Unaudited Annual Financial Statements

2023/2024

CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

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AUDITOR-GENERAL
SOUTH AFRICA
28 November 2024
Auditing to build public confidence

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

General Information

Cllr. G.J. FREDERICKS
Cllr. J. KRIEL
Cllr. S. GOEDEMAN
Cllr. V. HANI
Cllr. M. LIEBENBERG (Resigned - 05/09/2023)
Cllr. J. MALITI
Cllr. T.R. MPULANYANA
Cllr. L. NGWANE
Cllr. A.J. PEDRO (Resigned - 05/04/2024), (Appointed - 05/06/2024)
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. M. VAN STADE
Cllr. P. DANIELS (Resigned - 14/08/2023)
Cllr. S.E. KORABIE (Resigned- 08/04/2024)
Cllr. D. CAROLISSEN
Cllr. L.A. ADAMS (Appointed - 07/09/2023)
Cllr. T.E. ABRAHAMS (Appointed - 08/09/2023), (Resigned - 13/12/2023)
Cllr. J.J. VISAGIE (Appointed - 26/01/2024)
Cllr. R.A. KOEGELENBERG (Appointed - 06/05/2024)
Cllr. A. HESS (Appointed - 29/04/2024)

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

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

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Abbreviations used:

ASB	Accounting Standards Board
Cllr.	Councillor
CPI	Consumer Price Index
UIF	Unemployment insurance fund
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 lives
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
RSC	Regional Services Council
IPSASB	International Public Sector Accounting Standards Board
AGSA	Auditor- General South Africa
PRMA	Post Retirement Medical Aid
VAT	Value-Added Tax
ED	Executive director
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
MEC	Member of Executive Council
COGTA	Cooperative Governance and Traditional Affairs

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act No 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 GRAP including any interpretations, guidelines and directives issued by the 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 2025 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 100, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024.

H.F. PRINS
ACCOUNTING OFFICER

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Cash and cash equivalents	3	424,247,164	643,541,787
Other receivables from exchange transactions	4	42,576,314	57,400,095
Trade receivables from exchange transactions	5	11,649	24,323
Inventories	6	2,370,340	2,603,433
VAT receivable	7	5,471,068	2,693,524
Receivables from non-exchange transactions	8	132,432	84,892
Employee benefit asset	14	-	575,785
		474,808,967	**706,923,839**
Non-Current Assets			
Property, plant and equipment	9	184,465,537	158,347,014
Intangible assets	10	435,320	491,935
Other receivables from exchange transactions	4	45,438,229	6,349,282
Investments	11	378,000,000	178,000,000
		608,339,086	**343,188,231**
Non-Current Assets		608,339,086	343,188,231
Current Assets		474,808,967	706,923,839
Total Assets		**1,083,148,053**	**1,050,112,070**
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	12	6,668,277	1,912,302
Payables from exchange transactions and other	13	6,353,813	14,584,815
Employee benefit obligation	14	40,708,809	38,247,946
Provisions	16	25,698	57,000
		53,756,597	**54,802,063**
Non-Current Liabilities			
Employee benefit obligation	14	154,540,214	144,626,130
Non-Current Liabilities		154,540,214	144,626,130
Current Liabilities		53,756,597	54,802,063
Total Liabilities		**208,296,811**	**199,428,193**
Total assets		1,083,148,053	1,050,112,070
Total liabilities		(208,296,811)	(199,428,193)
Net Assets		**874,851,242**	**850,683,877**
Accumulated surplus	15	874,851,242	850,683,877

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Service charges	17	88,132	138,396
Rental of facilities and equipment	18	264,803	91,087
Roads services	19	114,747,334	117,033,414
Other income	20	1,385,730	1,256,063
Interest received - Investment	21	89,961,869	62,998,758
Total revenue from exchange transactions		**206,447,868**	**181,517,718**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	22	267,503,948	257,206,294
Public contributions and donations	23	-	251,005
Total revenue from non-exchange transactions		**267,503,948**	**257,457,299**
Total revenue		**473,951,816**	**438,975,017**
Expenditure			
Employee- related costs	24	(236,184,518)	(208,820,177)
Remuneration of councillors	25	(14,587,375)	(13,606,889)
Depreciation and amortisation	26	(11,773,119)	(9,267,126)
Finance costs	28	(13,713,060)	(13,454,000)
Lease rentals on operating lease	29	(275,766)	(298,157)
Debt impairment	27	(3,688)	(102,220)
Transfers and subsidies	30	(13,794,537)	(12,400,175)
Contracted services	31	(60,118,069)	(40,569,376)
Loss on disposal of assets and liabilities	9 & 10	(2,196,986)	(1,571,805)
Inventories losses/write-downs	6	(160,819)	(158,000)
General expenses	32	(96,976,519)	(88,160,002)
Total expenditure		**(449,784,456)**	**(388,407,927)**
Surplus for the year		**24,167,360**	**50,567,090**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	800,116,787	800,116,787
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
Restated balance at 30 June 2023	**850,683,882**	**850,683,882**
Changes in net assets		
Surplus for the year	24,167,360	24,167,360
Total changes	24,167,360	24,167,360
Balance at 30 June 2024	**874,851,242**	**874,851,242**
Note(s)	15	

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Sale of goods and services		122,648,881	113,815,100
Grants		267,503,948	257,457,299
Interest income		56,762,196	50,459,745
		446,915,025	421,732,144
Payments			
Employee- related costs		(236,963,840)	(218,964,509)
Suppliers		(166,612,717)	(145,388,089)
Other cash item: Remuneration of councillors		(14,614,854)	(13,606,890)
		(418,191,411)	(377,959,488)
Net cash flows from operating activities	34	**28,723,614**	**43,772,656**
Cash flows from investing activities			
Purchase of property, plant and equipment	34	(47,865,242)	(12,508,011)
Proceeds from sale of property, plant and equipment	34	-	92,365
Purchase of intangible assets	34	(153,000)	(144,000)
Net cash flows from investing activities		**(48,018,242)**	**(12,559,646)**
Cash flows from financing activities			
Investments	11	(200,000,000)	(178,000,000)
Net increase/(decrease) in cash and cash equivalents		**(219,294,628)**	**(146,786,990)**
Cash and cash equivalents at the beginning of the year		643,541,787	790,328,779
Cash and cash equivalents at the end of the year	3	**424,247,164**	**643,541,789**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Sale of goods	12,308,853	-	**12,308,853**	11,650,555	**(658,298)**	Note 45
Rental of facilities and equipment	240,000	-	**240,000**	264,803	**24,803**	
Licences and permits	653,000	-	**653,000**	818,913	**165,913**	Note 45 & 46
Agency services	137,972,500	-	**137,972,500**	116,139,123	**(21,833,377)**	Note 45 & 46
Other revenue	1,845,200	-	**1,845,200**	1,053,926	**(791,274)**	Note 45 & 46
Interest earned from current and non- current assets	73,103,481	-	**73,103,481**	89,961,869	**16,858,388**	Note 46
Transfers and subsidies	272,192,422	-	**272,192,422**	265,525,744	**(6,666,678)**	Note 45
Other gains	12,555,000	-	**12,555,000**	704,912	**(11,850,088)**	Note 45 & 46
Total revenue (excluding capital transfers and contributions)	**510,870,456**	**-**	**510,870,456**	**486,119,845**	**(24,750,611)**	
Expenditure						
Employee- related costs	(257,216,521)	1,129,431	**(256,087,090)**	(241,876,076)	**14,211,014**	Note 45
Remuneration of councillors	(15,186,828)	359,640	**(14,827,188)**	(14,587,375)	**239,813**	
Debt impairment	(9,000)	5,300	**(3,700)**	(3,688)	**12**	
Depreciation and amortisation	(9,580,700)	(3,032,461)	**(12,613,161)**	(11,773,119)	**840,042**	
Inventory consumed	(28,008,349)	(1,818,100)	**(29,826,449)**	(25,048,160)	**4,778,289**	Note 45 & 46
Interest	(1,744,480)	(160,000)	**(1,904,480)**	(1,904,441)	**39**	Note 45
Contracted services	(81,315,205)	7,581,860	**(73,733,345)**	(60,262,469)	**13,470,876**	Note 45 & 46
Transfers and subsidies	(19,485,115)	-	**(19,485,115)**	(13,794,537)	**5,690,578**	Note 46
Irrecoverable debt written off	(500,000)	500,000	**-**	-	**-**	
Operational cost	(97,758,258)	3,310,561	**(94,447,697)**	(86,576,985)	**7,870,712**	Note 45
Losses on disposal of assets	(11,000)	(2,228,891)	**(2,239,891)**	(2,196,986)	**42,905**	
Other losses	(55,000)	(5,647,340)	**(5,702,340)**	(5,691,646)	**10,694**	Note 45
Total expenditure	**(510,870,456)**	**-**	**(510,870,456)**	**(463,715,482)**	**47,154,974**	
Surplus/ (Deficit)	**-**	**-**	**-**	**22,404,363**	**22,404,363**	
Transfers and subsidies - capital (monetary allocations) (national / provincial and district)	2,505,014	-	**2,505,014**	1,762,997	**(742,017)**	Note 45 & 46
Surplus/ (Deficit) for the year	**2,505,014**	**-**	**2,505,014**	**24,167,360**	**21,662,346**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventory	2,583,433	-	**2,583,433**	2,370,340	**(213,093)**	
Cash and cash equivalents	351,347,131	-	**351,347,131**	424,247,164	**72,900,033**	Note 46
Trade and other receivables from exchange transactions	47,655,020	-	**47,655,020**	24,695,454	**(22,959,566)**	Note 45 & 46
Receivables from non-exchange transactions	116,160	-	**116,160**	186,816	**70,656**	Note 45 & 46
Current portion of non-current receivables	575,785	-	**575,785**	-	**(575,785)**	Note 46
VAT	2,540,234	-	**2,540,234**	5,484,313	**2,944,079**	Note 45 & 46
Other current assets	52,032,483	-	**52,032,483**	63,330,449	**11,297,966**	Note 45 & 46
	456,850,246	**-**	**456,850,246**	**520,314,536**	**63,464,290**	
Non-Current Assets						
Investment	378,000,000	-	**378,000,000**	378,000,000	**-**	
Property, plant and equipment	217,659,719	-	**217,659,719**	184,465,537	**(33,194,182)**	Note 46
Intangible assets	1,807,336	-	**1,807,336**	435,320	**(1,372,016)**	Note 46
	597,467,055	**-**	**597,467,055**	**562,900,857**	**(34,566,198)**	
Current Assets	597,467,055	-	**597,467,055**	562,900,857	**(34,566,198)**	
Non-Current Assets	456,850,246	-	**456,850,246**	520,314,536	**63,464,290**	
Total Assets	**1,054,317,301**	**-**	**1,054,317,301**	**1,083,215,393**	**28,898,092**	
Liabilities						
Current Liabilities						
Consumer deposits	22,500	-	**22,500**	22,500	**-**	Note 45
Trade and other payables from exchange transactions	21,922,149	-	**21,922,149**	8,706,224	**(13,215,925)**	Note 45 & 46
Trade and other payables from non-exchange transactions	-	-	**-**	6,668,277	**6,668,277**	Note 46
VAT	(95,934)	-	**(95,934)**	67,338	**163,272**	Note 45 & 46
Provisions	37,266,513	-	**37,266,513**	38,359,597	**1,093,084**	Note 45
	59,115,228	**-**	**59,115,228**	**53,823,936**	**(5,291,292)**	
Non-Current Liabilities						
Provisions	142,013,101	-	**142,013,101**	154,540,214	**12,527,113**	
Total Liabilities	**201,128,329**	**-**	**201,128,329**	**208,364,150**	**7,235,821**	
Net Assets	**853,188,972**	**-**	**853,188,972**	**874,851,243**	**21,662,271**	
Net Assets						
Reserves						
Accumulated surplus	731,801,153	-	**731,801,153**	801,457,113	**69,655,960**	Note 45
Reserves	121,387,819	-	**121,387,819**	73,394,129	**(47,993,690)**	Note 45 & 46
Total Net Assets	**853,188,972**	**-**	**853,188,972**	**874,851,242**	**21,662,270**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Other Revenue	222,067,589	-	**222,067,589**	122,648,881	**(99,418,708)**	Note 46
Transfers and subsidies - Operational	271,324,000	-	**271,324,000**	267,003,948	**(4,320,052)**	
Transfers and subsidies - Capital	1,555,014	-	**1,555,014**	500,000	**(1,055,014)**	Note 46
Interest	51,172,437	-	**51,172,437**	56,762,196	**5,589,759**	
	546,119,040	**-**	**546,119,040**	**446,915,025**	**(99,204,015)**	
Payments						
Suppliers and employees	(548,608,778)	-	**(548,608,778)**	(404,396,875)	**144,211,903**	.Note 45 & 46
Transfer and grants	(19,485,115)	-	**(19,485,115)**	(13,794,537)	**5,690,578**	Note 45 & 46
	(568,093,893)	**-**	**(568,093,893)**	**(418,191,411)**	**149,902,481**	
Net cash flows from operating activities	**(21,974,853)**	**-**	**(21,974,853)**	**28,723,614**	**50,698,466**	
Cash flows from investing activities						
Capital assets	(70,219,802)	-	**(70,219,802)**	(48,018,242)	**22,201,560**	Note 46
Decrease (increase) in non-current investments	(218,000,000)	-	**(218,000,000)**	(200,000,000)	**18,000,000**	
Net cash flows from investing activities	**(288,219,802)**	**-**	**(288,219,802)**	**(248,018,242)**	**40,201,560**	
Net increase/ (decrease) in cash and cash equivalents	(310,194,655)	-	**(310,194,655)**	(219,294,628)	**90,900,026**	
Cash and cash equivalents at the beginning of the year	661,541,786	-	**661,541,786**	643,541,787	**(17,999,999)**	
Cash and cash equivalents at the end of the year	**351,347,131**	**-**	**351,347,131**	**424,247,164**	**72,900,027**	

Accounting Policies

Figures in Rand	Note(s)	2024	2023

1. Presentation of Annual Financial Statements

The significant accounting policies applied in the preparation of these annual financial statements are set out 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 is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Impairment testing

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

Allowances are made for inventory to write inventory down to the lower of cost or net realisable value. Management makes estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in note 6.

