General Information

Legal form of entity

Municipality (MFMA)

The Cape Winelands District Municipality (Municipal code DC2) is a district municipality located in the Boland region of the Western Cape province of South Africa and include the category B municipalities of Witzenberg, Drakenstein, Stellenbosch, Breede Valley and Langeberg.

Nature of business and principal activities

The Municipality is a local authority that -
a) Ensures comprehensive and equitable Municipal Health Services within the Cape Winelands;
b) Ensures co-ordination of multi-disciplinary and sectorial disaster risk reduction through integrated institutional capacity for Disaster Risk Management, Disaster Risk Assessment, Response and Recovery;
c) Provides effective planning and co-ordination of fire fighting services, prevention activities and training services throughout the Cape Winelands;
d) Facilitates environmentally sustainable economic development and investment attraction as well as retention through the development and management of strategic partnerships;
e) Facilitates skills development within the Cape Winelands District Municipality by means of knowledge management and social infrastructure investment;
f) Facilitates the creation of sustainable jobs within the Cape Winelands through the provision and maintenance of economic infrastructure;
g) Provides support and shared services to category B municipalities to facilitate economic development planning within the Cape Winelands;
h) Increases access to safe and efficient public transport;
i) Integrates service delivery for maximum impact;
j) Creates opportunities for growth and development in rural areas;
k) Co-ordinate the provision of financial, technical and administrative support services to category B municipalities within the Cape Winelands;
l) Empowers vulnerable groups, build human capital and invest in social capital and rural development programmes;
m) Enhances the planning of waste management services in the Cape Winelands.
n) Facilitates planning co-ordination and spatial planning; and
o) Ensures environmental management through biodiversity, water and natural resource management

Mayoral committee

Ald. (Dr) H VON SCHLICHT (MAYOR) (Appointed - 02/12/2021)
Ald. (Dr) H VON SCHLICHT (MAYOR) (Term ended - 08/11/2021)
Ald. M SAMPSON (DEPUTY MAYOR) (Appointed - 2/12/2021)
Cllr. D.D JOUBERT (SPEAKER) (Appointed - 02/12/2021)
Cllr. D SWART (Appointed - 02/12/2021)
Cllr. G.J CARINUS (Appointed - 02/12/2021)
Cllr. E GROENEWALD (Appointed - 02/12/2021)
Cllr. W.C PETERSEN (Appointed - 02/12/2021)
Cllr. X.L MDEMKA (Appointed - 02/12/2021)
Cllr. J.H.P STEYN (Appointed - 02/12/2021)
Ald. C MEYER (Appointed - 02/12/2021)

Other Councillors

Cllr. W.M BLOM (Appointed - 26/11/2021)
Cllr. D.D JOUBERT (Appointed from 09/11/2021 - 01/12/2021)
Ald. (Dr) H VON SCHLICHT (Appointed from 09/11/2021 - 01/12/2021)
Ald. C MEYER (Appointed from 09/11/2021 - 01/12/2021)
Cllr. G.J CARINUS (Appointed from 09/11/2021 - 01/12/2021)
Cllr. N.D SAUERMAN (Appointed - 26/11/2021)
Cllr. C.F WILSKUT (Appointed - 26/11/2021)

General Information

Cllr. G.J FREDERICKS (Appointed - 09/11/2021)
Cllr. W.M BLOM (Appointed - 26/11/2021)
Cllr. M.N KRIEL (Appointed - 09/11/2021)
Cllr. S GOEDEMAN (Appointed - 09/11/2021)
Cllr. V HANI (Appointed - 09/11/2021)
Cllr. M LIEBENBERG (Appointed - 09/11/2021)
Cllr. J MALITI (Appointed - 09/11/2021)
Cllr. T.R MPULANYANA (Appointed - 09/11/2021)
Cllr. L NGWANE (Appointed - 09/11/2021)
Cllr. A.J PEDRO (Appointed - 09/11/2021)
Cllr. M SMIT (Appointed - 09/11/2021)
Cllr. M.H YABO (Appointed - 09/11/2021)
Cllr. K ADAMS (Appointed - 26/11/2021)
Cllr. D.W NEL (Appointed -09/11/2021)
Cllr. E.G ARENDSE (Appointed - 26/11/2021)
Cllr. M.N. BUSHWANA (Appointed - 26/11/2021)
Cllr. C.O KLAASTE (Appointed - 26/11/2021)
Cllr. A.J DU PLESSIS (Appointed - 26/11/2021)
Cllr. R FARAO (Appointed - 26/11/2021)
Cllr. F JACOBS (Appointed - 26/11/2021)
Cllr. D.B JANSE (Appointed - 26/11/2021)
Cllr. J.S JANUARIE (Appointed - 26/11/2021)
Cllr. C MANUEL (Appointed - 26/11/2021)
Cllr. R NALUMANGO (Appointed - 26/11/2021)
Cllr. N PHATSOANE (Appointed - 26/11/2021)
Cllr. A.M RICHARDS (Appointed - 26/11/2021)
Cllr. J SMITH (Appointed - 26/11/2021)
Cllr. R SMUTS (Appointed - 26/11/2021)
Cllr. M VAN STADEN (Appointed - 26/11/2021)

General Information

In the course of the reporting period, the following councillors ceased to be political office-bearers:	
	Cllr. D SWART (DEPUTY MAYOR)(Term ended - 08/11/2021)
	Cllr. J.J DU PLESSIS (Term ended -08/11/2021)
	Cllr. L.W NIEHAUS (Term ended - 08/11/2021)
	Cllr. A FLORENCE (Term ended - 08/11/2021)
	Cllr. P.C RAMOKHABI (Term ended -08/11/2021)
	Cllr. J.D.F VAN ZYL (Term ended -08/11/2021)
	Cllr. L LANDU (Term ended - 08/11/2021)
	Cllr. Z.L MASOKA (Term ended -08/11/2021)
	Cllr. C DAMENS (Term ended - 08/11/2021)
	Cllr. X KALIPA (Term ended - 08/11/2021)
	Cllr. J.S MOUTON (Term ended - 08/11/2021)
	Cllr. A CROMBIE (Term ended - 08/11/2021)
	Cllr. J.J VAN ROOYEN (Term ended - 08/11/2021)
	Cllr. C STEYN (Term ended -08/11/2021)
	Cllr. E QHANKQISO (Term ended - 08/11/2021)
	Cllr. B.B NTSHINGILA (Term ended -08/11/2021)
	Cllr. W.M BLOM (Term ended - 08/11/2021)
	Cllr. S.S MAGQAZANA (Term ended -08/11/2021)
	Cllr. D.R.A SNYDERS (Term ended - 08/11/2021)
	Ald. J.W SCHUURMAN (Term ended - 08/11/2021)
	Cllr. M.T KLAAS (Term ended - 08/11/2021)
	Cllr. R DU TOIT (Term ended -08/11/2021)
	Cllr. L.N QOBA (Term ended - 08/11/2021)
	Cllr. W VROLICK (Term ended - 08/11/2021)
	Cllr. R.S NALUMANGO (Term ended -08/11/2021)
	Cllr. P DANIELS (Term ended - 08/11/2021)
	Cllr. A.J SHIBILI (Term ended -08/11/2021)
	Cllr. C.F WILSKUT (Term ended - 08/11/2021)
	Cllr. L.S SAMBOKWE (Term ended -08/11/2021)
	Cllr. N TETANA (Term ended - 08/11/2021)
	Cllr. S.C RENS (Term ended - 08/11/2021)
	Cllr. J SMIT (Term ended -08/11/2021)
	Cllr. N.D SAUERMAN (Term ended - 08/11/2021)
	Cllr. M.N BUSHWANA (Term ended - 08/11/2021)
	Cllr. T.M WEHR (Term ended - 08/11/2021)
	Cllr. K. ADAMS (Resigned - 09/06/2022)
Grading of local authority	GRADE 4 MEDIUM CAPACITY
Municipal Manager	H.F PRINS
Chief Financial Officer (CFO)	F.A DU RAAN - GROENEWALD
Registered office	46 ALEXANDER STREET STELLENBOSCH 7600
Postal address	P.O.BOX 100 STELLENBOSCH

General Information

	7599
Telephone	0861 265 263
Bankers	NEDBANK
Auditors	AUDITOR GENERAL OF SOUTH AFRICA (AGSA)

Index

The reports and statements set out below comprise the financial statements presented to the council:

Index

ASB	Accounting Standards Board
Cllr	Councillor
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
CWDM	Cape Winelands District Municipality
GRAP	South African Standards of Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
LG SETA	Local Government Sector Education and Training Authority
mSCOA	municipal Standard Chart of Accounts
MFMA	Municipal Finance Management Act (Act 56 of 2003)
PPPFA	Preferential Procurement Policy Framework Act
RPAMS	Rural Roads Asset Management System
PRMA	Post Retirement Medical Aid
VAT	Value-Added Tax
WCA	Workmen's Compensation Assistance
WCPG	Western Cape Provincial Government

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information, included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality, as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the ASB.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, the accounting officer is supported by the municipality's internal auditors.

The financial statements set out on page 5 - 99, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.

Accounting Officer
HF PRINS

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	790,328,779	766,153,639
Other receivables from exchange transactions	4	46,814,055	21,300,098
Trade receivables from exchange transactions	5	-	60,986
Inventories	6	1,978,517	2,761,197
VAT receivable	7	2,455,080	1,715,323
Receivables from non-exchange transactions	8	122,441	83,869
Employee benefit asset	13	2,721,827	2,480,000
		844,420,699	**794,555,112**
Non-Current Assets			
Property, plant and equipment	9	147,967,023	154,720,923
Intangible assets	10	566,615	658,926
Employee benefit asset	13	5,212,822	8,075,196
		153,746,460	**163,455,045**
Non-Current Assets		153,746,460	163,455,045
Current Assets		844,420,699	794,555,112
Total Assets		**998,167,159**	**958,010,157**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	11	5,776,226	5,335,321
Payables from exchange transactions	12	4,912,888	7,421,619
Employee benefit obligation	13	37,067,065	35,622,748
Provisions	15	43,276	6,440
		47,799,455	**48,386,128**
Non-Current Liabilities			
Employee benefit obligation	13	149,836,320	144,709,001
Non-Current Liabilities		149,836,320	144,709,001
Current Liabilities		47,799,455	48,386,128
Total Liabilities		**197,635,775**	**193,095,129**
Assets		998,167,159	958,010,157
Liabilities		(197,635,775)	(193,095,129)
Net Assets		**800,531,384**	**764,915,028**
Accumulated surplus	14	800,531,384	764,915,028

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	182,762	194,644
Rental of facilities and equipment	17	229,048	238,615
Roads services	18	105,635,889	105,032,933
Other income	19	1,311,127	1,216,118
Interest received - investment	20	40,295,365	38,231,810
Total revenue from exchange transactions		**147,654,191**	**144,914,120**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	21	253,274,643	245,597,044
Public contributions and donations	22	938,667	17,240
Total revenue from non-exchange transactions		**254,213,310**	**245,614,284**
		147,654,191	144,914,120
		254,213,310	245,614,284
Total revenue		**401,867,501**	**390,528,404**
Expenditure			
Employee related costs	23	(206,152,202)	(197,071,150)
Remuneration of councillors	24	(12,744,505)	(12,657,183)
Depreciation and amortisation	25	(9,801,055)	(9,238,318)
Finance costs	27	(13,896,000)	(16,985,000)
Lease rentals on operating lease		(298,157)	(338,536)
Debt impairment	26	(113,215)	(32,597)
Transfers and Subsidies	28	(16,988,386)	(12,173,420)
Contracted services	29	(33,225,096)	(31,707,477)
Loss on disposal of assets		(132,468)	(167,052)
Inventories losses/write-downs		(49,320)	(91,017)
General Expenses	30	(72,850,740)	(73,634,690)
Total expenditure		**(366,251,144)**	**(354,096,440)**
Total revenue		401,867,501	390,528,404
Total expenditure		(366,251,144)	(354,096,440)
Surplus for the year		**35,616,357**	**36,431,964**

* See Note 32

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	728,483,064	728,483,064
Balance at 30 June 2020	**728,483,064**	**728,483,064**
Changes in net assets		
Prior period error	9,724,668	9,724,668
Surplus for the year	26,707,296	26,707,296
Total changes	36,431,964	36,431,964
Restated* Balance at 30 June 2021	**764,915,027**	**764,915,027**
Changes in net assets		
Surplus for the year	35,616,357	35,616,357
Total changes	35,616,357	35,616,357
Balance at 30 June 2022	**800,531,384**	**800,531,384**
Note(s)	14 & 32	

* See Note 32

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		86,557,801	104,735,848
Grants		253,284,230	245,614,284
Interest income		34,764,396	44,275,772
		374,606,427	394,625,904
Payments			
Employee costs		(210,868,544)	(207,635,421)
Suppliers		(121,649,870)	(122,394,324)
Other payments: Remuneration to Councillors		(12,744,504)	(12,657,183)
		(345,262,918)	(342,686,928)
Net cash flows from operating activities	33	**29,343,509**	**51,938,976**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(5,176,301)	(2,698,368)
Proceeds from sale of property, plant and equipment	9	46,089	-
Purchase of other intangible assets	10	(38,157)	(79,668)
Net cash flows from investing activities		**(5,168,369)**	**(2,778,036)**
Net increase/(decrease) in cash and cash equivalents		**24,175,140**	**49,160,940**
Cash and cash equivalents at the beginning of the year		766,153,639	716,992,699
Cash and cash equivalents at the end of the year	3	**790,328,779**	**766,153,639**

* See Note 32

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	240,000	-	**240,000**	229,048	**(10,952)**	
Interest received - investment	41,000,000	-	**41,000,000**	40,295,365	**(704,635)**	
Licences and permits	653,000	-	**653,000**	739,566	**86,566**	Note 44 & 45
Agency services	107,443,297	-	**107,443,297**	106,979,783	**(463,514)**	Note 44
Transfers and subsidies	258,641,529	9,588	**258,651,117**	253,668,691	**(4,982,426)**	Note 44
Other revenue	10,989,369	(9,588)	**10,979,781**	9,691,259	**(1,288,522)**	Note 44 & 45
Total Revenue (excluding capital transfers and contributions)	**418,967,195**	**-**	**418,967,195**	**411,603,712**	**(7,363,483)**	
Expenditure						
Employee related costs	(230,972,967)	-	**(230,972,967)**	(218,978,840)	**11,994,127**	Note 44
Remuneration of councillors	(13,232,003)	-	**(13,232,003)**	(12,744,506)	**487,497**	
Debt impairment	(150,000)	29,700	**(120,300)**	(113,215)	**7,085**	
Depreciation and amortisation	(9,876,320)	-	**(9,876,320)**	(9,801,055)	**75,265**	
Inventory consumed	(23,651,381)	64,827	**(23,586,554)**	(21,452,352)	**2,134,202**	Note 44
Contracted Services	(54,071,958)	296,477	**(53,775,481)**	(33,225,096)	**20,550,385**	Note 45
Transfers and Subsidies	(18,412,500)	(241,608)	**(18,654,108)**	(16,988,386)	**1,665,722**	
Other expenditure	(69,796,211)	(14,315)	**(69,810,526)**	(63,534,832)	**6,275,694**	Note 44
Losses	(12,000)	(135,081)	**(147,081)**	(132,468)	**14,613**	
Total expenditure	**(420,175,340)**	**-**	**(420,175,340)**	**(376,970,750)**	**43,204,590**	
Surplus/ (Deficit)	**(1,208,145)**	**-**	**(1,208,145)**	**34,632,962**	**35,841,107**	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,208,145	-	**1,208,145**	54,315	**(1,153,830)**	Note 44 & 45
Transfers and subsidies - capital (in- kind)	-	-	**-**	929,080	**929,080**	Note 44 & 45
Surplus/ Deficit for the year	**-**	**-**	**-**	**35,616,357**	**35,616,357**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	20,919,759	-	**20,919,759**	6,828,779	**(14,090,980)**	Note 44 & 45
Call investments deposits	778,500,000	-	**778,500,000**	783,500,000	**5,000,000**	Note 44
Consumer debtors	921,175	-	**921,175**	26,918,529	**25,997,354**	Note 44 & 45
Other debtors	16,213,113	-	**16,213,113**	22,360,155	**6,147,042**	Note 44 & 45
Current portion of long term-receivable	910,196	-	**910,196**	2,721,827	**1,811,631**	Note 45
Inventories	2,072,700	-	**2,072,700**	1,978,517	**(94,183)**	
	819,536,943	**-**	**819,536,943**	**844,307,807**	**24,770,864**	
Non-Current Assets						
Property, plant and equipment	158,884,181	-	**158,884,181**	147,967,023	**(10,917,158)**	
Intangible assets	2,034,657	-	**2,034,657**	566,615	**(1,468,042)**	Note 45
Other non- current assets	-	-	**-**	5,212,822	**5,212,822**	Note 45
	160,918,838	**-**	**160,918,838**	**153,746,460**	**(7,172,378)**	
Non-Current Assets	819,536,943	-	**819,536,943**	844,307,807	**24,770,864**	
Current Assets	160,918,838	-	**160,918,838**	153,746,460	**(7,172,378)**	
Total Assets	**980,455,781**	**-**	**980,455,781**	**998,054,267**	**17,598,486**	
Liabilities						
Current Liabilities						
Consumer deposits	-	-	**-**	20,000	**20,000**	Note 44 & 45
Trade and other payables	7,834,463	-	**7,834,463**	13,133,060	**5,298,597**	Note 44 & 45
Provisions	43,910,085	-	**43,910,085**	34,533,508	**(9,376,577)**	Note 44 & 45
	51,744,548	**-**	**51,744,548**	**47,686,568**	**(4,057,980)**	
Non-Current Liabilities						
Provisions	173,520,877	-	**173,520,877**	149,836,319	**(23,684,558)**	Note 45
Total Liabilities	**225,265,425**	**-**	**225,265,425**	**197,522,887**	**(27,742,538)**	
Net Assets	**755,190,356**	**-**	**755,190,356**	**800,531,380**	**45,341,024**	
Reserves						
Reserves	65,457,034	-	**65,457,034**	79,307,027	**13,849,993**	Note 44 & 45
Accumulated surplus	689,733,322	-	**689,733,322**	721,224,353	**31,491,031**	Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Other Revenue	133,113,526	-	**133,113,526**	86,557,801	**(46,555,725)**	Note 45
Government - operating	257,323,800	-	**257,323,800**	253,284,230	**(4,039,570)**	
Government - capital	162,145	-	**162,145**	-	**(162,145)**	Note 45
Interest	41,000,000	-	**41,000,000**	34,764,396	**(6,235,604)**	Note 45
	431,599,471	**-**	**431,599,471**	**374,606,427**	**(56,993,044)**	
Payments						
Suppliers and employees	(370,307,819)	-	**(370,307,819)**	(328,274,532)	**42,033,287**	Note 44 & 45
Transfer and grants	(12,544,640)	-	**(12,544,640)**	(16,988,386)	**(4,443,746)**	Note 44 & 45
	(382,852,459)	**-**	**(382,852,459)**	**(345,262,918)**	**37,589,541**	
Net cash flows from operating activities	**48,747,012**	**-**	**48,747,012**	**29,343,509**	**(19,403,503)**	
Cash flows from investing activities						
Capital assets	(15,506,979)	-	**(15,506,979)**	(5,214,458)	**10,292,521**	Note 45
Proceeds from sale of property, plant and equipment	46,087	-	**46,087**	46,089	**2**	
Purchase of intangible assets	-	-	**-**	-	**-**	
Net cash flows from investing activities	**(15,460,892)**	**-**	**(15,460,892)**	**(5,168,369)**	**10,292,523**	
Cash flows from financing activities						
Increase/ (decrease) in consumer deposits	(20,000)	-	**(20,000)**	-	**20,000**	Note 45
Net increase in cash and cash equivalents	33,266,120	-	**33,266,120**	24,175,140	**9,090,978**	
Cash and cash equivalents at the beginning of the year	766,153,639	-	**766,153,639**	766,153,639	**-**	
Cash and cash equivalents at the end of the year	**799,419,759**	**-**	**799,419,759**	**790,328,779**	**9,090,978**	

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the GRAP, issued by the ASB in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

All figures have been rounded to the nearest Rand.

