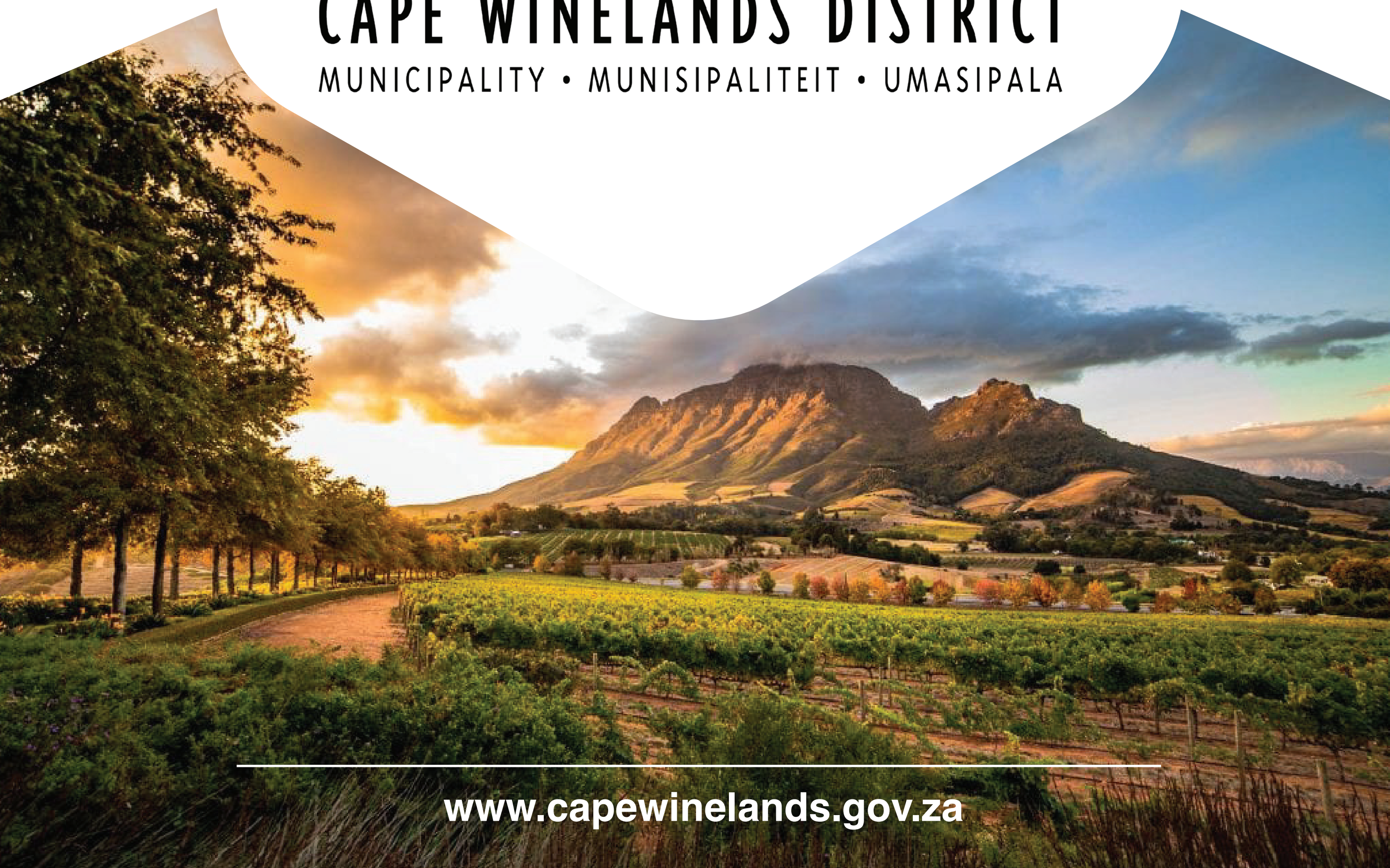
Annual Financial Statements

CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA



www.capewinelands.gov.za

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 includes 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 firefighting 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 (EXECUTIVE MAYOR) Ald. M. SAMPSON (DEPUTY EXECUTIVE MAYOR) Cllr. D.D. JOUBERT (SPEAKER) Cllr. D. SWART Cllr. G.J. CARINUS Cllr. E. GROENEWALD Cllr. W.C. PETERSEN Cllr. X.L. MDEMKA Cllr. J.H.P. STEYN Ald. C. MEYER Cllr. R. FARAO
Other Councillors	Cllr. W.M. BLOM Cllr. D.W. NEL Cllr. N.D. SAUERMAN Cllr. C.F. WILSKUT Cllr. G.J. FREDERICKS Cllr. J. KRIEL

General Information

	Cllr. S. GOEDEMAN Cllr. V. HANI Cllr. M. LIEBENBERG Cllr. J. MALITI Cllr. T.R. MPULANYANA Cllr. L. NGWANE Cllr. A.J. PEDRO Cllr. M. SMIT Cllr. M.H. YABO Cllr. N.M. BUSHWANA Cllr. C.O. KLAASTE Cllr. A.J. DU PLESSIS Cllr. F. JACOBS Cllr. D.B. JANSE Cllr. J.J.S. JANUARIE Cllr. C. MANUEL Cllr. R.S. NALUMANGO Cllr. N. PHATSOANE Cllr. A.M. RICHARDS Cllr. J. SMIT Cllr. R. SMUTS (Resigned - 31/07/2022) Cllr. M. VAN STADE Cllr. P. DANIELS Cllr. L. LANDU (Appointed - 12/08/2022), (Resigned - 01/03/2023) Cllr. P.T. DE VILLIERS (Appointed - 13/01/2023), (Resigned - 22/05/2023) Cllr. S.E. KORABIE (Appointed - 24/03/2023) Cllr. D. CAROLISSEN (Appointed 25/05/2023)
Grading of local authority	GRADE 4 MEDIUM CAPACITY
Accounting Officer	H.F. PRINS
Chief Finance Officer (CFO)	F.A. DU RAAN - GROENEWALD
Registered office	46 ALEXANDER STREET STELLENBOSCH 7600
Postal address	P.O.BOX 100 STELLENBOSCH 7599
Telephone	0861 265 263
Bankers	NEDBANK
Auditors	AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

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

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Abbreviations and acronyms:

ASB	Accounting Standards Board
Cllr.	Councillor
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
CWDM	Cape Winelands District Municipality
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
SARS	South African Revenue Services
LG SETA	Local Government Sector Education and Training Authority
RUL	Remaining estimated useful live
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
IFRIC	International Financial Reporting Interpretations Committee
IPSASB	International Public Sector Accounting Standards Board
RRAMS	Rural Roads Asset Management System
PRMA	Post Retirement Medical Aid
VAT	Value-Added Tax
WCA	Workmen's Compensation Assistance
WCG	Western Cape Government
IFRS	International Financial Reporting Standards
SAMWU	South African Municipal Workers Union
B-BBEE	Broad-Based Black Economic Empowerment
PAYE	Pay As You Earn
SDL	Skills Development Levy
Ald.	Alderman

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 were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with generally recognised accounting practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The financial statements are based on 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 places 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 2024 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 pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023.

H.F. PRINS
ACCOUNTING OFFICER

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	643,541,787	790,328,779
Other receivables from exchange transactions	4	57,400,095	46,814,055
Trade receivables from exchange transactions	5	24,323	-
Inventories	6	2,603,433	1,978,517
VAT receivable	7	2,693,524	2,455,080
Receivables from non-exchange transactions	8	84,892	122,441
Employee benefit asset	14	575,785	2,721,827
		706,923,839	**844,420,699**
Non-Current Assets			
Property, plant and equipment	9	158,347,014	148,467,565
Intangible assets	10	491,935	566,615
Other receivables from exchange transactions	4	6,349,282	-
Employee benefit asset	14	-	5,212,822
Investments	11	178,000,000	-
		343,188,231	**154,247,002**
Non-Current Assets		343,188,231	154,247,002
Current Assets		706,923,839	844,420,699
Total Assets		**1,050,112,070**	**998,667,701**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	12	1,912,302	5,776,226
Payables from exchange transactions and Other	13	14,584,815	5,828,026
Employee benefit obligation	14	38,247,946	37,067,065
Provisions	16	57,000	43,276
		54,802,063	**48,714,593**
Non-Current Liabilities			
Employee benefit obligation	14	144,626,130	149,836,320
Non-Current Liabilities		144,626,130	149,836,320
Current Liabilities		54,802,063	48,714,593
Total Liabilities		**199,428,193**	**198,550,913**
Assets		1,050,112,070	998,667,701
Liabilities		(199,428,193)	(198,550,913)
Net Assets		**850,683,877**	**800,116,788**
Accumulated surplus	15	850,683,877	800,116,788

* See Note 33

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	138,396	182,762
Rental of facilities and equipment	18	91,087	229,048
Roads services	19	117,033,414	105,635,889
Other income	20	1,256,063	1,311,127
Interest received - investment	21	62,998,758	40,295,365
Total revenue from exchange transactions		**181,517,718**	**147,654,191**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	22	257,206,294	253,274,643
Public contributions and donations	23	251,005	938,667
Total revenue from non-exchange transactions		**257,457,299**	**254,213,310**
Total revenue		**438,975,017**	**401,867,501**
Expenditure			
Employee-related costs	24	(208,820,177)	(206,152,202)
Remuneration of Councillors	25	(13,606,889)	(12,744,505)
Depreciation and amortisation	26	(9,267,126)	(9,787,961)
Finance costs	28	(13,454,000)	(13,896,000)
Lease rentals on operating lease		(298,157)	(298,157)
Debt impairment	27	(102,220)	(113,215)
Transfers and subsidies	29	(12,400,175)	(16,988,386)
Contracted services	30	(40,569,376)	(33,225,096)
Loss on disposal of assets and liabilities		(1,571,805)	(132,468)
Inventory losses/write-downs		(158,000)	(49,320)
General expenses	31	(88,160,002)	(73,765,878)
Total expenditure		**(388,407,927)**	**(367,153,188)**
Surplus for the year		**50,567,090**	**34,714,313**

* See Note 33

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	764,915,028	764,915,028
Correction of errors (33)	487,449	487,449
Balance at 30 June 2021	**765,402,476**	**765,402,476**
Changes in net assets		
Prior period error	(902,045)	(902,045)
Surplus for the year	35,616,357	35,616,357
Total changes	34,714,312	34,714,312
Restated* Balance at 30 June 2022	**800,116,787**	**800,116,787**
Changes in net assets		
Surplus for the year	50,567,090	50,567,090
Total changes	50,567,090	50,567,090
Balance at 30 June 2023	**850,683,877**	**850,683,877**
Note(s)	15 & 33	

* See Note 33

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		113,815,100	86,557,801
Grants		257,457,299	253,284,230
Interest income		50,459,745	34,764,396
		421,732,144	374,606,427
Payments			
Employee costs		(218,964,509)	(210,868,541)
Suppliers		(145,388,089)	(121,649,870)
Other payments: Remuneration of Councillors		(13,606,890)	(12,744,505)
		(377,959,488)	(345,262,916)
Net cash flows from operating activities	34	**43,772,656**	**29,343,511**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(12,508,011)	(5,130,212)
Proceeds from sale of property, plant and equipment	9	92,365	-
Purchase of intangible assets	10	(144,000)	(38,157)
Net cash flows from investing activities		**(12,559,646)**	**(5,168,369)**
Cash flows from financing activities			
Investments	11	(178,000,000)	-
Net increase/(decrease) in cash and cash equivalents		**(146,786,990)**	**24,175,142**
Cash and cash equivalents at the beginning of the year		790,328,779	766,153,639
Cash and cash equivalents at the end of the year	3	**643,541,789**	**790,328,781**