Provisions

Provisions are raised and management determines 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 by using an allowance account. The impairment 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, based on the rights and obligations of the various parties established in the binding arrangement.

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 and intangible assest 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.

Accounting Policies

1.2 Reserves (continued)

- 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.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and intangible assets 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 (GGR)

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the GGRe 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 GGR to the accumulated surplus. The purpose of this accounting 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 GGR relating to such item is transferred to the accumulated surplus.

Self insurance reserve (SIR)

In order to finance the settlement of existing obligations which arise to due insurance and third party claims not being approved, amounts are transferred from the accumulated surplus / deficit to the SIR. The amount transferred to the SIR is based on the municipality's assessment of the insurance claims that will not be settled by the insurers based on the underwritten portfolio guidelines and limits.

The SIR is reduced and the accumulated surplus / deficit is credited by a corresponding amount when the funds from the SIR 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 SIR 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 SIR.

The SIR may only be utilised for the purpose of settling existing insurance and/or third party obligations which have arisen.

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 debited/ credited against accumulated surplus. Prior year adjustments, relating to income and expenditure, are debited/ credited against accumulated surplus when retrospective adjustments are made.

1.3 Cash and cash equivalents

Cash includes cash on hand and cash held with registered banking institutions. Cash and 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 held at the registered banking institutions, 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 reporting period.

Accounting Policies

1.4 Property, plant and equipment (continued)

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 on the 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.

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 as a systematic basis. The depreciation amount of an asset is the cost of the asset less its residual value. The depreciation charge for each reporting period is calculated as the assets depreciated amount over its useful life.

The depreciation rates are based on the full estimated useful lives, assessed for the current and comparative years,

Item	Depreciation method	Estimated useful life
Buildings	Straight line	30-65 years
Infrastructure	Straight line	5-60 years
Furniture and fixtures	Straight line	3-45 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	3-60 years
Leased assets	Straight line	5-10 years

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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).

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 on the date of acquisition.

Any expenditure that does not form part of the cost of an intangible asset, is recognised as an expense when incurred.

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

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

The amortisation charge for each period is recognised in surplus or deficit unless required by another standard of GRAP to be included in the carrying amount of another asset.

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 the systematic approach 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.

Accounting Policies

1.6 Heritage assets (continued)

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.

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.

1.8 Financial instruments (continued)

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.

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.

1.8 Financial instruments (continued)

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.

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.

1.8 Financial instruments (continued)

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.

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.

Accounting Policies

1.8 Financial instruments (continued)

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.

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.

1.9 Statutory receivables (continued)

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.

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.

1.9 Statutory receivables (continued)

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

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 receipts are recognised as revenue on a straight-line basis over the lease term.

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 on the date of acquisition. Direct costs relating to unsold properties are accumulated for each separately identifiable development.

Accounting Policies

1.11 Inventories (continued)

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 are 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.

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.

Accounting Policies

1.14 Budget information (continued)

The approved budget covers the period from 01/07/2023 to 30/06/2024.

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.

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.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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.

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.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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.

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.

Accounting Policies

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

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.

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.

Accounting Policies

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.

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.

Accounting Policies

1.21 Revenue from exchange transactions

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Agency fees are recognised to the extent of work performed.

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.

1.22 Revenue from non-exchange transactions (continued)

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.

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 50 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.

Accounting Policies

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.

1.28 Employee benefits

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

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.

1.28 Employee benefits (continued)

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.

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. Furthermore, the municipality shall disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. In the statement of financial performance, the expense relating to a defined benefit plan may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

The municipality recognised a long-term receivable relating to the recoveries from the WCG Department of Transport and Public Works (Department of Infrastructure) 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 (where applicable) 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.

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by an entity, and sometimes its employees, into an entity, or fund, that is legally separate from the reporting entity and from which the employee benefits are paid.

Plan assets (of which the municipality does not have any) comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

Accounting Policies

1.28 Employee benefits (continued)

Defined benefit cost is made up of the following components:
(a) Service cost, comprising:
- Current service cost;
- Settlements;
- Past service cost, comprising of:
  (1) Plan amendments
  (2) Curtailments

(b) Net interest revenue/ expense

(c) Remeasurements, comprising:
- Actuarial gains and losses
- Return on plan assets (where applicable), excluding amounts included in net interest on the net defined benefit liability (asset)
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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.

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

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

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

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 (where applicable) is interest, dividends or similar distributions and other revenue derived from the plan assets (where applicable), together with realised and unrealised gains or losses on the plan assets (where applicable), 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 (where applicable) 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.

1.28 Employee benefits (continued)

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 (where applicable) 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.

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 (where applicable).

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).

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.

Accounting Policies

1.28 Employee benefits (continued)

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 (where applicable) 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.

Termination benefits

The municipality provides termination benefits for its employees in terms of the municipality's employee benefit plan.

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.

Termination benefits to employees is recognised as an expense in the statement of financial performance and as a liability in the statement of financial position when the municipality can no longer withdraw the offer of those benefits.

1.29 Presentation currency

These financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.30 Going concern assumption

These financial statements have been prepared on a going concern basis.

1.31 Offsetting

Assets and liabilities, revenue and expenses are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.32 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.

1.33 Investment income

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

1.34 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

Accounting Policies

1.34 Segment information (continued)

- 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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not adopted and applied the following GRAP standards and interpretations, which have been issued but are not yet effective.

The municipality expects to adopt these standards and interpretations for the first time when the Minister sets the effective date for these standards and interpretations.

2.1.1 GRAP 1 (amended): Presentation of Financial Statements (Going concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The “intention” to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

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

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

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.1.2 GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the classification of dual- purpose heritage assets, determining a reliable value for a heritage asset, protective rights imposed on heritage assets, re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, impairment of heritage assets, mandatory disclosures of heritage assets borrowed or on loan.

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

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

The impact of this standard is currently being assessed.

2.1.3 GRAP 104 (as revised): Financial Instruments

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

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

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 the revisions is for the years beginning on or after 01 April 2025.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the revisions for the first time during the 2025/2026 financial year.

The impact of this standard is currently being assessed.

2.1.4 GRAP 2023 Improvements to the Standards of GRAP 2023

The Board undertakes periodic revisions of the Standards of GRAP in line with best practice internationally among standard setters. The Improvements to the Standards of GRAP include changes resulting from amendments to the International Public Sector Accounting Standards and the International Financial Reporting Standards, as well as general improvements identified through consultation with stakeholders. The Improvements to the Standards of GRAP (2023) was approved by the Board and issued in November 2023.

2.1.4.1 GRAP1 - Presentation of Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Remove encouraged disclosures with limited information value.

2.1.4.2 GRAP2 - Cash Flow Statements

General Improvements

Amend disclosures to read as “useful additional information that may be disclosed” as opposed to “encouraged disclosures”.

2.1.4.3 GRAP3 - Accounting Policies, Changes in Accounting Estimates and Errors

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

General Improvements

Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.

2.1.4.4 GRAP5 - Borrowing Costs

Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021

Add the Illustrative Examples in IPSAS 5 to GRAP 5.

2.1.4.5 GRAP13 - Leases

General Improvements

Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.1.4.6 GRAP17 - Property, Plant and Equipment

Improvements to IPSAS 2021

Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

2.1.4.7 GRAP19 - Provisions, Contingent Liabilities and Contingent Assets

General Improvements

Remove encouraged disclosures with limited information value.

2.1.4.8 GRAP20 - Related Party Disclosures

General Improvements

Update the definition of “significant influence” to align with the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

2.1.4.9 GRAP23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

General Improvements

Remove encouraged disclosures with limited information value.

2.1.4.10 GRAP24 - Presentation of Budget Information in Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

- Provide clarity to the terms “publicly available” and “publicly accountable”.

- Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.

- Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

2.1.4.11 GRAP27 - Agriculture

General Improvements

Remove encouraged disclosures and repackage it as “useful information” in another section of the Standard.

2.1.4.12 GRAP31 - Intangible Assets

General Improvements

- Clarify when the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32) is applicable.

- Remove reference to fully depreciated assets.

- Remove encouraged disclosures with limited information value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.1.4.13 GRAP104 - Financial Instruments

Improvements to IPSAS 2021

- Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.

- Amendments to clarify the fees that an entity includes when it applies the “10 percent” test to derecognise a financial liability.

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Remove encouraged disclosures with limited information value.

2.1.4.14 iGRAP20 - Accounting for Adjustments to Revenue

Narrow scope amendments to IAS 8 Feb 2021

Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

2.1.4.15 Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

2.1.4.16 Guideline on The Application of Materiality to Financial Statements

Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) Feb 2021

Disclosure of Accounting Policies: Changes from “significant accounting policies” to “material accounting policies” because the Standards of GRAP do not define the term “significant”.

General Improvements

Amendments resulting from the review of the Standard of GRAP on Cash Flow Statements (GRAP 2) and the Standard of GRAP on Presentation of Budget Information in Financial Statements (GRAP 24).

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	16,247,164	7,541,787
Short-term investments	408,000,000	636,000,000
	424,247,164	**643,541,787**

Included in the balance of cash and cash equivalents is an amount of R41 686 806 (2023: R42 023 830) 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	84,000,000	164,000,000
Movement for the year	(45,000,000)	(80,000,000)
	39,000,000	**84,000,000**
FNB - Investment		
Opening balance	144,000,000	129,000,000
Movement for the year	(106,000,000)	15,000,000
	38,000,000	**144,000,000**
INVESTEC - Investment		
Opening balance	130,000,000	139,000,000
Movement for the year	(115,000,000)	(9,000,000)
	15,000,000	**130,000,000**
NEDBANK - Investment		
Opening balance	171,000,000	171,000,000
Movement for the year	24,000,000	-
	195,000,000	**171,000,000**
STANDARD BANK - Investment		
Opening balance	107,000,000	163,000,000
Movement for the year	14,000,000	(56,000,000)
	121,000,000	**107,000,000**
	408,000,000	**636,000,000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Nedbank - Primary bank account	4,247,165	4,041,786	6,828,779	4,247,165	4,041,786	6,828,779
Nedbank - Call account	12,000,000	3,500,000	17,500,000	-	-	-
Total	**16,247,165**	**7,541,786**	**24,328,779**	**4,247,165**	**4,041,786**	**6,828,779**

4. Other receivables from exchange transactions

Current

	2024	2023
Accrued interest	17,622,040	23,511,314
Allowance for impairment	(167,899)	(139,187)
Councillors	47,400	19,921
Deposits	4,740	4,740
Insurance claims	54,384	29,807
Municipal health debtor	55,418	95,266
Other receivables	125,979	2,082,092
Post retirement medical aid	265,439	248,445
Prepayments	2,650,030	2,490,217
Rental	4,241	26,741
Roads services (WCG Department of Infrastructure)	21,914,542	29,030,739
	42,576,314	**57,400,095**

Non-current

	2024	2023
Accrued interest (Non-current investments)	45,438,229	6,349,282
Allowance for impairment	-	-
	45,438,229	**6,349,282**

	2024	2023
Other receivables from exchange transactions (Non-current)	45,438,229	6,349,282
Other receivables from exchange transactions (Current)	42,576,314	57,400,095
Total other receivables from exchange transactions	**88,014,543**	**63,749,377**

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Other receivables from exchange transactions (continued)

Other receivables from exchange transactions (Current)

Gross balance		
Other receivables from exchange transactions	42,744,213	57,539,282
	42,744,213	**57,539,282**
Less: Allowance for impairment		
Other receivables	(133,608)	(116,804)
Post retirement medical aid	(34,291)	(22,383)
	(167,899)	**(139,187)**
Net balance		
Other receivables from exchange transactions	42,576,314	57,400,095
	42,576,314	**57,400,095**
Other receivables from exchange transactions		
Current (0-30 days)	22,219,975	31,359,569
31 - 60 days	3,536	3,499
61 - 90 days	2,291	164
91 - 120 days	-	-
121 - 365 days	(21,961)	-
> 365 days	53,004	15,412
	22,256,845	**31,378,644**

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

Prepayments of R2 650 030 (2023: R2 490 217) were not included as the future economic benefits relate to the receipt of goods and services. Councillor debt of R47 400 (2023: R19 921) was not included as this relate(s) to recoveries still to be concluded at reporting date. The short-term interest accrual of R17 622 040 (2023: R23 511 314) was not included in the ageing as it is not due yet.

In the prior year other receivables included an amount of R1 839 670 related to the purchase of land (for the landfill site) . The purchase transaction was in progress but not yet completed at year end (30 June 2023).

The purchase of the land was finalised on 28 March 2024 and has been capitalised to property, plant and equipment.

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 2024, other receivables of R56 791 (2023: R38 996) were past due but not impaired.

No other receivables were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Other receivables from exchange transactions (continued)

Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	(139,187)	(129,997)
Provision for impairment	(29,381)	(10,377)
Unused amounts reversed	669	1,187
	(167,899)	**(139,187)**

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

Gross balance		
Accrued interest	45,438,229	6,349,282
Less: Allowance for impairment		
Accrued interest	-	-
Net balance		
Accrued interest	45,438,229	6,349,282

The long-term interest accrual of R45 438 229 (2023: R6 349 282) 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	276,267	313,964
Less: Allowance for impairment		
Fire fighting	(264,618)	(289,641)
Net balance		
Fire fighting	11,649	24,323

Ageing: Trade receivables from exchange transactions		
Current (0 -30 days)	16,562	-
31 - 60 days	-	24,324
61 - 90 days	-	75,679
91 - 120 days	-	40,649
121 - 365 days	90,171	-
> 365 days	169,534	173,312
	276,267	**313,964**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(289,641)	(196,611)
Contributions to allowance	(90,171)	(116,328)
Reversal of allowance	115,194	23,298
	(264,618)	**(289,641)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Trade receivables from exchange transactions (continued)

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 2024, trade receivables of R264 618 (2023: R289 641) were past due but not impaired.