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by GRAP.

A summary of the significant accounting policies, which have been consistently applied with the previous period in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on an individual basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on historical data collected by the municipality. The estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficient long maturity to match the estimated maturity of all benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime lending rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory

An allowance has been made for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in note 6.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15.

Impairment of statutory receivables

If there is an indication that a statutory receivable, may be impaired, the municipality recognises an impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting by principals and agents

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

1.2 Reserves

Internal ring fenced reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the IDP. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when funds from the CRR are utilised.

- The cash is invested until it is utilised. The cash may only be invested in accordance with the Cash Management and Investments Policy of the municipality.
- Interest earned on the CRR investment is recorded as part of the total interest earned in the Statement of Financial Performance, whereafter such interest may be transferred from accumulated surplus to CRR.

Accounting Policies

1.2 Reserves (continued)

- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- If gains or losses are made on the sale of assets, these are reflected in the Statement of Financial Performance.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

Accumulated Surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.3 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Amounts recovered from the WCPG in respect of the future medical liability of the road staff are included in the balance of cash and cash equivalents.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, the cost is considered to be the fair value as at date of acquisition.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

1.4 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, items of property, plant and equipment are measured as follows:

(i) Plant and machinery - at cost less accumulated depreciation and accumulated impairment losses; and

(ii) Buildings - at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is calculated using the straight line method, over the estimated useful lives to their estimated residual value of the assets. The depreciation rates are based on the following estimated useful lives for the current and comparative years:

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Estimated useful life
Buildings	Straight line	30-65
Infrastructure	Straight line	15-55
Furniture and fixtures	Straight line	3-35
Motor vehicles	Straight line	5-35
Office equipment	Straight line	3-30
Plant and machinery	Straight line	3-50
Other property, plant and equipment	Straight line	3-50
Leased assets	Straight line	5-10

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Expected useful life

Accounting Policies

1.4 Property, plant and equipment (continued)

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

(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 entity has changed the manner in which the asset is used.

(ii) The entity has changed the utilisation rate of the asset.

(iii) The entity 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.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value at the date of acquisition.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.5 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 15 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

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

Recognition

The municipality's heritage assets are culturally significant resources. These assets, in addition to meeting the definition of a Heritage asset, are currently in use as office accommodation and therefore meets the definition of Property, Plant and Equipment.

Heritage assets are not recognised as a heritage asset even though the definition of a heritage asset is met, because a significant portion is applied for administrative purposes.

Heritage assets are accounted for in accordance with GRAP on Property, Plant and Equipment (GRAP 17). Refer to note 1.4

The municipality has the following registered Heritage Assets:
- Building at 46 Alexander Street, Stellenbosch was declared as a Provincial Heritage site on 8 September 1967.
- Building at 194 Main Road, Paarl.

Impairment

On an annual basis the municipality assess heritage assets for any indications of impairment. The municipality uses the following guidance provided by GRAP 21 and 26 (Impairment of cash and non-cash generated assets). The indicators for impairment may include but are not limited to:

External sources:

Changes in the market- if there is a significant decrease in the market value of the similar item;

Changes in the market- absence of an active market for a revalued heritage asset for example if the supplier has been liquidated, .

Internal sources:

Significant change with an adverse effect on the entity- spare parts are no longer available and changes in technology took place.

Physical damage to the heritage asset or prolonged deterioration affecting its value.

Accounting Policies

1.7 Changes in accounting policies, estimates errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors are applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to applicable note to the annual financial statements for details of corrections of errors recorded during the period under review.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Accounting Policies

1.8 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash
- a residual interest of another municipality
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Accounting Policies

1.8 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Accounting Policies

1.8 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are recognised at revenue.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from non-exchange transactions.

Accounting Policies

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

1.9 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the prime lending rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Accounting Policies

1.10 Leases (continued)

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight- line basis.

Any contingent rent is expensed in the period in which they are incurred.

1.11 Inventories

Inventories consist of unsold properties and consumables.

Initial measurement

Inventories are initially measured at cost. Cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Direct costs relating to unsold properties are accumulated for each separately identifiable development.

Subsequent measurement

Unsold properties and consumables to be distributed at no or nominal consideration are subsequently measured at the lower of cost and current replacement cost.

Roads inventory to be distributed at no or nominal consideration or to be consumed in the production process of goods to be distributed at no or nominal consideration are subsequently measured at the lower of cost and current replacement cost.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Derecognition

The municipality derecognises unsold low cost housing contained in inventory when construction of such properties has been completed and occupation of houses taken by the beneficiaries. At date of derecognition, the expense is recognised in the Statement of Financial Performance.

Accounting Policies

1.11 Inventories (continued)

When other inventories are utilised or consumed, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Grants in Aid

The municipality annually awards grants to organisations in terms of Section 67 of the MFMA. When making these transfers, the municipality does not:

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

1.13 Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.14 Budget information

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

The approved budget covers the period from 01/07/2021 to 30/06/2022.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts as prescribed in GRAP 24.

A comparison of actual versus budgeted revenue and expenditure is disclosed in the Statement of Comparison of Budget and actual amounts and reasons for variances in excess of 10%.

1.15 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Accounting Policies

1.15 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements.

1.16 Value added Tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act (Act No. 89 of 1991).

1.17 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current prime lending rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of a cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. The municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.18 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.19 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

A provision is used only for expenditures for which the provision was originally recognised.

Accounting Policies

1.19 Provisions and contingencies (continued)

Provisions shall not be recognised for deficits from future operating activities.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 Revenue from exchange transactions

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Agency fees are recognised to the extent of work performed.

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of municipal assets yielding interest is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.22 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to notes 31 for detail.

1.25 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Employee benefits

Employee benefits are all forms of consideration given by a entity in exchange for services rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

1.28 Employee benefits (continued)
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- a entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for services rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.28 Employee benefits (continued)

Long term receivable

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, a municipality shall recognise its right to reimbursement as a separate asset. The municipality shall measure the asset at fair value. In all other respects, the municipality shall treat that asset in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan may be presented net of the amount recognised for a reimbursement.

The municipality recognised a long term receivable relating to the recoveries from the Department of Transport and Public Works in respect of the post-employment medical benefit relating to the roads staff.

The assumptions used by the actuaries to calculate the portion of the roads staff are the same as that used to calculate the amount of the liability relating to the post-employment medical aid.

Multi-employer plans

The entity classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined benefit plan, the entity accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Accounting Policies

1.28 Employee benefits (continued)

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Accounting Policies

1.28 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The amount recognised as a liability for other long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.29 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Accounting Policies

1.29 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure.

Notes to the Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set.

The impact of this revisions is currently being assessed.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs
- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases
- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property
- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition achieved in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The municipality expects to adopt the improvements for the first time in the 2023/2024 financial statements.

The impact of this improvements is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Notes to the Financial Statements

2. New standards and interpretations (continued)

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2023.

The municipality expects to adopt the amendment for the first time in the 2023/2024 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	24,328,779	20,153,639
Short-term investments	766,000,000	746,000,000
	790,328,779	**766,153,639**

Included in the balance of cash and cash equivalents is an amount of R 35 961 349 (2021: R 30 697 803) relating to the portion recovered from the WCPG, Department of Transport and Public Works, in respect of the future medical aid liability of the roads staff.

Included in the balance of cash and cash equivalents is an amount relating to unspent conditional grants. (refer to note 11).

No cash and cash equivalents have been pledged as security.

Short-term investments

ABSA - Investment		
Opening balance	148,000,000	137,000,000
Movements for the year	16,000,000	11,000,000
	164,000,000	**148,000,000**
FNB - Investment		
Opening balance	137,000,000	105,000,000
Movements for the year	(8,000,000)	32,000,000
	129,000,000	**137,000,000**

Figures in Rand	2022	2021

3. Cash and cash equivalents (continued)

INVESTEC - Investment

Opening balance	141,000,000	109,000,000
Movements for the year	(2,000,000)	32,000,000
	139,000,000	**141,000,000**

NEDCOR - Investment

Opening balance	165,000,000	171,000,000
Movements for the year	6,000,000	(6,000,000)
	171,000,000	**165,000,000**

STANDARD BANK - Investment

Opening balance	155,000,000	171,000,000
Movements for the year	8,000,000	(16,000,000)
	163,000,000	**155,000,000**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Nedbank - Primary bank account	6,828,779	7,653,639	8,990,447	6,828,779	7,653,639	8,990,447
Nedbank - Call account	17,500,000	12,500,000	15,000,000	-	-	-
Total	**24,328,779**	**20,153,639**	**23,990,447**	**6,828,779**	**7,653,639**	**8,990,447**

4. Other receivables from exchange transactions

Prepayments	2,278,610	2,280,450
Deposits	4,740	116,738
Insurance claims	40,071	39,420
Municipal health debtor	74,760	133,393
Rental	4,341	25,141
Councillors	22,484	22,378
Accrued interest	17,321,583	11,790,614
Roads services (Department of Transport and Public Works)	26,796,873	6,685,582
Other receivables	174,595	120,376
Post retirement medical aid	225,995	213,473
Allowance for impairment	(129,997)	(127,467)
	46,814,055	**21,300,098**

Other receivables pledged as security

No other receivables were pledged as security.

Credit quality of other receivables

The credit quality of other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty defaults. The municipality's historical experience in collection of other trade receivables falls within recorded allowances. Due to these factors, management's view is that no additional risk beyond amounts provided for collection losses is inherent in the municipality's other trade receivables.

Other receivables from exchange transactions

Gross balance

Other receivables from exchange transactions	46,944,052	21,427,564
	46,944,052	**21,427,564**

Notes to the Financial Statements

Figures in Rand	2022	2021

4. Other receivables from exchange transactions (continued)

Less: Allowance for impairment		
Other receivables	110,343	108,563
Post retirement medical aid	19,654	18,904
	129,997	**127,467**
Net balance		
Other receivables from exchange transactions	46,814,055	21,300,097
	46,814,055	**21,300,097**
Other receivables from exchange transactions		
Current (0-30 days)	27,167,230	7,077,003
31 - 60 days	2,437	323
61 - 90 days	3,482	-
91 - 120 days	-	-
121 - 365 days	-	21,487
> 365 days	18,227	107,843
	27,191,376	**7,206,656**

None of the financial assets that are fully performing have been renegotiated in the last year.

Prepayments of R 2 278 610 (2021:R 2 280 450) were not included as the future economic benefits relate to the receipt of goods and services. Councillor debt of R 22 484 (2021: R 22 378) was not included as this relate(s) to recoveries still to be concluded at reporting date. The interest accrual of R 17 321 583 (2021: R 11 790 614) was not included in the ageing as it is not due yet.

Other receivables past due but not impaired

Management regard other receivables from exchange transactions for outstanding amounts of more than 30 days as past due. The impairment of other receivables from exchange transactions is based on the historic payment rate of the receivable.

As at 30 June 2022 other receivables of R 46 632 (2021: R 152 031) were past due but not impaired.

No other receivables were pledged as security.

Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	(127,467)	(160,018)
Provision for impairment	(5,440)	(25,221)
Unused amounts reversed	2,910	57,772
	(129,997)	**(127,467)**

Figures in Rand	2022	2021

5. Trade Receivables from exchange transactions

	2022	2021
Gross balances		
Fire Fighting	196,611	146,912
Less: Allowance for impairment		
Fire Fighting	(196,611)	(85,926)
Net balance		
Fire Fighting	-	60,986

	2022	2021
Fire Fighting		
Current (0 -30 days)	-	-
31 - 60 days	-	23,282
61 - 90 days	50,982	37,705
91 - 120 days	331	18,246
121 - 365 days	28,352	4,524
> 365 days	116,946	63,155
	196,611	**146,912**

	2022	2021
Reconciliation of allowance for impairment		
Balance at beginning of the year	(85,926)	(20,778)
Contributions to allowance	(117,761)	(65,148)
Reversal of allowance	7,076	-
	(196,611)	**(85,926)**

Trade receivables pledged as security

No trade receivables were pledged as security.

The risk profile of each class of debtor was assessed to determine the allowance for impairment.

No collateral is held for any of the debtors disclosed above.

Credit quality of trade receivables

Due to historic trends that cannot be determined, the credit quality of each individual debtor that are neither due nor past nor impaired was assessed. As per the Credit Control and Debt Collection Policy, all debtors with accounts outstanding for more than 60 days are handed over to the debt collectors of the municipality. The municipality’s historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management's view that no additional risk beyond amounts provided for collection losses is inherent in the municipality’s trade receivables.

Trade receivables past due but not impaired

The debt originated as a result of firefighting services rendered in terms of the Fire Fighting Act. The impairment for receivables from exchange transactions were calculated based on the assessment of each individual debtor, as a historic payment trend cannot be determined for firefighting debtors.

As at 30 June 2022 trade receivables of R 196 611 (2021: R 146 912) were past due but not impaired.

Trade receivables impaired and provided for

As at 30 June 2022, consumer debtors of Rnil (2021: Rnil) were impaired.

As at 30 June 2022, consumer debtors of R 196 611 (2021: R 85 926) were provided for.

Notes to the Financial Statements

Figures in Rand	2022	2021

5. Trade Receivables from exchange transactions (continued)

The ageing of these receivables are as follows:

Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	50,982	-
91 - 120 days	331	18,246
120 days or more	145,298	67,680

6. Inventories

Consumable stores	1,905,577	2,688,257
Housing stock	72,940	72,940
	1,978,517	**2,761,197**

No inventory has been pledged as security.

Consumables valued at R 49 320 (2021: R 91 017) were written off and recognised in the Statement of Financial Performance.

Inventory valued at R 4 160 608 (2021: R 4 791 216) were expensed in the Statement of Financial Performance.

7. VAT receivable

VAT	2,455,080	1,715,323

Statutory receivables

Gross balances		
VAT receivable	2,455,080	1,715,323
Less: Allowance for impairment		
VAT receivable	-	-
Net balance		
VAT receivable	2,455,080	1,715,323

Transactions arising from statute

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act (Act No. 89 of 1991). The statutory receivable is measured at its transactional amount.

The VAT receivable recognised at year end is mainly due to the impact of the difference between the input and output VAT recognised during the financial year as well as the accruals raised at year end.

No interest or other charges are levied against the statutory receivable.

Management regard statutory receivables as being impaired on the same basis that other receivables from exchange transactions are assessed for impairment (historic payment rate of the receivable).

Historically, all refunds have been received within 30 days of the submission of the VAT 201 returns to SARS.

Reconciliation of the provision for impairment

The statutory receivable is not considered to be impaired by the municipality as SARS has not defaulted on payments in the past.

Notes to the Financial Statements

Figures in Rand	2022	2021

7. VAT receivable (continued)

Receivables past due not impaired

Statutory receivables which are less than 30 days past due are not considered for impairment. At 30 June 2022, Rnil (2021:Rnil) were past due but not impaired.

Statutory receivables pledged as security

No statutory receivables were pledged as security.

No collateral is held for any of the statutory receivables.

8. Receivables from non-exchange transactions

Government grants and subsidies	122,441	83,869

Receivables from non-exchange transactions pledged as security

No receivables from non- exchange transactions were pledged as security.

The risk profile of each class of debtor was assessed to determine the allowance for impairment.

No collateral is held for any of the debtors disclosed above.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions impaired

As of 30 June 2022, receivables from non-exchange transactions of Rnil (2021: Rnil) were impaired and provided for.

Net balances		
Government grant and subsidies	122,441	83,869

Government grant and subsidies		
Current (0 - 30 days)	122,441	83,869

Reconciliation of allowance for impairment of receivables from non-exchange transactions

Opening balance	-	-

Notes to the Financial Statements

Figures in Rand	2022	2021

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	66,454,904	-	66,454,904	66,384,904	-	66,384,904
Buildings	49,343,791	(27,055,598)	22,288,193	48,802,292	(25,945,803)	22,856,489
Plant and machinery	22,527,031	(13,116,356)	9,410,675	22,251,131	(11,906,662)	10,344,469
Furniture and fixtures	8,783,367	(5,701,980)	3,081,387	8,684,843	(5,451,555)	3,233,288
Motor vehicles	52,054,371	(27,465,105)	24,589,266	52,054,371	(23,905,410)	28,148,961
Office equipment	29,022,105	(14,261,777)	14,760,328	30,116,431	(13,736,050)	16,380,381
Infrastructure	3,920,746	(1,107,189)	2,813,557	3,771,745	(982,759)	2,788,986
Other property, plant and equipment	9,113,349	(4,544,636)	4,568,713	8,752,789	(4,169,344)	4,583,445
Total	**241,219,664**	**(93,252,641)**	**147,967,023**	**240,818,506**	**(86,097,583)**	**154,720,923**

Criteria for determination for classification between Property, plant and equipment and Investment property.

The criteria created to identify whether an asset meets the definition of Property, plant and equipment (PPE) or Investment property have been determined as follows:

a) In the instance where the property yield rentals, where a significant portion of the property is held for administrative purposes and an insignificant portion is held for rentals, the total property will be evaluated as PPE and not as investment property. This will apply even if the intention is to rent the property out for a prolonged period.

b) Where a significant portion (more than 50%) of the total property including land and all other buildings is held for rentals, the property will be classified as investment property. This will apply even if management intends to rent the property out for a prolonged period.

A property consisting of a parking area, is rented to the public,and a significant portion of the property (land and buildings) is held by the municipality for administrative purposes.

The consideration of a new lease is based on the need of the municipality prior to expiry of the existing lease agreements. The property meet the criteria set out above as Property, plant and equipment and has been classified as PPE.

Heritage assets are not recognised as a heritage asset even though the definition of a heritage asset is met, because a significant portion is applied for administrative purposes.

Reconciliation of property, plant and equipment - 2022

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	66,384,904	70,000	-	-	66,454,904
Buildings	22,856,489	541,500	-	(1,109,796)	22,288,193
Plant and machinery	10,344,469	560,382	(55,090)	(1,439,086)	9,410,675
Furniture and fixtures	3,233,288	256,482	(8,235)	(400,148)	3,081,387
Motor vehicles	28,148,961	-	-	(3,559,695)	24,589,266
Office equipment	16,380,381	960,588	(115,232)	(2,465,409)	14,760,328
Infrastructure	2,788,986	149,000	-	(124,429)	2,813,557
Other property, plant and equipment	4,583,445	557,292	-	(572,024)	4,568,713
	154,720,923	**3,095,244**	**(178,557)**	**(9,670,587)**	**147,967,023**

Included in additions of Office equipment is an amount of R17 374 that relates to work-in progress.