* See Note 33

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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						
Rental of facilities and equipment	240,000	-	**240,000**	91,087	**(148,913)**	Note 46
Licences and permits	653,000	-	**653,000**	693,504	**40,504**	Note 45
Interest received - investment	56,000,000	-	**56,000,000**	62,998,758	**6,998,758**	Note 46
Agency services	129,831,218	-	**129,831,218**	117,789,784	**(12,041,434)**	Note 45
Other revenue	14,945,154	-	**14,945,154**	11,770,408	**(3,174,746)**	Note 45 & 46
Transfers and subsidies	257,711,131	-	**257,711,131**	256,947,947	**(763,184)**	Note 45
Total Revenue (excluding capital transfers and contributions)	**459,380,503**	**-**	**459,380,503**	**450,291,488**	**(9,089,015)**	
Expenditure						
Employee related costs	(247,768,727)	4,049	**(247,764,678)**	(221,173,724)	**26,590,954**	Note 45 & 46
Remuneration of Councillors	(13,872,761)	-	**(13,872,761)**	(13,606,889)	**265,872**	
Debt impairment	(500,000)	397,779	**(102,221)**	(102,220)	**1**	
Depreciation and amortisation	(9,560,700)	(36,636)	**(9,597,336)**	(9,267,126)	**330,210**	
Inventory consumed	(33,956,853)	(4,140,870)	**(38,097,723)**	(36,914,883)	**1,182,840**	Note 45
Contracted services	(61,179,565)	5,853,777	**(55,325,788)**	(40,641,300)	**14,684,488**	Note 45 & 46
Transfers and subsidies	(15,533,301)	(217,400)	**(15,750,701)**	(12,400,175)	**3,350,526**	Note 46
Other expenditure	(76,996,596)	(115,000)	**(77,111,596)**	(64,705,133)	**12,406,463**	Note 45 & 46
Losses	(12,000)	(1,745,699)	**(1,757,699)**	(1,729,804)	**27,895**	Note 45
Total expenditure	**(459,380,503)**	**-**	**(459,380,503)**	**(400,541,254)**	**58,839,249**	
Surplus/ (Deficit)	-	-	**-**	**49,750,234**	**49,750,234**	
Transfers and subsidies - capital (monetary allocations) (national / provincial and district)	2,123,365	-	2,123,365	816,856	(1,306,509)	Note 45 & 46
Surplus/ Deficit for the year	**2,123,365**	**-**	**2,123,365**	**50,567,090**	**48,443,725**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	3,656,596	-	**3,656,596**	4,041,786	**385,190**	Note 45 & 46
Call investments deposits	768,500,000	-	**768,500,000**	639,500,000	**(129,000,000)**	Note 45 & 46
Consumer debtors	26,190,056	-	**26,190,056**	31,197,252	**5,007,196**	Note 45 & 46
Other debtors	16,335,629	-	**16,335,629**	35,258,930	**18,923,301**	Note 45 & 46
Current portion of long term-receivable	2,721,827	-	**2,721,827**	575,785	**(2,146,042)**	Note 46
Inventory	1,663,327	-	**1,663,327**	2,603,433	**940,106**	Note 46
	819,067,435	**-**	**819,067,435**	**713,177,186**	**(105,890,249)**	
Non-Current Assets						
Investment	-	-	**-**	178,000,000	**178,000,000**	Note 46
Property, plant and equipment	169,643,354	-	**169,643,354**	158,347,015	**(11,296,339)**	
Intangible assets	404,915	-	**404,915**	491,936	**87,021**	Note 46
Other non-current assets	5,212,822	-	**5,212,822**	-	**(5,212,822)**	Note 46
	175,261,091	**-**	**175,261,091**	**336,838,951**	**161,577,860**	
Current Assets	819,067,435	-	**819,067,435**	713,177,186	**(105,890,249)**	
Non-Current Assets	175,261,091	-	**175,261,091**	336,838,951	**161,577,860**	
Total Assets	**994,328,526**	**-**	**994,328,526**	**1,050,016,137**	**55,687,611**	
Liabilities						
Current Liabilities						
Consumer deposits	-	-	**-**	22,500	**22,500**	Note 45 & 46
Trade and other payables	2,993,732	-	**2,993,732**	18,537,018	**15,543,286**	Note 45 & 46
Provisions	42,480,923	-	**42,480,923**	36,146,612	**(6,334,311)**	Note 45 & 46
	45,474,655	**-**	**45,474,655**	**54,706,130**	**9,231,475**	
Non-Current Liabilities						
Provisions	146,199,123	-	**146,199,123**	144,626,130	**(1,572,993)**	
Total Liabilities	**191,673,778**	**-**	**191,673,778**	**199,332,260**	**7,658,482**	
Net Assets	**802,654,748**	**-**	**802,654,748**	**850,683,877**	**48,029,129**	
Reserves						
Reserves	79,307,026	-	**79,307,026**	66,387,818	**(12,919,208)**	Note 45 & 46
Accumulated surplus	723,347,722	-	**723,347,722**	784,296,059	**60,948,337**	Note 45
Total Net Assets	**802,654,748**	**-**	**802,654,748**	**850,683,877**	**48,029,129**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	194,548,677	-	**194,548,677**	113,815,100	**(80,733,577)**	Note 46
Transfers and subsidies - Operational	256,462,888	-	**256,462,888**	256,507,299	**44,411**	
Transfers and subsidies - Capital	2,123,365	-	**2,123,365**	950,000	**(1,173,365)**	Note 46
Interest	62,000,000	-	**62,000,000**	50,459,745	**(11,540,255)**	Note 46
	515,134,930	**-**	**515,134,930**	**421,732,144**	**(93,402,786)**	
Payments						
Suppliers and employees	(486,666,481)	-	**(486,666,481)**	(365,559,313)	**121,107,168**	Note 45 & 46
Transfer and grants	(15,533,301)	-	**(15,533,301)**	(12,400,174)	**3,133,127**	Note 45 & 46
	(502,199,782)	**-**	**(502,199,782)**	**(377,959,487)**	**124,240,295**	
Net cash flows from operating activities	**12,935,148**	**-**	**12,935,148**	**43,772,657**	**30,837,509**	
Cash flows from investing activities						
Capital assets	(31,087,331)	-	**(31,087,331)**	(12,652,011)	**18,435,320**	Note 46
Proceeds from sale of property, plant and equipment	-	-	**-**	92,365	**92,365**	Note 46
Purchase of intangible assets	-	-	**-**	-	**-**	
Decrease (increase) in non-current investments	-	-	**-**	(178,000,000)	**(178,000,000)**	Note 46
Net cash flows from investing activities	**(31,087,331)**	**-**	**(31,087,331)**	**(190,559,646)**	**(159,472,315)**	
Cash flows from financing activities						
Increase/ (decrease) in consumer deposits	(20,000)	-	**(20,000)**	-	**20,000**	Note 46
Net increase in cash and cash equivalents	(18,172,183)	-	**(18,172,183)**	(146,786,989)	**(128,634,806)**	
Cash and cash equivalents at the beginning of the year	790,328,779	-	**790,328,779**	790,328,779	**-**	
Cash and cash equivalents at the end of the year	**772,156,596**	**-**	**772,156,596**	**643,541,790**	**(128,634,806)**	

1. Presentation of Annual 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 off 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 reporting period in the preparation of these annual financial statements, is 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 are 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 are 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 several 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 several 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 sufficiently 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 14.

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 has 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 is included in note 16.

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, is reduced, either directly or using 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)

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.

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 WCG, Department of Transport and Public Works (Department of Infrastructure), 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 are 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.

Accounting Policies

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 years
Infrastructure	Straight line	5-55 years
Furniture and fixtures	Straight line	3-35 years
Motor vehicles	Straight line	5-35 years
Office equipment	Straight line	3-30 years
Plant and machinery	Straight line	3-50 years
Other property, plant and equipment	Straight line	3-50 years
Leased assets	Straight line	5-10 years

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.

At each reporting date, the municipality assesses whether there is any indication that the municipality's 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).

Accounting Policies

1.4 Property, plant and equipment (continued)

Expected useful life

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 decided 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.

Accounting Policies

1.5 Intangible assets (continued)

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

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 accounting policy 1.4.

The municipality has the following registered heritage assets:
- Building at 46 Alexander Street, Stellenbosch that 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 and, estimates, and correction of errors

Changes in accounting policies that are effected 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 the correction 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 initially measures a financial asset and financial liability 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 using an allowance account) for impairment or uncollectibility 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.

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.

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:
- a 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.

1.8 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

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 using an allowance account. The amount of the loss is recognised in surplus or deficit.

Where financial assets are impaired using 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 as 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 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:
  - derecognises the asset; and
  - recognises 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 based on 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 another 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 using an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, a 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 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:
  - derecognises the receivable; and
  - recognises 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 based on 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 to produce a constant periodic rate 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 is 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 is 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 it is 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 is 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 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 has been 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, is 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 based on 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 01/07/2022 to 30/06/2023.

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 has 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 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 is 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 annual financial statements.

1.16 Value Added Tax

The municipality is registered with 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 of 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.

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 the output is used internally. The municipality uses 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 assesses 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 asset 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 based on 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 are 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 that 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 assesses 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.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

Where some or all 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.

Accounting Policies

1.19 Provisions and contingencies (continued)

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.

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 40.

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 that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
  - 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.

1.21 Revenue from exchange transactions (continued)

Agency fees are recognised to the extent of work performed.

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 a 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 are 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 is 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.

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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 note 33 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 that 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 Remuneration of 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.

Accounting Policies

1.28 Employee benefits

Employee benefits are all forms of consideration given by an 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
- 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:

- an 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 whereby 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 recognises 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 recognises 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 measures 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.

Accounting Policies

1.28 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that 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.

Long term receivable

When, and only when, it is virtually certain that another party will reimburse some or all 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 accounts 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 occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the entity recognised 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.

Accounting Policies

1.28 Employee benefits (continued)

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 recognises 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.

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 measures 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 that reflects the time value of money.

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

The entity determines 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 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.

Accounting Policies

1.28 Employee benefits (continued)

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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all 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) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are 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 Investments

Investments are long-term investments that are held with registered banking institutions with a maturity period of more than twelve months. Long-term investments are recorded at amortised cost in the annual financial statements and approximate their fair values.

Accounting Policies

1.30 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.31 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.

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 that are reported in terms of that measure.

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 2023 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the Constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the guideline also illustrates the accounting for the land in a landfill, the landfill site asset, and the related rehabilitation provision.

The effective date of the guideline is for years beginning on or after 01 April 2023.

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

The impact of this standard is currently being assessed.

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 Standards (IAS) 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; and
- Required the recognition of past service costs in the year that a plan is amended, rather than based on 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 improvements is 01 April 2023.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of these improvements is currently being assessed.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, several 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 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.

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 effective date of these improvements is 01 April 2023.

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

The impact of these improvements 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 and sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26; and
- 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; and
- Include heading “Classification of property as investment property” (paragraphs 6 and 7) and delete existing headings.

2. New standards and interpretations (continued)

- 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

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 the 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 a party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previously held interest in the 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 annual financial statements.

The impact of these improvements is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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 regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

A 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 annual financial statements.

The impact of these improvements is currently being assessed.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	7,541,787	24,328,779
Short-term investments	636,000,000	766,000,000
	643,541,787	**790,328,779**

Included in the balance of cash and cash equivalents is an amount of R42 023 830 (2022: R35 961 349) relating to the portion recovered from the WCG, Department of Transport and Public Works (Department of Infrastructure), 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 12).

No cash and cash equivalents have been pledged as security.

Short-term investments

ABSA - Investment		
Opening balance	164,000,000	148,000,000
Movement for the year	(80,000,000)	16,000,000
	84,000,000	**164,000,000**
FNB - Investment		
Opening balance	129,000,000	137,000,000
Movement for the year	15,000,000	(8,000,000)
	144,000,000	**129,000,000**
INVESTEC - Investment		
Opening balance	139,000,000	141,000,000
Movement for the year	(9,000,000)	(2,000,000)
	130,000,000	**139,000,000**
NEDBANK - Investment		
Opening balance	171,000,000	165,000,000
Movement for the year	-	6,000,000
	171,000,000	**171,000,000**
STANDARD BANK - Investment		
Opening balance	163,000,000	155,000,000
Movement for the year	(56,000,000)	8,000,000
	107,000,000	**163,000,000**
	636,000,000	**766,000,000**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Nedbank - Primary bank account	4,041,786	6,828,779	7,653,639	4,041,786	6,828,779	7,653,639
Nedbank - Call account	3,500,000	17,500,000	12,500,000	-	-	-
Total	**7,541,786**	**24,328,779**	**20,153,639**	**4,041,786**	**6,828,779**	**7,653,639**

4. Other receivables from exchange transactions

Current

	2023	2022
Accrued interest	23,511,314	17,321,583
Allowance for impairment	(139,187)	(129,997)
Councillors	19,921	22,484
Deposits	4,740	4,740
Insurance claims	29,807	40,071
Municipal health debtor	95,266	74,760
Other receivables	2,082,092	174,595
Post retirement medical aid	248,445	225,995
Prepayments	2,490,217	2,278,610
Rental	26,741	4,341
Roads services (Department of Infrastructure)	29,030,739	26,796,873
	57,400,095	**46,814,055**

Non-current

	2023	2022
Accrued interest (non-current investments)	6,349,282	-
Allowance for impairment	-	-
	6,349,282	**-**

	2023	2022
Other receivables from exchange transactions (non-current)	6,349,282	-
Other receivables from exchange transactions (current)	57,400,095	46,814,055
Total other receivables from exchange transactions	**63,749,377**	**46,814,055**

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 (Current)

	2023	2022
Gross balance		
Other receivables from exchange transactions	57,539,282	46,944,052
	57,539,282	**46,944,052**

Figures in Rand	2023	2022

4. Other receivables from exchange transactions (continued)

Less: Allowance for impairment		
Other receivables	(116,804)	(110,343)
Post retirement medical aid	(22,383)	(19,654)
	(139,187)	**(129,997)**
Net balance		
Other receivables from exchange transactions	57,400,095	46,814,055
	57,400,095	**46,814,055**
Other receivables from exchange transactions		
Current (0-30 days)	31,359,569	27,167,230
31 - 60 days	3,499	2,437
61 - 90 days	164	3,482
91 - 120 days	-	-
121 - 365 days	-	-
> 365 days	15,412	18,227
	31,378,644	**27,191,376**

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

Prepayments of R2 490 217 (2022: R2 278 610) were not included as the future economic benefits relate to the receipt of goods and services. Councillor debt of R19 921 (2022: R22 484) was not included as this relate(s) to recoveries still to be concluded at reporting date. The short-term interest accrual of R23 511 314 (2022: R17 321 583) was not included in the ageing as it is not due yet.

Included in other receivables is an amount of R1 839 670 related to the land purchased for the development of the landfill site. The purchase of the land has not yet been completed at 30 June 2023, however, the funds have been transferred to the Attorneys Trust Account. The purchase is expected to be completed during the first quarter of the financial year ending 30 June 2024.

Other receivables past due but not impaired

Management regards 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 2023, other receivables of R38 996 (2022: R46 632) were past due but not impaired.

No other receivables were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Other receivables from exchange transactions (continued)

Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	(129,997)	(127,467)
Provision for impairment	(10,377)	(5,440)
Unused amounts reversed	1,187	2,910
	(139,187)	**(129,997)**

Ageing: Other receivables from exchange transactions (non-current)

Gross balance		
Accrued interest	6,349,282	-
	6,349,282	**-**
Less: Allowance for impairment		
Accrued interest	-	-
Net balance		
Accrued interest	6,349,282	-
	6,349,282	**-**

The long-term interest accrual of R6 349 282 (2022: Rnil) was not included in the ageing as it is not due yet. No portion of the accrued interest is considered to be past due but not impaired.

Other receivables past due but not impaired

Management regards the accrued interest due from the long-term investments as not being past due. The accrued interest only becomes payable to the municipality upon maturity of the underlying investment.

No other receivables were pledged as security.

5. Trade Receivables from exchange transactions

Gross balances		
Fire fighting	313,964	196,611
Less: Allowance for impairment		
Fire fighting	(289,641)	(196,611)
Net balance		
Fire fighting	24,323	-

Fire fighting		
Current (0 -30 days)	-	-
31 - 60 days	24,324	-
61 - 90 days	75,679	50,982
91 - 120 days	40,649	331
121 - 365 days	-	28,352
> 365 days	173,312	116,946
	313,964	**196,611**

Figures in Rand	2023	2022

5. Trade Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(196,611)	(85,926)
Contributions to allowance	(116,328)	(117,761)
Reversal of allowance	23,298	7,076
	(289,641)	**(196,611)**

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 is 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, it is 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 was calculated based on the assessment of each individual debtor, as a historic payment trend cannot be determined for firefighting debtors.

As at 30 June 2023, trade receivables of R289 641 (2022: R196 611) were past due but not impaired.

Trade receivables impaired and provided for

As at 30 June 2023, consumer debtors of Rnil (2022: Rnil) were impaired.

As at 30 June 2023, consumer debtors of R289 641 (2022: R196 611) were provided for.

The ageing of these receivables are as follows:

Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	75,679	50,982
91 - 120 days	40,649	331
120 days or more	173,313	145,298
	289,641	**196,611**

6. Inventories

Consumable stores	2,530,493	1,905,577
Housing stock	72,940	72,940
	2,603,433	**1,978,517**

No inventory has been pledged as security.

Consumables valued at R158 000 (2022: R49 320) were written off and recognised in the statement of financial performance.

Inventory valued at R5 386 853 (2022: R4 160 608) were expensed in the statement of financial performance.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. VAT receivable

VAT	2,693,524	2,455,080

Statutory receivables

Gross balances		
VAT receivables	2,693,524	2,455,080
Less: Allowance for impairment		
VAT receivables	-	-
Net balance		
VAT receivables	2,693,524	2,455,080

Transactions arising from statute

The municipality is registered with 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 regards 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 refund payments in the past.

Receivables past due not impaired

Statutory receivables which are less than 30 days past due are not considered for impairment. At 30 June 2023, Rnil (2022: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	84,892	122,441

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Receivables from non-exchange transactions (continued)

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 at 30 June 2023, receivables from non-exchange transactions of Rnil (2022: Rnil) were impaired and provided for.