Trade receivables impaired and provided for

As at 30 June 2024, no consumer debtors were impaired (2023: Rnil).

As at 30 June 2024, consumer debtors of R264 618 (2023: R289 641) were provided for.

The ageing of these receivables are as follows:

Ageing: Trade receivables from exchange transactions (Consumer debtors)		
Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 -90 days	-	75,679
91 - 120 days	-	40,649
120 days or more	264,618	173,313
	264,618	**289,641**

6. Inventories

Consumable stores	2,297,400	2,530,493
Housing stock	72,940	72,940
	2,370,340	**2,603,433**

No inventory has been pledged as security.

Consumables valued at R160 819 (2023: R158 000) were written off and recognised in the statement of financial performance.

Inventory valued at R6 009 398 (2023: R5 386 853) were expensed in the statement of financial performance.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. VAT receivable

VAT (SARS)	5,471,068	2,693,524

Statutory receivables

Gross balances		
VAT (SARS)	5,471,068	2,693,524
Less: Allowance for impairment		
VAT (SARS)	-	-
Net balance		
VAT (SARS)	5,471,068	2,693,524

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 2024, no statutory receivables were past due but not impaired (2023:Rnil).

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	132,432	84,892

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 receivable was assessed to determine the allowance for impairment.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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 2024, no receivables from non-exchange transactions were impaired and provided for (2023: Rnil).

	2024	2023
Net balances		
Government grant and subsidies	132,432	84,892

	2024	2023
Ageing: Receivables from non- exchange transactions		
Current (0 - 30 days)	132,432	84,892

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

	2024	2023
Closing balance	-	-

9. Property, plant and equipment (PPE)

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	66,375,026	-	66,375,026	66,454,904	-	66,454,904
Buildings	52,523,584	(29,207,088)	23,316,496	51,424,174	(28,174,356)	23,249,818
Plant and equipment	36,701,865	(15,879,766)	20,822,099	22,998,105	(14,068,986)	8,929,119
Furniture and fittings	9,019,577	(6,161,359)	2,858,218	8,594,637	(5,757,120)	2,837,517
Motor vehicles	75,815,636	(32,461,836)	43,353,800	61,086,479	(28,739,413)	32,347,066
Office equipment	34,612,059	(17,212,583)	17,399,476	29,352,271	(14,070,470)	15,281,801
Infrastructure	6,210,932	(1,358,017)	4,852,915	6,037,889	(1,232,904)	4,804,985
Other property, plant and equipment	11,220,681	(5,733,174)	5,487,507	9,558,545	(5,116,741)	4,441,804
Total	**292,479,360**	**(108,013,823)**	**184,465,537**	**255,507,004**	**(97,159,990)**	**158,347,014**

Criteria for determination for classification between PPE 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 rental income, where a significant portion of the property is held for administrative purposes and an insignificant portion is held for rental, the total property will be classfied as PPE and not as investment property. This will apply even if the intention is to lease 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 rental, the property will be classified as investment property. This will apply even if management intends to lease the property out for a prolonged period.

A property consisting of a parking area, is leased to the public, and a significant portion of the property (land and buildings) is held by the municipality for administrative purposes. The property meets the criteria set out above and has therefore been classified as PPE.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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.

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 by the municipality.

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Land	66,454,904	1,369,016	(1,448,894)	-	66,375,026
Buildings	23,249,818	1,464,410	(240,174)	(1,157,558)	23,316,496
Plant and equipment	8,929,119	14,010,156	(138,556)	(1,978,620)	20,822,099
Furniture and fittings	2,837,517	429,731	(672)	(408,358)	2,858,218
Motor vehicles	32,347,066	15,155,119	(118,911)	(4,029,474)	43,353,800
Office equipment	15,281,801	5,451,400	(109,456)	(3,224,269)	17,399,476
Infrastructure	4,804,985	173,044	-	(125,114)	4,852,915
Other property, plant and equipment	4,441,804	1,826,136	(69,194)	(711,239)	5,487,507
	158,347,014	**39,879,012**	**(2,125,857)**	**(11,634,632)**	**184,465,537**

Included in the additions is work-in- progress that relates to buildings (R1 346 657), infrastructure (R173 044), office equipment (R195 000), motor vehicles (R29 440) and plant and equipment (R3 224 247).

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	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 equipment	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	4,568,714	473,570	(28,087)	33,608	(606,001)	4,441,804
	148,467,566	**20,592,064**	**(1,655,819)**	**-**	**(9,056,797)**	**158,347,014**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Reconciliation of repairs and maintenance - 2024

	Contracted services	Employee related cost	Materials and supplies	Total
Buildings	2,716,448	2,013,987	22,796	4,753,231
Office equipment	1,457,899	-	19,976	1,477,875
Plant and equipment	-	-	17,273	17,273
Motor vehicles	3,496,179	-	-	3,496,179
Other	1,058,225	-	-	1,058,225
	8,728,751	**2,013,987**	**60,045**	**10,802,783**

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**

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 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 PPE during the financial year. Refer to note 42 for details relating to the change in accounting estimates.

Refer to note 49 for the capital commitments related to PPE.

10. Intangible assets

	2024			2023		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,928,726	(1,493,406)	435,320	2,011,361	(1,519,426)	491,935

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	491,935	153,000	(71,128)	(138,487)	435,320

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Intangible assets (continued)

Reconciliation of intangible assets - 2023

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

11. Investments

	2024	2023
ABSA		
Opening balance	108,000,000	-
Movements during the year	101,000,000	108,000,000
Short term: Transfer to cash and cash equivalents	-	-
	209,000,000	**108,000,000**
STANDARD BANK		
Opening balance	55,000,000	-
Movements during the year	-	55,000,000
Short term: Transfer to cash and cash equivalents	-	-
	55,000,000	**55,000,000**
INVESTEC		
Opening balance	15,000,000	-
Movements during the year	65,000,000	15,000,000
Short term: Transfer to cash and cash equivalents	-	-
	80,000,000	**15,000,000**
FNB		
Opening balance	-	-
Movements during the year	34,000,000	-
Short term: Transfer to cash and cash equivalents	-	-
	34,000,000	**-**
Total investments	**378,000,000**	**178,000,000**

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

No transfers were made to cash and cash equivalents during the current year as no portion will mature within the next 12 months.

12. Unspent conditional grants and receipts

	2024	2023
Community development workers (CDW) operational support grant	1,598	14,116
Emergency municipal load- shedding relief grant	-	950,000
Fire service capacity building grant	1,525	-
Integrated transport planning grant	-	85,605
Local government internship grant	-	8,200
Rural roads asset management system grant (RRAMS)	1,354,642	75
Safety initiative implementation - whole of society approach (WOSA)	493,930	755,824
Non-motorised transport infrastructure grant	3,500,000	-
Municipal water resilience grant	1,200,000	-
Western Cape municipal interventions grant	116,582	98,482
	6,668,277	**1,912,302**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Unspent conditional grants and receipts (continued)

Refer to note 22 & 23 for reconciliation of grants from national and provincial government. These amounts are invested untill utilised. Refer to note 3.

13. Payables from exchange transactions and other

	2024	2023
Creditors accruals	5,360,608	13,440,538
Other payables	191,769	594,664
Payments received in advanced	93,462	68,999
Retention	305,482	109,627
Trade payables	319,123	370,115
Unclaimed funds	83,369	872
	6,353,813	**14,584,815**

14. Employee benefits

	2024	2023
Current employee benefits		
Employee benefit accruals	2,374,910	2,158,334
Post-retirement medical aid benefits	10,588,382	8,916,862
Provision staff leave	19,216,063	18,033,797
13th Cheque	5,637,779	5,399,598
Ex- gratia benefit	59,171	142,309
Long term service award	1,777,109	2,652,908
Performance bonus	1,055,395	944,138
	40,708,809	**38,247,946**

	2024	2023
Non- current employee benefits		
Long service award	13,356,948	13,138,475
Post-retirement medical aid benefits	140,815,845	131,224,251
Ex-gratia benefit	367,421	263,404
	154,540,214	**144,626,130**

	2024	2023
Current liability	40,708,809	38,247,946
Non-current liability	154,540,214	144,626,130
	195,249,023	**182,874,076**

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

14.1 Post-retirement and medical aid benefits

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefits (continued)

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	248	260
Average age (years)	49.30	48.73
Average past service cost (years)	20.60	19.18

Continuation members		
Principal members	149	145
Average age (years)	72.6	72.2

The amounts recognised in the statement of financial position are -		
Projected benefit obligation	151,404,227	140,141,113
	151,404,227	**140,141,113**

The obligation in respect of past services has been estimated as follows:		
Active members	47,925,132	46,074,977
Continuation members	103,479,095	94,066,136
Net obligation	**151,404,227**	**140,141,113**

The amounts recognised in the statement of financial performance		
Current service cost	1,708,291	2,002,000
Interest cost	16,901,018	16,695,000
Recognised actuarial (gains)/losses	1,660,443	(14,762,992)
Amount charged to statement of financial performance	**20,269,752**	**3,934,008**

The estimated future service cost for the ensuing financial period is estimated to be R1 890 003, whereas the estimated interest cost for the next financial period is R21 883 364.

The best estimates for the employer benefit payments in the 2024/2025 financial period is R10 588 382.

Movements in the present value of the defined benefit obligation were as follows:		
Opening benefit obligation liability	140,141,113	144,577,000
Service cost: Current service cost	1,708,291	2,002,000
Interest expense	16,901,018	16,695,000
Contributions to the defined benefit: Payment of benefits	(9,006,638)	(8,369,895)
Remeasurement of defined benefit:		
Actuarial gains / (losses) from changes in demographic assumptions	9,953,635	(5,878,419)
Actuarial gains/ losses from changes in financial assumptions	(8,293,192)	(8,884,573)
Total recognised benefit liability	**151,404,227**	**140,141,113**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefits (continued)

The economic assumptions are set relative to the published yields on government nominal bonds and index linked bonds of an appropriate duration as published by the Prudential Authority as at 30 June 2024. We observed a salary weighted average post-retirement duration of 18 years.
The corresponding yields are as follows:
• Nominal yield of an appropriate duration was set at 14.45%.
• Index linked yield of an appropriate duration was set at 5.32%.

Inflation risk premium of approximately 0.5% has been implicitly allowed for in the determination of medical inflation. Although the assumptions for the nominal discount rate (14.45%) and salary inflation assumption (10.64%) applied in this valuation appear too high, these represent a fair and objective long-term economic view (as informed by the Prudential Authority) given the observed weighted average duration.

The most important assumption here is the net discount rate (3.45%) as it is the main input into our overall valuations.

At the previous valuation 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.

Key actuarial assumptions		
Discount rate	14.45 %	12.06 %
Health care inflation	10.64 %	7.75%
Real discount rate	3.45 %	4%

Sensitivity analysis on current-service and interest cost:

Assumption	**Change**	**Current service cost**	**Interest cost**	**Total**	**% change**
Central assumptions		1,890,003	21,883,364	23,773,367	
Health care inflation	1 %	2,087,564	24,170,812	26,258,376	10 %
	-1 %	1,718,037	19,892,259	21,610,296	-9 %
Withdrawal rate	20%	1,887,535	21,854,783	23,742,318	0 %
	-20%	1,892,728	21,914,907	23,807,635	0 %
Post-retirement mortality rate	+1 year	1,834,463	21,240,289	23,074,752	-3 %
	-1 year	1,945,760	22,528,937	24,474,697	3 %

Sensitivity analysis on the benefit liability:

Assumption	**Change**	**Total liability**	**% change**
Central assumptions		151,404,227	
Health care inflation	1 %	167,230,373	10 %
	-1 %	137,628,388	-9 %
Withdrawal rate	20%	151,206,487	0 %
	-20%	151,622,463	0 %
Post-retirement mortality rate	+1 year	146,954,992	-3 %
	-1 year	155,870,747	3 %

Maturity analysis	**Within 1 year**	**Between 2 and 3 years**	**Between 4 and 5 years**	**Over 5 years**	**Total**
Expected future payments	10,588,382	23,015,354	32,283,868	377,241,924	443,129,528
Capitalised liability	10,588,382	20,800,979	20,091,637	99,923,229	151,404,227

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. When applicable, the future claim for roads staff for post- employment medical aid is raised as an employee benefit asset.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefits (continued)

Movements in the present value of the employee benefit asset were as follows:		
Balance at the beginning of the year	575,785	7,934,649
Service cost: Current service cost	478,863	663,000
Interest expense	5,137,514	5,077,000
Contributions:		
Interest on payments from WCG	-	(2,893,193)
Payments received from WCG	-	(3,169,288)
Payment of benefits	(2,388,272)	(2,570,711)
The effect of transfer of functions, mergers and disposals		
Actual gains/ (losses) from changes in demographic assumptions	(1,555,787)	-
Actual gains/ (losses) from changes in financial assumptions	(2,248,103)	(4,465,672)
	-	**575,785**

Reconciliation of employee benefit asset		
Long- term receivable	-	575,785

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

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

14.2 Ex-gratia benefits

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

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

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

Members		
In-service employees for ex-gratia pension	2	2
In-service employees eligible for lump sum benefit on retirement	3	4

Average age in years		
In-service employees for ex-gratia pension	60.50	59.52
In-service employees eligible for lump sum benefit on retirement	56.80	56.52

The amount recognised in the statement of financial position are:		
Projected benefit obligation	426,591	405,712

The amount recognised in the statement of financial performance are:		
Interest cost	45,115	84,000
Recognised actuarial (Gain) / Loss	66,494	33,156
Amount charged to statement of financial performance	**111,609**	**117,156**

Movements in the present value of the liability were as follows:		
Opening balance	405,712	1,088,000
Interest expense	45,115	84,000
Contributions to the liability: Payment of benefits	(90,730)	(799,444)
Remeasurement of liability:		
Actual gains/ (losses) from changes in demographic assumptions	(8,172)	(406,985)
Actual gains/ (losses) from changes in financial assumptions	74,666	440,141
	426,591	**405,712**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Employee benefits (continued)

The future service cost for the ensuing financial year is estimated to be R nil, whereas the interest cost for the next financial year is estimated to be R61 943.