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land	66,384,904	-	-	-	66,384,904
Buildings	23,164,704	776,559	-	(1,084,774)	22,856,489
Plant and machinery	11,109,923	671,937	(21,411)	(1,415,980)	10,344,469
Furniture and fixtures	3,050,628	548,892	(1,664)	(364,568)	3,233,288
Motor vehicles	31,168,049	-	(49,509)	(2,969,579)	28,148,961
Office equipment	16,006,943	3,071,562	(58,492)	(2,639,632)	16,380,381
Infrastructure	2,712,866	193,391	-	(117,271)	2,788,986
Other property, plant and equipment	4,847,054	260,209	(5,683)	(518,135)	4,583,445
	158,445,071	**5,522,550**	**(136,759)**	**(9,109,939)**	**154,720,923**

Reconciliation of repairs and maintenance - 2022

	Contracted services	Employee related cost	Materials and supplies	Total
Buildings	2,122,062	1,635,474	30,466	3,788,002
Office equipment	703,012	-	46,690	749,702
Plant and equipment	115,124	-	5,526	120,650
Motor vehicles	863,992	-	451,928	1,315,920
Infrastructure	-	-	-	-
Other	-	-	2,090	2,090
Furniture and fittings	38,113	-	-	38,113
	3,842,303	**1,635,474**	**536,700**	**6,014,477**

Reconciliation of repairs and maintenance - 2021

	Contracted services	Employee related cost	Materials and supplies	Total
Buildings	968,361	2,054,835	60,524	3,083,720
Office equipment	671,627	-	35,916	707,543
Plant and equipment	105,924	-	3,074	108,998
Motor vehicles	1,445,352	-	673,031	2,118,383
Infrastructure	1,620	-	-	1,620
Other	91,018	-	-	91,018
	3,283,902	**2,054,835**	**772,545**	**6,111,282**

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

No assets have been pledged as security.

Other property, plant and equipment were split into the various classes as disclosed in the note for both the current and prior year.

An impairment assessment was performed based on the indicators as listed in the accounting policy under paragraph 1.4 Property, plant and equipment. No potential impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

A review of useful lives of property, plant and equipment was done. Management considers whether there is any indication that expectations about the useful life of an asset have changed since the previous reporting date. There were changes in the estimated useful lives of various assets during the financial year. Refer to Note 41 for details relating to the change in accounting estimates.

Notes to the Financial Statements

Figures in Rand	2022	2021

10. Intangible assets

	2022			2021		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1,902,361	(1,335,746)	566,615	1,864,203	(1,205,277)	658,926

Reconciliation of intangible assets - 2022

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	658,926	38,157	(130,468)	566,615

Reconciliation of intangible assets - 2021

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	737,930	79,668	(30,293)	(128,379)	658,926

Included in additions of Intangible assets is an amount of R79 668 that relates to work-in progress. Included in note 48, Capital commitments, is R38 157 that relates to the development cost of a new website that were incomplete at year end.

11. Unspent conditional grants and receipts

Community development workers (CDW) operational support grant	204,046	169,127
Integrated transport planning	672,322	822,456
Local Government Financial Management Grant	154,932	-
Fire service capacity building grant	1,046,000	1,046,000
Local Government Public Employment Support Grant	200,000	-
Rural roads asset management system grant (RRAMS)	2,748,000	2,711,000
Local government internship grant	46,000	31,545
Safety initiative implementation - Whole of society approach (WOSA)	353,921	294,601
Expanded Public Works Programme Integrated grant for Municipalities	100,000	-
Public contributions and donations	251,005	260,592
	5,776,226	**5,335,321**

See note 21 & 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. (refer to note 3)

12. Payables from exchange transactions

Other payables	213,412	171,457
Creditor accruals	2,770,072	5,380,169
Working for water (Department of Environmental Affairs)	-	812,430
Payments received in advanced	67,357	46,022
Trade payables	1,861,494	1,010,991
Unclaimed funds	553	550
	4,912,888	**7,421,619**

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits

Current employee benefits		
Employee benefit accruals	2,576,834	1,764,901
Current: Medical aid liability	8,964,681	8,397,000
Provision staff leave	17,376,311	17,829,700
13th Cheque	5,259,102	5,145,928
Current: Ex- gratia benefit	204,000	8,000
Current: Long term service award	1,788,000	1,847,000
Performance bonus	898,137	630,219
	37,067,065	**35,622,748**

Other long term employee benefits		
Long service award	13,339,999	12,465,999

Post-employee benefits		
Post-Retirement Medical aid benefits	135,612,320	131,275,001
Ex-gratia benefit	884,001	968,001
	136,496,321	**132,243,002**

Current liability	37,067,065	35,622,748
Non-current liability	149,836,320	144,709,001
	186,903,385	**180,331,749**

The municipality finalised a Medical Funds Administration Policy that was approved by Council which invariably impact on the actuarial assumptions that informs the valuation and measurement of this provision.

Post-retirement and medical aid benefits

The municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

In- service members will receive a post- employment subsidy of 60% or 70% of the contribution payable should they be a member of a medical aid at retirement.

All continuation members and their eligible dependents receive a 60% or 70% subsidy.

Upon a member's death-in-service or death-in-retirement the surviving dependents will continue to receive the same subsidy.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

-Bonitas
-Key Health
-Samwumed
-Hosmed
-LA Health

Details relating to eligible employees of the post-retirement medical aid benefit obligation are listed below:

Active members		
Principal members	271	291
Average age	49.4	48.3
Average past service cost	R19,4 million	R18,3 million

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits (continued)

Continuation members		
Principal members	149	148
Average age	71.9	72.0

The amounts recognised in the Statement of Financial Position are -		
Projected benefit obligation	144,577,000	139,672,000
	144,577,000	**139,672,000**

The obligation in respect of past services has been estimated as follows:		
Active members	46,192,000	47,067,000
Continuation members	98,385,000	92,605,000
Net obligation	**144,577,000**	**139,672,000**

The amounts recognised in the Statement of Financial Performance are-		
Current service cost	2,946,000	2,618,000
Interest cost	17,502,000	20,739,000
Recognised actuarial (gains)/losses	(7,501,911)	(7,443,229)
Amount charged to Statement of Financial Performance	**12,946,089**	**15,913,771**

The future service cost for the ensuing financial period is estimated to be R2 002 000, whereas the interest cost for the next year is estimated to be R16 695 000.

The best estimates for the employer benefit payments in the 2022/23 financial period is expected to be R 8 964 681.

Movements in the present value of the defined benefit obligation were as follows:		
Opening benefit obligation liability	139,672,000	131,534,500
Payments to members	(8,041,089)	(7,776,271)
Charge to Statement of Financial Performance	12,946,089	15,913,771
Closing benefit liability	**144,577,000**	**139,672,000**

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

The nominal and real zero curves as at 30 June 2022 supplied by the JSE is used to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing the calculations is utilised. This methodology was changed from a point estimate in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities.

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits (continued)

Key actuarial assumptions

Discount rate	Yield Curve	Yield Curve
Health care inflation	CPI + 1.5%	CPI + 1.5%

Sensitivity Analysis on current-service and interest cost:

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions		2,022,000	16,695,000	18,697,000	
Health care inflation	1 %	2,260,000	18,281,000	20,541,000	10 %
	-1 %	1,730,000	15,182,000	16,912,000	-10 %
Post- retirement mortality	20%	1,855,000	15,479,000	17,334,000	-7 %
	-20%	2,179,000	18,206,000	20,385,000	9 %

Sensitivity analysis on the benefit liability:

Assumption	Change	Liability	% change
Central assumptions		144,577,000	
Health care inflation	1 %	157,863,000	9%
	-1 %	131,916,000	-9 %
Post- retirement mortality	20%	134,365,000	-7 %
	-20%	157,269,000	9 %

History of Liabilities and Experience Adjustments	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued liability	153,142,000	140,285,000	131,534,500	139,672,000	144,577,000
Experience adjustment	221,000	(2,278,000)	-	-	-

In terms of the memorandum of Agreement between the WCPG, Department of Transport and Public Works, and the past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the municipality. The future claim for roads staff for post employment medical aid has therefore been raised as an employee benefit asset.

Employee benefit asset	2022	2021
Opening balance	10,555,196	7,433,141
Current service cost	870,000	803,000
Payment received from WCPG	(3,589,525)	(2,028,365)
Interest cost	5,169,000	5,477,000
Benefits paid	(2,449,475)	(2,316,195)
Interest on payments from WCPG	(1,674,022)	(1,512,780)
Actuarial loss / (gain)	(946,525)	2,699,395
	7,934,649	**10,555,196**

Reconciliation of employee benefit asset	2022	2021
Current asset	2,721,827	2,480,000
Non-current asset	5,212,822	8,075,196
	7,934,649	**10,555,196**

The assumptions used by the actuaries to calculate the portion of the roads staff is the same as was used to calculate the amount recognised as post employment medical aid.

The amounts recognised as the current portion is equal to the amount as recognised in the valuation report for the respective financial years.

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits (continued)

Ex-gratia benefits

The ex- gratia pensions are pensions that are paid by the municipality from its revenue i.e. and are not funded or paid from one of the municipality's formalised pension arrangements.

All employees who did not participate in the municipality's formal pension funds are entitled to a Revenue Pension, which are sometimes referred to as "Ex-gratia" pensions.

Details of employees eligible for ex-gratia benefits are detailed below:

Members		
In-service employee for ex-gratia pension	5	5
In-service employees eligible for lump sum benefit on retirement	4	5

Average age in years		
In-service employee for ex-gratia pension	59.73	38.87
In-service employees eligible for lump sum benefit on retirement	60.04	58.91

The amount recognised in the Statement of Financial Position are:		
Projected benefit obligation	1,088,000	976,000

The amount recognised in the Statement of Financial Performance are:		
Interest cost	74,000	74,000
Recognised actuarial (Gain) / Loss	39,524	245,170
	113,524	**319,170**

The future service cost for the ensuing financial year is estimated to be R nil, whereas the interest cost for the next financial year is estimated to be R84 000.

The best estimates for the employer benefit payments in the 2022/23 financial year is expected to be R 204 000.

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

The rate is calculated by using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2022 were supplied by the JSE to determine the discounted rates and CPI assumptions.

Movements in the present value of the defined benefit obligation were as follows:		
Opening benefit obligation	976,001	1,429,001
Payments to members	(1,524)	(772,170)
Actuarial (Gain) / Loss	39,524	245,170
Interest and service cost	74,000	74,000
Closing benefit obligation	**1,088,001**	**976,001**

Key actuarial assumptions		
Discount rate	7.71 %	7.59 %
CPI inflation rate	6.37 %	4.87 %
Salary inflation rate	7.37 %	5.87 %

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits (continued)

Sensitivity analysis on the benefit obligation:

Assumption	Change	Total Liability	% change
Central Assumptions		1,086,000	
Benefit Inflation rates	1 %	1,104,000	2 %
	-1 %	1,067,000	-2 %

Sensitivity analysis on the interest cost:

Assumption	Change	Interest cost	% change
Central Assumptions		84,000	
Benefit Inflation rates	1 %	85,000	1%
	-1 %	82,000	-2%

History of Liabilities, Assets and Experience Adjustments	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued liability	1,841,349	1,559,725	1,429,000	976,000	1,088,000
Experience adjustment	(238,197)	(152,346)	-	-	-

Long service awards

The municipality offers employees a long service award for every five years of service completed from ten years of service to fourty five years of service.

Details of employees eligible for long service awards are detailed below:

	2022	2021
Members	397	407
Average age in years	47	47

	2022	2021
The amounts recognised in the Statement of Financial Position are:		
Projected benefit obligation	15,128,000	14,313,000

	2022	2021
The amounts recognised in the Statement of Financial Performance are:		
Current service cost	881,000	852,000
Interest cost	1,489,000	1,649,000
Recognised actuarial (gain) / losses	145,400	115,006
Amount charged to Statement of Financial Performance	**2,515,400**	**2,616,006**

The future service cost for the ensuing financial year is estimated to be R948 000, whereas the interest cost for the next financial year is estimated to be R1 752 000.

The best estimates for the employer benefit payments in the 2022/23 financial period is expected to be R1 788 000.

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate on a yield curve has been used. The nominal and real zero curves as at 30 June 2022 supplied by the JSE was used to determine the discounted rates and CPI assumptions at each relevant time period. This methodology was followed to present a more accurate depiction of the liability.

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits (continued)

The underlying future rate of the consumer price index (CPI inflations) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. A general earnings inflation rate equal of CPI +1% over the expected term of the liability has been assumed.

Movements in the present value of the benefit obligation were as follows:		
Opening benefit obligation	14,313,000	13,877,000
Payment to members (benefits vesting)	(1,700,400)	(2,180,006)
Actuarial (Gain) / Loss	145,400	115,006
Interest and service cost charged to Statement of Financial Performance	2,370,000	2,501,000
Closing benefit obligation	**15,128,000**	**14,313,000**

Key actuarial assumptions		
Discount rate	Yield Curve	Yield Curve
Salary inflation	CPI +1%	CPI +1%
Average retirement age	62	62

Assumptions	**Change**	**Liability**	**% change**
Central Assumptions		15,128,000	
General salary inflation	1%	16,080,000	6%
	-1%	14,259,000	-6%
Withdrawal rates	20%	14,654,000	-3%
	-20%	15,637,000	3%

Assumption	**Change**	**Current service cost**	**Interest cost**	**Total**	**% change**
Central assumptions		948,000	1,752,000	2,700,000	
General salary inflation	1 %	1,023,000	1,869,000	2,892,000	7 %
	-1 %	880,000	1,645,000	2,525,000	-6 %
Withdrawal rates	20%	902,000	1,693,000	2,595,000	-4 %
	-20 %	998,000	1,815,000	2,813,000	4 %

History of Liabilities and Experience Adjustments	**30 June 2018**	**30 June 2019**	**30 June 2020**	**30 June 2021**	**30 June 2022**
Accrued liability	12,376,146	12,707,467	13,877,000	14,313,000	15,128,000
Experience adjustment	732,735	927,882	-	-	-

Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible Councillors and 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.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

These schemes are multi employer plans and are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

Notes to the Financial Statements

Figures in Rand	2022	2021

13. Employee benefits (continued)

a) LA Retirement Fund (Previously: Cape Joint Pension Fund)

The LA Retirement Fund operates both as a defined benefit and defined contribution scheme.

This defined benefit plan is accounted for as a defined contribution plan as the municipality's liability in the proportionate share of actuarial gains and losses cannot readily be determined.

Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2021 disclosed an actuarial valuation amounting to R 1 486 110 000 (30 June 2020 : R 1 420 856 000), with a nett accumulated surplus of R 69 420 000 (2020 : Rnil), with a funding level of 104.9% (30 June 2020 : 100%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2021 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R2 082 488 000 (30 June 2020 : R1 891 631 000), net investment reserve of Rnil (30 June 2020 : Rnil) and with a funding level of 100% (2020 : 100%).

The actuary concluded that:

- The Defined Benefit Section is in a sound financial condition with a funding level of 104.9% as at 30 June 2021.

- The Defined Contribution Section of the fund was in a sound financial condition with a funding level of 100% as at 30 June 2021.

- Overall the fund is in a sound financial condition with an overall funding level of 102.0%.

- The Trustees awarded a 3.41% pension increase effective 1 January 2022.

- The Trustees awarded 100% of monthly pension bonus to pensioners payable in December 2021.

b) Consolidated Retirement Fund for Local Government (Previously: Cape Joint Retirement Fund)

The contribution rate for members is 7.5% of basic salary, whilst the respective Local Authorities are contributing 19.5%.

The fund provides defined contribution benefits to its active members and deferred members. The benefit payable on exit of a member is the Member's Share. This is broadly equal to the contributions (after costs) with the addition of investment returns.

The last statutory valuation performed as at 30 June 2021 revealed that the net assets of the fund amounted to R34 148 081 000 (30 June 2020: R28 424 000 000), with funding levels of 133% and 100.5% (30 June 2020: 132.2% and 100.5%) for the Pensions Account and the Share Account respectively. The contribution rate paid by the members (7,50%/9%) and the municipalities (7,50%/19,5%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Figures in Rand	2022	2021

13. Employee benefits (continued)

c) The Municipal Workers Retirement Fund (Previously: SAMWU National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7 720 948 000 (30 June 2014 : R6 574 775 000), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%.The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

d) The Municipal Councillors Pension Fund

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1 798 030 000 (30 June 2015 : R2 551 861 000), with funding levels of 103.26% (30 June 2015: 101.08%). The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months.

14. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	65,457,033	2,941,714	696,516,279	764,915,026
Surplus for the year	-	-	35,616,358	35,616,358
Transfer to capital replacement reserve	16,000,000	-	(16,000,000)	-
Property, plant and equipment purchases	(2,150,006)	(54,315)	2,204,321	-
	79,307,027	**2,887,399**	**718,336,958**	**800,531,384**

Ring-fenced internal funds and reserves within accumulated surplus - 2021

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	70,766,026	3,155,272	654,561,767	728,483,065
Surplus for the year	-	-	36,431,962	36,431,962
Property, plant and equipment purchases	(5,308,992)	(213,558)	5,522,550	-
	65,457,034	**2,941,714**	**696,516,279**	**764,915,027**

Notes to the Financial Statements

Figures in Rand	2022	2021

15. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Provision (Insurance claims)	6,440	43,276	(6,440)	43,276

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Provision (Insurance claims)	57,263	6,440	(57,263)	6,440

The provision relates to insurance claims, which were not finalised at year end, but were finalised before the financial statements was authorised for issue.

16. Service charges

	2022	2021
Fire service charges	182,762	194,644

17. Rental of facilities and equipment

	2022	2021
Premises	229,048	238,615
	229,048	**238,615**

The lease agreement between CWDM and the lessee came to an end on 30 June 2022.

18. Roads services

	2022	2021
Department of Transport and Public Works	105,635,889	105,032,933

The municipality has a service level agreement with the WCPG, The Department of Transport and Public Works for rendering of services regarding the roads function within the jurisdiction of the CWDM.

The allocation received from the Department of Transport and Public Works was revised to R103 020 000 (Previous: R117 080 000) during quarter three of the current financial year.

19. Other income

	2022	2021
Brokerage	63,223	60,716
LG SETA refund	384,462	252,413
Electricity income (Eerste Begin)	21,157	12,944
Insurance income	54,612	208,613
Tender document income	1,052	765
Municipal health income	739,566	669,682
Miscellaneous income	47,055	10,985
	1,311,127	**1,216,118**

20. Investment revenue

	2022	2021
Interest on investments	40,295,365	38,231,810

Notes to the Financial Statements

Figures in Rand	2022	2021

21. Government grants & subsidies

Operating grants

Equitable share	2,662,000	2,512,000
Sandhills - toilet hire	498,134	984,484
RSC Levy Replacement grant	242,546,000	236,373,000
Expanded Public Works Programme Integrated Grant for Municipalities	1,313,000	1,503,000
Community development workers (CDW) operational support grant	41,081	8,760
Local government financial management grant	845,068	1,000,000
Local government internship grant	55,545	128,455
Integrated transport planning	1,050,134	952,795
Joint district and metro approach	2,000,000	-
Safety initiative implementation - Whole of society approach (WOSA)	2,263,681	2,134,550
	253,274,643	**245,597,044**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable share	2,662,000	2,512,000
RCS Levy Replacement grant	242,546,000	236,373,000
	245,208,000	**238,885,000**

Equitable Share

The Equitable Share is the conditional share of the revenue raised nationally and is allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Community development workers (CDW) operational support grant

Balance unspent at beginning of year	169,127	102,887
Current-year receipts	76,000	75,000
Conditions met - transferred to revenue	(41,081)	(8,760)
	204,046	**169,127**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Community Development and Planning Services.