	2023	2022
Net balances		
Government grant and subsidies	84,892	122,441

	2023	2022
Government grant and subsidies		
Current (0 - 30 days)	84,892	122,441

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

	2023	2022
Opening balance	-	-

9. Property, plant and equipment (PPE)

	2023			2022		
	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	66,454,904	-	66,454,904
Buildings	51,424,174	(28,174,356)	23,249,818	49,343,791	(27,055,598)	22,288,193
Plant and machinery	22,998,105	(14,068,986)	8,929,119	22,527,031	(13,116,356)	9,410,675
Furniture and fittings	8,594,637	(5,757,120)	2,837,517	8,601,910	(5,573,629)	3,028,281
Motor vehicles	61,086,479	(28,739,413)	32,347,066	52,054,371	(27,465,105)	24,589,266
Office equipment	29,352,271	(14,070,470)	15,281,801	29,022,105	(14,259,686)	14,762,419
Infrastructure	6,037,889	(1,232,904)	4,804,985	4,472,303	(1,107,189)	3,365,114
Other property, plant and equipment	9,558,545	(5,116,741)	4,441,804	9,113,349	(4,544,636)	4,568,713
Total	**255,507,004**	**(97,159,990)**	**158,347,014**	**241,589,764**	**(93,122,199)**	**148,467,565**

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 PPE or Investment property have been determined as follows:

a) In the instance where the property yields 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.

9. Property, plant and equipment (PPE) (continued)

The consideration of a new lease is based on the need of the municipality prior to expiry of the existing lease agreements. The property meets the criteria set out above and has therefore 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 - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	66,454,904	-	-	-	-	66,454,904
Buildings	22,288,193	2,116,910	(29,954)	-	(1,125,331)	23,249,818
Plant and machinery	9,410,675	1,029,898	(105,356)	(33,608)	(1,372,490)	8,929,119
Furniture and fittings	3,028,281	233,870	(37,613)	-	(387,021)	2,837,517
Motor vehicles	24,589,266	10,738,770	(64,500)	-	(2,916,470)	32,347,066
Office equipment	14,762,419	4,433,461	(1,390,309)	-	(2,523,770)	15,281,801
Infrastructure	3,365,114	1,565,585	-	-	(125,714)	4,804,985
Other property, plant and equipment	4,568,713	473,570	(28,087)	33,608	(606,001)	4,441,803
	148,467,565	**20,592,064**	**(1,655,819)**	**-**	**(9,056,797)**	**158,347,013**

Included in additions is work-in-progress that relates to Buildings (R242 650) and Infrastructure (R1 565 585).

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 fittings	3,169,179	256,482	(8,235)	(389,145)	3,028,281
Motor vehicles	28,148,961	-	-	(3,559,695)	24,589,266
Office equipment	16,380,381	960,588	(115,232)	(2,463,318)	14,762,419
Infrastructure	3,340,543	149,000	-	(124,429)	3,365,114
Other property, plant and equipment	4,583,445	557,292	-	(572,024)	4,568,713
	155,208,371	**3,095,244**	**(178,557)**	**(9,657,493)**	**148,467,565**

Included in additions is work-in-progress that relates to Office equipment (R132 772).

Reconciliation of repairs and maintenance - 2023

	Contracted services	Employee related cost	Materials and supplies	Total
Buildings	2,869,288	1,757,901	36,781	4,663,970
Office equipment	1,288,916	-	14,158	1,303,074
Motor vehicles	2,869,446	-	47,547	2,916,993
Other	186,084	-	-	186,084
	7,213,734	**1,757,901**	**98,486**	**9,070,121**

9. Property, plant and equipment (PPE) (continued)

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
Other	-	-	2,090	2,090
Furniture and fittings	38,113	-	-	38,113
	3,842,303	**1,635,474**	**536,700**	**6,014,477**

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 PPE. No potential impairment losses have been recognised on PPE at the reporting date.

A review of useful lives of PPE 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 remaining useful lives of intangible assets during the financial year. Refer to note 42 for details relating to the change in accounting estimates.

10. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2,011,361	(1,519,426)	491,935	1,902,361	(1,335,746)	566,615

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	566,615	144,000	(8,351)	(210,329)	491,935

Reconciliation of intangible assets - 2022

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

11. Investments

ABSA		
Opening balance	-	-
Movements during the year	108,000,000	-
Short term: Transfer to cash and cash equivalents	-	-
	108,000,000	**-**
STANDARD BANK		
Opening balance	-	-
Movements during the year	55,000,000	-
Short term: Transfer to cash and cash equivalents	-	-
	55,000,000	**-**
INVESTEC		
Opening balance	-	-
Movements during the year	15,000,000	-
Short term: Transfer to cash and cash equivalents	-	-
	15,000,000	**-**
	178,000,000	**-**

The long-term investments have a maturity period of five years and are measured at amortised cost.

The short-term portion of the long-term investments relates to the portion of the investments that will mature within the next twelve months. These are transferred to cash and cash equivalents, when applicable.

12. Unspent conditional grants and receipts

Community development workers (CDW) operational support grant	14,116	204,046
Emergency municipal load- shedding relief grant	950,000	-
Expanded public works programme integrated grant for municipalities	-	100,000
Fire service capacity building grant	-	1,046,000
Integrated transport planning grant	85,605	672,322
Local government financial management grant	-	154,932
Local government internship grant	8,200	46,000
Local government public employment support grant	-	200,000
Public contributions and donations	-	251,005
Rural roads asset management system grant (RRAMS)	75	2,748,000
Safety initiative implementation - whole of society approach (WOSA)	755,824	353,921
Western Cape municipal interventions grant	98,482	-
	1,912,302	**5,776,226**

See note 22 & 23 for reconciliation of grants from national/ provincial government. These amounts are invested in a ring-fenced investment until utilised (refer to note 3).

13. Payables from exchange transactions and Other

Creditors accruals	13,440,538	2,770,072
Other payables	594,664	213,412
Payments received in advanced	68,999	67,357
Retentions	109,627	-
Trade payables	370,111	2,776,632
Unclaimed funds	872	553
	14,584,815	**5,828,026**

Figures in Rand	2023	2022

14. Employee benefits

Current employee benefits		
Employee benefit accruals	2,158,334	2,576,834
Current: medical aid liability	8,916,862	8,964,681
Provision staff leave	18,033,797	17,376,311
13th cheque	5,399,598	5,259,102
Current: ex-gratia benefit	142,309	204,000
Current: long service award	2,652,908	1,788,000
Performance bonus	944,138	898,137
	38,247,946	**37,067,065**
Other long-term employee benefits		
Long-service award	13,138,475	13,339,999
Post-employee benefits		
Post-retirement medical aid benefits	131,224,251	135,612,320
Ex-gratia benefit	263,404	884,001
	131,487,655	**136,496,321**
Current liability	38,247,946	37,067,065
Non-current liability	144,626,130	149,836,320
	182,874,076	**186,903,385**

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 dependants 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 dependants receive a 60% or 70% subsidy.

Upon a member's death-in-service or death-in-retirement the surviving dependants 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
-Sizwe Hosmed
-LA Health

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

Active members		
Principal members	260	271
Average age	48.7	49.4
Average past service cost	R19.18 million	R19.4 million

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefits (continued)

Continuation members		
Principal members	145	149
Average age	72.2	71.9
The amounts recognised in the Statement of Financial Position are:-		
Projected benefit obligation	140,141,113	144,577,000
	140,141,113	**144,577,000**
The obligation in respect of past services has been estimated as follows:-		
Active members	46,074,977	46,192,000
Continuation members	94,066,136	98,385,000
Net obligation	**140,141,113**	**144,577,000**
The amounts recognised in the Statement of Financial Performance are:-		
Current service cost	2,002,000	2,946,000
Interest cost	16,695,000	17,502,000
Recognised actuarial (gains)/losses	(14,762,992)	(7,501,911)
Amount charged to Statement of Financial Performance	**3,934,008**	**12,946,089**

The future service cost for the ensuing financial period is estimated to be R2 298 483, whereas the interest cost for the next year is estimated to be R16 901 018.

The best estimates for the employer benefit payments in the 2023/24 financial period is expected to be R8 916 862.

Movements in the present value of the defined benefit obligation were as follows:		
Opening benefit obligation liability	144,577,000	139,672,000
Payments to members	(8,369,895)	(8,041,089)
Charge to Statement of Financial Performance	3,934,008	12,946,089
Closing benefit liability	**140,141,113**	**144,577,000**

The economic assumptions used are set relative to government long-term fixed coupon gilts and long-term index linked gilts on issue on 30 June 2023.

The government bond yield curves are relatively flat from outstanding maturity terms of 15 years. Therefore the economic assumption is based on bonds with the closest outstanding maturity terms to 15 years. On 30 June 2023, the bonds with the closest outstanding terms to 15 years were:
• Fixed coupon gilt - R2037 with an outstanding term of 13.6 years and yield to maturity of 12.06%.
• Index linked gilt - I2038 with an outstanding term of 14.6 years and yield to maturity of 5.00%.

The Nominal Discount Rate has been set as the return from the R2037 long-term fixed coupon gilt of 12.06% on 30 June 2023.

At the previous valuation, the nominal discount rate was set as yield curve.

Key actuarial assumptions		
Discount rate	12.06%	Yield Curve
Health-care inflation	7.75%	CPI + 1.5%

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Employee benefits (continued)

Sensitivity Analysis on current-service and interest cost:

Assumption	**Change**	**Current service cost**	**Interest cost**	**Total**	**% change**
Central assumptions		2,298,483	16,901,018	19,199,501	
Health-care inflation	1 %	2,761,526	18,926,028	21,687,554	13 %
	-1 %	1,928,716	15,197,298	17,126,014	-11 %
Post-retirement mortality	20%	2,245,076	16,805,300	19,050,376	-1 %
	-20%	2,355,859	17,002,870	19,358,729	1 %

Sensitivity analysis on the benefit liability:

Assumption	**Change**	**Liability**	**% change**
Central assumptions		140,141,113	
Health-care inflation	1 %	156,932,238	12%
	-1 %	126,014,083	-10%
Post-retirement mortality	20%	139,347,432	-1 %
	-20%	140,985,658	1 %

History of Liabilities and Experience Adjustments	**30 June 2019**	**30 June 2020**	**30 June 2021**	**30 June 2022**	**30 June 2023**
Accrued liability	140,285,000	131,534,500	139,672,000	144,577,000	140,141,113
Experience adjustment	(2,278,000)	-	-	9,179,411	2,765,874

In terms of the Memorandum of Agreement between the WCG, Department of Transport and Public Works (Department of Infrastructure), 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.

	2023	2022
Employee benefit asset		
Opening balance	7,934,649	10,555,196
Current service cost	663,000	870,000
Payment received from WCG	(3,169,288)	(3,589,525)
Interest cost	5,077,000	5,169,000
Benefits paid	(2,570,711)	(2,449,475)
Interest on payments from WCG	(2,893,193)	(1,674,022)
Actuarial loss / (gain)	(4,465,672)	(946,525)
	575,785	**7,934,649**
Reconciliation of employee benefit asset		
Current asset	575,785	2,721,827
Non-current asset	-	5,212,822
	575,785	**7,934,649**

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

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

Ex-gratia benefits

The ex-gratia pensions are pensions that are paid by the municipality from its revenue 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 is sometimes referred to as "ex-gratia" pensions.

Figures in Rand	2023	2022

14. Employee benefits (continued)

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

Members		
In-service employees for ex-gratia pension	2	5
In-service employees eligible for lump sum benefit on retirement	4	4
Average age in years		
In-service employees for ex-gratia pension	59.52	59.73
In-service employees eligible for lump sum benefit on retirement	56.52	60.04

The amount recognised in the Statement of Financial Position is:-		
Projected benefit obligation	405,712	1,088,000

The amount recognised in the Statement of Financial Performance is:-		
Interest cost	84,000	74,000
Recognised actuarial (Gain) / Loss	33,156	39,524
	117,156	**113,524**

The future service cost for the ensuing financial year is estimated to be Rnil, whereas the interest cost for the next financial year is estimated to be R45 115.

The best estimates for the employer benefit payments in the 2023/24 financial year are expected to be R142 309.

The economic assumptions used are set relative to government long-term fixed coupon gilts and long-term index-linked gilts on issue on 30 June 2023.

The government bond yield curves are relatively flat from outstanding maturity terms of 15 years. Therefore the economic assumption based on bonds with the closest outstanding maturity terms to 8 years. On 30 June 2023, the bonds with the closest outstanding terms to 10 years were:
• Fixed coupon gilt - R2032 with an outstanding term of 8.8 years and yield to maturity of 11.120%.
• Index linked gilt - I2033 with an outstanding term of 9.7 years and yield to maturity of 4.905%.

The Nominal Discount Rate has been set as the return from the R2032 long-term fixed coupon gilt of 11.120% as of 30 June 2023. At the previous valuation the nominal discount rate was set as yield curve.

Movements in the present value of the defined benefit obligation were as follows:		
Opening benefit obligation	1,088,000	976,001
Payments to members	(799,444)	(1,524)
Actuarial (Gain) / Loss	33,156	39,524
Interest and service cost	84,000	74,000
Closing benefit obligation	**405,712**	**1,088,001**

Key actuarial assumptions		
Discount rate	11.12 %	7.71 %
CPI inflation rate	6.22 %	6.37 %
Salary inflation rate	7.72 %	7.37 %

Sensitivity analysis on the benefit obligation:

Assumption	**Change**	**Total Liability**	**% change**
Central Assumptions		405,712	
Benefit Inflation rates	1 %	446,665	10 %
	-1 %	369,676	-9 %

14. Employee benefits (continued)

Sensitivity analysis on the interest cost:

Assumption	Change	Interest cost	% change
Central Assumptions		45,115	
Benefit Inflation rates	1 %	49,669	10%
	-1 %	41,108	-9%

History of Liabilities, Assets and Experience Adjustments	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Accrued liability	1,559,725	1,429,000	976,000	1,088,000	405,712
Experience adjustment	(152,346)	-	-	-	188,459

Long-service awards

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

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

	2023	2022
Members	389	397
Average age in years	47	47

	2023	2022
The amounts recognised in the Statement of Financial Position are:		
Projected benefit obligation	15,791,385	15,128,000

	2023	2022
The amounts recognised in the Statement of Financial Performance are:		
Current service cost	948,000	881,000
Interest cost	1,752,000	1,489,000
Recognised actuarial (gain) / losses	(307,211)	145,400
Amount charged to Statement of Financial Performance	**2,392,789**	**2,515,400**

The future service cost for the ensuing financial year is estimated to be R940 810, whereas the interest cost for the next financial year is estimated to be R1 744 471.

The best estimates for the employer benefit payments in the 2023/24 financial period are expected to be R2 652 908.

The economic assumptions used are set relative to government long-term fixed coupon gilts and long-term index linked gilts on issue on 30 June 2023.

The government bond yield curves are relatively flat from outstanding maturity terms of 15 years. Therefore the economic assumption based on bonds with the closest outstanding maturity terms to 15 years. On 30 June 2023, the bonds with the closest outstanding terms to 15 years were:
• Fixed coupon gilt - R2037 with an outstanding term of 13.6 years and yield to maturity of 12.06%.
• Index linked gilt - I2038 with an outstanding term of 14.6 years and yield to maturity of 5.00%.

