant increase in that due to additional funding received for Drought relief and USDG.

10 **Consumer Deposits**

Increase in consumer deposits due to increase in outstanding consumer debts,

57.2 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF CASH FLOWS)

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

1 **Interest received**

Interest increased due to strict cashflow management.

2 **Cash paid to Suppliers**

Comparing to the prior year's actual, it was anticipated that payments will be more, hence the increase in the budget.

3 **Purchase of Property, Plant and Equipment, Intangibles Assets, Investment Property, Heritage Assets**

Less acquisitions than anticipated.

4 **Increase in Other Non-Current Receivables**

These cash flows relates to Intangible assets, Investment property and Heritage Assets.

5 **Increase in Consumer Deposits**

These cash flows were shown under Trade payables.

6 **Increase in Borrowings**

Additional loan funding was anticipated which never materialised.

Appendix A - Unaudited ECONOMIC ENTITY'S SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019							
2018	Actual	2018	2018		2019	2019	2019
Income	Expenditure	Actual	Surplus/ (Deficit)		Actual	Income	Surplus/ (Deficit)
Income	Expenditure	Actual	Surplus/ (Deficit)		Income	Expenditure	(Deficit)
30 958 217	239 322 775	(208 364 558)	Executive and Council	13 937 247	262 192 751	(248 255 504)	
2 883 352 011	763 464 832	2 119 887 179	Budget and Treasury	3 334 705 171	762 303 807	2 572 401 364	
48 811 673	349 671 475	(300 859 802)	Corporate Services	20 056 438	363 309 576	(343 253 138)	
358 656 235	573 188 216	(214 531 981)	Public Health	409 088 576	659 300 823	(250 212 247)	
264 905 329	220 277 797	44 627 532	Human Settlements	250 110 803	209 439 438	40 671 365	
567 254 939	818 459 052	(251 204 113)	Safety and Security	440 916 440	915 163 967	(474 247 527)	
384 468 635	393 794 101	(9 325 466)	Infrastructure and Engineering - R & G	399 504 314	854 716 489	(455 212 175)	
1 520 348 502	1 050 694 310	469 654 192	Water	1 417 494 311	957 911 222	459 583 089	
3 732 739 811	3 469 978 041	262 761 770	Electricity and Energy	3 909 952 327	3 751 789 745	158 162 582	
112 820 216	134 620 967	(21 800 751)	Economic Development, Tourism and Agriculture	117 033 264	196 424 878	(79 391 614)	
28 367 733	377 764 409	(349 396 676)	Sports, Recreation, Arts and Culture	32 029 421	401 049 633	(369 020 212)	
955 681 745	476 041 910	479 639 835	Sanitation	1 015 022 308	537 954 304	477 068 004	
4 461 935	38 559 080	(34 097 145)	NMBM Stadium	19 939 591	36 705 253	(16 765 662)	
21 043 469	7 504 037	13 539 432	Special Projects	7 075 252	8 795 267	(1 720 015)	
<u>10 913 870 450</u>	<u>8 913 341 002</u>	<u>2 000 529 448</u>	Total	<u>11 386 865 463</u>	<u>9 917 057 153</u>	<u>1 469 808 310</u>	
Controlled Entities							
137 385 292	136 438 709	946 583	Mandela Bay Development Agency	153 649 790	148 632 760	5 017 030	
<u>137 385 292</u>	<u>136 438 709</u>	<u>946 583</u>	Total Controlled Entities	<u>153 649 790</u>	<u>148 632 760</u>	<u>5 017 030</u>	
(123 891 841)	(123 891 841)	-	Less: Intercompany charges	(147 327 646)	(147 327 646)	-	
<u>10 927 363 901</u>	<u>8 925 887 870</u>	<u>2 001 476 031</u>	Total: Economic Entity before taxation	<u>11 393 187 607</u>	<u>9 918 362 267</u>	<u>1 474 825 340</u>	
-	-	-	Taxation	-	-	-	
<u>10 927 363 901</u>	<u>8 925 887 870</u>	<u>2 001 476 031</u>	Total	<u>11 393 187 607</u>	<u>9 918 362 267</u>	<u>1 474 825 340</u>	

**Appendix B - Unaudited
ECONOMIC ENTITY**

DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2019

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	194 173	252 252	195 661	357 914	1 000 000	N / A	Yes
National Electrification Programme	DME	8 648 000	7 000 000	3 855 000	-	19 503 000	3 893 602	8 685 124	4 147 340	1 964 448	18 690 514	N / A	Yes
Urban Settlement Development Grant	DPLG	181 133 000	293 077 000	631 454 000	-	1 105 664 000	124 755 102	170 964 004	147 976 506	322 713 628	766 409 240	N / A	Yes
Transport or PTIS	NT	76 235 000	76 235 000	123 065 000	-	275 535 000	33 242 334	19 263 193	39 641 447	75 782 314	167 929 288	N / A	Yes
Neighbourhood Development Partnership Grant	NT	-	-	-	-	-	-	-	-	-	-	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT	1 678 000	3 020 000	2 013 000	-	6 711 000	577 251	1 619 164	1 388 865	1 763 734	5 349 014	N / A	Yes
Infrastructure Skill Development Grant	NT	4 733 000	-	7 101 000	-	11 834 000	3 165 046	3 154 278	2 536 941	6 762 696	15 618 961	N / A	Yes
Intergrated City Development Grant	NT	6 178 000	6 177 000	-	-	12 355 000	6 350	-	1 501 061	3 585 549	5 092 960	N / A	Yes
Disaster Relief Grant	NT	-	-	233 400 000	-	233 400 000	-	-	3 376 579	15 010 494	18 387 073	N / A	Yes

**Appendix C - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2019**

TOTAL ACCUMULATED FUNDS	2019	2018
	R	R
Made up as follows:		
Housing Development Fund	0	109 731 779
Capital Replacement Reserve	45 047 783	158 478 197
Government Grant Reserve	9 849 354 749	8 643 493 955
Donations and Public Contributions Reserves	448 968 182	425 192 942
Self-Insurance Reserve	60 000 000	142 995 139
COVID Reserve	41 321 868	37 185 503
Accumulated Surplus	6 858 614 461	6 311 404 188
	<u>17 303 307 043</u>	<u>15 828 481 703</u>