To provide financial assistance to municipalities to cover the operational and capital costs pertaining to the line functions of the community development workers including the supervisors and regional coordinators.

Integrated transport planning

Balance unspent at beginning of year	822,456	875,250
Current-year receipts	900,000	900,000
Conditions met - transferred to revenue	(1,050,134)	(952,794)
	672,322	**822,456**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Technical Services.

The funds were utilised to review and update municipal Integrated Transport Plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

Notes to the Financial Statements

Figures in Rand	2022	2021

21. Government grants & subsidies (continued)

Local government financial management grant

Balance unspent at beginning of year	-	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(845,068)	(1,000,000)
	154,932	**-**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Financial and Strategic Support Services.

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

This grant was mainly utilised to improve on the municipality's audit outcome, the upgrade and maintenance of financial management systems and to implement National Treasury's internship programme.

Fire service capacity building grant

Balance unspent at beginning of year	1,046,000	1,046,000
	1,046,000	**1,046,000**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Community Development and Planning Services.

To provide financial assistance to municipalities to ensure functional emergency communication, mobilisation systems and fire services.

Water and sanitation

Balance unspent at beginning of year	-	35,560
Refund of unspent portion	-	(35,560)
	-	**-**

Strategic Objective: Technical Services

No funds were utilised during the 2019/2020 financial year and the funds were repaid to the Department of Human Settlements during the 2020/2021 financial year.

Sandhills-toilet hire

Balance unspent at beginning of year	-	-
Current-year receipts	498,134	984,484
Conditions met - transferred to revenue	(498,134)	(984,484)
	-	**-**

Strategic Objective: Technical Services.

The allocation is made to the municipality by the Department of Transport and Public Works as a refund for temporary toilets hired in Sandhills.

Figures in Rand	2022	2021

21. Government grants & subsidies (continued)

Local Government Public Employment Support Grant

Current-year receipts	200,000	-

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: The Office of the Municipal Manager

To coordinate and ensure the implementation of targeted, short term public employment programmes for communities identified as being in distress, through conditional transfers to local and district municipalities and the Metro in the Western Cape.

Joint District and Metro Approach Grant

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	-	-

Strategic Objective: The Office of the Municipal Manager

To provide financial assistance to district municipalities to implement catalytic projects to improve infrastructure, systems, structures and service delivery.

Rural Roads Asset Management Systems grant (RRAMS)

Balance unspent at beginning of year	2,711,000	2,849,000
Current-year receipts	2,748,000	2,711,000
Refund unspent portion	(2,711,000)	(2,849,000)
	2,748,000	**2,711,000**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Technical Services.

The purpose is to assist rural district municipalities in setting up their road asset management systems and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

Local Government Internship Grant

Balance unspent at beginning of year	31,545	160,000
Current-year receipts	70,000	-
Conditions met - transferred to revenue	(55,545)	(128,455)
	46,000	**31,545**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Financial and Strategic Support Services.

The purpose of the grant is to provide financial assistance to municipalities in support of capacity building for the future by means of an internship programme.

Figures in Rand	2022	2021

21. Government grants & subsidies (continued)

Safety initiative implementation - Whole of society approach (WOSA)

Balance unspent at beginning of year	294,601	329,151
Current-year receipts	2,323,000	2,100,000
Conditions met - transferred to revenue	(2,263,680)	(2,134,550)
	353,921	**294,601**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Community Development and Planning Services.

To enable a resilient, sustainable, quality living environment through the operationalisation of a Safety Plan.

Expanded Public Works Programme Integrated Grant for Municipalities

Current-year receipts	1,413,000	1,503,000
Conditions met - transferred to revenue	(1,313,000)	(1,503,000)
	100,000	**-**

Conditions still to be met - remain liabilities (see note 11).

Strategic Objective: Financial and Strategic Support Services, Community Development & Planning Services and Technical Services.

This grant incentivises the municipality to expand job creation efforts through the use of labour intensive delivery methods in various identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

The grant contributed towards increased levels of employment in areas where unemployment is relatively high as well as providing work experience and gaining expertise through in house training.

22. Public contributions and donations

Public contributions and donations	938,667	17,240

Reconciliation of conditional contributions		
Balance unspent at beginning of year	260,592	727,945
Current-year receipts	929,080	-
Conditions met - transferred to revenue	(938,667)	(17,240)
Refund of unspent portion	-	(450,113)
	251,005	**260,592**

Conditions still to be met - remain liabilities (see note 11)

2022	Balance unspent at beginning of year	Current year receipts	Conditions met - transferred to revenue	Refund of unspent portion	Balance unspent at the end of the year
Road station road Ceres	260,592	-	(9,587)	-	251,005
Donation: Nieuwedrift	-	840,000	(840,000)	-	-
Donation: Laptops	-	89,080	(89,080)	-	-
	260,592	**929,080**	**(938,667)**	**-**	**251,005**

Notes to the Financial Statements

Figures in Rand	2022	2021

22. Public contributions and donations (continued)

2021	Balance unspent at beginning of year	Current year receipts	Conditions met - transferred to revenue	Refund of unspent portion	Balance unspent at the end of the year
Road station road Ceres	277,832	-	(17,240)	-	260,592
Upgrade of Rural Roads: De Novo	450,113	-	-	(450,113)	-
	727,945	**-**	**(17,240)**	**(450,113)**	**260,592**

23. Employee related costs

	2022	2021
Basic	125,505,846	121,712,558
Bonus	9,784,549	9,817,509
Medical aid - company contributions	12,700,772	12,492,678
UIF	878,427	771,951
WCA	1,069,362	976,739
Leave pay provision charge	908,552	2,606,703
Defined contribution plans	21,218,567	20,644,967
Travel, motor car, accommodation, subsistence and other allowances	12,321,954	12,274,761
Overtime payments	8,032,490	8,363,816
Acting allowances	51,921	169,296
Housing benefits and allowances	4,630,094	4,801,378
Other allowances	8,165,063	6,691,517
Group schemes	2,457,987	1,535,395
Telephone	689,855	697,111
Performance bonus	1,150,225	630,219
Current service cost	2,957,000	2,667,000
Actuarial loss / (gain)	(6,370,462)	(9,782,448)
	206,152,202	**197,071,150**

2022	Long service awards	Ex gratia	PRMA	Less: Funded asset	Total
Current service cost	881,000	-	2,946,000	(870,000)	2,957,000
Net actuarial (gains)/ losses recognised	145,400	39,524	(7,501,911)	946,525	(6,370,462)
	1,026,400	**39,524**	**(4,555,911)**	**76,525**	**(3,413,462)**

2021	Long service awards	Ex gratia	PRMA	Less: Funded asset	Total
Current service cost	852,000	-	2,618,000	(803,000)	2,667,000
Net actuarial (gains)/ losses recognised	115,006	245,170	(7,443,229)	(2,699,395)	(9,782,448)
	967,006	**245,170**	**(4,825,229)**	**(3,502,395)**	**(7,115,448)**

Notes to the Financial Statements

Figures in Rand	2022	2021

23. Employee related costs (continued)

Remuneration of senior management

2022	Basic salary	Car allowance	Performance bonuses	Contribution to UIF, medical and pension funds	Other	Total
Municipal Manager	1,255,967	360,000	237,800	84,731	24,000	1,962,498
Chief Financial Officer	1,133,971	240,000	222,331	272,771	24,000	1,893,073
ED: Community development and planning services	1,095,369	300,000	199,844	34,216	24,000	1,653,429
ED: Technical services	1,204,923	150,000	222,331	272,974	24,000	1,874,228
	4,690,230	**1,050,000**	**882,306**	**664,692**	**96,000**	**7,383,228**

2021	Basic Salary	Car allowance	Performance bonuses	Contribution to UIF, medical and pension funds	Other	Total
Municipal Manager	1,260,503	360,000	169,857	79,883	24,000	1,894,243
Chief Financial Officer	997,776	240,000	151,246	243,964	132,154	1,765,140
ED: Community development and planning services	1,096,848	300,000	70,520	32,424	24,000	1,523,792
ED: Technical services	1,161,269	150,000	151,246	253,417	24,000	1,739,932
	4,516,396	**1,050,000**	**542,869**	**609,688**	**204,154**	**6,923,107**

The following accrued to key management personnel in terms of GRAP 25 at year end:

Staff leave		
Municipal Manager	322,510	205,211
Chief Financial Officer	72,654	57,401
ED: Community development and planning services	45,862	68,793
ED: Technical Services	66,049	89,290
	507,075	**420,695**

Notes to the Financial Statements

Figures in Rand	2022	2021

24. Remuneration of councillors

	2022	2021
Executive Mayor	1,045,223	1,091,397
Deputy Mayor	535,226	554,727
Speaker	843,164	881,997
Other Councillors	10,320,892	10,129,062
	12,744,505	**12,657,183**

2022	**Salaries**	**Contribution to medical and pension funds**	**Car allowance**	**Other**	**Total**
Executive Mayor	361,976	106,796	169,337	407,114	1,045,223
Deputy Mayor - D Swart	160,367	-	43,857	-	204,224
Deputy Mayor - M Sampson	257,691	13,312	60,000	-	331,003
Speaker - C Meyer	230,961	27,732	36,168	27,083	321,944
Speaker - D Joubert	402,033	30,697	64,853	23,636	521,219
Other Councillors	7,887,635	351,714	1,459,220	622,324	10,320,893
	9,300,663	**530,251**	**1,833,435**	**1,080,157**	**12,744,506**

2021	**Salaries**	**Contribution to medical and pension funds**	**Car allowance**	**Other**	**Total**
Executive Mayor	364,712	110,162	180,000	436,523	1,091,397
Deputy Mayor	432,026	-	122,701	-	554,727
Speaker	627,609	78,799	101,189	74,400	881,997
Other Councillors	7,390,092	329,918	1,743,052	666,000	10,129,062
	8,814,439	**518,879**	**2,146,942**	**1,176,923**	**12,657,183**

The salaries, allowances and benefits of Councillors are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the MEC of local government in the province's determination in accordance with this Act.

25. Depreciation and amortisation

	2022	2021
Property, plant and equipment	9,670,587	9,109,939
Intangible assets	130,468	128,379
	9,801,055	**9,238,318**

26. Debt impairment

	2022	2021
Debt impairment	113,215	32,597

27. Finance costs

	2022	2021
Employee benefits	13,896,000	16,985,000

Notes to the Financial Statements

Figures in Rand	2022	2021

28. Transfer and subsidies

	2022	2021
Grants in aid		
Community and Social Services	180,000	299,025
Farmer households	389,996	1,138,499
Sport and recreation	-	564,146
Private Enterprises	500,000	960,566
	1,069,996	**2,962,236**
Monetary allocations		
Fire services	250,000	250,000
Farmer households	1,681,865	1,185,000
Community and social services	350,000	329,982
Social relief	361,525	399,995
Tourism	2,250,000	2,269,873
Sport and recreation	1,325,000	1,276,334
Support to Local Municipalities	9,700,000	3,500,000
	15,918,390	**9,211,184**
	16,988,386	**12,173,420**

29. Contracted services

	2022	2021
Outsourced Services		
Alien Vegetation Control	1,656,474	1,711,716
Burial Services	-	12,250
Business and Advisory	470,438	2,407,133
Cleaning Services	649,181	323,624
Clearing and Grass Cutting Services	478,261	2,266,276
Hygiene Services	880,323	1,508,980
Professional Staff	1,205,517	110,630
Security Services	2,442,656	1,822,990
Translators, Scribes and Editors	224,993	171,673
Consultants and Professional Services		
Business and advisory	3,293,965	4,081,977
Infrastructure and planning	213,386	1,184,575
Laboratory services	1,738,529	1,812,430
Legal cost	469,071	140,967
Contractors		
Artists and Performers	2,000	460,100
Audio-visual Services	1,850	14,709
Catering Services	1,398,266	293,012
Employee Wellness	194,071	150,135
Fire Services	11,956,626	8,340,441
Gardening Services	175,723	75,367
Graphic Designers	26,580	3,520
Maintenance of Buildings, Facilities, Equipment and Unspecified Assets	5,417,475	4,759,285
Medical Services	-	5,100
Pest Control and Fumigation	64,139	3,522
Photographer	14,950	7,929
Plants, Flowers and Other Decorations	22,603	930
Transportation	126,881	16,417
Stage and Sound Crew	101,138	21,789
	33,225,096	**31,707,477**

Notes to the Financial Statements

Figures in Rand	2022	2021

30. General expenses

Achievements and awards	203,568	17,174
Advertising, publicity and marketing	2,618,880	3,496,831
Auditors remuneration	2,573,272	2,308,865
Bank charges, facility and card fees	240,270	264,812
Bargaining council	58,545	56,301
Bursaries (employees)	-	21,915
Chemicals	155,700	149,453
Cleaning materials	234,523	302,553
Communications	4,726,229	4,285,384
Consumables	733,442	1,159,680
Courier and delivery services	209	52,508
Deeds	1,119	1,932
Drivers licenses and permits	17,730	15,696
Entertainment	38,541	20,159
External computer services	5,827,885	6,811,240
Full time union representatives	25,772	74,193
Hire charges	6,796,528	6,938,012
Insurance underwriting	3,480,066	2,405,379
Licenses	118,876	87,664
Materials and supplies	15,611,083	22,918,322
Municipal services	6,325,262	6,372,590
Parking fees	250	-
Printing and stationery	1,140,386	1,299,161
Printing, publication and books	499,566	297,299
Refreshments	277,870	191,206
Professional bodies, membership and subscription	2,205,600	2,152,063
Registration fees	75,348	24,904
Road worthy test	17,955	11,190
Skill development fund levy	1,839,274	1,506,311
Tollgate fees	239,746	207,453
Transport provided as part of departmental activities	943,803	215,807
Travel and subsistence	1,237,440	546,897
Uniforms and protective clothing	2,821,466	977,985
Vehicle tracking	215,903	394,207
Wet fuel	11,548,633	8,049,544
	72,850,740	**73,634,690**

31. Auditors' remuneration

Fees	2,573,272	2,308,865

Notes to the Financial Statements

Figures in Rand	2022	2021

32. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Audited	Prior year error	Reclassifications	Restated
Assets				
Current Assets				
Cash and cash equivalents	766,153,639	-	-	766,153,639
Trade receivables from exchange transactions	60,986	-	-	60,986
Other receivables from exchange transactions	21,300,097	-	-	21,300,097
Receivables from non-exchange transactions	83,869	-	-	83,869
Inventories	2,761,197	-	-	2,761,197
VAT receivable	1,715,323	-	-	1,715,323
Employee benefit asset	910,196	1,569,804	-	2,480,000
	792,985,307	**1,569,804**	**-**	**794,555,111**
Non-Current Assets				
Property, plant and equipment	154,720,923	-	-	154,720,923
Intangible assets	579,258	79,668	-	658,926
Employee benefit asset	-	8,075,196	-	8,075,196
	155,300,181	**8,154,864**	**-**	**163,455,045**
Total Assets	**948,285,488**	**9,724,668**	**-**	**958,010,156**
Liabilities				
Current Liabilities				
Payables from exchange transactions	7,421,618	-	-	7,421,618
Unspent conditional grants and receipts	5,335,321	-	-	5,335,321
Provisions	6,440	-	-	6,440
Employee benefit obligation	35,622,748	-	-	35,622,748
	48,386,127	**-**	**-**	**48,386,127**
Non-Current Liabilities				
Employee benefit obligation	144,709,001	-	-	144,709,001
Total Liabilities	**193,095,128**	**-**	**-**	**193,095,128**
Net Assets	**755,190,360**	**9,724,668**	**-**	**764,915,028**
Net Assets				
Accumulated surplus	755,190,360	9,724,668	-	764,915,028

Notes to the Financial Statements

Figures in Rand	2022	2021

32. Prior period errors (continued)

32.1 Employee benefit asset

Balance previously reported		910,196
Change in short term portion		1,569,804
		2,480,000

During the 30 June 2021 actuarial valuation, the actuaries allocated certain members to the incorrect category between Roads and Non- Roads. This error resulted in the Roads portion being undervalued and the Non- Roads being overvalued in the previous valuation.

32.2 Intangible assets

Balance previously reported		579,258
Website cost		79,668
		658,926

The new website costs were incorrectly accounted for as operational expenditure in the 2020/2021 financial year. The website cost payments were for the development of a new website in the financial year and therefore meets the definition of an intangible asset. The error impacted the cost of Intangible assets, R79 668 and the surplus realised, R79 668 for 2020/2021 financial year.

32.3 Employee benefit asset

Balance previously reported		-
Change in long term portion		8,075,196
		8,075,196

During the 30 June 2021 actuarial valuation, the actuaries allocated certain members to the incorrect category between Roads and Non- Roads. This error resulted in the Roads portion being undervalued and the Non- Roads being overvalued in the previous valuation.

32.4 Accumulated surplus

Balance previously reported		755,190,360
* Intangible Asset - Cost		79,668
** Actuarial loss - Roads		9,645,711
** Current Service Cost - Roads		(416)
** Interest Cost - Roads		(295)
		764,915,028

*The new website costs were incorrectly accounted for as operational expenditure in the 2020/2021 financial year. The website cost payments were for the development of a new website in the financial year and therefore meets the definition of an intangible asset. The error impacted the cost of Intangible assets, R79 668 and the surplus realised, R79 668 for 2020/2021 financial year.

**During the 30 June 2021 actuarial valuation, the actuaries allocated certain members to the incorrect category between Roads and Non- Roads. This error resulted in the Roads portion being undervalued and the Non- Roads being overvalued in the previous valuation.

Notes to the Financial Statements

Figures in Rand	2022	2021

32. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year error	Reclassifications	Restated
Revenue				
Revenue from exchange transactions				
Service charges	194,644	-	-	194,644
Rental of facilities and equipment	238,615	-	-	238,615
Roads services	105,032,933	-	-	105,032,933
Other income	1,216,118	-	-	1,216,118
Interest received - investment	38,231,810	-	-	38,231,810
Total revenue from exchange transactions	**144,914,120**	**-**	**-**	**144,914,120**
Revenue from non-exchange transactions				
Transfer revenue				
Government grants & subsidies	245,597,044	-	-	245,597,044
Public contributions and donations	17,240	-	-	17,240
Total revenue from non-exchange transactions	**245,614,284**	**-**	**-**	**245,614,284**
Total revenue	**390,528,404**	**-**	**-**	**390,528,404**
Expenditure				
Employee related costs	(223,701,150)	9,645,000	16,985,000	(197,071,150)
Remuneration of councillors	(12,657,183)	-	-	(12,657,183)
Finance cost	-	-	(16,985,000)	(16,985,000)
Depreciation and amortisation	(9,238,318)	-	-	(9,238,318)
Lease rentals on operating lease	(338,536)	-	-	(338,536)
Debt impairment	(32,597)	-	-	(32,597)
Contracted services	(31,787,145)	79,668	-	(31,707,477)
Transfers and subsidies	(12,173,420)	-	-	(12,173,420)
General Expenses	(73,634,690)	-	-	(73,634,690)
Total expenditure	**(363,563,039)**	**9,724,668**	**-**	**(353,838,371)**
Operating surplus	**26,965,365**	**9,724,668**	**-**	**36,690,033**
Loss on disposal of assets	(167,052)	-	-	(167,052)
Inventories losses/ write-downs	(91,017)	-	-	(91,017)
	(258,069)	**-**	**-**	**(258,069)**
Surplus for the year	**26,707,296**	**9,724,668**	**-**	**36,431,964**

32.5 Employee related costs

Balance previously reported	(223,701,150)
*Actuarial loss - Roads	9,645,711
*Current Service Cost - Roads	(416)
*Interest cost - Roads	(295)
**Contribution to employee benefits	16,985,000
	(197,071,150)

*During the 30 June 2021 actuarial valuation, the actuaries allocated certain members to the incorrect category between Roads and Non- Roads. This error resulted in the Roads portion being undervalued and the Non- Roads being overvalued in the previous valuation.