The nominal discount rate has been set as the return from the R2037 long-term fixed coupon gilt of 12.06% on 30 June 2023. At the previous valuation, the nominal discount rate was set as yield curve.

	2023	2022
Movements in the present value of the benefit obligation were as follows:		
Opening benefit obligation	15,128,000	14,313,000
Payment to members (benefits vesting)	(1,729,404)	(1,700,400)
Actuarial (Gain) / Loss	(307,211)	145,400
Interest and service cost charged to Statement of Financial Performance	2,700,000	2,370,000
Closing benefit obligation	**15,791,385**	**15,128,000**

14. Employee benefits (continued)

Key actuarial assumptions		
Discount rate	12.06%	Yield Curve
Salary inflation	7.75%	CPI +1%
Average retirement age	62	62

Assumptions	**Change**	**Liability**	**% change**
Central Assumptions		15,791,385	
General salary inflation	1%	16,763,252	6%
	-1%	14,905,689	-6%
Withdrawal rates	20%	15,267,766	-3%
	-20%	16,356,369	4%

Assumptions	**Change**	**Current service cost**	**Interest cost**	**Total**	**% change**
Central assumptions		940,810	1,744,471	2,685,281	
General salary inflation	1 %	1,013,222	1,861,678	2,874,900	7 %
	-1 %	876,096	1,637,656	2,513,752	-6 %
Withdrawal rates	20 %	893,203	1,681,322	2,574,525	-4 %
	-20 %	993,532	1,812,608	2,806,140	5 %

History of Liabilities and Experience Adjustments	**30 June 2019**	**30 June 2020**	**30 June 2021**	**30 June 2022**	**30 June 2023**
Accrued liability	12,707,467	13,877,000	14,313,000	15,128,000	15,791,385
Experience adjustment	927,882	-	-	181,400	99,421

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 below.

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 under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2022 disclosed an actuarial valuation amounting to R1 391 841 000 (30 June 2021: R1 486 110 000), with a net accumulated surplus of R144 158 000 (2021: R69 420 000), with a funding level of 111.6% (30 June 2021: 104.9%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2022 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1 976 184 000 (30 June 2021: R2 082 488 00), net investment reserve of Rnil (30 June 2021: Rnil) and with a funding level of 100% (2021: 100%).

14. Employee benefits (continued)

The actuary concluded that:

- The Defined Benefit Section is in a sound financial condition with a funding level of 111.6% as at 30 June 2022.

- The Defined Contribution Section of the fund was in a sound financial condition with a funding level of 100% as at 30 June 2022.

- Overall the fund is in a sound financial condition with an overall funding level of 104.5%.

- The Trustees awarded a 5.2% pension increase effective 1 January 2023.

- The Trustees awarded 100% of monthly pension bonus to pensioners payable in December 2022.

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 2022 revealed that the net assets of the fund amounted to R36 502 914 000 (30 June 2021: R34 148 081 000), with funding levels of 131.6% and 100.4% (30 June 2021: 133% 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.

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 2020 revealed that the assets of the fund amounted to R9 021 008 000 (30 June 2017: R7 720 948 000), with funding levels of 102.2% (30 June 2017: 110.3%). The Fund's assets were sufficient to cover the members' Fund Credits and to provide a margin for contingency reserves as at 30 June 2020. We have allocated the full margin towards the required balance for the risk benefits reserve, which leaves no assets available for the data reserve and a (very small) negative balance for the investment reserve – this is discussed further below, but it should be noted that strong investment returns for the 18 months following the valuation date have enabled the negative investment reserve to be eliminated (as at 31 December 2021). The Fund was in a sound financial position at the valuation date.

d) The Municipal Councillors Pension Fund

The Municipal Councillors 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 moratorium 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 19 December 2017 is made final;
2. The Curator shall furnish the Registrar of the Pension Fund with a progress report; and
3. The Curator must deliver a further progress report to the Court by no later than 31 October 2018 which report deals with the status of curatorship as at 30 September 2018; on the curatorship once every two months.

Figures in Rand	2023	2022

15. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2023

	Capital replacement reserve	Government grant reserve	Accumulated surplus	Total
Opening balance	79,307,027	2,887,399	717,922,363	800,116,789
Surplus for the year	-	-	50,567,090	50,567,090
Transfer to capital replacement reserve	7,000,000	-	(7,000,000)	-
Property, plant and equipment purchases	(19,775,208)	(816,856)	20,592,064	-
Intangible assets	(144,000)	-	144,000	-
	66,387,819	**2,070,543**	**782,225,520**	**850,683,882**

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	697,003,729	765,402,476
Surplus for the year	-	-	34,714,313	34,714,313
Transfer to capital replacement reserve	16,000,000	-	(16,000,000)	-
Property, plant and equipment purchases	(2,111,848)	(54,315)	2,166,163	-
Intangible assets	(38,158)	-	38,158	-
	79,307,027	**2,887,399**	**717,922,363**	**800,116,789**

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Provision (Insurance claims)	43,276	57,000	(43,276)	57,000

Reconciliation of provisions - 2022

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

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

17. Service charges

Fire service charges	138,396	182,762

18. Rental of facilities and equipment

Premises	91,087	229,048

An amount of R71 739 included in the rental income relates to a lease agreement between CWDM and the lessee which ends on 30 June 2025. The annual rental escalation is calculated based on the average CPI over the previous twelve-month period.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Roads services

Department of Transport and Public Works (Department of Infrastructure)	117,033,414	105,635,889

The municipality has a Memorandum of Agreement with the WCG, Department of Transport and Public Works (Department of Infrastructure) for rendering services regarding the roads function within the jurisdiction of the CWDM.

The final allocation received from the Department of Transport and Public Works (Department of Infrastructure) was revised to R111 000 000 (Initial allocation: R105 200 000) during the current financial year.

20. Other income

Brokerage	70,264	63,223
Electricity income (Eerste Begin)	609	21,157
Insurance income	82,538	54,612
LG SETA refund	381,014	384,462
Miscellaneous income	18,348	47,055
Municipal health income	693,504	739,566
Tender document income	9,786	1,052
	1,256,063	**1,311,127**

21. Interest received - investment

Interest on investments: Long term	6,349,282	-
Interest on investments: Short term	56,649,476	40,295,365
	62,998,758	**40,295,365**

During the current year, the average interest rate on the short-term investments is 7.45% (2022: 5.15%) whereas the average interest rate on the long-term investments is 12.09% (2022:-%).

The municipality deposits its investments with multiple banks with varying interest rates linked to the prime rate.

22. Government grants and subsidies

Operating grants		
Community development workers (CDW) operational support grant	136,885	41,081
Equitable share	2,891,000	2,662,000
Expanded public works programme integrated grant for municipalities	1,469,000	1,313,000
Integrated transport planning	586,717	1,050,134
Joint district and metro approach	1,000,000	2,000,000
Local government financial management grant	1,000,000	845,068
Local government internship grant	37,800	55,545
Rural roads asset management systems grant (RRAMS)	71,925	-
RSC levy replacement grant	248,404,000	242,546,000
Sandhills - toilet hire	509,352	498,134
Safety initiative implementation - whole of society approach (WOSA)	1,098,097	2,263,681
Western Cape municipal interventions grant	1,518	-
	257,206,294	**253,274,643**

Conditional and Unconditional

Included in the above are the following grants and subsidies received:

Equitable share	2,891,000	2,662,000
RSC levy replacement grant	248,404,000	242,546,000
	251,295,000	**245,208,000**

Figures in Rand	2023	2022

22. Government grants and subsidies (continued)

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

	2023	2022
Balance unspent at beginning of year	204,046	169,127
Current-year receipts	75,000	76,000
Conditions met - transferred to revenue	(136,885)	(41,081)
Refund of unspent portion	(128,045)	-
	14,116	**204,046**

Conditions still to be met - remain liabilities (see note 12).

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

	2023	2022
Balance unspent at beginning of year	672,322	822,456
Current-year receipts	-	900,000
Conditions met - transferred to revenue	(586,717)	(1,050,134)
	85,605	**672,322**

Conditions still to be met - remain liabilities (see note 12).

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).

Local government financial management grant

	2023	2022
Balance unspent at beginning of year	154,932	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(845,068)
Refund of unspent portion	(154,932)	-
	-	**154,932**

Conditions still to be met - remain liabilities (see note 12).

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.

Figures in Rand	2023	2022

22. Government grants and subsidies (continued)

Fire service capacity building grant

Balance unspent at beginning of year	1,046,000	1,046,000
Refund of unspent portion	(1,046,000)	-
	-	**1,046,000**

Conditions still to be met - remain liabilities (see note 12).

Strategic Objective: Community Development and Planning Services.

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

Sandhills - toilet hire

Current-year receipts	509,352	498,134
Conditions met - transferred to revenue	(509,352)	(498,134)
	-	**-**

Strategic Objective: Technical Services.

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

Local government public employment support grant

Balance unspent at beginning of year	200,000	-
Current-year receipts	-	200,000
Refund of unspent portion	(200,000)	-
	-	**200,000**

Conditions still to be met - remain liabilities (see note 12).

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	1,000,000	2,000,000
Conditions met - transferred to revenue	(1,000,000)	(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.

Figures in Rand	2023	2022

22. Government grants and subsidies (continued)

Rural roads asset management systems grant (RRAMS)

Balance unspent at beginning of year	2,748,000	2,711,000
Current-year receipts	72,000	2,748,000
Conditions met - transferred to revenue	(71,925)	-
Refund of unspent portion	(2,748,000)	(2,711,000)
	75	**2,748,000**

Conditions still to be met - remain liabilities (see note 12).

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	46,000	31,545
Current-year receipts	-	70,000
Conditions met - transferred to revenue	(37,800)	(55,545)
	8,200	**46,000**

Conditions still to be met - remain liabilities (see note 12).

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.

Safety initiative implementation - whole of society approach (WOSA)

Balance unspent at beginning of year	353,921	294,601
Current-year receipts	1,500,000	2,323,000
Conditions met - transferred to revenue	(1,098,097)	(2,263,680)
	755,824	**353,921**

Conditions still to be met - remain liabilities (see note 12).

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

Balance unspent at beginning of year	100,000	-
Current-year receipts	1,369,000	1,413,000
Conditions met - transferred to revenue	(1,469,000)	(1,313,000)
	-	**100,000**

Conditions still to be met - remain liabilities (see note 12).

Strategic Objective: Financial and Strategic Support Services, Community Development and 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.

Figures in Rand	2023	2022

22. Government grants and subsidies (continued)

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.

Western Cape municipal interventions grant

Current-year receipts	100,000	-
Conditions met - transferred to revenue	(1,518)	-
	98,482	**-**

Conditions still to be met - remain liabilities (see note 12).

Strategic Objective: Community Development and Planning Services.

This grant provides financial assistance to municipalities to improve infrastructure, systems, structures, corporate governance, service delivery and compliance with executive obligations.

Emergency Municipal Load- Shedding Relief Grant

Current-year receipts	950,000	-

Conditions still to be met - remain liabilities (see note 12).

Strategic Objective: Community Development and Planning Services.

Provide a financial contribution to municipalities towards the purchase and installation of back-up energy supply (which may include generators, renewable power sources, batteries and all ancillary costs associated with the installation, i.e. switch gear, safe keeping, caging, etc.) for water and wastewater infrastructure as an immediate response to the prolonged load-shedding, thereby mitigating the impact on the provision of basic services and potential health risks.

23. Public contributions and donations

Public contributions and donations	251,005	938,667

Reconciliation of conditional contributions		
Balance unspent at beginning of year	251,005	260,592
Current-year receipts	-	929,080
Conditions met - transferred to revenue	(251,005)	(938,667)
	-	**251,005**

Conditions still to be met - remain liabilities (see note 12)

23. Public contributions and donations (continued)

2023	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	251,005	-	(251,005)	-	-

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**

24. Employee-related costs

	2023	2022
Acting allowances	87,448	51,921
Actuarial loss / (gain)	(10,571,375)	(6,370,462)
Basic	130,976,857	125,505,846
Bonus	10,285,874	9,784,549
Current service cost	2,287,000	2,957,000
Defined contribution plans	22,266,074	21,218,567
Group schemes	2,591,849	2,457,987
Housing benefits and allowances	4,798,782	4,630,094
Leave pay provision charge	1,804,137	908,552
Medical aid - company contributions	13,080,077	12,700,772
Other allowances	6,997,748	8,165,063
Overtime payments	7,809,621	8,032,490
Performance bonus	868,472	1,150,225
Telephone	986,216	689,855
Travel, motor car, accommodation, subsistence and other allowances	12,570,060	12,321,954
Unemployment insurance fund (UIF)	880,880	878,427
Workmen's compensation assistance (WCA)	1,100,457	1,069,362
	208,820,177	**206,152,202**

2023	Long-service awards	Ex-gratia	PRMA	Less: Funded asset	Total
Current service cost	948,000	-	2,002,000	(663,000)	2,287,000
Net actuarial (gains) / losses recognised	(307,211)	33,156	(14,762,992)	4,465,672	(10,571,375)
	640,789	**33,156**	**(12,760,992)**	**3,802,672**	**(8,284,375)**

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)**

Figures in Rand	2023	2022

24. Employee-related costs (continued)

Remuneration of senior management

2023	Basic salary	Car allowance	Performance bonuses	Contribution to UIF, medical and pension funds	Other	Total
Municipal Manager	1,405,443	360,000	241,367	89,408	311,260	2,407,478
Chief Financial Officer	1,210,275	240,000	230,246	289,717	24,000	1,994,238
ED: Community development and planning services	1,229,395	300,000	202,842	36,081	144,000	1,912,318
ED: Technical services	1,258,538	150,000	148,016	300,370	24,000	1,880,924
	5,103,651	**1,050,000**	**822,471**	**715,576**	**503,260**	**8,194,958**

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**

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

	2023	2022
Staff leave		
Municipal Manager	71,316	322,510
Chief Financial Officer	132,608	72,654
ED: Community development and planning services	71,920	45,862
ED: Technical Services	83,753	66,049
	359,597	**507,075**

25. Remuneration of Councillors

	2023	2022
Executive Mayor	1,122,917	1,045,223
Deputy Executive Mayor	570,693	535,226
Speaker	908,177	843,164
Other Councillors	11,005,102	10,320,892
	13,606,889	**12,744,505**

Remuneration of Councillors

2023	Salaries	Contribution to medical and pension funds	Car allowance	Other	Total
Executive Mayor	399,345	103,449	180,000	440,123	1,122,917
Deputy Executive Mayor - M Sampson	419,202	31,491	120,000	-	570,693
Speaker - D Joubert	697,836	52,433	111,177	46,731	908,177
Other Councillors	8,657,176	454,733	1,171,690	721,503	11,005,102
	10,173,559	**642,106**	**1,582,867**	**1,208,357**	**13,606,889**

Figures in Rand	2023	2022

25. Remuneration of Councillors (continued)

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 Executive Mayor - D Swart	160,367	-	43,857	-	204,224
Deputy Executive 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	622,323	10,320,892
	9,300,663	**530,251**	**1,833,435**	**1,080,156**	**12,744,505**

The salaries, allowances and benefits of Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa, 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.