The best estimates of the employer benefit payments in the 2024/2025 financial year is R59 171.

The economic assumptions used are set relative to the published yields on government nominal bonds and index-linked bonds of an appropriate duration as published by the Prudential Authority as at 30 June 2024.
The salary weighted average of the membership is 59 years and the observed corresponding post-retirement duration is 19 years.
The observed corresponding yields are as follows:
• Nominal yield of an appropriate duration was set at 14.52%.
• Index linked yield of an appropriate duration was set at 5.28%.

Inflation premium risk of approx. 0.5% has been implicitly allowed for in the determination of salary inflation.
Although the assumptions for the nominal discount rate (14.52%) and salary inflation assumption (10.74%) applied in this valuation appear too high, these represent a fair and objective long-term economic view (as informed by the Prudential Authority) given the observed weighted average duration.

The most important assumption here is the net discount rate (3.41%) as it is the main input into our overall valuations.

The previous valuation 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.

Key actuarial assumptions		
Discount rate	14.52 %	11.12 %
CPI inflation rate	9.24 %	6.22 %
Salary inflation rate	10.74 %	7.72 %

Sensitivity analysis on current-service and interest cost:

Assumption	**Change**	**Current service cost**	**Interest cost**	**Total**	**% change**
Central Assumptions		-	61,943	61,943	
Net discount rate	1 %	-	55,369	55,369	-11 %
Net discount rate	-1 %	-	69,728	69,728	13 %

Sensitivity analysis on the benefit liability:

Assumption	**Change**	**Liability**	**% change**
Central Assumptions		426,591	
Net discount rate	1 %	381,314	-11 %
Net discount rate	-1 %	480,199	13 %

Maturity analysis	**Within 1 year**	**Between 2 and 3 years**	**Between 4 and 5 years**	**Over 5 years**	**Total**
Expected future payments	59,171	21,478	449,893	485	531,027
Capitalised liability	59,171	16,311	350,940	169	426,591

Figures in Rand	2024	2023

14. Employee benefits (continued)

14.3 Long service awards

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

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

Members	388	389
Average age in years	46.6	47.3

The amounts recognised in the statement of financial position are:		
Projected benefit obligation	15,134,057	15,791,385

The amounts recognised in the statement of financial performance are:		
Current service cost	598,413	948,000
Interest cost	1,904,441	1,752,000
Recognised actuarial (gain) / losses	(704,912)	(307,211)
Amount charged to statement of financial performance	**1,797,942**	**2,392,789**

The future service cost for the ensuing financial period is estimated to be R636 156, whereas the interest cost for the next year is estimated to be R2 462 337.

The best estimates of the employer benefit payments in the 2024/ 2025 financial period is R1 777 109.

Movements in the present value of the liability were as follows:		
Opening balance	15,791,385	15,128,000
Service cost: Current service cost	598,413	948,000
Interest expense	1,904,441	1,752,000
Contributions to the liability: Payment of benefits	(2,455,268)	(1,729,404)
Remeasurement of liability:		
Actual gains/ (losses) from changes in demographic assumptions	117,480	(954,959)
Actual gains/ (losses) from changes in financial assumptions	(822,394)	647,748
	15,134,057	**15,791,385**

Key actuarial assumptions		
Discount rate	16.27%	12.06%
Salary inflation	12.49%	7.75%
Average retirement age	62	62

The economic assumptions are set relative to the published yields on government nominal bonds and index linked bonds of an appropriate duration as published by the Prudential Authority as at 30 June 2024. We observed an average benefit payment duration of 15 years.

The observed corresponding yields are as follows:
• Nominal yield of an appropriate duration was set at 16.27%.
• Index linked yield of an appropriate duration was set at 5.28%.

Inflation premium risk of approx. 0.5% has been implicitly allowed for in the determination of salary inflation. Although the assumptions for the nominal discount rate (16.27%) and salary inflation assumption (12.49%) applied in this valuation appear too high, these represent a fair and objective long-term economic view (as informed by the Prudential Authority) given the observed weighted average duration.

The most important assumption here is the net discount rate (3.36%) as it is the main input into our overall valuations.

14. Employee benefits (continued)

The previous valuation 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.

Sensitivity analysis on current-service and interest cost:

Assumptions	Change	Current service cost	Interest cost	Total liability	% change
Central assumptions		636,156	2,462,337	3,098,493	
Net discount rate	1%	675,164	2,613,324	3,288,488	6 %
	-1%	600,444	2,324,111	2,924,555	-6 %
Withdrawal rates	20%	622,477	2,409,393	3,031,870	-2 %
	-20%	650,777	2,518,933	3,169,710	2 %

Sensitivity analysis on the benefit liability:

Assumption	Change	Liability	% change
Central assumptions		15,134,057	
Net discount rate	1 %	16,062,055	6 %
	-1 %	14,284,488	-6 %
Withdrawal rates	20 %	14,808,650	-2 %
	-20 %	15,481,908	2 %

Maturity analysis	Within 1 year	Between 2 and 3 years	Between 4 and 5 years	Over 5 years	Total
Expected future payments	1,777,109	4,718,427	4,410,367	48,133,661	59,039,564
Capitalised liability	1,777,109	3,009,391	2,593,250	7,754,307	15,134,057

14.4 Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

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

These schemes are multi- employer plans and are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder. The information set out below is the latest available information received by the municipality.

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 2023 disclosed an actuarial valuation amounting to R1 338 791 000 (30 June 2022: R1 391 841 000), with a net accumulated surplus of R226 285 000 (2022: R144 158 000), with a funding level of 120.3% (30 June 2022: 111.6%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2023 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R2 163 627 000 (30 June 2022: R1 976 184 00), net investment reserve of Rnil (30 June 2022: Rnil) and with a funding level of 100% (2022: 100%).

14. Employee benefits (continued)

The actuary concluded that:

- The Defined Benefit Section is in a sound financial condition with a funding level of 106.9% as at 30 June 2023.

- The Defined Contribution Section of the fund was in a sound financial condition with a funding level of 100% as at 30 June 2023.

- The Trustees awarded a 4.5% pension increase effective 1 January 2024.

- The Trustees awarded 100% of monthly pension bonus to pensioners payable in December 2023.

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 2023 revealed that the net assets of the fund amounted to R42 710 035 000 (30 June 2022: R36 502 914 000), with funding levels of 100.2% and 120.1% (30 June 2022: 131.6% and 100.4%) 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 fund is in a sound financial position 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 position 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 the 19th December 2017 is made final; 2. The curator shall furnish the Registrar of the Pension Fund with progress report; 3. The curator must deliver a further progress report to the court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months.

The Curators are awaiting to receive an application which should be brought before the Court to uplift the Courtship Order.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Capital replacement reserve	Government grant reserve	Self insurance reserve	Accumulated surplus	Total
Opening balance	66,387,819	2,070,543	-	782,225,520	850,683,882
Surplus for the year	-	-	-	24,167,360	24,167,360
Property, plant and equipment purchases	(38,212,921)	(1,666,086)	-	39,879,007	-
Intangible assets	(153,000)	-	-	153,000	-
Transfer from accumulated surplus	-	-	45,372,232	(45,372,232)	-
	28,021,898	**404,457**	**45,372,232**	**801,052,653**	**874,851,242**

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	717,922,366	800,116,792
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**

16. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Provision (Insurance claims)	57,000	25,698	(57,000)	25,698

These insurance claims are expected to be setlled during the first quarter of the 2024/ 2025 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Provisions (continued)

Reconciliation of provisions - 2023

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

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

17. Service charges

	2024	2023
Fire service charges	88,132	138,396

18. Rental of facilities and equipment

	2024	2023
Premises	264,803	91,087

The operating lease relates to fixed property leased from the municipality untill 30 June 2025.

Under this operating lease agreement an amount of R249 848 (2023: R71 739) was received during the current year which is subject to an annual rental escalation, calculated based on the average CPI over the previous twelve-month period.

No contingent rent receipts are applicable.

The operating lease receipts are as follows:

	Within one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Operating lease	262,323	-	-	-

19. Roads services

	2024	2023
WCG: Department of Transport and Public Works (Department of Infrastructure)	114,747,334	117,033,414

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 approved by the WCG, Department of Transport and Public Works (Department of Infrastructure) during the current financial year was R121 900 000 (Initial allocation: R111 000 000).

20. Other income

	2024	2023
Brokerage	77,630	70,264
Electricity income (Eerste Begin)	-	609
Insurance income	47,764	82,538
LG SETA refund	398,702	381,014
Miscellaneous income	41,666	18,348
Municipal health income	818,913	693,504
Tender document income	1,055	9,786
	1,385,730	**1,256,063**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Interest received - Investment

Interest received: Long- term investments	39,088,947	6,349,282
Interest received: Conveyancer (Landfill site)	102,147	-
Interest received: Short- term investments	50,770,775	56,649,476
	89,961,869	**62,998,758**

During the current year, the average interest rate on the short-term investments is 9.40% (2023: 7.45%) whereas the average interest rate on the long-term investments is 11.82% (2023:12.09%).

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

In the prior year, other receivables from exchange transactions (note 4) included an amount of R1 839 670 related to the purchase of land (for the landfill site). The interest received of R102 147, relates to the interest earned on the trust account, held by the conveyancing attorney.

22. Government grants and subsidies

Community development workers (CDW) operational support grant	88,517	136,885
Equitable share	3,046,000	2,891,000
Expanded public works programme integrated grant for municipalities	2,271,000	1,469,000
Integrated transport planning	-	586,717
Joint district and metro approach	-	1,000,000
Local government financial management grant	1,000,000	1,000,000
Local government internship grant	-	37,800
Fire service capacity building grant	498,475	-
Rural roads asset management systems grant (RRAMS)	1,533,433	71,925
RSC levy replacement grant	255,683,000	248,404,000
Sandhills - toilet hire	529,729	509,352
Safety initiative implementation - whole of society approach (WOSA)	1,821,894	1,098,097
Emergency municipal load- shedding relief grant	950,000	-
Western Cape municipal interventions grant	81,900	1,518
	267,503,948	**257,206,294**

Conditional and unconditional

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

Equitable share	3,046,000	2,891,000
RSC levy replacement grant	255,683,000	248,404,000
	258,729,000	**251,295,000**

Equitable share

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Government grants and subsidies (continued)

Community development workers (CDW) operational support grant

Balance unspent at beginning of year	14,116	204,046
Current-year receipts	76,000	75,000
Conditions met - transferred to revenue	(88,518)	(136,885)
Refund of unspent portion	-	(128,045)
	1,598	**14,116**

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 grant

Balance unspent at beginning of year	85,605	672,322
Conditions met - transferred to revenue	-	(586,717)
Refund of unspent portion	(85,605)	-
	-	**85,605**

Strategic Objective: Technical Services.

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

Local government financial management grant

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)	(1,000,000)
Refund of unspent portion	-	(154,932)
	-	**-**

Strategic Objective: Financial and Strategic Support Services.

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

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

Fire service capacity building grant

Balance unspent at beginning of year	-	1,046,000
Current-year receipts	500,000	-
Conditions met - transferred to revenue	(498,475)	-
Refund of unspent portion	-	(1,046,000)
	1,525	**-**

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

Strategic Objective: Community Development and Planning Services.

Figures in Rand	2024	2023

22. Government grants and subsidies (continued)

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

Non-motorised transport infrastructure grant

	2024	2023
Current-year receipts	3,500,000	-

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

Strategic Objective: Technical Services.

To provide non- motorised transport infrastructure in the Cape Winelands District Municipality as part of the Provincial Sustainable Transport Programme.

Sandhills - toilet hire

	2024	2023
Current-year receipts	529,729	509,352
Conditions met - transferred to revenue	(529,729)	(509,352)
	-	-

Strategic Objective: Technical Services.

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

Local government public employment support grant

	2024	2023
Balance unspent at beginning of year	-	200,000
Refund of unspent portion	-	(200,000)
	-	-

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

	2024	2023
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	-	-

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Government grants and subsidies (continued)

Rural roads asset management system grant (RRAMS)

Balance unspent at beginning of year	75	2,748,000
Current-year receipts	2,888,000	72,000
Conditions met - transferred to revenue	(1,533,433)	(71,925)
Refund of unspent portion	-	(2,748,000)
	1,354,642	**75**

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	8,200	46,000
Conditions met - transferred to revenue	-	(37,800)
Refund of unspent portion	(8,200)	-
	-	**8,200**

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	755,824	353,921
Current-year receipts	1,560,000	1,500,000
Conditions met - transferred to revenue	(1,821,894)	(1,098,097)
	493,930	**755,824**

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.

Municipal water resilience grant

Current-year receipts	1,200,000	-

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

Strategic Objective: Technical Services.

To provide financial assistance to municipalities to enhance water resilience through water supply augmentation, infrastructure capacity upgrades, water source management and water demand management across the province.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Government grants and subsidies (continued)

Expanded public works programme integrated grant for municipalities

	2024	2023
Balance unspent at beginning of year	-	100,000
Current-year receipts	2,271,000	1,369,000
Conditions met - transferred to revenue	(2,271,000)	(1,469,000)
	-	**-**

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.

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

	2024	2023
Balance unspent at beginning of year	98,482	-
Current-year receipts	100,000	100,000
Conditions met - transferred to revenue	(81,900)	(1,518)
	116,582	**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

	2024	2023
Balance unspent at beginning of year	950,000	-
Current-year receipts	-	950,000
Conditions met - transferred to revenue	(950,000)	-
	-	**950,000**

Strategic Objective: Community Development and Planning Services.