Figures in Rand	2022	2021

32. Prior period errors (continued)

**Contribution to employee benefits were reclassified in terms of the nature of the expenditure and to ensure fair presentation of the financial statements.

32.6 Finance cost

Balance previously reported	-
Employee benefit obligation	(16,985,000)
	(16,985,000)

32.7 Contracted services

Balance previously reported	(31,787,145)
Graphic designers	79,668
	(31,707,477)

The new website costs were incorrectly accounted for as operational expenditure in the 2020/2021 financial year. The website cost payments were for the development of a new website in the financial year and therefore meets the definition of an intangible asset. The error impacted the cost of Intangible assets, R79 668 and the surplus realised, R79 668 for 2020/2021 financial year.

32.8 Additional disclosure

Capital commitments		
Balance previously reported	-	-
Intangible assets	38,157	-
	38,157	**-**

Capital commitments relating to Intangible Assets of R38 157 for the development of the website was not disclosed as a commitment in the 2020/2021 financial year.

33. Cash generated from operations

	2022	2021
Surplus	35,616,357	36,431,964
Adjustments for:		
Depreciation and amortisation	9,801,055	9,238,318
Loss on sale of assets and liabilities	132,468	167,052
Finance costs	13,896,000	16,985,000
Public contributions and donations	(929,080)	-
Debt impairment	113,215	32,597
Movements in retirement benefit assets and liabilities	9,192,183	6,292,623
Inventory write off	49,320	91,017
Changes in working capital:		
Other receivables from exchange transactions	(25,513,957)	4,288,666
Trade receivables from exchange transactions	(52,229)	(18,802)
Other receivables from non-exchange transactions	(38,572)	229,661
Movement in provisions	36,836	(50,823)
Payables from exchange transactions	501,408	(3,355,661)
VAT	(739,757)	(273,919)
Unspent conditional grants and receipts	440,905	(1,170,472)
Inventories	733,360	36,754
Employee benefit obligation	(16,516,550)	(10,462,054)
Long term receivable	2,620,547	(6,522,945)
	29,343,509	**51,938,976**

Notes to the Financial Statements

Figures in Rand	2022	2021

34. Financial instruments

Financial risk management

The accounting policy for financial instruments were applied to the following Statement of Financial Position items:

Financial assets at amortised cost		
Trade receivables from exchange transactions	-	60,986
Other receivables from exchange transactions	44,512,961	18,997,269
Receivables from non-exchange transactions	122,441	83,869
Cash and Cash equivalents	790,328,779	766,153,639
	834,964,181	**785,295,763**

Financial liabilities at amortised cost		
Payables from exchange transactions	4,912,888	7,421,619

Refer to notes 3, 4, 5 ,8 and 12 for additional disclosures.

Liquidity risk

The municipality has limited exposure to liquidity risk and is able to meet its financial obligations as it falls due. The municipality limits exposure to liquidity risk by ensuring all liabilities are cash backed.

The following are contractual maturities of financial assets and liabilities.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	4,912,888	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	7,421,619	-	-	-

Credit risk

Credit risk consists mainly of cash and cash equivalents. The municipality invests cash with multiple banks, limiting exposure to any one counter-party.

The carrying amount of receivables and cash and cash equivalents represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets at amortised cost	2022	2021
Other receivables from exchange transactions	44,512,961	18,997,269
Trade receivables from exchange transactions	-	60,986
Cash and cash equivalents	790,328,779	766,153,639
Receivables from non- exchange transactions	122,441	83,869

Fair Values

Due to their short maturities the fair values of all financial instruments are substantially identical to the values reflected in the Statement of Financial Position.

There were no changes in the municipality's approach to financial risk management from the prior year.

Interest rate risk

The municipality's exposure to interest rate risk and effective interest rate on financial instruments at balance sheet date are as follows:

Notes to the Financial Statements

Figures in Rand	2022	2021

34. Financial instruments (continued)

The council has no outstanding loans as at 30 June 2022 (2021: R nil). The average interest rate on investments is 5.15% (2021: 5.14%). The municipality invest with multiple banks with varying interest rates linked to the prime rate.

Market risk

It is the risk that changes in market prices, such as foreign currency exchange rates and interest rates that will affect the municipality's projected income. The municipality does not hold any assets that are impacted by changes in the market.

Foreign currency risk is deemed to be minimal as very few foreign currency transactions are conducted.

There were no changes in the municipality's approach to financial risk management from the prior year.

35. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 800 809 089 (2021: R 764 915 028).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

With the abolishment of the Regional Services Council Levies on 30 June 2006, the CWDM is dependent on Government Grants, including the Equitable Share, for approximately 63% of the municipality's revenue. In addition, funds received for Roads services account for a further 26%.

36. Unauthorised expenditure

No unauthorised expenditure were incurred and identified for the current and previous financial years.

37. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure was identified and/or incurred during the current and prior financial year.

38. Irregular expenditure

	2022	2021
Opening balance as previously reported	-	-
Correction of prior period error	-	1,486,022
Opening balance as restated	**-**	**1,486,022**
Add: Irregular Expenditure - current	-	-
Add: Irregular Expenditure - prior period	-	-
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - prior period	-	(1,486,022)
Closing balance	**-**	**-**

Cases under investigation

In the current and prior year there are no cases under investigation related to non-compliance with laws, regulations, council policies and/or by-laws.

In the current and prior year there are no cases under investigation related to non-compliance with procurement process requirements.

Amounts written off

No amounts were written off in the current year.

Figures in Rand	2022	2021

38. Irregular expenditure (continued)

In the prior year, an amount of R1 486 022 was written off. All consequence management processes have been concluded and the necessary actions and measures and have been applied.

An expansion was made on a contract for an appointed consulting engineer without following the process in terms of the SCM Policy of the Municipality and Section 116(3) of the MFMA. Payments were made in terms of a contract with a consulting engineer where delays in completion resulted in additional fees and where the amounts charged, exceeded the allowable fee that is based on the sub-appointed contractor's costs.

Local Government: Municipal Finance Management Act and Supply Chain Management Policy	-	1,486,022

39. Contingencies

39.1 Contingent liabilities

(i) 2022: The status of the delictual claim for damages in the amount of R451 000 against Cape Winelands District Municipality and the Minister of Transport and Public Works by a Mr P Afrika allegedly arising from an accident in July 2008. At pre-trial conference, it was decided that the matter is to be transferred from the High Court to the Magistrate's Court. This has the effect that the potential liability of the Municipality is reduced to approximately R100 000. The said process is currently pending. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.

(2021: The status remains the same as reported on the previous year of the delictual claim for damages in the amount of R451 000 against Cape Winelands District Municipality and the Minister of Transport and Public Works by a Mr P Afrika allegedly arising from an accident in July 2008. At pre-trial conference, it was decided that the matter is to be transferred from the High Court to the Magistrate's Court. This has the effect that the potential liability of the Municipality is reduced to approximately R100 000. The said process is currently pending. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(ii) 2022: The status of the claim, where the plaintiff included the Cape Winelands District Municipality as the second of three defendants in this matter are currently awaiting a trial date. The insurance brokers of the municipality who are currently dealing with the matter: Mariska Cordy/Cape Winelands District Municipality/Stellenbosch Municipality states that that pre-trial proceeded and the matter was adjourned until 15 October 2018 to enable the parties to comply with the timetable set out in the agreed pre-trial minutes. The settlement per the summons issued amounts to R6 142 100. The settlement amount is to be paid by the insurance company on behalf of the Municipality and it would be expected of the Municipality to only pay the excess amount which has not been determined as yet. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.

(2021: The status of the claim, where the plaintiff included the Cape Winelands District Municipality as the second of three defendants in this matter, is the same as previously report that the parties are currently awaiting a trial date. The insurance brokers of the municipality who are currently dealing with the matter: Mariska Cordy/Cape Winelands District Municipality/Stellenbosch Municipality states that that pre-trial proceeded and the matter was adjourned until 15 October 2018 to enable the parties to comply with the timetable set out in the agreed pre-trial minutes. The settlement per the summons issued amounts to R6 142 100. The settlement amount is to be paid by the insurance company on behalf of the Municipality and it would be expected of the Municipality to only pay the excess amount which has not been determined as yet. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

39. Contingencies (continued)

(iii) 2022: The status of the claim where the District Municipality was jointly added as a third party, remains the same as reported on in the previous year. Specifically that on 22 January 2018 a Combined Summons was issued by the High Court of South Africa under Case No 728/18 in terms of which the trustees of the Fransie Conrade Trust (the plaintiffs) instituted action against the trustees of the Thera Trust (the defendants) for the damages suffered in the amount of R2 371 525,07 as a result of a fire that started on the property of Thera Trust and which allegedly spread to the property of the Fransie Conradie Trust. On 18 May 2018 a Third Party Notice was served on the District Municipality, in terms of which the Cape Winelands District Municipality was joint as a third party by the defendants (Thera Trust) who avers that the District Municipality is a joint wrongdoer with Thera Trust (the defendant) in that the District Municipality was negligent and that such negligence caused or contributed to the damages suffered by the plaintiff. The matter was reported to the District Municipality’s insurers and a fire incident report was accordingly provided, where after a Notice of Intention to Defend was entered. The Cape Winelands District Municipality is currently awaiting the matter to be set down for Pre-trial hearing and thereafter trial. In view of the aforementioned, it is clear that it is not possible at this stage to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.

(2021: The status of the claim where the District Municipality was jointly added as a third party, remains the same as reported on in the previous year. Specifically that on 22 January 2018 a Combined Summons was issued by the High Court of South Africa under Case No 728/18 in terms of which the trustees of the Fransie Conrade Trust (the plaintiffs) instituted action against the trustees of the Thera Trust(the defendants) for the damages suffered in the amount of R2 371 525 as a result of a fire that started on the property of Thera Trust and which allegedly spread to the property of the Fransie Conradie Trust. On 18 May 2018 a Third Party Notice was served on the District Municipality, in terms of which the Cape Winelands District Municipality was joint as a third party by the defendants (Thera Trust) who avers that the District Municipality is a joint wrongdoer with Thera Trust (the defendant) in that the District Municipality was negligent and that such negligence caused or contributed to the damages suffered by the plaintiff. The matter was reported to the District Municipality’s insurers and a fire incident report was accordingly provided, where after a Notice of Intention to Defend was entered. The Cape Winelands District Municipality is currently awaiting the matter to be set down for Pre-trial hearing and thereafter trial. In view of the aforementioned, it is clear that it is not possible at this stage to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(iv) 2022: The status is the same as reported in the previous year. On 1 February 2021 a summons was issued by the High Court of South Africa, Western Cape Division, under Case Number 2023/21 in terms of which the plaintiffs instituted action against the Cape Winelands District Municipality, as the sixth defendant, for damages suffered to the amount of R26 767 475. The plaintiffs claims that a veld of forest fire that happened on or about 5 February 2018 and spread onto the plaintiffs properties from a certain property situated adjacent to the plaintiffs properties. The properties are located within the jurisdiction of the Cape Winelands District Municipality. The plaintiffs claims that the District Municipality owed a general duty of care to the public to prevent the spread of a veldfire and resultant damages by acting reasonably and practically in the circumstances and furthermore to comply with the standard operating procedures in respect of veldfires occurring on days marked with a "Red" of "High - Extreme" Fire Danger Index rating. The District Municipality entered a Notice of Intention to Defend. The relief the plaintiff are seeking is as follows: (a) that the Defendants be held liable for the damages to the amount of R20 667 475, (b) that the Defendants be held liable for the damages to the amount R6 100 000, (c) interest on the aforesaid amounts at the prescribed rate a tempore morae from date of demand alternatively date of summons until date of payment in full, (d) costs of suit, (e) further and/or alternative relief. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.

(2021: On 1 February 2021 a summons was issued by the High Court of South Africa, Western Cape Division, under Case Number 2023/21 in terms of which the plaintiffs instituted action against the Cape Winelands District Municipality, as the sixth defendant, for damages suffered to the amount of R26 767 475. The plaintiffs claims that a veld of forest fire that happened on or about 5 February 2018 and spread onto the plaintiffs properties from a certain property situated adjacent to the plaintiffs properties. The properties are located within the jurisdiction of the Cape Winelands District Municipality. The plaintiffs claims that the District Municipality owed a general duty of care to the public to prevent the spread of a veldfire and resultant damages by acting reasonably and practically in the circumstances and furthermore to comply with the standard operating procedures in respect of veldfires occurring on days marked with a "Red" of "High - Extreme" Fire Danger Index rating. The District Municipality entered a Notice of Intention to Defend. The relief the plaintiff are seeking is as follows: (a) that the Defendants be held liable for the damages to the amount of R20 667 475, (b) that the Defendants be held liable for the damages to the amount R6 100 000, (c) interest on the aforesaid amounts at the prescribed rate a tempore morae from date of demand alternatively date of summons until date of payment in full, (d) costs of suit, (e) further and/or alternative relief. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

39. Contingencies (continued)

(v) 2022: The status on this claim is that the matter was settled with the plaintiff. A combined summons was issued on 8 December 2020 by the Magistrates Court for the District of Paarl under Case No 2015/2020 in terms of which Hydrotech Design (Pty) Ltd instituted action against a employee of the Cape Winelands District Municipality as the Third Defendant. On 13 May 2020 a collision occurred between the Plaintiff's vehicle and the Defendants vehicle's. On 28 January 2021 a letter of demand was issued by the Plaintiff's attorneys on the Municipality and it's employee for damages suffered to the amount R16 341.75 and legal fees in the sum of R1 500. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.

(2021: A combined summons was issued on 8 December 2020 by the Magistrates Court for the District of Paarl under Case No 2015/2020 in terms of which Hydrotech Design (Pty) Ltd instituted action against a employee of the Cape Winelands District Municipality as the Third Defendant. On 13 May 2020 a collision occurred between the Plaintiff's vehicle and the Defendants vehicle's. On 28 January 2021 a letter of demand was issued by the Plaintiff's attorneys on the Municipality and it's employee for damages suffered to the amount R16 342 and legal fees in the sum of R1 500. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(vi) 2022: The status on this claim is that the matter was settled with the plaintiff. On 28 January 2021 a letter of demand was issued to the Cape Winelands District Municipality, the insurers of JH van Heerden for damages suffered to the amount of R214 380 in a motor vehicle accident on 8 January 2021. The matter was reported the District Municipality's insurers.

(2021: On 28 January 2021 a letter of demand was issued to the Cape Winelands District Municipality, the insurers of JH van Heerden for damages suffered to the amount of R214 380 in a motor vehicle accident on 8 January 2021. The matter was reported the District Municipality's insurers. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

vii) 2022: The Municipality is still waiting on the outcome of 4 public liability claims, 42 third party accident claims that were handed over to the state attorneys and / or the Municipality's insurance brokers. It is not practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence the disclosure of the value is not possible.

(2021: The Municipality is still waiting on the outcome of 6 public liability claims, 30 third party accident claims and 1 insurance claims that were handed over to the state attorneys and / or the Municipality's insurance brokers. It is not practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence the disclosure of the value is not possible.)

viii) 2022: On 22 June 2022, the Municipality received a notice from Marlo Laubscher Attorneys regarding an arrears municipal account of R33 732. The municipality currently is still awaiting the outcome of the enquiries it has made regarding the responsibility for the settlement of this arrears account as there are community members residing on the property whom should be responsible for the settlement of the municipal accounts.

ix) 2022: The municipality received a notice from Blignaut Neerahoo Attorneys regarding a contractual dispute for a claim of R402 285. The legal proceedings related to the matter has not yet commenced and there is no certainty that the municipality will be liable for the amount claimed.

39.2 Contingent assets

i) 2022: The Municipality has been informed by the insurance provider that no payment will be made as per the terms of the insurance policy and therefore the municipality no longer has any right to the claim. Based on this, the contingent asset will no longer be disclosed.

(2021: The Municipality is still awaiting the outcome of 1 insurance claims that were not concluded at 30 June 2021. The claims are not specific to the 2020/2021 financial year. It is not practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence the disclosure of the value is not possible.)