26. Depreciation and amortisation

	2023	2022
Property, plant and equipment	9,056,797	9,657,493
Intangible assets	210,329	130,468
	9,267,126	**9,787,961**

27. Debt impairment

	2023	2022
Debt impairment	102,220	113,215

28. Finance costs

	2023	2022
Employee benefits	13,454,000	13,896,000

29. Transfers and subsidies

	2023	2022
Grants in aid		
Community and Social Services	-	180,000
Farmer households	1,052,684	389,996
Sport and recreation	757,661	-
Private enterprises	435,344	500,000
	2,245,689	**1,069,996**
Monetary allocations		
Fire services	300,000	250,000
Farmer households	927,100	1,681,865
Community and social services	529,988	350,000
Social relief	373,324	361,525
Tourism	2,552,828	2,250,000
Sport and recreation	1,286,246	1,325,000
Support to local municipalities	4,155,000	9,700,000
Private enterprises	30,000	-
	10,154,486	**15,918,390**
	12,400,175	**16,988,386**

Notes to the Annual Financial Statements

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30. Contracted services

Outsourced Services		
Alien Vegetation Control	1,268,438	1,656,474
Burial Services	97,620	-
Business and Advisory	25,673	470,438
Cleaning Services	268,111	649,181
Clearing and Grass Cutting Services	1,040,195	478,261
Hygiene Services	932,383	880,323
Professional Staff	1,364,185	1,205,517
Security Services	3,411,212	2,442,656
Translators, Scribes and Editors	129,863	224,993
Traffic Control	327,175	-
Consultants and Professional Services		
Business and advisory	3,310,236	3,293,965
Infrastructure and planning	1,755,767	213,386
Laboratory services	1,474,137	1,738,529
Legal costs	108,417	469,071
Contractors		
Artists and Performers	471,850	2,000
Audio-visual Services	13,000	1,850
Catering Services	2,635,973	1,398,266
Employee Wellness	91,560	194,071
Exhibit Installations	25,775	-
Fire Services	12,861,025	11,956,626
Gardening Services	58,364	175,723
Graphic Designers	90,000	26,580
Maintenance of Buildings, Facilities, Equipment and Unspecified Assets	8,551,288	5,417,475
Pest Control and Fumigation	127,986	64,139
Photographer	13,400	14,950
Plants, Flowers and Other Decorations	10,800	22,603
Stage and Sound Crew	104,943	101,138
Transportation	-	126,881
	40,569,376	**33,225,096**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. General expenses

Achievements and awards	278,329	203,568
Advertising, publicity and marketing	3,468,307	2,618,880
Auditors remuneration	3,206,646	2,573,272
Bank charges, facility and card fees	149,075	240,270
Bargaining council	60,599	58,545
Bursaries (employees)	372,518	-
Chemicals	184,388	155,700
Cleaning materials	238,379	234,523
Communications	4,331,804	4,726,229
Consumables	490,104	733,442
Courier and delivery services	198,500	209
Deeds	1,091	1,119
Drivers licences and permits	18,049	17,730
Entertainment	44,744	38,541
External computer services	6,113,916	6,743,023
Full-time union representatives	127,303	25,772
Hire charges	4,757,894	6,796,528
Insurance underwriting	3,098,150	3,480,066
Licences	169,083	118,876
Materials and supplies	29,483,476	15,611,083
Municipal services	6,516,269	6,325,262
Parking fees	250	250
Printing and stationery	1,210,441	1,140,386
Printing, publication and books	276,078	499,566
Professional bodies, membership and subscription	2,212,873	2,205,600
Refreshments	510,186	277,870
Registration fees	73,747	75,348
Roadworthy tests	16,878	17,955
Skills development fund levy	1,929,291	1,839,274
Tollgate fees	273,508	239,746
Transport provided as part of departmental activities	1,514,150	943,803
Travel and Visas	6,193	-
Travel and subsistence	2,663,509	1,237,440
Uniforms and protective clothing	776,952	2,821,466
Vehicle tracking	192,831	215,903
Wet fuel	13,194,491	11,548,633
	88,160,002	**73,765,878**

32. Auditors' remuneration

Fees	3,206,646	2,573,272

33. 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	Reclassi-fications	Restated
Assets				
Current Assets				
Cash and cash equivalents	790,328,779	-	-	790,328,779
Other receivables from exchange transactions	46,814,055	-	-	46,814,055
Receivables from non-exchange transactions	122,441	-	-	122,441
Inventories	1,978,517	-	-	1,978,517
VAT receivable	2,455,080	-	-	2,455,080
Employee benefit asset	2,721,827	-	-	2,721,827
	844,420,699	**-**	**-**	**844,420,699**
Non-Current Assets				
Property, plant and equipment	147,967,023	500,542	-	148,467,565
Intangible assets	566,615	-	-	566,615
Employee benefit asset	5,212,822	-	-	5,212,822
	153,746,460	**500,542**	**-**	**154,247,002**
Total Assets	**998,167,159**	**500,542**	**-**	**998,667,701**
Liabilities				
Current Liabilities				
Payables from exchange transactions	4,912,888	915,138	-	5,828,026
Unspent conditional grants and receipts	5,776,226	-	-	5,776,226
Provisions	43,276	-	-	43,276
Employee benefit obligation	37,067,065	-	-	37,067,065
	47,799,455	**915,138**	**-**	**48,714,593**
Non-Current Liabilities				
Employee benefit obligation	149,836,320	-	-	149,836,320
Total Liabilities	**197,635,775**	**915,138**	**-**	**198,550,913**
Net Assets				
Accumulated surplus	800,531,384	(414,596)	-	800,116,788

33. Prior period errors (continued)

33.1 Property, plant and equipment

	2023	2022
Balance previously reported		147,967,023
* Landfill		551,556
** Carpets - Cost		(181,456)
** Carpets - Accumulated depreciation		117,348
** Carpets - Depreciation		11,003
*** Ethernet devices - Depreciation		2,091
		148,467,565

* The costs incurred to develop and construct the regional landfill site after receiving the approval for the licence to operate the regional landfill site on 26 November 2019 were incorrectly expensed as contracted services and should have been recognised as capital expense. The costs incurred for the feasibility study of the regional landfill site, meet the definition of a capital expense. The error impacted the opening balance of cost of R551 556 and the opening balance of accumulated surplus for the 2021/2022 financial year of R551 556.

** The costs incurred for the installation of carpets were incorrectly accounted for as capital expenditure. The installation of carpets meets the definition of operational expenditure. The error impacted the opening balance of cost of R181 456, the opening balance of accumulated depreciation of R117 348 and the opening balance of accumulated surplus for the 2021/2022 financial year of R53 106. The error also impacted the depreciation of R11 003 and accumulated depreciation of R11 003 for the 2021/2022 financial year.

*** The depreciation on the ethernet devices was incorrectly accounted for as the ethernet devices were not installed in the 2021/2022 financial year. The error impacted the depreciation of R2 091 and accumulated depreciation of R2 091 for the 2021/2022 financial year.

33.2 Payables from exchange transactions

	2023	2022
Balance previously reported		4,912,888
* External computer services		915,138
		5,828,026

* The invoice related to the Microsoft licence for the 2021/2022 financial year was received in the 2022/2023 financial year.

33.3 Accumulated surplus

	2023	2022
Balance previously reported		800,531,384
* External computer services		(915,137)
** Landfill		551,556
*** Carpets - Cost		(181,456)
*** Carpets - Accumulated Depreciation		117,348
*** Carpets - Depreciation		11,002
**** Ethernet devices - Depreciation		2,091
		800,116,788

* The invoice related to the Microsoft licence for the 2021/2022 financial year was received in the 2022/2023 financial year.

** The costs incurred to develop and construct the regional landfill site after receiving the approval for the licence to operate the regional landfill site on 26 November 2019 were incorrectly expensed as contracted services and should have been recognised as capital expense. The costs incurred for the feasibility study of the regional landfill site, meet the definition of a capital expense. The error impacted the opening balance of cost of R551 556 and the opening balance of accumulated surplus for the 2021/2022 financial year of R551 556.

Notes to the Annual Financial Statements

33. Prior period errors (continued)

*** The costs incurred for the installation of carpets were incorrectly accounted for as capital expenditure. The installation of carpets meets the definition of operational expenditure. The error impacted the opening balance of cost of R181 456, the opening balance of accumulated depreciation of R117 348 and the opening balance of accumulated surplus for 2021/2022 financial year of R53 106. The error also impacted the depreciation of R11 003 and accumulated depreciation of R11 003 for 2021/2022 financial year.

**** The depreciation on the ethernet devices was incorrectly accounted for as the ethernet devices were not installed in the 2021/2022 financial year. The error impacted the depreciation of R2 091 and accumulated depreciation of R2 091 for the 2021/2022 financial year.

Statement of Financial Performance

	Audited	Prior year error	Reclassification	Restated
Revenue				
Revenue from exchange transactions				
Service charges	182,762	-	-	182,762
Rental of facilities and equipment	229,048	-	-	229,048
Roads services	105,635,889	-	-	105,635,889
Other income	1,311,127	-	-	1,311,127
Interest received - investment	40,295,365	-	-	40,295,365
Total revenue from exchange transactions	**147,654,191**	**-**	**-**	**147,654,191**
Revenue from non-exchange transactions				
Transfer revenue				
Government grants and subsidies	253,274,643	-	-	253,274,643
Public contributions and donations	938,667	-	-	938,667
Total revenue from non-exchange transactions	**254,213,310**	**-**	**-**	**254,213,310**
Total revenue	**401,867,501**	**-**	**-**	**401,867,501**
Expenditure				
Employee-related costs	(206,152,202)	-	-	(206,152,202)
Remuneration of Councillors	(12,744,505)	-	-	(12,744,505)
Finance cost	(13,896,000)	-	-	(13,896,000)
Depreciation and amortisation	(9,801,055)	13,094	-	(9,787,961)
Lease rentals on operating lease	(298,157)	-	-	(298,157)
Debt impairment	(113,215)	-	-	(113,215)
Contracted services	(33,225,096)	-	-	(33,225,096)
Transfers and subsidies	(16,988,386)	-	-	(16,988,386)
General expenses	(72,850,740)	(915,138)	-	(73,765,878)
Total expenditure	**(366,069,356)**	**(902,044)**	**-**	**(366,971,400)**
Operating surplus	**35,798,145**	**(902,044)**	**-**	**34,896,101**
Loss on disposal of assets	(132,468)	-	-	(132,468)
Inventories losses/ write-downs	(49,320)	-	-	(49,320)
	(181,788)	**-**	**-**	**(181,788)**
Surplus for the year	**35,616,357**	**(902,044)**	**-**	**34,714,313**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Prior period errors (continued)

33.4 Depreciation and amortisation

Balance previously reported	(9,801,055)
* Carpets	11,003
** Ethernet devices	2,091
	(9,787,961)

* The costs incurred for the installation of carpets were incorrectly accounted for as capital expenditure. The installation of carpets meets the definition of operational expenditure. The error impacted the opening balance of cost of R181 456, the opening balance of accumulated depreciation of R117 348 and the opening balance of accumulated surplus for the 2021/2022 financial year of R53 106. The error impacted the depreciation of R11 003 and accumulated depreciation of R11 003 for the 2021/2022 financial year.

** The depreciation on the ethernet devices was incorrectly accounted for as the ethernet devices were not installed in the 2021/2022 financial year. The error impacted the depreciation of R2 091 and accumulated depreciation of R2 091 for the 2021/2022 financial year.

33.5 General Expenses

Balance previously reported	(72,850,740)
* External computer services	(915,138)
	(73,765,878)

* The invoice related to the Microsoft licence for the 2021/2022 financial year was received in the 2022/2023 financial year.

34. Cash generated from operations

	2023	2022
Surplus	50,567,090	34,714,313
Adjustments for:		
Depreciation and amortisation	9,267,126	9,787,961
Loss on sale of assets and liabilities	1,571,805	132,468
Finance costs	13,454,000	13,896,000
Public contributions and donations	-	(929,080)
Debt impairment	102,220	113,215
Movements in retirement benefit assets and liabilities	3,329,555	9,192,183
Inventory write-off	158,000	49,320
Changes in working capital:		
Other receivables from exchange transactions	(16,935,322)	(25,513,957)
Trade receivables from exchange transactions	(126,543)	(52,229)
Other receivables from non-exchange transactions	37,549	(38,572)
Movement in provisions	13,724	36,836
Payables from exchange transactions	672,736	1,416,545
VAT	(238,444)	(739,757)
Unspent conditional grants and receipts	(3,863,924)	440,905
Inventories	(782,916)	733,360
Employee benefit obligation	(20,812,864)	(16,516,547)
Long-term receivable	7,358,864	2,620,547
	43,772,656	**29,343,511**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Financial instruments

Financial risk management

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

Financial assets at amortised cost		
Trade receivables from exchange transactions	24,323	-
Other receivables from exchange transactions	61,239,239	44,512,961
Receivables from non-exchange transactions	84,892	122,441
Cash and cash equivalents	643,541,787	790,328,779
Investments	178,000,000	-
	882,890,241	**834,964,181**

Financial liabilities at amortised cost		
Payables from exchange transactions	14,584,815	5,828,026

Refer to notes 3, 4, 5 ,8, 11 and 13 for additional disclosures.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	14,584,815	-	-	-

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	5,828,026	-	-	-

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 investments, 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	2023	2022
Other receivables from exchange transactions	61,239,239	44,512,961
Trade receivables from exchange transactions	24,323	-
Cash and cash equivalents	643,541,787	790,328,779
Receivables from non- exchange transactions	84,892	122,441
Investments	178,000,000	-

Fair values

Irrespective of the longer maturity for the investments held by the municipality, the fair value of these 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.

Figures in Rand	2023	2022

35. Financial instruments (continued)

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:

a) Investments and Cash and cash equivalents
The average interest rate on the short term investments is 7.45% (2022: 5.15%) whereas the average interest rate on the long term investments is 12.09% (2022:nil%). The municipality invests with multiple banks with varying interest rates linked to the prime rate.

b) External loans
The municipality had no external loans and borrowings as at 30 June 2023 (2022: Rnil).

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.

36. Going concern

We draw attention to the fact that as at 30 June 2023, the municipality had an accumulated surplus of R850 683 877 (2022: R800 116 788).

The annual 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 59% of the municipality's revenue. In addition, funds received for Roads services account for a further 27%.

37. Unauthorised expenditure

No unauthorised expenditure was incurred and/or identified for the current and previous financial years.

38. Fruitless and wasteful expenditure

	2023	2022
Opening balance as previously reported	-	-
Add: Fruitless and wasteful expenditure identified - current	400	-
Add: Fruitless and wasteful expenditure identified - prior period	-	-
Less: Amount recovered - current	(400)	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**-**	**-**

Details of fruitless and wasteful expenditure

	2023	2022
Misuse, by a municipal official, of a fuel card intended for official vehicles of the municipality.	400	-

The expenditure incurred has been recovered from the relevant official and the investigation and related consequence management processes have been completed.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Irregular expenditure

No irregular expenditure was incurred and/or identified for the current and previous financial year.