To 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

	2024	2023
Public contributions and donations	-	251,005

Reconciliation of conditional contributions

	2024	2023
Balance unspent at beginning of year	-	251,005
Conditions met - transferred to revenue	-	(251,005)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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)	-	-

24. Employee-related costs

	2024	2023
Acting allowances	225,639	87,448
Remeasurement of employee benefits: Actuarial loss / (gain)	4,825,915	(10,571,375)
Basic	137,577,429	130,976,857
Bonus	10,984,760	10,285,874
Service cost related to employee benefits: Current service cost	1,827,841	2,287,000
Defined contribution plans	23,286,626	22,266,074
Group schemes	2,722,714	2,591,849
Housing benefits and allowances	4,968,957	4,798,782
Leave pay provision charge	2,484,373	1,804,137
Medical aid - company contributions	13,611,767	13,080,077
Other allowances	7,391,702	6,997,748
Overtime payments	9,264,558	7,809,621
Performance bonus	1,055,395	868,472
Telephone	1,050,595	986,216
Travel, motor car, accommodation, subsistence and other allowances	12,733,290	12,570,060
Unemployment insurance fund	881,810	880,880
Workmen's compensation assistance	1,291,147	1,100,457
	236,184,518	**208,820,177**

2024	Long-service awards	Ex-gratia	PRMA	Less: Funded asset	Total
Current service cost	598,413	-	1,708,291	(478,863)	1,827,841
Net actuarial (gains) / losses recognised	(704,912)	66,494	1,660,443	3,803,890	4,825,915
	(106,499)	**66,494**	**3,368,734**	**3,325,027**	**6,653,756**

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)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Employee-related costs (continued)

Remuneration of senior management

2024	Basic salary	Car allowance	Performance bonuses	Contribution to UIF, medical and pension funds	Other	Total
Municipal Manager (HF Prins)	1,384,367	360,000	248,608	98,126	144,000	2,235,101
Chief Financial Officer (FA Du Raan-Groenewald)	1,308,247	240,000	243,301	289,717	24,000	2,105,265
ED: Community development and planning services (PA Williams)	1,212,478	300,000	208,927	38,925	144,000	1,904,330
ED: Technical services (F van Eck)	1,348,120	150,000	243,301	323,552	24,000	2,088,973
	5,253,212	**1,050,000**	**944,137**	**750,320**	**336,000**	**8,333,669**

2023	Basic salary	Car allowance	Performance bonuses	Contribution to UIF, medical and pension funds	Other	Total
Municipal Manager (HF Prins)	1,405,443	360,000	241,367	89,408	311,260	2,407,478
Chief Financial Officer (FA Du Raan-Groenewald)	1,210,275	240,000	230,246	289,717	24,000	1,994,238
ED: Community development and planning services (PA Williams)	1,229,395	300,000	202,842	36,081	144,000	1,912,318
ED: Technical services (F van Eck)	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**

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

Staff leave		
Municipal Manager (HF Prins)	64,185	71,316
Chief Financial Officer (FA Du Raan- Groenewald)	166,772	132,608
ED: Community development and planning services (PA Williams)	71,920	71,920
ED: Technical services (F van Eck)	130,622	83,753
	433,499	**359,597**

25. Remuneration of councillors

Executive Mayor	1,213,985	1,122,917
Deputy Executive Mayor	615,515	570,693
Speaker	979,271	908,177
Other Councillors	11,778,604	11,005,102
	14,587,375	**13,606,889**

Refer to page 1 & 2 for the list of councillors.

Figures in Rand	2024	2023

25. Remuneration of councillors (continued)

2024	Salaries	Contribution to medical and pension funds	Car allowance	Other	Total
Executive Mayor	475,192	117,063	180,000	441,730	1,213,985
Deputy Executive Mayor	460,945	34,570	120,000	-	615,515
Speaker	761,382	57,104	111,177	49,608	979,271
Other Councillors	9,161,965	561,605	1,317,381	737,653	11,778,604
	10,859,484	**770,342**	**1,728,558**	**1,228,991**	**14,587,375**

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	419,202	31,491	120,000	-	570,693
Speaker	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**

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

	2024	2023
Property, plant and equipment	11,634,632	9,056,797
Intangible assets	138,487	210,329
	11,773,119	**9,267,126**

27. Debt impairment

	2024	2023
Debt impairment	3,688	102,220

28. Finance costs

	2024	2023
Employee benefits	13,713,060	13,454,000

The interest expense relates to the interest cost as calculated in the actuarial valuation for the employee benefits. Refer to note 14 for additional disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Lease rentals on operating lease

	2024	2023
Lease rentals on operating lease	275,766	298,157

The operating lease relates to the network telephone system up to 30 June 2026.

There are no escalations and sub-leasing applicable to the operating lease.

No contingent rent payments are applicable.

The operating lease payments are as follows:

	Within one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Operating lease	275,766	275,766	-	-

30. Transfers and subsidies

	2024	2023
Grants in aid		
Farmer households	468,553	1,052,684
Sport and recreation	2,275,507	757,661
Private enterprises	494,119	435,344
	3,238,179	**2,245,689**
Monetary allocations		
Fire services	300,000	300,000
Farmer households	613,500	927,100
Community and social services	523,198	529,988
Social relief	353,910	373,324
Tourism	2,617,750	2,552,828
Sport and recreation	1,362,000	1,286,246
Support to local municipalities	4,656,000	4,155,000
Private enterprises	30,000	30,000
National Departmental Agencies	100,000	-
	10,556,358	**10,154,486**
Total transfers and subsidies	**13,794,537**	**12,400,175**

Figures in Rand	2024	2023
31. Contracted services		
Outsourced services		
Alien vegetation control	2,171,528	1,268,438
Burial services	82,500	97,620
Business and advisory	86,250	25,673
Cleaning services	766,411	268,111
Clearing and grass cutting services	2,558,923	1,040,195
Hygiene services	975,363	932,383
Professional staff	1,726,505	1,364,185
Security Services	4,017,066	3,411,212
Translators, scribes and editors	228,316	129,863
Traffic control	51,077	327,175
Consultants and professional services		
Business and advisory	9,419,992	3,310,236
Infrastructure and planning	609,962	1,755,767
Laboratory services	1,620,197	1,474,137
Legal costs	75,518	108,417
Contractors		
Artists and performers	451,380	471,850
Audio-visual Services	2,300	13,000
Catering services	2,576,525	2,635,973
Employee wellness	188,160	91,560
Exhibit installations	-	25,775
Fire services	22,674,007	12,861,025
Gardening services	162,222	58,364
Graphic designers	1,408	90,000
Interior decorator	75,380	-
Maintenance of buildings, facilities, equipment and unspecified assets	9,301,867	8,551,288
Pest control and fumigation	144,612	127,986
Photographer	4,200	13,400
Plants, flowers and other decorations	-	10,800
Stage and sound crew	105,880	104,943
Transportation	40,520	-
Total contracted services	**60,118,069**	**40,569,376**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. General expenses

Achievements and awards	1,269,893	278,329
Advertising, publicity and marketing	4,681,220	3,468,307
Auditors remuneration	2,851,724	3,206,646
Bank charges, facility and card fees	679,405	149,075
Bargaining council	63,591	60,599
Bursaries (employees)	448,156	372,518
Chemicals	249,375	184,388
Cleaning materials	228,501	238,379
Communications	4,215,310	4,331,804
Consumables	854,556	490,104
Courier and delivery services	404,117	198,500
Deeds	1,886	1,091
Drivers licences and permits	16,801	18,049
Entertainment	57,371	44,744
Entrance fees	11,749	-
External computer services	8,608,893	6,113,916
Full-time union representatives	107,851	127,303
Hire charges	15,167,929	4,757,894
Insurance underwriting	2,011,148	3,098,150
Laundry services	1,830	-
Licences	184,288	169,083
Materials and supplies	15,816,673	29,483,476
Municipal services	7,223,394	6,516,269
Parking fees	-	250
Printing and stationery	1,352,246	1,210,441
Printing, publication and books	816,401	276,078
Professional bodies, membership and subscription	2,564,203	2,212,873
Refreshments	647,581	510,186
Registration fees	196,395	73,747
Roadworthy tests	16,830	16,878
Skills development fund levy	2,031,064	1,929,291
Tollgate fees	361,931	273,508
Transport provided as part of departmental activities	1,870,328	1,514,150
Travel and visas	26,907	6,193
Travel and subsistence	3,565,757	2,663,509
Uniforms and protective clothing	2,372,318	776,952
Vehicle tracking	231,371	192,831
Wet fuel	15,767,526	13,194,491
	96,976,519	**88,160,002**

33. Auditors' remuneration

Fees	2,851,724	3,206,646

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

34. Cash generated from operations

	2024	2023
Surplus	24,167,361	50,567,090
Adjustments for:		
Depreciation and amortisation	11,773,119	9,267,126
Loss on sale of assets and liabilities	2,196,986	1,571,805
Finance costs	13,713,060	13,454,000
Debt impairment	3,688	102,220
Movements in post- retirement benefit assets and liabilities	12,950,732	3,329,555
Inventory write-off	160,819	158,000
Changes in working capital:		
Other receivables from exchange transactions	(24,265,166)	(16,935,322)
Trade receivables from exchange transactions	8,986	(126,543)
Other receivables from non-exchange transactions	(47,540)	37,549
Movement in provisions	(31,302)	13,724
Payables from exchange transactions and other	(244,774)	672,736
VAT receivable	(2,777,544)	(238,444)
Unspent conditional grants and receipts	4,755,975	(3,863,924)
Inventories	72,274	(782,916)
Employee benefit obligation	(14,288,845)	(20,812,864)
Long-term receivable	575,785	7,358,864
	28,723,614	**43,772,656**

Purchase of property, plant and equipment

	2024	2023
Additions (Note 9)	(39,879,012)	(20,592,064)
Movement in accruals related to property, plant and equipment	(7,986,229)	8,084,053
	(47,865,241)	**(12,508,011)**

Proceeds from the sale of property, plant and equipment

	2024	2023
Loss on disposal of assets and liabilities	(2,196,986)	(1,571,805)
Disposal of intangible assets (Note 10)	71,128	8,351
Disposal of property, plant and equipment (Note 9)	2,125,858	1,655,819
	-	**92,365**

Purchase of intangible assets

	2024	2023
Additions (Note 10)	153,000	144,000

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

	2024	2023
Trade receivables from exchange transactions	11,649	24,323
Other receivables from exchange transactions	85,317,113	61,239,239
Receivables from non-exchange transactions	132,432	84,892
Cash and cash equivalents	424,247,164	643,541,787
Investments	378,000,000	178,000,000
	887,708,358	**882,890,241**

The other receivables from exchange transactions of R85 317 113 (note 4) excludes prepayments of R2 650 030 and councillors of R47 400.

Financial liabilities at amortised cost

	2024	2023
Payables from exchange transactions and other	6,353,812	14,584,815

35. Financial instruments (continued)

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 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions and other	6,353,812	-	-	-

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 and other	14,584,815	-	-	-

Credit risk

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

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	2024	2023
Other receivables from exchange transactions	85,317,113	61,239,239
Trade receivables from exchange transactions	11,649	24,323
Cash and cash equivalents	424,247,164	643,541,787
Receivables from non-exchange transactions	132,432	84,892
Investments	378,000,000	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.

Interest rate risk

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

a) Investments and Cash and cash equivalents
The average interest rate on the short- term investments is 9.40% (2023: 7.45%) whereas the average interest rate on the long term investments is 11.82% (2023:12.09%). 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 2024 (2023: Rnil).

Market risk

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.

Figures in Rand	2024	2023

35. Financial instruments (continued)

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 2024, the municipality had an accumulated surplus of R874 851 242 (2023: R850 683 882).

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 RSC Levies on 30 June 2006, the municipality is dependent on government grants, including the equitable share, for approximately 56% of the municipality's revenue. In addition, funds received for roads services account for a further 24%.

37. Unauthorised expenditure

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

38. Fruitless and wasteful expenditure

	2024	2023
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

	2024	2023
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.

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) 2024: The status of the delictual claim amounting to R451 000 (2023: R451 000) remains the same as reported in the prior year.

(2023: This matter remains the same as reported in the previous year and relates to a delictual claim for damages suffered to the amount of R451 000 against Cape Winelands District Municipality and the Minister of Transport and Public Works by Mr P Afrika allegedly arising from an accident in July 2008. At pre-trial conference, it was decided that the matter is to be transferred from the High Court to the Magistrate's Court. This has the effect that the potential liability of the municipality is reduced to approximately R100 000. The said process is currently pending. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible)

40. Contingencies (continued)

(ii) 2024: The status of the claim amounting to R2 371 525 (2023: R2 371 525) remains the same as reported in the prior year.

(2023: This matter remains the same as reported in the previous year and relates to a claim where the Cape Winelands District Municipality was jointly added as a third party. 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 to the amount of R2 371 525 as a result of a fire that started on the property of Thera Trust and which allegedly spread to the property of the Fransie Conradie Trust. On 18 May 2018, a Third Party Notice was served on the District Municipality, in terms of which the Cape Winelands District Municipality was added 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. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(iii) 2024: The status of the claims amounting to R20 667 475 (2023: R20 667 475) and R6 100 000 (2023:R6 100 000) remains the same as reported in the prior year.

(2023: This matter remains 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 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 that 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 financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(iv) 2024: The municipality's insurer defended the matter and the plaintiff's insurer advised that no claim will be forthcoming. The claim has thus been closed.

(2023: The Cape Winelands District Municipality's insurer 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 financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(v) 2024: The Cape Winelands District Municipality's insurer negotiated with the plaintiff and settlement was reached.

(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 about 8 August 2021 a collision occurred between the plaintiff's vehicle and a pothole. Damages suffered to the amount R54 073 and legal fees. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

(vi) 2024: The Cape Winelands District Municipality's insurer settled the claim.

(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 40, of 2002, from the attorneys of B Shikwambana. The notice was for damages suffered to the amount of R26 238 in a motor vehicle accident on 14 June 2022. The matter was reported the District Municipality's insurers. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.)