Notes to the Financial Statements

Figures in Rand	2022	2021

40. Related parties

The following related parties exist:

Municipal Manager (H.F. Prins)

Chief Financial Officer (F.A. Du Raan-Groenewald)

Executive Director: Community Development and Planning Services (P. Williams)

Executive Director: Technical Services (F.A. van Eck)

Ald. (Dr) H von Schlicht	(Mayor: Term ended - 08/11/2021; Appointed Councillor - 09/11/2021 - 01/12/2021; Appointed Mayor - 02/12/2021)
Ald. C Meyer	(Speaker: Term ended - 08/11/2021; Appointed - 09/11/2021)
Cllr. D.D.Joubert	(Appointed - 09/11/2021; Appointed Speaker - 02/12/2021)
Cllr. G.J Carinus	
Cllr. C.F Wilskut	(Term ended - 08/11/2021; Appointed - 26/11/2021)
Cllr. M.N Bushwana	(Term ended - 08/11/2021; Appointed - 26/11/2021)
Cllr. R.S Nalumango	(Term ended - 08/11/2021; Appointed - 26/11/2021)
Cllr. W.M Blom	(Term ended - 08/11/2021; Appointed - 26/11/2021)
Cllr. K Adams	(Appointed - 26/11/2021; Resigned - 09/06/2022)
Cllr. D Swart	(Deputy Mayor: Term ended - 08/11/2021; Appointed - 26/11/2021)
Cllr. P Daniëls	(Term ended - 08/11/2021; Appointed - 29/06/2022)
Ald. M Sampson	(Appointed - 26/11/2021; Appointed Deputy Mayor - 02/12/2021)
Cllr. A.J du Plessis	(Appointed - 26/11/2021)
Cllr. A.J Pedro	(Appointed - 09/11/2021)
Cllr. A.M Richards	(Appointed - 26/11/2021)
Cllr. C Manuel	(Appointed - 26/11/2021)
Cllr. C.O Klaaste	(Appointed - 26/11/2021)
Cllr. D.B Janse	(Appointed - 26/11/2021)
Cllr. D.W Nel	(Appointed - 09/11/2021)
Cllr. E Groenewald	(Appointed - 26/11/2021)
Cllr. E.G Arendse	(Appointed - 26/11/2021)
Cllr. F Jacobs	(Appointed - 26/11/2021)
Cllr. G.J Fredericks	(Appointed - 09/11/2021)
Cllr. J Maliti	(Appointed - 09/11/2021)
Cllr. J Smith	(Appointed - 26/11/2021)

Notes to the Financial Statements

Figures in Rand	2022	2021

40. Related parties (continued)

Cllr. J.H.P Steyn	(Appointed - 09/11/2021)
Cllr. J.S Januarie	(Appointed - 26/11/2021)
Cllr. L Ngwane	(Appointed - 09/11/2021)
Cllr. M Liebenberg	(Appointed - 09/11/2021)
Cllr. M Smit	(Appointed - 09/11/2021)
Cllr. M van Staden	(Appointed - 26/11/2021)
Cllr. M.H Yabo	(Appointed - 09/11/2021)
Cllr. M.N Kriel	(Appointed - 09/11/2021)
Cllr. N Phatsoane	(Appointed - 26/11/2021)
Cllr. N.D Sauerman	(Appointed - 26/11/2021)
Cllr. R Farao	(Appointed - 26/11/2021)
Cllr. R Smuts	(Appointed - 26/11/2021)
Cllr. S Goedeman	(Appointed - 09/11/2021)
Cllr. T.R Mpulanyana	(Appointed - 09/11/2021)
Cllr. V Hani	(Appointed - 09/11/2021)
Cllr. W.C Petersen	(Appointed - 26/11/2021)
Cllr. X.L Mdemka	(Appointed - 26/11/2021)
Cllr. A Florence	(Term ended - 08/11/2021)
Ald. J.W Schuurman	(Term ended - 08/11/2021)
Cllr. A Crombie	(Term ended - 08/11/2021)
Cllr. A.J Shibili	(Term ended - 08/11/2021)
Cllr. B.B Ntshingila	(Term ended - 08/11/2021)
Cllr. C Damens	(Term ended - 08/11/2021)
Cllr. C Steyn	(Term ended - 08/11/2021)
Cllr. D.R.A Snyders	(Term ended - 08/11/2021)
Cllr. E Qhankqiso	(Term ended - 08/11/2021)
Cllr. J Smit	(Term ended - 08/11/2021)
Cllr. J.J van Rooyen	(Term ended - 08/11/2021)
Cllr. J.S Mouton	(Term ended - 08/11/2021)
Cllr. L.N Qoba	(Term ended - 08/11/2021)

Notes to the Financial Statements

Figures in Rand	2022	2021

40. Related parties (continued)

Cllr. L.S Sambokwe	(Term ended - 08/11/2021)
Cllr. M.T Klaas	(Term ended - 08/11/2021)
Cllr. N Tetana	(Term ended - 08/11/2021)
Cllr. R Du Toit	(Term ended - 08/11/2021)
Cllr. S.C Rens	(Term ended - 08/11/2021)
Cllr. S.S Magqazana	(Term ended - 08/11/2021)
Cllr. T.M Wehr	(Term ended - 08/11/2021)
Cllr. W Vrolick	(Term ended - 08/11/2021)
Cllr. X Kalipa	(Term ended - 08/11/2021)
Cllr. Z.L Masoka	(Term ended - 08/11/2021)
Cllr. J.D.F van Zyl	(Term ended - 08/11/2021)
Cllr. J.J Du Plessis	(Term ended - 08/11/2021)
Cllr. L Landu	(Term ended - 08/11/2021)
Cllr. L.W Niehaus	(Term ended - 08/11/2021)
Cllr. P.C Ramokhabi	(Term ended - 08/11/2021)

The salaries and remuneration of key management and councillors are disclosed in notes 23 & 24 of the Annual Financial Statements.

Notes to the Financial Statements

Figures in Rand	2022	2021

41. Change in estimate

Property, plant and equipment

41.1 Redundant store assets

The prior year accounting estimates relating to the estimated useful lives and residual values of Furniture and fittings, Office equipment, Plant and equipment, Motor vehicles, Emergency equipment and Trailers were evaluated during the 2021/2022 financial year and the change in the estimates were implemented on 01 July 2021. This led to a change in depreciation for the 2021/2022 from the 2020/2021 financial year. The amount of the depreciation, had the change in accounting estimate not been effected, the effect of the change in accounting estimate of depreciation for 2021/2022 financial year as well as the amended depreciation are as follows:

Asset Type Description	Total of depreciation on assets for 2021/22 had no change been effected:	Total new depreciation for 2021/22 after the change was affected:	2021/2022: Difference: Increase in depreciation	Total of depreciation on assets for future years had no change been effected:	Total new depreciation for future years after the change was affected:	Future years: Difference: Decrease in depreciation
Furniture and fittings	3,297	21,906	18,609	18,609	-	(18,609)
Office Equipment	21,559	153,243	131,684	131,684	-	(131,684)
Plant and equipment	11,044	72,776	61,731	61,731	-	(61,731)
Motor vehicles	61,439	651,774	590,335	590,335	-	(590,335)
Emergency equipment	2,431	16,920	14,488	14,488	-	(14,488)
	99,770	**916,619**	**816,847**	**816,847**	**-**	**(816,847)**

The effect of the change in estimate led to an decrease in depreciation of Furniture and fittings of R18 609, decrease in depreciation of Office equipment of R131 684, decrease in depreciation of Plant and equipment of R61 731, decrease in depreciation of Motor Vehicles of R590 335 and a decrease in depreciation of Emergency equipment of R14 488 for the future years.

41.2 Review of RUL of Property, Plant and Equipment

Asset Type Description	Total of depreciation on assets for 2021/22 had no change been effected:	Total new depreciation for 2021/22 after the change was affected:	2021/2022: Difference: Increase in depreciation	Total of depreciation on assets for future years had no change been effected:	Total new depreciation for future years after the change was affected:	Future years: Difference: Decrease in depreciation
Trailers	31,320	10,075	(21,246)	-	21,246	21,246

The effect of the change in estimate led to an increase in depreciation of R21 246 for the future years.

Figures in Rand	2022	2021

42. B-BBEE Performance

2021/2022

Information on compliance with the B-BBEE Act is included in the annual report under the section B-BBEE Compliance Performance Information.

The Municipality included the relevant disclosure on B-BBEE performance in a note to the 2020/2021 financial statements. However, the Municipality omitted to report its compliance results with B-BBEE in the 2020/2021 Annual Report. The Municipality is a Level Seven Contributor.

2020/2021

Information on compliance with the B-BBEE Act is included in the annual report under the section B-BBEE Compliance Performance Information.

43. Events after the reporting date

The additional amount included in note 15 to provisions relating to the adjusting event amounted to R43 267.

44. Reconciliation between budget and annual financial statements

44.1 Statement of Financial Performance

Service charges (Actual amount as per Statement of Comparison)	-	-
Service charges	182,762	-
Actual amount as per Statement of Financial Performance	**182,762**	**-**

Service charges was remapped from Other revenue to adhere to the requirements of GRAP.

Agency Services (Actual amount as per Statement of Comparison)	106,979,783	-
Roads Capital	54,315	-
Management Fees	9,321,397	-
Management Fees	(10,719,606)	-
Actual amount as per Statement of Financial Performance	**105,635,889**	**-**

The capital financing for Roads services was remapped from Transfers and subsidies to Roads services. Management fees was remapped to Roads services to adhere to the requirements of GRAP.

To align to the accounting treatment for the funding received from Department of Transport and Public Works with regards to the roads maintenance, the prior year naming convention for this funding source was changed from agency services to roads services. Both the prior year and current year naming convention is therefore consistent. This allows the users of the financial statements to have a clear understanding of the substance to this funding source.

Licenses and permits (Actual amount as per Statement of Comparison)	739,566	-
Licenses and permits	(739,566)	-
Actual amount as per Statement of Financial Performance	**-**	**-**

Licences and permits were remapped to Other income to adhere to the requirements of GRAP.

Figures in Rand	2022	2021

44. Reconciliation between budget and annual financial statements (continued)

Transfers and subsidies (Actual amount as per Statement of Comparison)	253,668,692	-
Public Sector SETA	(384,462)	-
Roads Capital	(9,587)	-
Actual amount as per Statement of Financial Performance	**253,274,643**	**-**

LG SETA refunds and Public contributions and donations were remapped from Transfers and subsidies to Other income to adhere to the requirements of GRAP.

Public contributions and donations (Actual amount as per Statement of Comparison)	-	-
Public contributions and donations	938,667	-
Actual amount as per Statement of Financial Performance	**938,667**	**-**

Pubic contributions and donations was remapped from Transfers and subsidies to adhere to the requirements of GRAP.

Other revenue (Actual amount as per Statement of Comparison)	9,691,258	-
Management fees	(9,321,397)	-
Service charges	(182,762)	-
Public Sector SETA	384,462	-
Licenses and permits	739,566	-
Actual amount as per Statement of Financial Performance	**1,311,127**	**-**

Other revenue was remapped to adhere to the requirements of GRAP.

Employee related costs (Actual amount as per Statement of Comparison)	218,978,840	-
Workmen's compensation fund	1,069,362	-
Interest cost	(13,896,000)	-
Actual amount as per Statement of Financial Performance	**206,152,202**	**-**

Workmen's compensation fund was remapped from Other expenditure to Employee related cost to adhere to requirements of GRAP. Interest cost on post-retirement benefits and long service awards were remapped to Finance costs to adhere to the requirements of GRAP.

Finance cost (Actual amount as per Statement of Comparison)	-	-
Interest cost	13,896,000	-
Actual amount as per Statement of Financial Performance	**13,896,000**	**-**

Interest cost on post-retirement benefits and long service awards were remapped from Employee related costs to Finance costs to adhere to the requirements of GRAP.

Lease rentals on operating lease (Actual amount as per Statement of Comparison)	-	-
Lease rentals on operating lease	298,157	-
	298,157	**-**

Lease rentals on operating lease was remapped from Other expenditure to adhere to the requirements of GRAP.

Notes to the Financial Statements

Figures in Rand	2022	2021

44. Reconciliation between budget and annual financial statements (continued)

Inventory consumed (Actual amount as per Statement of Comparison)	21,452,352	-
General expenses	(21,452,352)	-
Actual amount as per Statement of Financial Performance	**-**	**-**

Inventory consumed were remapped to General expenses to adhere to the requirements of GRAP.

Other expenditure (Actual amount as per Statement of Comparison)	63,534,832	-
Workmen's compensation fund	(1,069,362)	-
Lease rental on operating leases	(298,157)	-
Inventory consumed	21,452,352	-
Inventory losses	(49,320)	-
Management fees	(10,719,607)	-
Actual amount as per Statement of Financial Performance	**72,850,738**	**-**

Workmen's compensation fund was remapped from Other expenditure to Employee related cost to adhere to the requirements of GRAP. Lease rentals on operating lease was remapped from other expenditure to adhere to the requirements of GRAP. Inventory consumed was remapped to General expenditure to adhere to the requirements of GRAP. Management fees was remapped from other expenditure to Roads services.

Inventories losses (Actual amount as per Statement of Comparison)	-	-
Inventories losses	49,320	-
Actual amount as per Statement of Financial Performance	**49,320**	**-**

Inventories losses was remapped from other expenditure to adhere to the requirements of GRAP.

Transfer and subsidies: Capital monetary (Actual amount as per Statement of Comparison)	54,315	-
Roads Capital	(54,315)	-
Actual amount as per Statement of Financial Performance	**-**	**-**

The capital financing for Roads was remapped from Transfers and subsidies to Roads services.

Transfer and subsidies: Capital in- kind (Actual amount as per Statement of Comparison)	929,080	-
Public contributions and donations	(929,080)	-
Actual amount as per Statement of Financial Performance	**-**	**-**

Capital donations received were remapped from Transfers and subsidies to Public contributions and donations.

44.2 Statement of financial position

Cash and cash equivalents (Actual amount as per Statement of Comparison)	-	-
Cash on hand	6,828,779	-
Call investment deposits	783,500,000	-
Actual amount as per Statement of Financial Position	**790,328,779**	**-**

Cash on hand and Call Investment deposits were remapped to adhere to the requirements of GRAP.

Notes to the Financial Statements

Figures in Rand	2022	2021

44. Reconciliation between budget and annual financial statements (continued)

Consumer debtors (Actual amount as per Statement of Comparison)	26,918,529	-
Service charges	(44,573)	-
Prepayments and advances	2,278,610	-
Insurance claims	40,070	-
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	69,750	-
Output VAT: Provision for Doubtful Debt Impairment	(649)	-
Deposits	4,740	-
Accrued interest	17,321,583	-
Third Party Refund	225,995	-
Actual amount as per Statement of Financial Position	**46,814,055**	**-**

Consumer debtors were remapped to adhere to the requirements of GRAP.

VAT receivable (Actual amount as per Statement of Comparison)	-	-
VAT receivable	2,455,080	-
Actual amount as per Statement of Financial Position	**2,455,080**	**-**

VAT receivable were remapped from Other debtors and Trade and other payables to adhere to the requirements of GRAP.

Receivables from non-exchange transactions (Actual amount as per Statement of Comparison)	-	-
Accrued income	122,441	-
Actual amount as per Statement of Financial Position	**122,441**	**-**

Accrued income was remapped from Other debtors to adhere to the requirements of GRAP.

Consumer deposits (Actual amount as per Statement of Comparison)	20,000	-
Consumer deposits	(20,000)	-
Actual amount as per Statement of Financial Position	**-**	**-**

Consumer deposits was remapped to Payables from exchange transactions to adhere to the requirements of GRAP.

Trade and other payables (Actual amount as per Statement of Comparison)	13,133,060	-
Unspent conditional grants	(5,776,226)	-
Output VAT	112,889	-
Employee benefits	(2,576,835)	-
Consumer deposits	20,000	-
Actual amount as per Statement of Financial Position	**4,912,888**	**-**

Trade and other payables were remapped to adhere to the requirements of GRAP.

Employee benefit obligation (Actual amount as per Statement of Comparison)	-	-
Employee benefits	37,067,065	-
Actual amount as per Statement of Financial Position	**37,067,065**	**-**

Employee benefits were remapped from Provisions and Trade and other payables to adhere to the requirements of GRAP.

Provisions (Actual amount as per Statement of Comparison)	34,533,508	-
Employee benefits	(34,490,231)	-
Actual amount as per Statement of Financial Position	**43,277**	**-**

Provisions were remapped to Employee benefit obligation to adhere to the requirements of GRAP.

Notes to the Financial Statements

Figures in Rand	2022	2021

44. Reconciliation between budget and annual financial statements (continued)

Accumulated surplus (Actual amount as per Statement of Comparison)	721,502,060	-
Reserves	79,307,027	-
Amount as per Statement of Financial Position	**800,809,087**	**-**

Reserves were remapped to Accumulated surplus to adhere to the requirements of GRAP.

44.3 Cashflow statement

Employee cost (Actual amount as per Statement of Comparison)	-	-
Employee cost	196,972,541	-
Amount as per Cash flow statement	**196,972,541**	**-**

Employee cost was remapped from Suppliers and employees to adhere to the requirements of GRAP.

Remuneration to councillors (Actual amount as per Statement of Comparison)	-	-
Remuneration to councillors	12,744,505	-
Amount as per Cash flow statement	**12,744,505**	**-**

Remuneration of councillors was remapped from Suppliers and employees to adhere to the requirements of GRAP.

Transfers and grants (Actual amount as per Statement of Comparison)	(16,988,386)	-
Transfers and grants	16,988,386	-
Amount as per Cash flow statement	**-**	**-**

Transfers and grants was remapped to Suppliers to adhere to the requirements of GRAP.

Finance costs (Actual amount as per Statement of Comparison)	-	-
Finance cost	13,896,000	-
Amount as per final approved budget	**13,896,000**	**-**

Finance costs were remapped from Suppliers and employees to adhere to the requirements of GRAP.

45. Actual operating expenditure versus budgeted operating expenditure

According to the Accounting Policy, explanations should be provided in cases where the difference between the Adjustments Budget and the Actual Expenditure exceeds 10%.

45.1 Statement of Financial Position

Current Assets

Cash

There is only a one percent variance if taking into account the Call investments deposits.

Consumer debtors

Not all claims submitted to The Western Cape Provincial Government via its Department of Transport and Public Works were paid in full; hence the increase in the Roads services debtor. Furthermore, the delay in submission of the June claim to allow for accruals and payables also increased the debtor.

45. Actual operating expenditure versus budgeted operating expenditure (continued)

Other debtors

Variance as a result of higher interest rates than anticipated during the budget process.

Inventory

Variance is less than 10%, no reason required.

Current portion of long- term receivable

The calculation that is made for the Future Medical Aid Liability, Ex Gratia Pension and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

Non-Current Assets

Property, plant and equipment

Variance is less than 10%, no reason required.

Intangible assets

The acquisition of a performance management (PMS) system was added during the Adjustments Budget as a result of the promulgation of new Staff Regulations in November 2021. However, due to the invalidity of the PPPFA regulations and concomitant uncertainty thereof, the acquisition of the PMS System was deferred to the next financial year.

Other non- current assets

The calculation that is made for the Future Medical Aid Liability, Ex Gratia Pension and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

Liabilities

Current Liabilities

Consumer Deposits

The consumer deposits were only repaid during the month of August 2022 and not during June 2022 as anticipated during the budget process.

Trade and other payables

The outcome of the roll-over request for grant funding only materialised in the latter part of the financial year and therefore it was impossible to complete all the work by 30 June 2022. The awarding of tenders were delayed as a result of The Supreme Court of Appeal declaring the entire Preferential Procurement Regulations invalid on the basis that the content of the Regulations exceeded the Minister’s power on what could permissibly be regulated on in terms of section 5 of the Procurement Act and section 217 of the Constitution.

Provisions

The calculation that is made for the Future Medical Aid Liability, Ex Gratia Pension and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

Non-Current Liabilities

Provisions

The calculation that is made for the Future Medical Aid Liability, Ex Gratia Pension and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

Notes to the Financial Statements

Figures in Rand	2022	2021

45. Actual operating expenditure versus budgeted operating expenditure (continued)

Net Assets

Reserves

The transfer to the capital replacement reserves is only done at year end and therefore cannot accurately budget for this.

45.2 Statement of Financial Performance

Rental of facilities and equipment

Variance is less than 10%, no reason required.

Agency Services

Variance is less than 10%, no reason required.

Licences and permits

The issuing of export certificates increased as a result of the relaxation of certain lock down regulations.

Other Revenue

Other revenue consist of different income sources which is variable for change due to external factors.

Interest received - investment

Variance is less than 10%, no reason required.

Transfer and subsidies

Variance is less than 10%, no reason required.

Expenditure

Employee related costs

Variance is less than 10%, no reason required.

Remuneration of councillors

Variance is less than 10%, no reason required.

Depreciation and amortisation

Variance is less than 10%, no reason required.

Debt impairment

Variance is less than 10%, no reason required.

Contracted services

The awarding of tenders was kept in abeyance and budget appropriations were deferred to the next financial year due to the invalidity of the PPPFA regulations and concomitant uncertainty thereof.

Transfers and subsidies

Variance is less than 10%, no reason required.

45. Actual operating expenditure versus budgeted operating expenditure (continued)

Other expenditure

Variance does not exceed 10%, no reason required.

Losses

Variance is less than 10%, no reason required.