40. Contingencies

40.1 Contingent liabilities

(i) 2023: 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.

(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 full extent of the financial effect, measured by using the principles set out for provisions.)

(ii) 2023: The status of the claim, where the plaintiff included the Cape Winelands District Municipality is that the plaintiff added another plaintiff in their legal suit. The attorneys of the plaintiff proceeded to reach a settlement with a party in the lawsuit. The claim against the municipality was closed after the settlement was reached.

(2022: The status of the claim, where the plaintiff included the Cape Winelands District Municipality as the second of three defendants in this matter, is 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 state that the 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 full extent of the financial effect, measured by using the principles set out for provisions.)

(iii) 2023: 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 defendant) 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 full extent of the financial effect, measured by using the principles set out for provisions.

40. Contingencies (continued)

(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 full extent of the financial effect, measured by using the principles set out for provisions.)

(iv) 2023: The status of the claim 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 claim 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 claim 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 plaintiffs 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 full extent of the financial effect, measured by using the principles set out for provisions.

(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 claim 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 claim 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 plaintiffs 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 full extent ofthe financial effect, measured by using the principles set out for provisions.)

(v) 2023: The Cape Winelands District Municipality's insurance company received a letter of demand on 12 May 2022 from Santam Insurance. On 25 February 2021, an incident occurred between the plaintiff's vehicle and a vehicle of the Cape Winelands District Municipality. It is not yet practicable to provide an estimate of the full extent of the financial effect, measured by using the principles set out for provisions.

(vi) 2023: A combined summons was issued on 13 April 2022 by the Magistrates Court for the District of Worcester under Case No 919/2022 in terms of which N Adams instituted action against the Cape Winelands District Municipality. On or around 8 August 2021, a collision occurred between the plaintiff's vehicle and a pothole. Damages suffered were to the amount of R54 073.95 plus legal fees. It is not yet practicable to provide an estimate of the full extent of the financial effect, measured by using the principles set out for provisions.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Contingencies (continued)

(vii) 2023: On 10 May 2023, the Cape Winelands District Municipality received a notice in terms of section 3 of the Institution of Legal Proceedings against Organs of State, (Act No. 40 of 2002) from the attorneys of B Shikwambana. The notice is for damages suffered to the amount of R26 238.33 in a motor vehicle accident on 14 June 2022. The matter was reported to the district municipality's insurers. It is not yet practicable to provide an estimate of the full extent of the financial effect, measured by using the principles set out for provisions.

viii) 2023: The municipality is still waiting on the outcome of seven public liability claims, 38 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.

(2022: The municipality is still waiting on the outcome of four 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.)

ix) 2023: The municipality responded to the notice received from Blignaut Neerahoo Attorneys regarding a contractual dispute for a claim of R402 285. The municipality has not received further correspondence from the plaintiff. The legal proceedings related to the matter have not yet commenced and there is no certainty that the municipality will be liable for the amount claimed

(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 have not yet commenced and there is no certainty that the municipality will be liable for the amount claimed.)

x) 2023: The municipality responded to the notice received from Marlo Laubscher Attorneys regarding an arrears municipal account of R33 732. The municipality has not received further correspondence from the plaintiff. 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 who should be responsible for the settlement of the municipal accounts.

(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 who should be responsible for the settlement of the municipal accounts.)

40.2 Contingent assets

2023: The municipality is still awaiting the outcome of one insurance claim with an estimated amount of R4 719 that was not concluded as at 30 June 2023. The claim is specific to the 2022/2023 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Related parties

The salaries and remuneration of key management and Councillors are disclosed in notes 24 & 25 to the Annual Financial Statements.

42. Change in estimate

Property, plant and equipment and Intangibles

42.1 Review of RUL of Property, plant and equipment and Intangibles

The following changes were made in accounting estimates during the year. The new depreciation/ amortisation for the year has been calculated and stated as well as the amount that the depreciation/ amortisation would have been had an estimate change not been effected.

Asset Type Description	Total of depreciation/ amortisation on assets for 2022/23 had no change been effected:	Total new depreciation/ amortisation for 2022/23 after the change was effected:	2022/2023: Difference: Increase in depreciation/ amortisation	Total of depreciation/ amortisation on assets for future years had no change been effected:	Total new depreciation/ amortisation for future years after the change was effected:	Future years: Difference: Decrease in depreciation/ amortisation
Intangibles	52,616	75,159	22,543	174,083	151,539	(22,543)

43. B-BBEE Performance

2022/2023

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

The municipality did not include the compliance results with B-BBEE in the 2021/2022 Annual report due to delays as a result of disputes regarding outcomes. The municipality were regarded to be non-compliant for the 2021/2022 Financial year.

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.

44. Events after the reporting date

a) The additional amount included in note 16 to provisions relating to the adjusting event amounted to R57 000.

b) Appropriation has been made in the 2023/2024 Annual Budget for the retrospective implementation from 1 July 2022 of the upper limits of salaries, allowances and benefits of a Grade 5 municipal council as set out in the Notice No. 3807 published in Government Gazette No. 49142 of 18 August 2023.The financial impact of this retrospective implementation is R527 463 and is subject concurrence by the MEC for local government in the province.

45. Reconciliation between budget and annual financial statements

45.1 Statement of financial performance

	2023	2022
Service charges (Actual amount as per statement of comparison)	-	-
Service charges	138,396	-
Actual amount as per statement of financial performance	**138,396**	**-**

Figures in Rand	2023	2022

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

Service charges were remapped from other revenue to adhere to the requirements of GRAP.

Agency services (Actual amount as per statement of comparison)	117,789,784	-
Roads capital	816,856	-
Management fees	10,488,175	-
Management fees	(12,061,401)	-
Actual amount as per statement of financial performance	**117,033,414**	**-**

The capital financing for roads services was remapped from transfers and subsidies to roads services. Management fees were 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 (Department of Infrastructure) with regard to 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.

Licences and permits (Actual amount as per statement of comparison)	693,504	-
Licences and permits	(693,504)	-
Actual amount as per statement of financial performance	**-**	**-**

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

Transfers and subsidies (Actual amount as per statement of comparison)	256,947,947	-
Sandhills toilet hire	509,352	-
Public contributions and donations	(251,005)	-
Actual amount as per statement of financial performance	**257,206,294**	**-**

Sandhills toilet hire was remapped from other revenue to transfers and subsidies to adhere to the requirements of GRAP. Public contributions and donations were remapped to adhere to the requirements of GRAP.

Public contributions and donations (Actual amount as per statement of comparison)	-	-
Public contributions and donations	251,005	-
Actual amount as per statement of financial performance	**251,005**	**-**

Public contributions and donations were remapped from transfers and subsidies to adhere to the requirements of GRAP.

Other revenue (Actual amount as per statement of comparison)	11,770,407	-
Management fees: Roads services	(10,488,175)	-
Service charges	(138,396)	-
Management fees: RRAMS	(71,925)	-
Sandhills toilet hire	(509,352)	-
Licences and permits	693,504	-
Actual amount as per statement of financial performance	**1,256,063**	**-**

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

Employee-related costs (Actual amount as per statement of comparison)	221,173,724	-
Workmen's compensation fund	1,100,457	-
Interest cost	(13,454,000)	-
Actual amount as per statement of financial performance	**208,820,181**	**-**

Figures in Rand	2023	2022

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

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

Finance cost (Actual amount as per statement of comparison)	-	-
Interest cost	13,454,000	-
Actual amount as per statement of financial performance	**13,454,000**	**-**

Interest cost on post-retirement benefits and long-service awards was 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	-
Actual amount as per statement of financial performance	**298,157**	**-**

Lease rentals on operating lease were remapped from other expenditure to adhere to the requirements of GRAP.

Inventory consumed (Actual amount as per statement of comparison)	36,914,883	-
General expenses	(36,914,883)	-
Actual amount as per statement of financial performance	**-**	**-**

Inventory consumed was remapped to general expenses to adhere to the requirements of GRAP.

Other expenditure (Actual amount as per statement of comparison)	64,705,133	-
Workmen's compensation fund	(1,100,457)	-
Lease rental on operating leases	(298,157)	-
Inventory consumed	36,914,883	-
Management fees	(12,061,401)	-
Actual amount as per statement of financial performance	**88,160,001**	**-**

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 were 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 were remapped from other expenditure to roads services.

Losses (Actual amount as per statement of comparison)	1,729,805	-
Inventories losses	(158,000)	-
Actual amount as per statement of financial performance	**1,571,805**	**-**

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

Inventories losses (Actual amount as per statement of comparison)	-	-
Inventories losses	158,000	-
Actual amount as per statement of financial performance	**158,000**	**-**

Inventories losses were remapped from losses to adhere to the requirements of GRAP.

Transfers and subsidies: Capital monetary (Actual amount as per statement of comparison)	816,856	-
Roads capital	(816,856)	-
Actual amount as per statement of financial performance	**-**	**-**

The capital financing for roads was remapped from transfers and subsidies to roads services.

Figures in Rand	2023	2022

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

Contracted services (Actual amount as per statement of comparison)	40,641,300	-
Management fee: Rural roads asset management	(71,925)	-
Actual amount as per statement of financial performance	**40,569,375**	**-**

Management fee for the rural roads asset management was remapped from other income to adhere to the requirements of GRAP.

45.2 Statement of financial position

Cash and cash equivalents (Actual amount as per statement of comparison)	-	-
Cash on hand	4,041,786	-
Call investment deposits	639,500,000	-
Actual amount as per statement of financial position	**643,541,786**	**-**

Cash on hand and call investment deposits were remapped to adhere to the requirements of GRAP.

Consumer debtors (Actual amount as per statement of comparison)	31,197,253	-
Service charges	(81,031)	-
Prepayments and advances	2,490,217	-
Insurance claims	29,807	-
Output VAT: Provision for doubtful debt impairment	(649)	-
Deposits	4,740	-
Accrued interest	23,511,314	-
Third party refund	248,445	-
Actual amount as per statement of financial position	**57,400,096**	**-**

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

VAT receivable (Actual amount as per statement of comparison)	-	-
VAT receivable	2,693,524	-
Actual amount as per statement of financial position	**2,693,524**	**-**

VAT receivable was 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	84,892	-
Actual amount as per statement of financial position	**84,892**	**-**

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

Receivables from non-exchange transactions: Non-current (Actual amount as per statement of comparison)	-	-
Accrued Income	6,349,282	-
Actual amount as per statement of financial position	**6,349,282**	**-**

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Consumer deposits (Actual amount as per statement of comparison)	22,500	-
Consumer deposits	(22,500)	-
Actual amount as per statement of financial position	**-**	**-**

Consumer deposits were remapped to payables from exchange transactions to adhere to the requirements of GRAP.

Trade and other payables (Actual amount as per statement of comparison)	18,537,018	-
Unspent conditional grants	(1,912,300)	-
Output VAT	95,933	-
Employee benefits	(2,158,334)	-
Consumer deposits	22,500	-
Actual amount as per statement of financial position	**14,584,817**	**-**

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

Provisions (Actual amount as per statement of comparison)	36,146,612	-
Employee benefits	(36,089,612)	-
Actual amount as per statement of financial position	**57,000**	**-**

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

Accumulated surplus (Actual amount as per statement of comparison)	784,296,059	-
Reserves	66,387,818	-
Actual amount as per statement of financial position	**850,683,877**	**-**

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

45.3 Cashflow statement

Employee-cost (Actual amount as per statement of comparison)	-	-
Employee cost	218,964,508	-
Amount as per cash flow statement	**218,964,508**	**-**

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

Remuneration of Councillors (Actual amount as per statement of comparison)	-	-
Remuneration of Councillors	13,606,889	-
Amount as per cash flow statement	**13,606,889**	**-**

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)	(12,400,174)	-
Transfers and grants	12,400,174	-
Amount as per cash flow statement	**-**	**-**

Transfers and grants were remapped to suppliers to adhere to the requirements of GRAP.

46. 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%.

Current assets

Consumer debtors

Variance as a result of the future medical aid liability, ex-gratia pension and long service bonus that is only calculated at year end.

Other debtors

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

Inventory

The issuing of inventory was less than anticipated during the budget preparation process.

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.

Cash

Variance as a result of the budget schedules mapping the call account as part of investments.

Call investment deposits

During the latter part of the financial year, transfers were made from current investments to non-current investments.

Non-current assets

Property, plant and equipment

Variance is less than 10%, no reason required.

Investments

During the latter part of the financial year, transfers were made from current investments to non-current investments.

Intangible assets

Capital items classified as property, plant and equipment during the budget preparation process were reclassified to intangible assets during the preparation of the annual financial statements.

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.

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

Liabilities

Current liabilities

Consumer deposits

During the budget preparation process there was no lease agreement in place, hence no provision was made for consumer deposits.

Trade and other payables

The delivery of specialised fire fighting vehicles at year end gave rise to an increase in creditor accruals.

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

Variance is less than 10%, no reason required.

Net assets

Reserves

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

46.2 Statement of financial performance

Rental of facilities and equipment

Variance as result of the lease agreement only being finalised in April 2023.

Agency services

Variance is less than 10%, no reason required.

Licences and permits

Variance is less than 10%, no reason required.

Other revenue

Other revenue consists of different income sources which is subject to change due to external factors.

Interest received - investment

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

Transfer and subsidies

Variance is less than 10%, no reason required.

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

Expenditure

Employee-related costs

Variance as a result of vacant post not being filled due to the implementation of the new staff regulations.

Remuneration of Councillors

Variance is less than 10%, no reason required.

Inventory consumed

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

Not all projects were rolled out as planned and have been deferred to the next financial year.

Transfers and subsidies

The deregistration of a few of the non-profit organisations gave effect to the non-payment of funds to beneficiaries.

Other expenditure

Variance as a result of tender prices quoted being less than anticipated.

Losses

Variance is less than 10%, no reason required.

Transfer and subsidies - capital (monetary allocations)

A large portion of the unspent amount relates to the emergency loadshedding relief grant that was allocated to the municipality during the latter part of the financial year, hence it was impossible to spend the funds by the end of 30 June 2023.

46.3 Cash flow statement

Other revenue

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

Transfers and subsidies - operational

Variance is less than 10%, no reason required.

Transfers and subsidies - capital

The replacement for the Ceres workshop asbestos roof for road services was only partially completed in the 2022/2023 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

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.

Transfers and grants

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

Capital assets

The delivery of specialised firefighting vehicles occurred at year-end and were recognised as accruals.

Investments

During the latter part of the financial year, transfers were made from current investments to non-current investments.

Proceeds from sale of property, plant and equipment

At the time the final budget was approved is not known which assets will be disposed during the financial year.

Consumer deposits

During the budget preparation process there was no lease agreement in place, hence no provision was made for consumer deposits.