40. Contingencies (continued)

(vii) 2024: A summons was served on the municipality in April 2024 from the plaintiff, Liquid Telecommunications SA (Pty) Ltd, due to a contractual dispute to the amount of R402 286. Notice of intention to Defend, Plea and Counterclaim were filed by the municipality. The plaintiff has requested that the matter be mediated. The municipality's legal counsel has advised that the matter rather be adjudicated through arbitration. The parties are currently in discussion and awaiting formal communication in this regard. It is not yet practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence, the disclosure of the value is not possible.

(2023: The municipality responded to the notice received from Blignaut Neerahoo Attorneys regarding a contractual dispute for a claim of R402 286. 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.)

(viii) 2024: The status of the claim amounting to R33 732 (2023: R33 732) remains the same as reported in the prior year.

(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.)

(ix) 2024: The Municipality is still waiting on the outcome of 6 public liability claims, 46 third party accident claims that were handed over to the state attorneys and / or the Municipality's insurers. 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.

(2023: The Municipality is still waiting on the outcome of 7 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.)

40.2 Contingent assets

2024: The Municipality is still awaiting the outcome of 1 insurance claim that was not concluded at 30 June 2024. The claim is specific to the 2023/2024 financial year, and all the prior year claims have been concluded.

(2023: The Municipality is still awaiting the outcome of 1 insurance claim that was not concluded at 30 June 2023. The claim is specific to the 2022/2023 financial year.)

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

The estimated useful lives and residual values of emergency equipment, furniture and fittings, motor vehicles, office equipment and plant and equipment were evaluated during the 2023/2024 financial year and the change in the estimates were implemented on 01 July 2023. This led to a change in depreciation for the 2023/2024 financial year.

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

42.1 Review of RUL of Property, plant and equipment

Asset category	**Total depreciation on assets for 2023/24 had no change been effected:**	**Total new depreciation for 2023/24 after the change was affected:**	**2023/2024: Total decrease in depreciation**	**Total depreciation on assets for future years had no change been effected:**	**Total new depreciation for future years after the change was affected:**	**Future years: Total increase in depreciation**
Furniture and fittings	734	158	(576)	-	576	576
Office equipment	21,667	7,678	(13,989)	-	13,989	13,989
Plant and equipment	9,215	1,781	(7,434)	-	7,434	7,434
	31,616	**9,617**	**(21,999)**	**-**	**21,999**	**21,999**

The effect of the change in estimate leads to an increase in depreciation of furniture and fittings of R576, increase in depreciation of office equipment of R13 989 and an increase in depreciation of plant and equipment of R7 434 for the future years.

42.2 Redundant store assets

Asset category	**Total depreciation on assets for 2023/24 had no change been effected:**	**Total new depreciation for 2023/24 after the change was effected:**	**2023/2024: Total increase in depreciation**	**Total depreciation on assets for future years had no change been effected:**	**Total new depreciation for future years after the change was effected:**	**Future years: Total decrease in depreciation**
Emergency equipment	315	1,438	1,123	1,123	-	(1,123)
Furniture and fittings	3,688	20,200	16,512	16,512	-	(16,512)
Motor vehicles	134,804	605,772	470,968	470,968	-	(470,968)
Office equipment	165,746	649,952	484,206	484,206	-	(484,206)
Plant and equipment	30,233	232,346	202,113	202,113	-	(202,113)
	334,786	**1,509,708**	**1,174,922**	**1,174,922**	**-**	**(1,174,922)**

The effect of the change in estimate leads to an decrease in depreciation of emergency equipment of R1 123, decrease in depreciation of furniture and fittings of R16 512, decrease in depreciation of motor vehicles of R470 968, decrease in depreciation of office equipment of R484 206 and a decrease in depreciation of plant and equipment of R202 113 for the future years.

43. B-BBEE Performance

2023/2024

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

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 was regarded to be non-compliant for the 2021/2022 Financial year.

44. Events after the reporting date

a) The amount of R24 577 disclosed in note 4 (Other receivables from exchange transactions) and the amount of R25 698 disclosed in note 16 (Provisions), relate to the insurance claims in progress at year end. These insurance claims have been approved and the repairs are expected to be completed during the first quarter of the financial year ending 30 June 2025.

b) The amount of R27 479 disclosed in note 47.6 (Councillors' arrear accounts), relates to the overpayment made in the determination of backpay that was paid during the financial year. These councillors had agreed that the overpayments be deducted in two instalments directly from their July 2024 and August 2024 salaries. The instalments for the affected councillors have been successfully deducted from their respective salaries, and their arrear accounts have been settled in full.

c) On 25 April 2024, Council took cognisance of the feedback received (and related approval) from the Minister of COGTA on the application submitted to waive a requirement of the local government upper limits of total remuneration packages payable to municipal managers and managers directly accountable to the municipal manager.

d) On 29 July 2024, both the Executive Mayor and Deputy Executive Mayor, approved the immediate implementation of the Council resolution (taken on 25 April 2024) to grant the waiver in accordance with the approval granted by the Minister of COGTA, which specifically applies to the Municipal Manager (H.F Prins) and the ED: Community Development and Planning Services (P.A Williams). The financial impact of the approval to grant the waiver in accordance with the approval granted by the Minister of COGTA, is currently being determined and is expected to be completed during the first quarter of the financial year ending 30 June 2025.

45. Reconciliation between budget and annual financial statements

45.1 Statement of financial performance

	2024	2023
Service charges (Actual amount as per statement of comparison)	-	-
Service charges	88,132	-
Actual amount as per statement of financial performance	**88,132**	**-**

Service charges were remapped from sale of goods and rendering of services to adhere to the requirements of GRAP.

	2024	2023
Sale of goods and rendering of services (actual amount as per statement of comparison)	11,650,555	-
Management fees: Road services	(11,375,402)	-
Management fees: Rural roads asset management	(144,400)	-
Tender documents	(1,055)	-
Encroachment fees	(1,850)	-
Scrap, waste and other goods	(39,716)	-
Service charges	(88,132)	-
Amount as per statement of financial performance	**-**	**-**

Sale of goods and rendering of services were remapped to adhere to the requirements of GRAP.

Figures in Rand	2024	2023

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

Agency services (Actual amount as per statement of comparison)	116,139,123	-
Roads capital	314,522	-
Management fees	11,375,402	-
Management fees	(13,081,713)	-
Actual amount as per statement of financial performance	**114,747,334**	**-**

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

Licences and permits (Actual amount as per statement of comparison)	818,913	-
Licences and permits	(818,913)	-
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)	265,525,744	-
Sandhills toilet hire	529,729	-
Fire service capacity building grant	498,475	-
Emergency load shedding relief grant	950,000	-
Actual amount as per statement of financial performance	**267,503,948**	**-**

Sandhills toilet hire was remapped from other revenue to transfers and subsidies to adhere to the requirements of GRAP. Capital grants were remapped to adhere to the requirements of GRAP.

Other revenue (Actual amount as per statement of comparison)	1,053,926	-
Tender documents	1,054	-
Scrap, waste and other goods	39,716	-
Sandhills toilet hire	(529,729)	-
Encroachment fees	1,850	-
Licences and permits	818,913	-
Actual amount as per statement of financial performance	**1,385,730**	**-**

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

Employee-related costs (Actual amount as per statement of comparison)	241,876,076	-
Workmen's compensation fund	1,291,147	-
Interest cost	(6,982,705)	-
Actual amount as per statement of financial performance	**236,184,518**	**-**

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

Other gains (Actual amount as per statement of comparison)	704,912	-
Actuarial gains	(704,912)	-
Actual amount as per statement of financial performance	**-**	**-**

Actuarial gains were remapped from other gains to employee-related costs to adhere to the requirements of GRAP.

Figures in Rand	2024	2023

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

Interest (Actual amount as per statement of comparison)	1,904,441	-
Post-retirement benefit: interest cost	11,808,619	-
Actual amount as per statement of financial performance	**13,713,060**	**-**

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	275,766	-
Actual amount as per statement of financial performance	**275,766**	**-**

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)	25,048,160	-
General expenses	(25,048,160)	-
Actual amount as per statement of financial performance	**-**	**-**

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

Operational cost (Actual amount as per statement of comparison)	86,576,985	-
Workmen's compensation fund	(1,291,147)	-
Lease rental on operating leases	(275,766)	-
Inventory consumed	25,048,160	-
Management fees	(13,081,713)	-
Actual amount as per statement of financial performance	**96,976,519**	**-**

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.

Other losses (Actual amount as per statement of comparison)	5,691,646	-
Inventories losses	(160,819)	-
Actuarial losses	(5,530,827)	-
Actual amount as per statement of financial performance	**-**	**-**

Other losses were remapped to adhere to the requirements of GRAP.

Inventories losses (Actual amount as per statement of comparison)	-	-
Inventories losses	160,819	-
Actual amount as per statement of financial performance	**160,819**	**-**

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

Transfers and subsidies: Capital monetary (Actual amount as per statement of comparison)	1,762,997	-
Roads capital	(314,522)	-
Emergency load shedding relief grant	(950,000)	-
Fire service capacity building grant	(498,475)	-
Actual amount as per statement of financial performance	**-**	**-**

The capital financing for roads was remapped from transfers and subsidies to roads services. Capital grants were remapped to transfers and subsidies to adhere to the requirements of GRAP.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Contracted services (Actual amount as per statement of comparison)	60,262,469	-
Management fee: Rural roads asset management	(144,400)	-
Actual amount as per statement of financial performance	**60,118,069**	**-**

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

Trade and other receivables from exchange (Actual amount as per statement of comparison)	24,695,454	-
Service charges	(65,742)	-
Insurance claims	54,384	-
Deposits	4,740	-
Accrued interest	17,622,040	-
Third party refunds	265,438	-
Actual amount as per statement of financial position	**42,576,314**	**-**

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

VAT receivable (Actual amount as per statement of comparison)	5,484,313	-
Output tax	(13,245)	-
Actual amount as per statement of financial position	**5,471,068**	**-**

Output tax was remapped from current liabilities to VAT receivable to adhere to the requirements of GRAP.

Receivables from non-exchange transactions (Actual amount as per statement of comparison)	186,816	-
Insurance claims	(54,384)	-
Actual amount as per statement of financial position	**132,432**	**-**

Insurance claims were remapped from to other receivables from exchange transactions to adhere to the requirements of GRAP.

Other current assets (Actual amount as per Statement of Comparison)	63,330,449	-
Accrued interest	(63,060,270)	-
Third party refunds	(265,439)	-
Deposits	(4,740)	-
Actual amount as per statement of financial position	**-**	**-**

Other current assets was remapped to other receivables from exchange transactions to adhere to the requirements of GRAP

Other receivables from exchange transactions: Non-current (Actual amount as per statement of comparison)	-	-
Accrued income	45,438,229	-
Actual amount as per statement of financial position	**45,438,229**	**-**

The non-current portion of the accrued income was remapped from other current debtors to adhere to the requirements of GRAP.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

VAT (Actual amount as per statement of comparison)	67,338	-
Output tax	(13,245)	-
Provision for doubtful debt impairment	(54,093)	-
Actual amount as per statement of financial position	**-**	**-**

Output tax was remapped to adhere to the requirements of GRAP.

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)	8,706,224	-
Employee benefits	(2,374,912)	-
Consumer deposits	22,500	-
Actual amount as per statement of financial position	**6,353,812**	**-**

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

Provisions (Actual amount as per statement of comparison)	38,359,597	-
Employee benefits	(38,333,899)	-
Actual amount as per statement of financial position	**25,698**	**-**

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

Accumulated surplus (Actual amount as per statement of comparison)	801,457,113	-
Reserves	73,394,129	-
Actual amount as per statement of financial position	**874,851,242**	**-**

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

45.3 Cashflow statement

Suppliers and employees (Actual amount as per statement of comparison)	404,396,875	-
Employee cost	(236,963,840)	-
Suppliers	(166,612,718)	-
Finance costs	(14,614,854)	-
Transfer and grants	13,794,537	-
Amount as per cash flow statement	**-**	**-**

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

Transfers and grants (Actual amount as per statement of comparison)	(13,794,537)	-
Transfers and grants	13,794,537	-
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%.

46.1 Statement of financial position

Current assets

Cash and cash equivalents

Variance as a result of increased interest income being received on the investments made, due to higher interest rates being offered than what was anticipated during the preparation of the budget.

Trade and other receivables from exchange transactions

Variance as a result of the roads services receivable which has decreased due to the impact of the actuarial valuations performed and the decrease in revenue recognised in the current year.

Receivables from non-exchange transactions

Variance as a result of the accrued income being higher than anticipated during the preparation of the budget. The budgeted amounts were based on the previous year's events and transactions.

Current portion of non-current receivable

Variance as a result of the actuarial valuation performed related to the employee benefits. The actuarial valuation is performed at year end and the budget estimation is brought in line therewith.

Inventory

Variance is less than 10%, no reason required.

VAT

Variance as a result of the VAT refund for May 2024 only being received during July 2024.

Other current assets

Variance as a result of increased interest income being received on the investments made, due to higher interest rates being offered than what was anticipated during the preparation of the budget.

Non-current assets

Property, plant and equipment

Variance as a result of the construction of the regional landfill site being deferred to the next financial year.

Investments

Variance is less than 10%, no reason required.

Intangible assets

Variance as a result of the capital items classified as property, plant and equipment during the preparation of the budget being reclassified to intangible assets during the preparation of the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Liabilities

Current liabilities

Consumer deposits

Variances is less than 10%, no reason required.

Trade and other payables from non- exchange transactions

Variance as a result of two provincial grant funded projects to the value of R4.7 million that were not realised during the current financial year. An application to roll over these funds has been submitted, and if approved, these projects will be rolled out during the next financial year.

Trade and other payables from exchange transactions

Variance as a result of the creditor accruals being less than anticipated during the preparation of the budget. The budgeted amounts were based on the previous year's events and transactions.

VAT

Variance as a result of the VAT refund for May 2024 only being received during July 2024.

Provisions

Variances is less than 10%, no reason required.

Non-current liabilities

Provisions

Variance is less than 10%, no reason required.

Net assets

Reserves

Variance as a result of the transfer to the capital replacement reserve. The transfer to the capital replacement reserve is performed at year and the amount is undetermined during the preparation of the budget.