Transfers and subsidies - capital

A large portion of the unspent amount relates to a roll over grant that was only approved in the latter part of the year. The grant is committed to partially fund a fire fighting vehicle. The awarding of the tender was delayed as a result of The Supreme Court of Appeal declaring the entire Preferential Procurement Regulations invalid on the basis that the content of the Regulations exceeded the Minister’s power on what could permissibly be regulated on in terms of section 5 of the Procurement Act and section 217 of the Constitution.

Transfer and Subsidies - capital (in-kind)

The municipality received donated assets during the financial year.

45.3 Cash Flow Statement

Other Revenue

Refer to reason provided above for the Statement of financial performance.

Government - operating

Variance is less than 10%, no reason required.

Government - capital

The acquisition of the guard hut for the Roads services was deferred to the next financial year.

Interest

The accrued interest was incorrectly mapped as a cash flow item during the budget preparation process.

Suppliers and employees

Refer to reason provided above for the Statement of financial performance.

Transfer and grants

During the budget process the allocation-in-kind transfers were incorrectly mapped as a non-cash item.

Proceeds on disposal of PPE

Variance is less than 10%, no reason required.

Capital assets

The awarding of tenders was kept in abeyance and budget appropriations were deferred to the next financial year due to the invalidity of the PPPFA regulations and concomitant uncertainty thereof.

Notes to the Financial Statements

Figures in Rand	2022	2021

45. Actual operating expenditure versus budgeted operating expenditure (continued)

Consumer deposits

The consumer deposits were only repaid during the month of August 2022 and not during June 2022 as anticipated during the budget process.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,321,684	2,265,329
Amount paid - current year	(2,205,600)	(2,152,063)
Amount paid - previous years	(116,084)	(113,266)
	-	-

Audit fees

Current year subscription / fee	2,573,272	2,308,865
Amount paid - current year	102,576	84,891
Amount paid - previous years	(2,670,178)	(2,404,120)
	5,670	**(10,364)**

PAYE, UIF and SDL

Current year subscription / fee	(39,178,059)	(38,229,918)
Amount paid - current year	39,178,059	38,229,918
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	(67,631,029)	(66,077,451)
Amount paid - current year	67,631,029	66,077,451
	-	-

VAT

VAT receivable	2,743,707	1,999,082
VAT payable	(288,627)	(283,759)
	2,455,080	**1,715,323**

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear accounts

During the financial year under review no Councillor was in arrears with the settlement of rates or services.

However, Councillor arrear accounts are in respect of Cllr Gwada, Ross, Nyamana and Heradien for the overpayment of remuneration due to the upward change in the grading of Witzenberg, Drakenstein and Langeberg Municipality; and the termination/resignation of councillors Mcako and Louw of Stellenbosch Municipality.

The arrear accounts of Cllr Magqazana and Qoba relates to overpayments due to calculation errors with the final payments at the termination/resignation of their positions held as councillors of the CWDM.

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Z.L Gwada	-	2,463	2,463
Cllr. S. Ross	-	4,387	4,387
Cllr. S.W. Nyamana	-	769	769
Cllr. P Heradien (resigned 10/12/2014)	-	10,315	10,315
Cllr. C. Mcako (resigned 29/06/2016)	-	1,138	1,138
Cllr. N.S. Louw (resigned 25/07/2018)	-	689	689
Cllr. S.S. Magqazana	-	1,868	1,868
Cllr. L.N. Qoba	-	856	856
	-	**22,485**	**22,485**

The Municipality in terms of Section 167(2) of the MFMA, must and has the right to, recover remuneration paid otherwise than in accordance with the framework of the Public Office-Bearers Act, 1998 from political office-bearers and may not write off any expenditure incurred by the municipality in paying or giving such remuneration.

(i) In respect of upward grading of the local municipalities within the district:

In view of the above-mentioned determination, the Municipality recovered all overpayments as a result of the upward grading or changes in positions held on council committees of its local municipalities, except for the above mentioned councillors, where payment arrangements have been made or legal action instituted.

Legal action against Cllrs Heradien, Ross, Gwada (deceased) and Nyamana is currently in progress. Attempts by the Municipality's debt collectors to institute a claim against the deceased estate of Cllr Gwada is ongoing, though to date this has been unsuccessful.

(ii) In respect of resignations / terminations:

Cllr Louw has adhered to the payment arrangements made and the relevant arrears was fully recovered after 30 June 2022. Attempts by the Municipality's debt collectors to institute a claim against the deceased estate of Cllr Mcako is still ongoing, though to date this has been unsuccessful. Cllrs Magqazana and Qoba will be handed over for legal action to be instituted pending the appointment of a new debt collector.

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Z.L. Gwada	-	2,463	2,463
Cllr. S. Ross	-	4,387	4,387
Cllr. S.W. Nyamana	-	769	769
Cllr. P. Heradien (resigned 10/12/2014)	-	10,315	10,315
Cllr. C Mcako (resigned 29/06/2016)	-	1,138	1,138
Cllr. N.S. Louw (resigned 25/07/2018)	-	3,306	3,306
	-	**22,378**	**22,378**

The municipality in terms of Section 167(2) of the MFMA, must and has the right to, recover remuneration paid otherwise than in accordance with the framework of the Public Office-Bearers Act, 1998 from political office-bearers and may not write off any expenditure incurred by the municipality in paying or giving such remuneration.

Figures in Rand	2022	2021

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

(i) In respect of upward grading or changes in positions held on council committees (section 79 committees) of the local municipalities within the district:

In view of the said determination, the municipality recovered all overpayments as a result of the upward grading or changes in positions held on council committees of its local municipalities, except for the above mentioned councillors, where payment arrangements have been made or legal action instituted. The balance outstanding owed by Cllr Hess as at 30 June 2020 was recovered during the 2020/2021 financial year.

Cllrs Heradien, Ross, Gwada (deceased) and Nyamana have been handed over for legal action to be instituted and this is currently in process. The Municipality`s debt collector intends to institute a claim against the estate of the late Cllr Gwada.

(ii) In respect of resignations / terminations:

The Municipality`s debt collector intends to institute a claim against the estate of the late Cllr Mcako. Cllr Louw has been handed over for legal action and a payment arrangement was concluded.

Particulars of non-compliance

No incidences of non-compliance occurred during the current and prior financial year.

Disclosures by municipality on intergovernmental and other allocations

Allocations made to municipalities

Section 123 of the MFMA determines that the municipality must disclose information on any allocations made by the municipality to another municipality. The following allocations were made to local municipalities within CWDM for projects as identified by the respective local municipality in terms of service level agreements:

Breede Valley Municipality	962,000	1,020,000
Drakenstein Municipality	6,226,000	660,000
Langeberg Municipality	864,000	740,000
Stellenbosch Municipality	984,000	540,000
Witzenberg Municipality	764,000	740,000
	9,800,000	**3,700,000**

47. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of ten major functional areas. These segments makes up two of the three strategic objectives of the municipality.

Information reported about these segments is used by management as a basis for evaluating the segments’ performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	**Goods and/or services**
Community development and planning services	Creating an environment and forging partnerships that ensure social and economic development of all communities, including the empowerment of the poor in the Cape Winelands District

Notes to the Financial Statements

Figures in Rand	2022	2021

47. Segment information (continued)

Technical services	Promoting sustainable infrastructure services and a transport system that fosters social and economic opportunities

Segment surplus or deficit

2022

	Community development and planning services	Technical services	Non-reportable	Total
Revenue				
Revenue from exchange transactions				
Service Charges	182,762	-	-	182,762
Rental of facilities and equipment	-	-	229,049	229,049
Roads services	-	96,314,491	9,321,397	105,635,888
Other income	739,566	46,707	524,854	1,311,127
Interest revenue- Investment	-	-	40,295,365	40,295,365
Revenue from non- exchange transactions				
Transfer revenue				
Government grant & subsidies	2,304,762	2,861,268	248,108,613	253,274,643
Public contributions and donations	89,080	9,587	840,000	938,667
Total segment revenue	**3,316,170**	**99,232,053**	**299,319,278**	**401,867,501**
Total revenue				**401,867,501**
Expenditure				
Employee related costs	91,325,121	64,088,393	50,738,688	206,152,202
Remuneration to councillors	-	-	12,744,505	12,744,505
Depreciation and amortisation	4,650,557	2,117,362	3,033,136	9,801,055
Lease rentals on operating lease	-	-	298,157	298,157
Debt impairment	-	-	113,215	113,215
Finance cost	-	-	13,896,000	13,896,000
Contracted services	20,132,438	5,108,724	7,983,934	33,225,096
Transfers and Subsidies	8,199,521	1,288,865	7,500,000	16,988,386
Loss on disposal of assets	52,068	59,114	21,286	132,468
Inventories losses/ write- downs	-	-	49,320	49,320
General Expenses	9,891,441	37,882,592	25,076,707	72,850,740
Total segment expenditure	**134,251,146**	**110,545,050**	**121,454,948**	**366,251,144**
Surplus/(deficit)				**35,616,357**

47. Segment information (continued)

2021

	Community development and planning services	Technical services	Non-reportable	Total
Revenue				
Revenue from exchange transactions				
Service charges	194,644	-	-	194,644
Rental of facilities and equipment	-	-	238,615	238,615
Roads services	-	95,516,597	9,516,336	105,032,933
Other income	669,682	10,985	535,451	1,216,118
Interest received- investment	-	-	38,231,810	38,231,810
Revenue from non- exchange transactions				
Transfer revenue				
Government grants & subsidies	2,143,310	3,440,279	240,013,455	245,597,044
Public contribution and donations	-	17,240	-	17,240
Total segment revenue	**3,007,636**	**98,985,101**	**288,535,667**	**390,528,404**
Total revenue				**390,528,404**

	Community development and planning services	Technical services	Non-reportable	Total
Expenditure				
Employee related cost	88,819,292	57,082,689	51,169,169	197,071,150
Remuneration of councillors	-	-	12,657,183	12,657,183
Depreciation and amortisation	4,225,256	519,055	4,494,007	9,238,318
Lease rentals om operating lease	-	-	338,536	338,536
Debt impairment	-	-	32,597	32,597
Finance cost	-	-	16,985,000	16,985,000
Contracted services	15,872,562	7,303,193	8,531,722	31,707,477
Transfers and subsidies	9,430,774	1,242,646	1,500,000	12,173,420
Loss on disposal of assets	16,202	16,069	134,781	167,052
Inventories losses/ write downs	-	-	91,017	91,017
General expenses	7,100,773	37,285,835	29,248,082	73,634,690
Total segment expenditure	**125,464,859**	**103,449,487**	**125,182,094**	**354,096,440**
Surplus				**36,431,964**

Measurement of segment surplus or deficit

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements as the municipality's geographical areas of operation can be seen as a single geographical area when deciding how to allocate resources.

48. Capital commitments

Intangible assets	-	38,157

Notes to the Financial Statements

Figures in Rand	2022	2021

49. Disclosures in terms of the Municipal Supply Chain Management Regulations, 2005

49.1 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b).

2022	Total Value (incl. VAT)	Emergency	Sole Supplier/ Agent	Impractical
July	454,485	-	-	5
August	2,324,853	-	2	19
September	270,577	1	1	3
October	260,232	1	3	4
November	431,266	-	1	10
December	365,119	-	-	11
January	301,744	-	-	6
February	2,227,940	-	4	11
March	136,317	-	1	5
April	60,227	-	-	6
May	112,908	-	-	8
June	316,427	-	-	12
	7,262,095	**2**	**12**	**100**

2021	Total Value (incl. VAT)	Emergency	Sole Supplier/ Agent	Impractical
July	2,614,423	-	-	16
August	335,533	-	-	3
September	327,936	-	-	2
October	250,207	-	1	5
November	91,054	-	1	1
December	53,249	-	-	3
January	162,047	-	-	7
February	27,036	-	2	6
March	52,575	-	-	4
April	2,348	-	1	-
May	1,835,793	-	-	12
June	4,318,499	-	-	5
	10,070,700	**-**	**5**	**64**

Figures in Rand	2022	2021

49.2 Regulation 45 - Particulars of awards of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months. (Amounts disclosed include VAT)

<table>
<tr><th>Supplier</th><th>Relationshi</th><th>Name of Family</th><th>Name of Institution</th><th>Capacity</th><th>2022</th><th>2021</th></tr>
<tr><td>M & N Bakwerkwe Close Corporation</td><td>Brother/Sister</td><td>E Niemand</td><td>Cape Winelands District Municipality</td><td>Senior Administrator: Quotations & Tenders</td><td>12 846</td><td>50 337</td></tr>
<tr><td>Bergstan South Africa</td><td>Spouse</td><td>J Beukes</td><td>Social Development</td><td>Social Worker</td><td>-</td><td>33 250</td></tr>
<tr><td>JPCE (Pty) Ltd</td><td>Spouse</td><td>JA Minnie</td><td>City of Cape Town</td><td>Manager: Disaster Management Centre: Safety and Security Directorate</td><td>-</td><td>623 944</td></tr>
<tr><td>NCC Environmental Services Proprietary Limited</td><td>Spouse</td><td>C Rhoda</td><td>City of Cape Town</td><td>Manager</td><td>6 965 841</td><td>598 917</td></tr>
<tr><td rowspan="2">Masiqhame Trading 77 Close Corporation</td><td>Child</td><td>B Qxilishe</td><td>Department of Agriculture</td><td>Snr Admin officer: Dept of Agriculture, Forestry & Fisheries</td><td rowspan="2">32 918</td><td rowspan="2">62 402</td></tr>
<tr><td>Child</td><td>S Qxilishe</td><td>Western Cape Education Department</td><td>Teacher at Du Noon</td></tr>
<tr><td>TSCH International Holdings (Pty) Ltd</td><td>Spouse</td><td>RE Hlongwane</td><td>City of Cape Town</td><td>Manager</td><td>-</td><td>33 300</td></tr>
<tr><td>LJ Projects and Events</td><td>Spouse</td><td>L Jafta</td><td>Department of Water and Sanitation</td><td>IT Clerk</td><td>-</td><td>200 000</td></tr>
<tr><td>Piston Power Chemicals Close Corporation</td><td>Spouse</td><td>N Andhee</td><td>Department of Education</td><td>Teacher</td><td>111 332</td><td>26 520</td></tr>
</table>

Notes to the Financial Statements

<table>
<tr><th colspan="5">Figures in Rand</th><th>2022</th><th>2021</th></tr>
<tr><td>Temmo's Shade Ports and Cleaning Services</td><td>Sister</td><td>T Lebesana</td><td>Transnet Port Terminals</td><td>Security</td><td>-</td><td>17 600</td></tr>
<tr><td>Jah Guide Agriculture Proprietary Limited</td><td>Spouse</td><td>G Davids</td><td>SAPS</td><td>Police Official</td><td>801 635</td><td>1 214 898</td></tr>
<tr><td>CC Davids T/A Mc Sound and Lightning</td><td>Spouse</td><td>M Davids</td><td>Witzenburg Municipality</td><td>Official</td><td>19 900</td><td>-</td></tr>
<tr><td>Neoteric Trading Services (Pty) Ltd</td><td>Spouse</td><td>AA Jacobs</td><td>Cape Agulhas Municipality</td><td>Director</td><td>52 324</td><td>-</td></tr>
<tr><td rowspan="2">Malherbe Tubb Faure Inc</td><td>Child</td><td>C Faure</td><td>Western Cape Education Department</td><td>Teacher</td><td rowspan="2">33 000</td><td rowspan="2">-</td></tr>
<tr><td>Parent</td><td>P Williams</td><td>Cape Winelands District Municipality</td><td>Executive Director</td></tr>
<tr><td>Ladybugs Innovative Marketing (Pty) Ltd</td><td>Spouse</td><td>RA Levendal</td><td>Department of Correctional Services</td><td>Environmental Health Practitioner</td><td>31 594</td><td>41 318</td></tr>
<tr><td rowspan="3">Zutari (Pty) Ltd</td><td>Spouse</td><td>Ahischlager, HC</td><td>Special investigating Unit</td><td>Legal Representative</td><td rowspan="3">-</td><td rowspan="3">280 955</td></tr>
<tr><td>Spouse</td><td>Nadasen K</td><td>National Department of Public Works</td><td>Director: Key Account Management</td></tr>
<tr><td>Sister</td><td>Seegers, S</td><td>City of Cape Town</td><td>Head of Security Architecture</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>8 061 389</td><td>3 183 440</td></tr>
</table>

ANNEXURE A

DC2 Cape Winelands DM - Reconciliation of Table A1 Budget Summary

Description R thousands	2021/22								2020/21			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Financial Performance												
Property rates	–	–	–	–		–	-	-				–
Service charges	–	–	–	–		–	-	-				–
Investment revenue	39 000	2 000	41 000	40 295		(705)	98,3%	103,3%				–
Transfers recognised - operational	255 304	3 347	258 651	253 669		(4 982)	98,1%	99,4%				–
Other own revenue	132 217	(12 901)	119 316	117 640		(1 676)	98,6%	89,0%				–
Total Revenue (excluding capital transfers and contributions)	**426 521**	**(7 554)**	**418 967**	**411 604**		**(7 363)**	**98,2%**	**96,5%**				**–**
Employee costs	230 811	162	230 973	218 979	–	(11 994)	94,8%	94,9%	–	–	–	–
Remuneration of councillors	13 241	(9)	13 232	12 745	–	(487)	96,3%	96,3%	–	–	–	–
Debt impairment	500	(380)	120	113	–	(7)	94,1%	22,6%	–	–	–	–
Depreciation & asset impairment	7 793	2 083	9 876	9 801	–	(75)	99,2%	125,8%	–	–	–	–
Finance charges	–	–	–	–	–	–	-	-	–	–	–	–
Materials and bulk purchases	23 688	(101)	23 587	21 452	–	(2 134)	91,0%	90,6%	–	–	–	–
Transfers and grants	20 421	(1 767)	18 654	16 988	–	(1 666)	91,1%	83,2%	–	–	–	–
Other expenditure	131 024	(7 291)	123 733	96 892	–	(26 841)	78,3%	73,9%	–	–	–	–
Total Expenditure	**427 477**	**(7 302)**	**420 175**	**376 971**	**–**	**(43 205)**	**89,7%**	**88,2%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**(956)**	**(252)**	**(1 208)**	**34 633**		**35 841**	**-2866,6%**	**-3621,9%**				**–**
Transfers recognised - capital	956	252	1 208	54		(1 154)	4,5%	5,7%				–
Contributions recognised - capital & contributed assets	–	–	–	929		929	#DIV/0!	#DIV/0!				–
Surplus/(Deficit) after capital transfers & contributions	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				**–**
Share of surplus/ (deficit) of associate	–	–	–	–		–	-	-				–
Surplus/(Deficit) for the year	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				**–**
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	956	252	1 208	54		(1 154)	4,5%	5,7%				–
Public contributions & donations	–	–	–	929		929	#DIV/0!	#DIV/0!				–
Borrowing	–	–	–	–		–	-	-				–
Internally generated funds	67 882	(53 583)	14 299	2 150		(12 149)	15,0%	3,2%				–
Total sources of capital funds	**68 838**	**(53 331)**	**15 507**	**3 133**		**(12 374)**	**20,2%**	**4,6%**				**–**
Cash flows												
Net cash from (used) operating	89 303	(40 556)	48 747	29 344		(19 404)	60,2%	32,9%				–
Net cash from (used) investing	(68 838)	53 377	(15 461)	(5 168)		10 293	33,4%	7,5%				–
Net cash from (used) financing	–	(20)	(20)	–		20	-	-				–
Cash/cash equivalents at the year end	**737 457**	**61 962**	**799 420**	**790 329**		**(9 091)**	**98,9%**	**107,2%**				**–**