47. Additional disclosure in terms of Municipal Finance Management Act

47.1) Contributions to organised local government

Current year subscription / fee	2,290,110	2,321,684
Amount paid - current year	(2,175,605)	(2,205,600)
Discount received (5%)	(114,505)	(116,084)
	-	-

47.2) Audit fees

Current year audit fee-AGSA	3,206,646	2,573,272
Current year audit fee-Audit Committee	121,833	102,576
Amount paid	(3,316,503)	(2,670,178)
	11,976	**5,670**

47.3) PAYE, UIF and SDL

Current year payroll deductions	40,929,436	(39,178,059)
Amount paid - current year	(40,929,436)	39,178,059
	-	-

47.4) Pension and Medical Aid Deductions

Current year payroll deductions	(70,579,325)	(67,631,029)
Amount paid - current year	70,579,325	67,631,029
	-	-

Figures in Rand	2023	2022

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

47.5) VAT

VAT receivable	5,710,257	2,743,707
VAT payable	(3,016,733)	(288,627)
	2,693,524	**2,455,080**

All VAT returns were submitted by the due date throughout the year.

47.6) 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 Councillors Gwada, Ross, Nyamana and Heradien for the overpayment of remuneration due to the upward change in the grading of Witzenberg, Drakenstein and Langeberg Municipalities and the termination of Cllr Mcako of Stellenbosch Municipality.

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

30 June 2023	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. S.S. Magqazana	-	742	742
Cllr. L.N. Qoba	-	107	107
	-	**19,921**	**19,921**

In terms of section 167(2) of the MFMA, the municipality must and has the right to, recover remuneration paid otherwise than in accordance with the framework of the Remuneration of 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 Councillors Heradien, Ross, Gwada (deceased) and Nyamana is currently in process. Attempts by the municipality's debt collectors to institute a claim against the deceased estate of Cllr Gwada are ongoing, though to date this has been unsuccessful. Challenges with the appointment of debt collectors delayed the said legal process, however a contract was secured towards the end of the financial year.

(ii) In respect of resignations:

Attempts by the municipality's debt collectors to institute a claim against the deceased estate of Cllr Mcako are still ongoing, though to date this has been unsuccessful. Challenges with the appointment of debt collectors delayed the said legal process; however a contract was secured towards the end of the financial year. Councillors Magqazana and Qoba will be handed over for the institution of legal action.

47. 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**

In terms of section 167(2) of the MFMA, the municipality must and has the right to, recover remuneration paid otherwise than in accordance with the framework of the Remuneration of 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 Councillors 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 are still 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 were fully recovered after 30 June 2022. Attempts by the municipality's debt collectors to institute a claim against the deceased estate of Cllr Mcako are ongoing, though to date this has been unsuccessful. Councillors Magqazana and Qoba will be handed over for legal action to be instituted, pending the appointment of a new debt collector.

Particulars of non-compliance

No incidents 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:

	2023	2022
Breede Valley Municipality	605,000	962,000
Drakenstein Municipality	815,000	6,226,000
Langeberg Municipality	560,000	864,000
Stellenbosch Municipality	615,000	984,000
Witzenberg Municipality	1,560,000	764,000
	4,155,000	**9,800,000**

48. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of nine major functional areas. The functional areas make up segments 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
Technical services	Promoting sustainable infrastructure services and a transport system that foster social and economic opportunities

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

2023

	Community development and planning services	Technical services	Non-reportable	Total
Revenue				
Revenue from exchange transactions				
Service charges	138,396	-	-	138,396
Rental of facilities and equipment	-	-	91,087	91,087
Roads services	-	106,545,239	10,488,175	117,033,414
Other income	693,504	18,347	544,212	1,256,063
Interest revenue - investment	-	-	62,998,758	62,998,758
Revenue from non- exchange transactions	-	-	-	-
Transfer revenue				
Government grants and subsidies	1,236,500	2,636,995	253,332,799	257,206,294
Public contribution and donations	-	251,005	-	251,005
Total segment revenue	**2,068,400**	**109,451,586**	**327,455,031**	**438,975,017**
Total revenue				**438,975,017**
Expenditure				
Employee-related costs	93,214,527	66,243,477	49,362,173	208,820,177
Remuneration of Councillors	-	-	13,606,889	13,606,889
Depreciation and amortisation	4,235,267	2,224,490	2,807,369	9,267,126
Lease rentals on operating lease	-	-	298,157	298,157
Debt impairment	-	-	102,220	102,220
Finance cost	-	-	13,454,000	13,454,000
Contracted services	24,010,281	7,571,224	8,987,871	40,569,376
Transfers and subsidies	7,034,107	1,866,067	3,500,001	12,400,175
Loss on disposal of assets	122,571	1,192,697	256,537	1,571,805
Inventories losses / write- downs	-	-	158,000	158,000
General expenses	10,448,027	50,515,909	27,196,066	88,160,002
Total segment expenditure	**139,064,780**	**129,613,864**	**119,729,283**	**388,407,927**
Surplus/(deficit)				**50,567,090**
Assets				
Non - current assets	12,232,579	5,268,846	3,090,639	20,592,064
Intangible assets	-	-	144,000	144,000
Total additions to non- current assets	**12,232,579**	**5,268,846**	**3,234,639**	**20,736,064**

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Figures in Rand

48. Segment information (continued)

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 received - investment	-	-	40,295,365	40,295,365
Revenue from non- exchange transactions				
Transfer revenue				
Government grants and subsidies	2,304,762	2,861,268	248,108,613	253,274,643
Public contribution 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 cost	91,325,121	64,088,393	50,738,688	206,152,202
Remuneration of Councillors	-	-	12,744,505	12,744,505
Depreciation and amortisation	4,650,557	2,115,271	3,022,133	9,787,961
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	38,797,730	25,076,707	73,765,878
Total segment expenditure	**134,251,146**	**111,458,097**	**121,443,945**	**367,153,188**
Surplus/(deficit)				**34,714,313**
Other information				
Non- current assets	1,031,286	383,829	1,680,128	3,095,243
Intangible assets	-	38,158	-	38,158
Total additions to non- current assets	**1,031,286**	**421,987**	**1,680,128**	**3,133,401**

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.

Figures in Rand	2023	2022

49. Capital commitments

Approved and contracted for		
Property, plant and equipment - Buildings	233,766	-
Property, plant and equipment - Infrastructure	281,417	171,695
Property, plant and equipment - Office equipment	-	47,265
	515,183	**218,960**

The amount of R233 766 relates to Tender T2022/101 for the removal of existing thatch and re-thatching of roof.

The amount of R 281 417 relates to Tender T2019/132 (2023:R 110 354; 2022: R171 695) and Tender T2021/057 (2023: R 171 063) respectively for the development of a regional landfill site.

The amount of R47 265 relates to Quotation 2020/073 for the procurement and installation of remote ethernet devices.

Notes to the Annual Financial Statements

50. Disclosures in terms of the Municipal Supply Chain Management Regulations, 2005

50.1 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b).

2023	Total Value (incl. VAT)	Emergency	Sole Supplier/ Agent	Impractical
July	2,007,808	-	2	19
August	2,304,739	-	-	7
September	-	-	-	-
October	90,296	-	2	2
November	522,448	24	3	1
December	3,758,087	13	-	8
January	293,904	-	-	7
February	1,748,341	-	-	3
March	258,534	-	-	8
April	57,147	-	-	2
May	101,900	-	2	3
June	190,087	-	-	6
	11,333,291	**37**	**9**	**66**

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**

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50.2 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)

Supplier	Relationship	Name of Family Member	Name of Institution	Capacity	2023	2022
M & N Bakwerkwe Close Corporation	Brother/Sister	E Niemand	Cape Winelands District Municipality	Supply Chain Management Practitioner	19,108	12,846
JPCE (Pty) Ltd	Spouse	JA Minnie	City of Cape Town	Manager: Disaster Management Centre: Safety and Security Directorate	61,341	-
NCC Environmental Services Proprietary Limited	Spouse	C Rhoda	City of Cape Town	Manager	6,226,557	6,965,841
Masiqhame Trading 77 Close Corporation	Child	B Qxilishe	Department of Agriculture	Snr Admin officer: Dept of Agriculture, Forestry & Fisheries	39,512	32,918
	Child	S Qxilishe	Western Cape Education Department	Teacher at Du Noon		
Piston Power Chemicals Close Corporation	Spouse	N Andhee	Department of Education	Teacher	489,215	111,332
Jah Guide Agriculture Proprietary Limited	Spouse	G Davids	SAPS	Police Official	138,456	801,635

Figures in Rand	2023	2022

Supplier	Relationship	Name of Family Member	Name of Institution	Capacity	2023	2022
CC Davids T/A Mc Sound and Lightning	Spouse	M Davids	Witzenburg Municipality	Official	17,300	19,900
Neoteric Trading Services (Pty) Ltd	Spouse	AA Jacobs	Cape Agulhas Municipality	Director	107,294	52,324
Malherbe Tubb Faure Inc	Child	C Faure	Western Cape Education Department	Teacher	-	33,000
	Parent	P Williams	Cape Winelands District Municipality	Executive Director		
Ladybugs Innovative Marketing (Pty) Ltd	Spouse	RA Levendal	Department of Correctional Services	Environmental Health Practitioner	38,636	31,594
Zutari (Pty) Ltd	Spouse	Ahischlager, HC		Legal Representative	292,168	-
	Spouse	Nadasen K	National Department of Public Works	Director: Key Account Management		
	Sister	Seegers, S	City of Cape Town	Head of Security Architecture		
ALC Projects	Spouse	DC Human	Breede Valley Municipality	Storeman	4,503	-
					7,434,090	**8,061,390**

Annexure A

DC2 Cape Winelands DM - Reconciliation of Table A1 Budget Summary

Description	2022/23								2021/22			
R thousands	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	43,000	13,000	56,000	62,999		6,999	112.5%	146.5%				–
Transfers recognised - operational	258,116	(405)	257,711	256,948		(763)	99.7%	99.5%				–
Other own revenue	123,836	21,834	145,669	130,345		(15,325)	89.5%	105.3%				–
Total Revenue (excluding capital transfers and contributions)	**424,952**	**34,429**	**459,381**	**450,291**		**(9,089)**	**98.0%**	**106.0%**				**–**
Employee costs	234,208	13,557	247,765	221,174	–	(26,591)	89.3%	94.4%	–	–	–	–
Remuneration of councillors	13,825	48	13,873	13,607	–	(266)	98.1%	98.4%	–	–	–	–
Debt impairment	500	(398)	102	102	–	(0)	100.0%	20.4%	–	–	–	–
Depreciation & asset impairment	9,561	37	9,597	9,267	–	(330)	96.6%	96.9%	–	–	–	–
Finance charges	2,790	(2,790)	–	–	–	–	-	-	–	–	–	–
Materials and bulk purchases	19,455	18,642	38,098	36,915	–	(1,183)	96.9%	189.7%	–	–	–	–
Transfers and grants	17,040	(1,289)	15,751	12,400	–	(3,351)	78.7%	72.8%	–	–	–	–
Other expenditure	129,701	4,494	134,195	107,076	–	(27,119)	79.8%	82.6%	–	–	–	–
Total Expenditure	**427,080**	**32,301**	**459,381**	**400,541**	**–**	**(58,839)**	**87.2%**	**93.8%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**(2,128)**	**2,128**	**–**	**49,750**		**49,750**	**#DIV/0!**	**-2338.0%**				**–**
Transfers recognised - capital	2,128	(5)	2,123	817		(1,307)	38.5%	38.4%				–
Contributions recognised - capital & contributed assets	–	–	–	–		–	-	-				–
Surplus/(Deficit) after capital transfers & contributions	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				**–**
Share of surplus/ (deficit) of associate	–	–	–	–		–	-	-				–
Surplus/(Deficit) for the year	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				**–**
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	2,128	(5)	2,123	817		(1,307)	38.5%	38.4%				–
Public contributions & donations	–	–	–	–		–	-	-				–
Borrowing	–	(64,000)	–	–		–	-	-				–
Internally generated funds	58,056	(29,092)	28,964	19,919		(9,045)	68.8%	34.3%				–
Total sources of capital funds	**60,183**	**(93,096)**	**31,087**	**20,736**		**(10,351)**	**66.7%**	**34.5%**				**–**
Cash flows												
Net cash from (used) operating	14,139	(1,204)	12,935	43,773		30,838	338.4%	309.6%				–
Net cash from (used) investing	(124,183)	93,096	(31,087)	(190,560)		(159,472)	613.0%	153.5%				–
Net cash from (used) financing	104,943	(104,963)	(20)	–		20	-	-				–
Cash/cash equivalents at the year end	**780,667**	**(8,511)**	**772,157**	**643,542**		**(128,615)**	**83.3%**	**82.4%**				**–**

DC2 Cape Winelands DM - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2022/23								2021/22			
	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	**307,391**	**14,670**	**322,062**	**326,363**		**4,302**	**101.3%**	**106.2%**				**–**
Executive and council	57,552	14,624	72,176	76,460		4,284	105.9%	132.9%				
Budget and treasury office	249,505	–	249,505	249,484		(21)	100.0%	100.0%				
Corporate services	335	46	381	419		38	110.0%	125.1%				
Community and public safety	**2,348**	**530**	**2,878**	**2,068**		**(810)**	**71.9%**	**88.1%**				**–**
Community and social services	1,575	530	2,105	1,236		(868)	58.7%	78.5%				
Sport and recreation	–	–	–	–		–	-	-				
Public safety	120	–	120	138		18	115.3%	115.3%				
Housing	–	–	–	–		–	-	-				
Health	653	–	653	694		41	106.2%	106.2%				
Economic and environmental services	**117,290**	**19,224**	**136,514**	**122,677**		**(13,838)**	**89.9%**	**104.6%**				**–**
Planning and development	5,840	(1,153)	4,687	3,465		(1,222)	73.9%	59.3%				
Road transport	111,450	20,377	131,827	119,211		(12,615)	90.4%	107.0%				
Environmental protection	–	–	–	–		–	-	-				
Trading services	**–**	**–**		**–**		**–**	**-**	**-**				**–**
Electricity	–	–	–	–		–	-	-				
Water	–	–	–	–		–	-	-				
Waste water management	–	–	–	–		–	-	-				
Waste management	–	–	–	–		–	-	-				
Other	**50**	**–**	**50**	**–**		**(50)**	**-**	**-**				
Total Revenue - Standard	**427,080**	**34,424**	**461,504**	**451,108**		**(10,396)**	**97.7%**	**105.6%**				**–**
Expenditure - Standard												
Governance and administration	**135,899**	**6,174**	**142,073**	**122,155**	**–**	**(19,919)**	**86.0%**	**89.9%**	**–**	**–**	**–**	**–**
Executive and council	37,377	6,207	43,585	39,192	–	(4,393)	89.9%	104.9%			–	
Budget and treasury office	30,334	(938)	29,396	24,548	–	(4,847)	83.5%	80.9%			–	
Corporate services	68,188	905	69,093	58,414	–	(10,679)	84.5%	85.7%			–	
Community and public safety	**128,147**	**12,492**	**140,639**	**122,133**	**–**	**(18,506)**	**86.8%**	**95.3%**	**–**	**–**	**–**	**–**
Community and social services	22,487	884	23,370	18,620	–	(4,750)	79.7%	82.8%			–	
Sport and recreation	–	–	–	–	–	–	-	-			–	
Public safety	63,370	10,062	73,432	65,633	–	(7,799)	89.4%	103.6%			–	
Housing	–	–	–	–	–	–					–	
Health	42,291	1,546	43,837	37,880	–	(5,957)	86.4%	89.6%			–	
Economic and environmental services	**153,723**	**13,506**	**167,229**	**148,227**	**–**	**(19,002)**	**88.6%**	**96.4%**	**–**	**–**	**–**	**–**
Planning and development	36,007	(4,505)	31,502	26,166	–	(5,336)	83.1%	72.7%			–	
Road transport	117,716	18,011	135,728	122,061	–	(13,666)	89.9%	103.7%			–	
Environmental protection	–	–	–	–	–	–	-	-			–	
Trading services	**–**	**–**	**–**	**–**	**–**	**–**	**-**	**-**	**–**	**–**	**–**	**–**
Electricity	–	–	–	–	–	–	-	-			–	
Water	–	–	–	–	–	–	-	-			–	
Waste water management	–	–	–	–	–	–	-	-			–	
Waste management	–	–	–	–	–	–	-				–	
Other	**9,310**	**129**	**9,439**	**8,027**	**–**	**(1,412)**	**85.0%**	**86.2%**			**–**	
Total Expenditure - Standard	**427,080**	**32,301**	**459,381**	**400,541**	**–**	**(58,839)**	**87.2%**	**93.8%**	**–**	**–**	**–**	**–**
Surplus/(Deficit) for the year	**–**	**2,123**	**2,123**	**50,567**	**–**	**48,444**	**2381.5%**	**#DIV/0!**	**–**	**–**	**–**	**–**