46.2 Statement of financial performance

Revenue from exchange transactions

Sale of goods and rendering of services

Variance is less than 10%, no reason required.

Agency services

Variance as a result of vacant posts being filled internally as well as a large number of applications being received which makes the appointment of roads staff a lengthy process.

Interest earned from current and non- current assets

Variance as a result of increased interest income being received on the investments made, due to higher interest rates being offered than what was anticipated during the preparation of the budget.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Rental of facilities and equipment

Variance is less than 10%, no reason required.

Licences and permits

Variance as a result of an increase in economic activity and a vast number of export certificates being issued.

Other revenue

Variance as a result of other revenue consisting of a number of different income sources which are subject to change due to external factors.

Transfers and subsidies

Variance is less than 10%, no reason required.

Other gains

Variance as a result of the actuarial valuation performed related to the employee benefits. The actuarial valuation is performed at year end and the budget estimation is brought in line therewith.

Expenditure

Employee-related costs

Variance is less than 10%, no reason required.

Remuneration of councillors

Variance is less than 10%, no reason required.

Inventory consumed

Variance as a result of additional funding received for the flood damages during the latter part of the year.

Depreciation and amortisation

Variance is less than 10%, no reason required.

Interest

Variance is less than 10%, no reason required.

Debt impairment

Variance is less than 10%, no reason required.

Contracted services

Variance as a result of not all projects being rolled out as planned during the current year. These projects have been deferred to the next financial year.

Irrecoverable debt written off
Variance is less than 10%, no reason required

Other losses

Variance is less than 10%, no reason required

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Transfers and subsidies

Variance as a result of the deregistration of a few non-profit organisations which affected the payment of funds to beneficiaries.

Other expenditure

Variance is less than 10%, no reason required.

Loss on disposal of assets

Variance is less than 10%, no reason required.

Transfer and subsidies - capital (monetary allocations)

Variance as a result of three capital projects to the value of approximately R700 000 for road services that were deferred to the next financial year.

46.3 Cash flow statement

Other revenue

Refer to reasons provided above for the variances in statement of financial performance.

Transfers and subsidies - operational

Variance is less than 10%, no reason required.

Transfers and subsidies - capital

Variance as a result of three capital projects to the value of approximately R700 000 for road services that were deferred to the next financial year.

Interest

Variance is less than 10%, no reason required.

Suppliers and employees

Refer to reasons provided above for the variances in statement of financial performance.

Transfers and grants

Refer to reasons provided above for the variances in statement of financial performance.

Capital assets

Variance as a result of the construction of the regional landfill site being deferred to the next financial year.

Investments

Variance is less than 10%, no reason required.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Additional disclosure in terms of Municipal Finance Management Act

47.1 Contributions to organised local government

Current year subscription / fee	2,519,294	2,290,110
Amount paid - current year	(2,393,329)	(2,175,605)
Discount received (5%)	(125,965)	(114,505)
	-	-

47.2 Audit fees

Current year audit fee - AGSA	2,851,724	3,206,646
Current year audit fee - Audit committee	155,097	121,833
Amount paid	(3,011,645)	(3,316,503)
	(4,824)	**11,976**

An amount of R24 798 was paid during the current year which related to a prior year accrual. This accrual was recognised as expenditure in the prior year but only paid in the current year. As a result, the audit fees paid exceeds the current year audit fee expenditure.

47.3 PAYE, UIF and SDL

Current year payroll deductions	43,937,312	40,929,436
Amount paid - current year	(43,937,312)	(40,929,436)
	-	-

47.4 Pension and medical aid deductions

Current year payroll deductions	74,556,097	(70,579,325)
Amount paid - current year	(74,556,097)	70,579,325
	-	-

47.5 VAT

VAT receivable	5,471,068	5,710,257
VAT payable	-	(3,016,733)
	5,471,068	**2,693,524**

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 municipal rates or services.

The councillor arrear accounts in respect of Cllrs Gwada, Ross, Nyamana and Heradien relate to the overpayment of remuneration due to the upward change in the grading of Witzenberg, Drakenstein and Langeberg Local Municipalities.

The councillor arrear account of Cllr Mcako relates his termination as a councillor of Stellenbosch Local Municipality. The bank instruction for the monthly salary payment had already been submitted and processed at time of notification of his resignation and could not be cancelled / withdrawn. This resulted in the salary overpayment to Cllr Mcako.

The councillor arrear accounts of Cllrs Magqazana and Qoba relate to overpayments made (as a result of calculation errors) in their final payments upon termination/resignation from their position as councillors of CWDM.

The councillor arrear accounts of the seventeen (17) remaining councillors relate to overpayments made (as a result of calculation errors) in the determination of their backpay that was paid during the financial year.

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

30 June 2024	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
Cllr. G.J.Carinus	5,123	-	5,123
Cllr. D.D.Joubert	2,700	-	2,700
Cllr. N.M.Bushwana	316	-	316
Cllr. E.Groenewald	3,277	-	3,277
Cllr. V.Hani	1,100	-	1,100
Cllr. D.B.Janse	316	-	316
Cllr. J.J.J.Januarie	316	-	316
Cllr. J.Maliti	1,085	-	1,085
Cllr. X.L.Mdemka	3,277	-	3,277
Cllr. T.R.Mpulanyana	1,106	-	1,106
Cllr. R.S.Nalumango	316	-	316
Cllr. L.Ngwane	1,107	-	1,107
Cllr. N.Phatsoane	316	-	316
Cllr. W.C.Petersen	3,277	-	3,277
Cllr. C.F.Wilskut	316	-	316
Cllr. M.H.Yabo	1,085	-	1,085
Cllr. J.H.P. Steyn	2,446	-	2,446
	27,479	**19,921**	**47,400**

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.

The municipality had recovered all overpayments as a result of the upward grading, overpayments upon termination/resignation or incorrect backpay payments, except for the above-mentioned councillors. The following actions have been taken by the municipality:

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

Legal action has been instituted against Cllrs Ross and Heradien for the recovery of the arrear debt. These legal processes are currently underway.

During the debt collection process, it was confirmed that Cllr Gwada is deceased. All attempts to recover the arrear debt from his deceased estate have been unsuccessful. The likelihood of this debt being recovered is remote.

During the debt collection process, it was confirmed that the estimated cost to recover the arrear debt from Cllr Nyamana is R2 800. The arrear debt owed is R769, thus it is not economically viable for the municipality to recover this debt.

(ii) In respect of overpayment due to late notification of termination:

During the debt collection process, it was confirmed that Cllr Mcako is deceased. All attempts to recover the arrear debt from his deceased estate have been unsuccessful. The likelihood of this debt being recovered is remote.

(iii) In respect of overpayments due to termination / resignation:

Cllrs Magqazana and Qoba have been handed over for the institution of legal action.

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

(iv) In respect of overpayments related to backpay:

These councillors have agreed to a repayment period of two months and the repayments will be made at the end of July and August 2024. These repayments will be deducted directly from their monthly salaries. Refer to note 44.

(v) Application for departure from section 167 of the MFMA:

The municipality has submitted an application to the Minister of Finance, for the departure from section 167 of the MFMA, specifically section 167(2)(b), which does not allow the write off of the arrear debt accounts of the councillors.

The application specifically refers to Cllrs Gwada and Mcako who are deceased and the likelihood of recovery from their deceased estates is remote as well as Cllr Nyamana whose arrear debt recovery is not economically viable for the municipality as indicated above.

Should the departure from section 167 of the MFMA be approved, the municipality will follow its Credit Control and Debt Collection Policy for the write off of these three arrear debt accounts.

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 Cllrs Heradien, Ross, Gwada (deceased) and Nyamana is currently in progress. Attempts by the municipality's debt collectors to institute a claim against the deceased estate of Cllr Gwada are still ongoing, though to date this has been unsuccessful.

(ii) In respect of resignations / terminations:

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. Cllrs Magqazana and Qoba will be handed over for the institution of legal action.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

47.7 Particulars of non-compliance

No incidents of non-compliance occurred during the current and prior financial year.

47.8 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 the CWDM demarcation for projects as identified by the respective local municipality in terms of service level agreements:

	2024	2023
Breede Valley Municipality	1,726,000	605,000
Drakenstein Municipality	798,000	815,000
Langeberg Municipality	672,000	560,000
Stellenbosch Municipality	638,000	615,000
Witzenberg Municipality	822,000	1,560,000
	4,656,000	**4,155,000**

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)

2024

	Community development and planning services	Technical services	Non-reportable	Total
Revenue				
Revenue from exchange transactions				
Service charges	88,132	-	-	88,132
Rental of facilities and equipment	-	-	264,803	264,803
Roads services	-	103,371,931	11,375,403	114,747,334
Other income	818,913	41,667	525,150	1,385,730
Interest revenue - Investment	-	4,438,814	85,523,055	89,961,869
Revenue from non- exchange transactions				
Transfer revenue				
Government grant & subsidies	3,440,786	4,334,162	259,729,000	267,503,948
Total segment revenue	**4,347,831**	**112,186,574**	**357,417,411**	**473,951,816**
Expenditure				
Employee-related costs	99,598,586	69,703,610	66,882,322	236,184,518
Remuneration of councillors	-	-	14,587,375	14,587,375
Depreciation and amortisation	5,815,698	2,783,443	3,173,978	11,773,119
Lease rentals on operating lease	-	-	275,766	275,766
Debt impairment	-	-	3,688	3,688
Finance costs	-	-	13,713,060	13,713,060
Contracted services	35,936,395	8,138,774	16,042,900	60,118,069
Transfers and subsidies	8,717,530	2,577,007	2,500,000	13,794,537
Loss on disposal of assets and liabilities	232,093	1,892,535	72,358	2,196,986
Inventories losses / write- downs	-	-	160,819	160,819
General expenses	15,913,097	52,041,903	29,021,519	96,976,519
Total segment expenditure	**166,213,399**	**137,137,272**	**146,433,785**	**449,784,456**
Surplus/(deficit)				**24,167,360**
Assets				
Non- current assets				
Property, plant and equipment	28,709,199	8,804,073	2,365,740	39,879,012
Intangible assets	-	153,000	-	153,000
Total additions to non- current assets	**28,709,199**	**8,957,073**	**2,365,740**	**40,032,012**

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 received - 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**
Expenditure				
Employee-related cost	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 costs	-	-	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				
Property, plant and equipment	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**

Measurement of segment surplus or deficit

Basis of accounting for transactions between reportable segments

The accounting policies of the reportable segments are the same as those described in the significant accounting policies of the municipality. Refer to note 1.

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Capital commitments

The below amounts are all inclusive of VAT.

Approved and contracted for		
Property, plant and equipment - Buildings	-	233,766
Property, plant and equipment - Infrastructure	104,305,616	281,417
	104,305,616	**515,183**

2023/2024

The amount of R104 305 616 in 2024 relates to tenders T2021/057 (2024: R285 365) and T2023/022 (2024: R104 020 250) respectively for the development and construction of a regional landfill site.

2022/2023

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

The amount of R281 417 relates to tender T2019/132 (2023: R110 354) and T2021/057 (2023: R171 063) respectively for the development of a regional landfill site.

50. Prior period error

The prior year comparative amount is restated in note 51.2 during the current financial year.

Nedbank	-	1,451
Innovative Transport Solutions	-	586,717
Adapt IT	-	119,882
Neoteric Trading Services (Pty) Ltd	-	2,231
	-	**710,281**

In the case of Nedbank, Innovative Transport Solutions and Adapt IT, the amounts were erroneously excluded and in the case of Neoteric Trading Services (Pty) Ltd, the relevant spouse resigned in September 2022, therefore the disclosure of the 2022/2023 financial year was adjusted.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

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

2024	Total Value (incl. VAT)	Emergency	Sole Supplier/ Agent	Impractical
July	175,170	-	4	-
August	274,690	-	-	4
September	46,548	-	-	1
October	92,003	-	6	1
November	117,247	2	3	2
December	46,548	-	-	1
January	180,041	3	-	2
February	2,041,749	-	1	4
March	257,468	-	-	9
April	612,981	-	3	16
May	332,829	-	2	12
June	402,058	-	-	5
	4,579,332	**5**	**19**	**57**

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**

Notes to the Financial Statements

Figures in Rand	2024	2023

51.2 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		
M & N Bakwerkwe Close Corporation	Brother/Sister	E Niemand	Cape Winelands District Municipality	Senior Administrator: Quotations & Tenders	10,000	19,108
JPCE (Pty) Ltd	Spouse	JA Minnie	City of Cape Town	Manager: Disaster Management Centre: Safety and Security Directorate	60,000	61,341
NCC Environmental Services Proprietary Limited	Spouse	C Rhoda	City of Cape Town	Manager	8,583,204	6,226,557
Masiqhame Trading 77 Close Corporation	Child	B Qxilishe	Department of Agriculture	Snr Admin officer: Dept of Agriculture, Forestry & Fisheries	-	39,512
	Child	S Qxilishe	Western Cape Education Department	Teacher at Du Noon		
Piston Power Chemicals Close Corporation	Spouse	N Andhee	Department of Education	Teacher	387,803	489,215
Jah Guide Agriculture Proprietary Limited	Spouse	G Davids	SAPS	Police Official	741,746	138,456

Notes to the Financial Statements

Figures in Rand					2024	2023
CC Davids T/A Mc Sound and Lightning	Spouse	M Davids	Witzenburg Municipality	Official	16,900	17,300
Neoteric Trading Services (Pty) Ltd	Spouse	AA Jacobs	Cape Agulhas Municipality	Director	-	2,231
Ladybugs Innovative Marketing (Pty) Ltd	Spouse	RA Levendal	Department of Correctional Services	Environmental Health Practitioner	237,827	38,636
Zutari (Pty) Ltd	Spouse	Ahischlager, HC	Special Investigating Unit	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
Nedbank	Spouse	V Subramoney	Department of Education	Teacher	16,190,792	1,451
Innovative Transport Solutions	Son	Dean Pretorius	CSIR	Engineer	381,246	586,717
Adapt it	Spouse	D Mbambo	SANRAL	Operations and Maintenance Manager	131,870	119,882
					26,741,388	**8,037,079**