DC2 Cape Winelands DM - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2021/22								2020/21			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	297 058	1 072	298 130	297 069		(1 060)	99,6%	100,0%				–
Executive and council	52 826	1 174	54 000	52 333		(1 667)	96,9%	99,1%				
Budget and treasury office	243 647	46	243 693	243 456		(237)	99,9%	99,9%				
Corporate services	585	(148)	436	1 280		844	293,3%	218,9%				
Community and public safety	3 172	1 510	4 682	3 316		(1 366)	70,8%	104,5%				–
Community and social services	2 399	464	2 863	2 394		(469)	83,6%	99,8%				
Sport and recreation	–	–	–	–		–	-	-				
Public safety	120	1 046	1 166	183		(983)	15,7%	152,3%				
Housing	–	–	–	–		–	-	-				
Health	653	–	653	740		87	113,3%	113,3%				
Economic and environmental services	127 197	(9 833)	117 364	112 202		(5 162)	95,6%	88,2%				–
Planning and development	5 686	2 200	7 886	4 071		(3 815)	51,6%	71,6%				
Road transport	121 511	(12 033)	109 478	108 131		(1 347)	98,8%	89,0%				
Environmental protection	–	–	–	–		–	-	-				
Trading services	–	–		–		–	-	-				–
Electricity	–	–	–	–		–	-	-				
Water	–	–	–	–		–	-	-				
Waste water management	–	–	–	–		–	-	-				
Waste management	–	–	–	–		–	-	-				
Other	50	(50)	–	–		–		-				
Total Revenue - Standard	427 477	(7 302)	420 175	412 587		(7 588)	98,2%	96,5%				–
Expenditure - Standard												
Governance and administration	135 171	1 354	136 525	123 837	–	(12 689)	90,7%	91,6%	–	–	–	–
Executive and council	41 234	4 124	45 357	44 954	–	(403)	99,1%	109,0%			–	
Budget and treasury office	29 325	(1 494)	27 831	23 045	–	(4 786)	82,8%	78,6%			–	
Corporate services	64 613	(1 276)	63 336	55 837	–	(7 499)	88,2%	86,4%			–	
Community and public safety	124 382	7 178	131 560	118 705	–	(12 855)	90,2%	95,4%	–	–	–	–
Community and social services	20 978	(403)	20 575	18 101	–	(2 475)	88,0%	86,3%			–	
Sport and recreation	–	–	–	–	–	–	-	-			–	
Public safety	62 811	8 274	71 085	63 205	–	(7 880)	88,9%	100,6%			–	
Housing	–	–	–	–	–	–	-	-			–	
Health	40 593	(694)	39 899	37 399	–	(2 500)	93,7%	92,1%			–	
Economic and environmental services	159 591	(15 167)	144 425	127 800	–	(16 625)	88,5%	80,1%	–	–	–	–
Planning and development	31 378	(1 452)	29 926	23 161	–	(6 765)	77,4%	73,8%			–	
Road transport	128 214	(13 714)	114 499	104 639	–	(9 861)	91,4%	81,6%			–	
Environmental protection	–	–	–	–	–	–	-	-			–	
Trading services	–	–	–	–	–	–	-	-	–	–	–	–
Electricity	–	–	–	–	–	–	-	-			–	
Water	–	–	–	–	–	–	-	-			–	
Waste water management	–	–	–	–	–	–	-	-			–	
Waste management	–	–	–	–	–	–	-	-			–	
Other	8 332	(667)	7 665	6 629	–	(1 036)	86,5%	79,6%			–	
Total Expenditure - Standard	427 477	(7 302)	420 175	376 971	–	(43 205)	89,7%	88,2%	–	–	–	–
Surplus/(Deficit) for the year	–	–	–	35 616	–	35 616	#DIV/0!	#DIV/0!	–	–	–	–

DC2 Cape Winelands DM - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2021/22								2020/21			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	50	(50)	–	–		–	-	-				
Vote 2 - COMM AND DEV	3 096	1 341	4 437	3 275		(1 162)	73,8%	105,8%				
Vote 3 - ENGINERING	6 586	822	7 409	3 121		(4 288)	42,1%	47,4%				
Vote 4 - RURAL AND SOCIAL	76	169	245	41		(204)	16,8%	54,1%				
Vote 5 - OFFICE OF THE MM	–	2 200	2 200	2 000		(200)	90,9%	#DIV/0!				
Vote 6 - FINANCIAL SERVICES	243 647	46	243 693	243 456		(237)	99,9%	99,9%				
Vote 7 - CORPORATE SERVICES	53 411	1 026	54 437	53 613		(823)	98,5%	100,4%				
Vote 8 - ROADS AGENCY	120 611	(12 856)	107 755	107 081		(675)	99,4%	88,8%				
Vote 9 - TASK	–		–	–		–	-	-				
Vote 10 - HEALTH AGENCY	–		–	–		–	-	-				
Vote 11 - CORPORATE SERVICES	–		–	–		–	-	-				
Example 12 - Vote12	–		–	–		–	-	-				
Example 13 - Vote13	–		–	–		–	-	-				
Example 14 - Vote14	–		–	–		–	-	-				
Example 15 - Vote15	–		–	–		–	-	-				
Total Revenue by Vote	**427 477**	**(7 302)**	**420 175**	**412 587**		**(7 588)**	**98,2%**	**96,5%**				**–**
Expenditure by Vote ***to be appropriated***												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	18 390	(1 385)	17 006	15 399		(1 607)	90,5%	83,7%			–	
Vote 2 - COMM AND DEV	111 949	7 975	119 923	107 959		(11 964)	90,0%	96,4%			–	
Vote 3 - ENGINERING	42 543	(4 793)	37 751	27 999		(9 752)	74,2%	65,8%			–	
Vote 4 - RURAL AND SOCIAL	12 434	(797)	11 637	10 746		(891)	92,3%	86,4%			–	
Vote 5 - OFFICE OF THE MM	14 940	863	15 803	14 127		(1 676)	89,4%	94,6%			–	
Vote 6 - FINANCIAL SERVICES	29 325	(1 494)	27 831	23 045		(4 786)	82,8%	78,6%			–	
Vote 7 - CORPORATE SERVICES	69 481	4 414	73 895	70 483		(3 412)	95,4%	101,4%			–	
Vote 8 - ROADS AGENCY	121 651	(12 298)	109 353	101 827		(7 525)	93,1%	83,7%			–	
Vote 9 - TASK	–	–	–	–		–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–	–		–	-	-			–	
Vote 11 - CORPORATE SERVICES	6 764	213	6 977	5 386		(1 592)	77,2%	79,6%			–	
Example 12 - Vote12	–		–	–		–	-	-			–	
Example 13 - Vote13	–		–	–		–	-	-			–	
Example 14 - Vote14	–		–	–		–	-	-			–	
Example 15 - Vote15	–		–	–		–	-	-			–	
Total Expenditure by Vote	**427 477**	**(7 302)**	**420 175**	**376 971**	**–**	**(43 205)**	**89,7%**	**88,2%**	**–**	**–**	**–**	**–**
Surplus/(Deficit) for the year	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				

DC2 Cape Winelands DM - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2021/22								2020/21			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	–		–			–	-	-				
Property rates - penalties & collection charges	–		–			–	-	-				
Service charges - electricity revenue	–		–	–		–	-	-				
Service charges - water revenue	–		–	–		–	-	-				
Service charges - sanitation revenue	–		–	–		–	-	-				
Service charges - refuse revenue	–		–	–		–	-	-				
Service charges - other	–	–	–	–		–	-	-				
Rental of facilities and equipment	240	–	240	229		(11)	95,4%	95,4%				
Interest earned - external investments	39 000	2 000	41 000	40 295		(705)	98,3%	103,3%				
Interest earned - outstanding debtors	–	–	–	–		–	-	-				
Dividends received	–	–	–	–		–	-	-				
Fines	–	–	–	–		–	-	-				
Licences and permits	653	–	653	740		87	113,3%	113,3%				
Agency services	119 505	(12 062)	107 443	106 980		(464)	99,6%	89,5%				
Transfers recognised - operational	255 304	3 347	258 651	253 669		(4 982)	98,1%	99,4%				
Other revenue	11 819	(840)	10 980	9 691		(1 289)	88,3%	82,0%				
Gains on disposal of PPE	–	–	–	–		–	-	-				
Total Revenue (excluding capital transfers and contributions)	**426 521**	**(7 554)**	**418 967**	**411 604**		**(7 363)**	**98,2%**	**96,5%**				**–**
Expenditure By Type			–				-	-				
Employee related costs	230 811	162	230 973	218 979		(11 994)	94,8%	94,9%			–	
Remuneration of councillors	13 241	(9)	13 232	12 745		(487)	96,3%	96,3%			–	
Debt impairment	500	(380)	120	113		(7)	94,1%	22,6%			–	
Depreciation & asset impairment	7 793	2 083	9 876	9 801		(75)	99,2%	125,8%			–	
Finance charges	–	–	–	–		–	-	-			–	
Bulk purchases	–	–	–	–		–	-	-			–	
Other materials	23 688	(101)	23 587	21 452		(2 134)	91,0%	90,6%			–	
Contracted services	54 488	(698)	53 790	33 225		(20 565)	61,8%	61,0%			–	
Transfers and grants	20 421	(1 767)	18 654	16 988		(1 666)	91,1%	83,2%			–	
Other expenditure	76 525	(6 728)	69 796	63 535		(6 261)	91,0%	83,0%			–	
Loss on disposal of PPE	12	135	147	132		(15)	90,1%	1103,9%			–	
Total Expenditure	**427 477**	**(7 302)**	**420 175**	**376 971**	**–**	**(43 205)**	**89,7%**	**88,2%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**(956)**	**(252)**	**(1 208)**	**34 633**		**35 841**	**-2866,6%**	**-3621,9%**				**–**
Transfers recognised - capital	956	252	1 208	54		(1 154)	4,5%	5,7%				
Contributions recognised - capital	–	–	–	–		–	-	-				
Contributed assets	–	–	–	929		929	#DIV/0!	#DIV/0!				
Surplus/(Deficit) after capital transfers & contributions	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				**–**
Taxation	–		–			–	-	-				
Surplus/(Deficit) after taxation	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				**–**
Attributable to minorities	–		–			–	-	-				
Surplus/(Deficit) attributable to municipality	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				**–**
Share of surplus/ (deficit) of associate	–		–			–	-	-				
Surplus/(Deficit) for the year	**–**	**–**	**–**	**35 616**		**35 616**	**#DIV/0!**	**#DIV/0!**				**–**

DC2 Cape Winelands DM - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2021/22								2020/21			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	–	–	–	–		–	-	-			–	
Vote 2 - COMM AND DEV	–	–	–	–		–	-	-			–	
Vote 3 - ENGINERING	27 000	(26 800)	200	–		(200)	-	-			–	
Vote 4 - RURAL AND SOCIAL	–	–	–	–		–	-	-			–	
Vote 5 - OFFICE OF THE MM	–	–	–	–		–	-	-			–	
Vote 6 - FINANCIAL SERVICES	–	–	–	–		–	-	-			–	
Vote 7 - CORPORATE SERVICES	–	–	–	–		–	-	-			–	
Vote 8 - ROADS AGENCY	–	–	–	–		–	-	-			–	
Vote 9 - TASK	–	–	–	–		–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–	–		–	-	-			–	
Vote 11 - CORPORATE SERVICES	–	–	–	–		–	-	-			–	
Example 12 - Vote12	–	–	–	–		–	-	-			–	
Example 13 - Vote13	–	–	–	–		–	-	-			–	
Example 14 - Vote14	–	–	–	–		–	-	-			–	
Example 15 - Vote15	–	–	–	–		–	-	-			–	
Capital multi-year expenditure	**27 000**	**(26 800)**	**200**	**–**	**–**	**(200)**	-	-	**–**	**–**	**–**	**–**
Single-year expenditure												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	–	–	–	–		–	-	-			–	
Vote 2 - COMM AND DEV	27 538	(20 618)	6 920	1 031		(5 889)	15%	4%			–	
Vote 3 - ENGINERING	9 253	(3 353)	5 899	568		(5 331)	10%	6%			–	
Vote 4 - RURAL AND SOCIAL	–	–	–	–		–	-	-			–	
Vote 5 - OFFICE OF THE MM	–	–	–	–		–	-	-			–	
Vote 6 - FINANCIAL SERVICES	–	124	124	83		(41)	67%	#DIV/0!			–	
Vote 7 - CORPORATE SERVICES	4 091	(1 894)	2 197	1 392		(805)	63%	34%			–	
Vote 8 - ROADS AGENCY	956	(794)	162	54		(108)	33%	6%			–	
Vote 9 - TASK	–	–	–	–		–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–	–		–	-	-			–	
Vote 11 - CORPORATE SERVICES	–	4	4	4		(0)	100%	#DIV/0!			–	
Example 12 - Vote12	–	–	–	–		–	-	-			–	
Example 13 - Vote13	–	–	–	–		–	-	-			–	
Example 14 - Vote14	–	–	–	–		–	-	-			–	
Example 15 - Vote15	–	–	–	–		–	-	-			–	
Capital single-year expenditure	41 838	(26 531)	15 307	3 133	–	(12 174)	20%	7%	–	–	–	–
Total Capital Expenditure - Vote	68 838	(53 331)	15 507	3 133	–	(12 374)	20%	5%	–	–	–	–
Capital Expenditure - Standard												
Governance and administration	**8 846**	**(2 061)**	**6 786**	**1 847**	**–**	**(4 938)**	**27%**	**21%**	**–**	**–**	**–**	**–**
Executive and council	–	4	4	4		(0)	100%	#DIV/0!			–	
Budget and treasury office	–	124	124	83		(41)	67%	#DIV/0!			–	
Corporate services	8 846	(2 189)	6 657	1 760		(4 897)	26%	20%			–	
Community and public safety	**27 538**	**(20 618)**	**6 920**	**1 031**	**–**	**(5 889)**	**15%**	**4%**	**–**	**–**	**–**	**–**
Community and social services	8 415	(8 278)	137	193		56	141%	2%			–	
Sport and recreation	–	–	–	–		–	-	-			–	
Public safety	19 088	(12 352)	6 736	792		(5 944)	12%	4%			–	
Housing	–	–	–	–		–	-	-			–	
Health	36	11	47	47		(0)	100%	131%			–	
Economic and environmental services	**32 454**	**(30 652)**	**1 802**	**255**	**–**	**(1 547)**	**14%**	**1%**	**–**	**–**	**–**	**–**
Planning and development	31 498	(29 892)	1 605	201		(1 405)	12%	1%			–	
Road transport	956	(760)	196	54		(142)	28%	6%			–	
Environmental protection	–	–	–	–		–	-	-			–	
Trading services	**–**	**–**			**–**	**–**	**-**	**-**	**–**	**–**	**–**	**–**
Electricity	–	–	–	–		–	-	-			–	
Water	–	–	–	–		–	-	-			–	
Waste water management	–	–	–	–		–	-	-			–	
Waste management	–	–	–	–		–	-	-			–	
Other	**–**	**–**	**–**	**–**		**–**	**-**	**-**			**–**	
Total Capital Expenditure - Standard	**68 838**	**(53 331)**	**15 507**	**3 133**	**–**	**(12 374)**	**20%**	**5%**	**–**	**–**	**–**	**–**
Funded by:												
National Government	–	–	–	–		–	-	-				
Provincial Government	956	252	1 208	54		(1 154)	4%	6%				
District Municipality	–	–	–	–		–	-	-				
Other transfers and grants	–	–	–	–		–	-	-				
Transfers recognised - capital	**956**	**252**	**1 208**	**54**		**(1 154)**	**4%**	**6%**				**–**
Public contributions & donations	**–**	**–**	**–**	**929**		**929**	**#DIV/0!**	**#DIV/0!**				
Borrowing	**–**	**–**	**–**	**–**		**–**	**-**	**-**				
Internally generated funds	**67 882**	**(53 583)**	**14 299**	**2 150**		**(12 149)**	**15%**	**3%**				
Total Capital Funding	**68 838**	**(53 331)**	**15 507**	**3 133**		**(12 374)**	**20%**	**5%**				**–**

DC2 Cape Winelands DM - Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2021/22 Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2020/21 Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	132 217	896	133 114	86 558	(46 556)	65,0%	65,5%	
Government - operating	255 304	2 020	257 324	253 284	(4 040)	98,4%	99,2%	
Government - capital	956	(794)	162	–	(162)	-	-	
Interest	39 000	2 000	41 000	34 764	(6 236)	84,8%	89,1%	
Dividends	–	–	–	–	–	-	-	
Payments								
Suppliers and employees	(323 057)	(47 251)	(370 308)	(328 275)	42 033	88,6%	101,6%	
Finance charges	–	–	–	–	–	-	-	
Transfers and Grants	(15 118)	2 573	(12 545)	(16 988)	(4 444)	135,4%	112,4%	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**89 303**	**(40 556)**	**48 747**	**29 344**	**(19 404)**	**60,2%**	**32,9%**	**–**
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	46	46	46	0	100,0%	#DIV/0!	
Decrease (Increase) in non-current debtors	–	–	–	–	–	-	-	
Decrease (increase) other non-current receivables	–	–	–	–	–	-	-	
Decrease (increase) in non-current investments	–	–	–	–	–	-	-	
Payments								
Capital assets	(68 838)	53 331	(15 507)	(5 214)	10 293	33,6%	7,6%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(68 838)**	**53 377**	**(15 461)**	**(5 168)**	**10 293**	**33,4%**	**7,5%**	**–**
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	-	-	
Borrowing long term/refinancing	–	–	–	–	–	-	-	
Increase (decrease) in consumer deposits	–	(20)	(20)	–	20	-	-	
Payments								
Repayment of borrowing	–	–	–	–	–	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	**–**	**(20)**	**(20)**	**–**	**20**	**-**	**-**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD	20 465	12 801	33 266	24 175				–
Cash/cash equivalents at the year begin:	716 993	49 161	766 154	766 154				
Cash/cash equivalents at the year end:	737 457	61 962	799 420	790 329	(9 091)	98,9%	107,2%	

ANNEXURE "B"

DISCLOSURE OF BENEFITS IN TERMS OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 32 of 2000

In terms of **Schedule 1. 5(2)** A councillor who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose full particulars of the benefit of which the councillor is aware at the first meeting of the municipal council at which it is possible for the councillor to make the disclosure; and

In terms of **Schedule 2. 5(1)** A staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council.

BENEFICIARY	RELATIONSHIP	DETAIL (INDIRECT RELATION)	THIRD PARTY CONNECTION	2022	2021
Johan Carinus Familie Trust	Close family member	CLR. GJ Carinus	Johan George Carinus	-	36 000
				-	**36 000**

Necessary internal controls are implemented to consider the possibility, and to assess the likelihood, that a relationship between key management and councillors of the Municipality and related parties of suppliers with whom the Municipality does business with, would be able to influence a contract concluded by the Municipality in their mutual dealings, as envisaged in Schedules 1 par.5(2) and 2 par.5.1 of the Municipal Systems Act.