DC2 Cape Winelands DM - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2022/23 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	2021/22 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	–		(50)	-	-				
Vote 2 - COMM AND DEV	2,273	454	2,727	1,932		(795)	70.8%	85.0%				
Vote 3 - ENGINERING	5,840	(1,481)	4,360	3,052		(1,308)	70.0%	52.3%				
Vote 4 - RURAL AND SOCIAL	75	76	151	137		(14)	90.7%	182.5%				
Vote 5 - OFFICE OF THE MM	–	1,000	1,000	1,000		–	100.0%	#DIV/0!				
Vote 6 - FINANCIAL SERVICES	249,505	–	249,505	249,484		(21)	100.0%	100.0%				
Vote 7 - CORPORATE SERVICES	57,887	14,670	72,557	76,879		4,322	106.0%	132.8%				
Vote 8 - ROADS AGENCY	111,450	19,705	131,155	118,625		(12,530)	90.4%	106.4%				
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	**427,080**	**34,424**	**461,504**	**451,108**		**(10,396)**	**97.7%**	**105.6%**				**–**
Expenditure by Vote ***to be appropriated***												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	20,129	(725)	19,404	16,932		(2,472)	87.3%	84.1%			–	
Vote 2 - COMM AND DEV	115,586	10,858	126,444	109,384		(17,061)	86.5%	94.6%			–	
Vote 3 - ENGINERING	46,021	(5,653)	40,368	33,310		(7,058)	82.5%	72.4%			–	
Vote 4 - RURAL AND SOCIAL	12,561	1,634	14,195	12,749		(1,446)	89.8%	101.5%			–	
Vote 5 - OFFICE OF THE MM	15,409	2,112	17,521	14,430		(3,091)	82.4%	93.6%			–	
Vote 6 - FINANCIAL SERVICES	30,334	(938)	29,396	24,548		(4,847)	83.5%	80.9%			–	
Vote 7 - CORPORATE SERVICES	68,353	5,893	74,246	64,617		(9,629)	87.0%	94.5%			–	
Vote 8 - ROADS AGENCY	111,338	18,503	129,841	117,861		(11,980)	90.8%	105.9%			–	
Vote 9 - TASK	–	–	–	–		–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–	–		–	-	-			–	
Vote 11 - CORPORATE SERVICES	7,349	617	7,966	6,709		(1,257)	84.2%	91.3%			–	
Example 12 - Vote12	–		–	–		–	-	-			–	
Example 13 - Vote13	–		–	–		–	-	-			–	
Example 14 - Vote14	–		–	–		–	-	-			–	
Example 15 - Vote15	–		–	–		–	-	-			–	
Total Expenditure by Vote	**427,080**	**32,301**	**459,381**	**400,541**	**–**	**(58,839)**	**87.2%**	**93.8%**	**–**	**–**	**–**	**–**
Surplus/(Deficit) for the year	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				

DC2 Cape Winelands DM - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2022/23								2021/22			
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	91		(149)	38.0%	38.0%				
Interest earned - external investments	43,000	13,000	56,000	62,999		6,999	112.5%	146.5%				
Interest earned - outstanding debtors	–	–	–	–		–	-	-				
Dividends received	–	–	–	–		–	-	-				
Fines	–	–	–	–		–	-	-				
Licences and permits	653	–	653	694		41	106.2%	106.2%				
Agency services	109,172	20,659	129,831	117,790		(12,041)	90.7%	107.9%				
Transfers recognised - operational	258,116	(405)	257,711	256,948		(763)	99.7%	99.5%				
Other revenue	13,771	1,174	14,945	11,770		(3,175)	78.8%	85.5%				
Gains on disposal of PPE	–	–	–	–		–	-	-				
Total Revenue (excluding capital transfers and contributions)	**424,952**	**34,429**	**459,381**	**450,291**		**(9,089)**	**98.0%**	**106.0%**				**–**
Expenditure By Type			–				-	-				
Employee related costs	234,208	13,557	247,765	221,174		(26,591)	89.3%	94.4%			–	
Remuneration of councillors	13,825	48	13,873	13,607		(266)	98.1%	98.4%			–	
Debt impairment	500	(398)	102	102		(0)	100.0%	20.4%			–	
Depreciation & asset impairment	9,561	37	9,597	9,267		(330)	96.6%	96.9%			–	
Finance charges	2,790	(2,790)	–	–		–	-	-			–	
Bulk purchases	–	–	–	–		–	-	-			–	
Other materials	19,455	18,642	38,098	36,915		(1,183)	96.9%	189.7%			–	
Contracted services	58,249	(2,923)	55,326	40,641		(14,684)	73.5%	69.8%			–	
Transfers and grants	17,040	(1,289)	15,751	12,400		(3,351)	78.7%	72.8%			–	
Other expenditure	71,440	5,671	77,112	64,705		(12,406)	83.9%	90.6%			–	
Loss on disposal of PPE	12	1,746	1,758	1,730		(28)	98.4%	14415.0%			–	
Total Expenditure	**427,080**	**32,301**	**459,381**	**400,541**	**–**	**(58,839)**	**87.2%**	**93.8%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**(2,128)**	**2,128**	**–**	**49,750**		**49,750**	**#DIV/0!**	**-2338.0%**				**–**
Transfers recognised - capital	2,128	(5)	2,123	817		(1,307)	38.5%	38.4%				
Contributions recognised - capital	–	–	–	–		–	-	-				
Contributed assets	–	–	–	–		–	-	-				
Surplus/(Deficit) after capital transfers & contributions	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				**–**
Taxation	–		–			–	-	-				
Surplus/(Deficit) after taxation	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				**–**
Attributable to minorities	–		–			–	-	-				
Surplus/(Deficit) attributable to municipality	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				**–**
Share of surplus/ (deficit) of associate	–		–			–	-	-				
Surplus/(Deficit) for the year	**–**	**2,123**	**2,123**	**50,567**		**48,444**	**2381.5%**	**#DIV/0!**				**–**

DC2 Cape Winelands DM - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2022/23								2021/22			
R thousand	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	20,250	(12,964)	7,286	6,952		(334)	95%	34%			–	
Vote 3 - ENGINERING	66,305	(60,475)	5,830	3,123		(2,707)	54%	5%			–	
Vote 4 - RURAL AND SOCIAL	–	–	–	–		–	-	-			–	
Vote 5 - OFFICE OF THE MM	–	–	–	–		–	-	-			–	
Vote 6 - FINANCIAL SERVICES	–	–	–	–		–	-	-			–	
Vote 7 - CORPORATE SERVICES	–	–	–	–		–	-	-			–	
Vote 8 - ROADS AGENCY	150	(150)	–	–		–	-	-			–	
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	**86,705**	**(73,589)**	**13,116**	**10,076**	**–**	**(3,041)**	**77%**	**12%**	**–**	**–**	**–**	**–**
Single-year expenditure												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	–	–	–	–		–	-	-			–	
Vote 2 - COMM AND DEV	16,547	(9,532)	7,015	5,275		(1,740)	75%	32%			–	
Vote 3 - ENGINERING	9,975	(1,565)	8,410	3,272		(5,138)	39%	33%			–	
Vote 4 - RURAL AND SOCIAL	5	–	6	5		(1)	83%	100%			–	
Vote 5 - OFFICE OF THE MM	200	38	238	163		(74)	69%	82%			–	
Vote 6 - FINANCIAL SERVICES	–	12	12	12		–	100%	#DIV/0!			–	
Vote 7 - CORPORATE SERVICES	8,774	(7,656)	1,118	1,117		(1)	100%	13%			–	
Vote 8 - ROADS AGENCY	1,978	(805)	1,173	817		(357)	70%	41%			–	
Vote 9 - TASK	–	–	–	–		–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–	–		–	-	-			–	
Vote 11 - CORPORATE SERVICES	–	–	–	–		–	-	-			–	
Example 12 - Vote12	–	–	–	–		–	-	-			–	
Example 13 - Vote13	–	–	–	–		–	-	-			–	
Example 14 - Vote14	–	–	–	–		–	-	-			–	
Example 15 - Vote15	–	–	–	–		–	-	-			–	
Capital single-year expenditure	37,478	(19,508)	17,971	10,661	–	(7,311)	59%	28%	–	–	–	–
Total Capital Expenditure - Vote	124,183	(93,097)	31,087	20,736	–	(10,351)	67%	17%	–	–	–	–
Capital Expenditure - Standard												
Governance and administration	**14,904**	**(8,418)**	**6,486**	**4,116**	**–**	**(2,370)**	**63%**	**28%**	**–**	**–**	**–**	**–**
Executive and council	–	–	–	–		–	-	-			–	
Budget and treasury office	–	12	12	12		–	100%	#DIV/0!			–	
Corporate services	14,904	(8,430)	6,474	4,104		(2,370)	63%	28%			–	
Community and public safety	**36,802**	**(22,495)**	**14,307**	**12,233**	**–**	**(2,074)**	**86%**	**33%**	**–**	**–**	**–**	**–**
Community and social services	11,850	(10,813)	1,037	5		(1,032)	0%	0%			–	
Sport and recreation	–	–	–	–		–	-	-			–	
Public safety	24,772	(11,686)	13,086	12,043		(1,043)	92%	49%			–	
Housing	–	–	–	–		–	-	-			–	
Health	180	5	185	185		(0)	100%	103%			–	
Economic and environmental services	**72,478**	**(62,183)**	**10,295**	**4,387**	**–**	**(5,907)**	**43%**	**6%**	**–**	**–**	**–**	**–**
Planning and development	70,350	(61,229)	9,121	3,571		(5,551)	39%	5%			–	
Road transport	2,128	(955)	1,173	817		(357)	70%	38%			–	
Environmental protection	–	–	–	–		–	-	-			–	
Trading services	**–**	**–**			**–**	**–**	**-**	**-**	**–**	**–**	**–**	**–**
Electricity	–	–	–	–		–	-	-			–	
Water	–	–	–	–		–	-	-			–	
Waste water management	–	–	–	–		–	-	-			–	
Waste management	–	–	–	–		–	-	-			–	
Other	**–**	**–**	**–**	**–**		**–**	**-**	**-**			**–**	
Total Capital Expenditure - Standard	**124,183**	**(93,096)**	**31,087**	**20,736**	**–**	**(10,351)**	**67%**	**17%**	**–**	**–**	**–**	**–**
Funded by:												
National Government	–	–	–	–		–	-	-				
Provincial Government	2,128	(5)	2,123	817		(1,307)	38%	38%				
District Municipality	–	–	–	–		–	-	-				
Other transfers and grants	–	–	–	–		–	-	-				
Transfers recognised - capital	**2,128**	**(5)**	**2,123**	**817**		**(1,307)**	**38%**	**38%**				**–**
Public contributions & donations	**–**	**–**	**–**	**–**		**–**	**-**	**-**				
Borrowing	**64,000**	**(64,000)**	**–**	**–**		**–**	**-**	**-**				
Internally generated funds	**58,056**	**(29,092)**	**28,964**	**19,919**		**(9,045)**	**69%**	**34%**				
Total Capital Funding	**124,183**	**(93,096)**	**31,087**	**20,736**		**(10,351)**	**67%**	**17%**				**–**

DC2 Cape Winelands DM - Reconciliation of Table A7 Budgeted Cash Flows

Description	2022/23							2021/22
R thousand	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	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	180,747	13,802	194,549	113,815	(80,734)	58.5%	63.0%	
Government - operating	258,116	(1,653)	256,463	256,507	44	100.0%	99.4%	
Government - capital	2,128	(5)	2,123	950	(1,173)	44.7%	44.6%	
Interest	49,000	13,000	62,000	50,460	(11,540)	81.4%	103.0%	
Dividends	–	–	–	–	–	-	-	
Payments								
Suppliers and employees	(456,022)	(30,644)	(486,666)	(365,559)	121,107	75.1%	80.2%	
Finance charges	(2,790)	2,790	–	–	–	-	-	
Transfers and Grants	(17,040)	1,506	(15,533)	(12,400)	3,133	79.8%	72.8%	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**14,139**	**(1,204)**	**12,935**	**43,773**	**30,838**	**338.4%**	**309.6%**	**–**
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	–	–	92	92	#DIV/0!	#DIV/0!	
Decrease (Increase) in non-current debtors	–	–	–	–	–	-	-	
Decrease (increase) other non-current receivables	–	–	–	–	–	-	-	
Decrease (increase) in non-current investments	–	–	–	(178,000)	(178,000)	#DIV/0!	#DIV/0!	
Payments								
Capital assets	(124,183)	93,096	(31,087)	(12,652)	18,435	40.7%	10.2%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(124,183)**	**93,096**	**(31,087)**	**(190,560)**	**(159,472)**	**613.0%**	**153.5%**	**–**
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	-	-	
Borrowing long term/refinancing	109,800	(109,800)	–	–	–	-	-	
Increase (decrease) in consumer deposits	–	(20)	(20)	–	20	-	-	
Payments								
Repayment of borrowing	(4,857)	4,857	–	–	–	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	**104,943**	**(104,963)**	**(20)**	**–**	**20**	**-**	**-**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD	(5,102)	(13,070)	(18,172)	(146,787)				–
Cash/cash equivalents at the year begin:	785,769	4,560	790,329	790,329				
Cash/cash equivalents at the year end:	780,667	(8,511)	772,157	643,542	(128,615)	83.3%	82.4%	