Annexure A

DC2 Cape Winelands DM - Reconciliation of Table A1 Budget Summary

Description R thousands	2023/24 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	2022/23 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	63,000	10,103	73,103	89,962		16,858	123.1%	142.8%				–
Transfers recognised - operational	270,210	1,983	272,192	265,526		(6,667)	97.6%	98.3%				–
Other own revenue	141,975	23,600	165,575	130,632		(34,942)	78.9%	92.0%				–
Total Revenue (excluding capital transfers and contributions)	**475,184**	**35,686**	**510,870**	**486,120**		**(24,751)**	**95.2%**	**102.3%**				**–**
Employee costs	258,507	(2,458)	256,049	241,876	–	(14,173)	94.5%	93.6%	–	–	–	–
Remuneration of councillors	12,521	2,306	14,827	14,587	–	(240)	98.4%	116.5%	–	–	–	–
Debt impairment	–	4	4	4	–	(0)	99.7%	#DIV/0!	–	–	–	–
Depreciation & asset impairment	9,561	3,052	12,613	11,773	–	(840)	93.3%	123.1%	–	–	–	–
Finance charges	1,200	704	1,904	1,904	–	(0)	100.0%	158.7%	–	–	–	–
Materials and bulk purchases	26,660	3,219	29,879	25,048	–	(4,831)	83.8%	94.0%	–	–	–	–
Transfers and grants	17,984	1,502	19,485	13,795	–	(5,691)	70.8%	76.7%	–	–	–	–
Other expenditure	148,752	27,357	176,109	154,728	–	(21,380)	87.9%	104.0%	–	–	–	–
Total Expenditure	**475,184**	**35,686**	**510,870**	**463,715**	**–**	**(47,155)**	**90.8%**	**97.6%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**–**	**–**	**–**	**22,404**		**22,404**	**#DIV/0!**	**#DIV/0!**				**–**
Transfers recognised - capital	2,340	165	2,505	1,763		(742)	70.4%	75.3%				–
Contributions recognised - capital & contributed assets	–	–	–	–		–	-	-				–
Surplus/(Deficit) after capital transfers & contributions	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				**–**
Share of surplus/ (deficit) of associate	–	–	–	–		–	-	-				–
Surplus/(Deficit) for the year	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				**–**
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	2,340	165	2,505	1,763		(742)	70.4%	75.3%				–
Public contributions & donations	–	–	–	–		–	-	-				–
Borrowing	–	–	–	–		–	-	-				–
Internally generated funds	105,329	(37,614)	67,715	38,269		(29,446)	56.5%	36.3%				–
Total sources of capital funds	**107,669**	**(37,449)**	**70,220**	**40,032**		**(30,188)**	**57.0%**	**37.2%**				**–**
Cash flows												
Net cash from (used) operating	(21,649)	(325)	(21,975)	28,724		50,698	-130.7%	-132.7%				–
Net cash from (used) investing	(267,669)	(20,551)	(288,220)	(248,018)		40,202	86.1%	92.7%				–
Net cash from (used) financing	–	–	–	–		–	-	-				–
Cash/cash equivalents at the year end	**493,371**	**(142,023)**	**351,347**	**424,247**		**72,900**	**120.7%**	**86.0%**				**–**

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

Description R thousand	2023/24								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	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	**335,344**	**23,958**	**359,302**	**357,858**		**(1,445)**	**99.6%**	**106.7%**				**–**
Executive and council	78,225	22,658	100,884	100,697		(186)	99.8%	128.7%				
Budget and treasury office	256,784	–	256,784	256,762		(22)	100.0%	100.0%				
Corporate services	335	1,300	1,635	399		(1,236)	24.4%	119.1%				
Community and public safety	**2,909**	**1,818**	**4,727**	**4,348**		**(380)**	**92.0%**	**149.5%**				**–**
Community and social services	1,636	1,818	3,454	2,942		(512)	85.2%	179.8%				
Sport and recreation	–	–	–	–		–	-	-				
Public safety	620	–	620	587		(33)	94.6%	94.6%				
Housing	–	–	–	–		–	-	-				
Health	653	–	653	819		166	125.4%	125.4%				
Economic and environmental services	**139,272**	**10,074**	**149,346**	**125,677**		**(23,668)**	**84.2%**	**90.2%**				**–**
Planning and development	6,709	(41)	6,668	4,743		(1,925)	71.1%	70.7%				
Road transport	132,563	10,115	142,678	120,934		(21,743)	84.8%	91.2%				
Environmental protection	–	–	–	–		–	-	-				
Trading services	**–**	**–**		**–**		**–**	**-**	**-**				**–**
Electricity	–	–	–	–		–	-	-				
Water	–	–	–	–		–	-	-				
Waste water management	–	–	–	–		–	-	-				
Waste management	–	–	–	–		–	-	-				
Other	**–**	**–**	**–**	**–**		**–**	**-**	**-**				
Total Revenue - Standard	**477,525**	**35,851**	**513,375**	**487,883**		**(25,493)**	**95.0%**	**102.2%**				**–**
Expenditure - Standard												
Governance and administration	**147,588**	**14,453**	**162,041**	**152,318**	**–**	**(9,723)**	**94.0%**	**103.2%**	**–**	**–**	**–**	**–**
Executive and council	41,614	15,834	57,448	55,759	–	(1,690)	97.1%	134.0%			–	
Budget and treasury office	31,738	(3,404)	28,334	26,124	–	(2,210)	92.2%	82.3%			–	
Corporate services	74,237	2,023	76,259	70,435	–	(5,824)	92.4%	94.9%			–	
Community and public safety	**143,471**	**8,791**	**152,263**	**145,247**	**–**	**(7,016)**	**95.4%**	**101.2%**	**–**	**–**	**–**	**–**
Community and social services	26,213	(1,759)	24,454	20,863	–	(3,590)	85.3%	79.6%			–	
Sport and recreation	–	–	–	–	–	–	-	-			–	
Public safety	72,858	10,451	83,309	82,811	–	(497)	99.4%	113.7%			–	
Housing	–	–	–	–	–	–	-	-			–	
Health	44,401	100	44,500	41,572	–	(2,928)	93.4%	93.6%			–	
Economic and environmental services	**174,386**	**11,674**	**186,059**	**156,803**	**–**	**(29,256)**	**84.3%**	**89.9%**	**–**	**–**	**–**	**–**
Planning and development	37,524	2,945	40,469	33,253	–	(7,215)	82.2%	88.6%			–	
Road transport	136,862	8,729	145,591	123,550	–	(22,041)	84.9%	90.3%			–	
Environmental protection	–	–	–	–	–	–	-	-			–	
Trading services	**–**	**–**	**–**	**–**	**–**	**–**	**-**	**-**	**–**	**–**	**–**	**–**
Electricity	–	–	–	–	–	–	-	-			–	
Water	–	–	–	–	–	–	-	-			–	
Waste water management	–	–	–	–	–	–	-	-			–	
Waste management	–	–	–	–	–	–	-	-			–	
Other	**9,739**	**769**	**10,508**	**9,348**	**–**	**(1,160)**	**89.0%**	**96.0%**			**–**	
Total Expenditure - Standard	**475,184**	**35,686**	**510,870**	**463,715**	**–**	**(47,155)**	**90.8%**	**97.6%**	**–**	**–**	**–**	**–**
Surplus/(Deficit) for the year	**2,340**	**165**	**2,505**	**24,167**	**–**	**21,662**	**964.8%**	**1032.7%**	**–**	**–**	**–**	**–**

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

Vote Description	2023/24								2022/23			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	–	–	–	–		–	-	-				
Vote 2 - COMM AND DEV	2,833	1,804	4,637	4,259		(378)	91.8%	150.3%				
Vote 3 - ENGINERING	10,209	(41)	10,168	4,743		(5,425)	46.6%	46.5%				
Vote 4 - RURAL AND SOCIAL	76	14	90	89		(2)	98.2%	116.5%				
Vote 5 - OFFICE OF THE MM	–	1,300	1,300	–		(1,300)	-	-				
Vote 6 - FINANCIAL SERVICES	256,784	–	256,784	256,762		(22)	100.0%	100.0%				
Vote 7 - CORPORATE SERVICES	78,560	22,658	101,218	101,096		(122)	99.9%	128.7%				
Vote 8 - ROADS AGENCY	129,063	10,115	139,178	120,934		(18,243)	86.9%	93.7%				
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	**477,525**	**35,851**	**513,375**	**487,883**		**(25,493)**	**95.0%**	**102.2%**				**–**
Expenditure by Vote ***to be appropriated***												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	22,182	1,358	23,541	20,967		(2,574)	89.1%	94.5%			–	
Vote 2 - COMM AND DEV	128,115	7,120	135,235	130,153		(5,082)	96.2%	101.6%			–	
Vote 3 - ENGINERING	46,020	4,426	50,446	39,843		(10,603)	79.0%	86.6%			–	
Vote 4 - RURAL AND SOCIAL	15,356	1,671	17,028	15,093		(1,934)	88.6%	98.3%			–	
Vote 5 - OFFICE OF THE MM	15,898	1,145	17,043	15,143		(1,900)	88.9%	95.3%			–	
Vote 6 - FINANCIAL SERVICES	31,738	(3,404)	28,334	26,124		(2,210)	92.2%	82.3%			–	
Vote 7 - CORPORATE SERVICES	78,638	14,856	93,493	88,434		(5,059)	94.6%	112.5%			–	
Vote 8 - ROADS AGENCY	129,381	8,532	137,913	120,620		(17,293)	87.5%	93.2%			–	
Vote 9 - TASK	–	–	–	–		–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–	–		–	-	-			–	
Vote 11 - CORPORATE SERVICES	7,856	(18)	7,838	7,338		(500)	93.6%	93.4%			–	
Example 12 - Vote12	–		–	–		–	-	-			–	
Example 13 - Vote13	–		–	–		–	-	-			–	
Example 14 - Vote14	–		–	–		–	-	-			–	
Example 15 - Vote15	–		–	–		–	-	-			–	
Total Expenditure by Vote	**475,184**	**35,686**	**510,870**	**463,715**	**–**	**(47,155)**	**90.8%**	**97.6%**	**–**	**–**	**–**	**–**
Surplus/(Deficit) for the year	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				

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

Description	2023/24								2022/23			
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	265		25	110.3%	110.3%				
Interest earned - external investments	63,000	10,103	73,103	89,962		16,858	123.1%	142.8%				
Interest earned - outstanding debtors	–	–	–	–		–	-	-				
Dividends received	–	–	–	–		–	-	-				
Fines	–	–	–	–		–	-	-				
Licences and permits	653	–	653	819		166	125.4%	125.4%				
Agency services	127,073	10,900	137,973	116,139		(21,833)	84.2%	91.4%				
Transfers recognised - operational	270,210	1,983	272,192	265,526		(6,667)	97.6%	98.3%				
Other revenue	14,009	145	14,154	12,704		(1,450)	89.8%	90.7%				
Gains	–	12,555	12,555	705		(11,850)	5.6%	#DIV/0!				
Total Revenue (excluding capital transfers and contributions)	**475,184**	**35,686**	**510,870**	**486,120**		**(24,751)**	**95.2%**	**102.3%**				**–**
Expenditure By Type			–				-	-				
Employee related costs	258,507	(2,458)	256,049	241,876		(14,173)	94.5%	93.6%			–	
Remuneration of councillors	12,521	2,306	14,827	14,587		(240)	98.4%	116.5%			–	
Debt impairment	–	4	4	4		(0)	99.7%	#DIV/0!			–	
Depreciation & asset impairment	9,561	3,052	12,613	11,773		(840)	93.3%	123.1%			–	
Finance charges	1,200	704	1,904	1,904		(0)	100.0%	158.7%			–	
Bulk purchases	–	–	–	–		–	-	-			–	
Other materials	26,660	3,219	29,879	25,048		(4,831)	83.8%	94.0%			–	
Contracted services	69,702	3,979	73,681	60,262		(13,419)	81.8%	86.5%			–	
Transfers and grants	17,984	1,502	19,485	13,795		(5,691)	70.8%	76.7%			–	
Irrecoverable debt written off	500	(500)	–	–		–	-	-				
Other expenditure	78,539	15,946	94,485	86,577		(7,908)	91.6%	110.2%			–	
Losses	11	7,931	7,942	7,889		(54)	99.3%	71714.8%			–	
Total Expenditure	**475,184**	**35,686**	**510,870**	**463,715**	**–**	**(47,155)**	**90.8%**	**97.6%**	**–**	**–**	**–**	**–**
Surplus/(Deficit)	**–**	**–**	**–**	**22,404**		**22,404**	**#DIV/0!**	**#DIV/0!**				**–**
Transfers recognised - capital	2,340	165	2,505	1,763		(742)	70.4%	75.3%				
Contributions recognised - capital	–	–	–	–		–	-	-				
Contributed assets	–	–	–	–		–	-	-				
Surplus/(Deficit) after capital transfers & contributions	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				**–**
Taxation	–		–			–	-	-				
Surplus/(Deficit) after taxation	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				**–**
Attributable to minorities	–		–			–	-	-				
Surplus/(Deficit) attributable to municipality	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				**–**
Share of surplus/ (deficit) of associate	–		–			–	-	-				
Surplus/(Deficit) for the year	**2,340**	**165**	**2,505**	**24,167**		**21,662**	**964.8%**	**1032.7%**				**–**

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

Vote Description	2023/24								2022/23			
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	4,080	(2,387)	1,693	1,202		(491)	71%	29%			–	
Vote 3 - ENGINERING	55,150	(29,560)	25,590	2,002		(23,588)	8%	4%			–	
Vote 4 - RURAL AND SOCIAL	–	–	–	–		–	-	-			–	
Vote 5 - OFFICE OF THE MM	30	(7)	23	19		(4)	82%	63%			–	
Vote 6 - FINANCIAL SERVICES	–	241	241	241		0	100%	#DIV/0!			–	
Vote 7 - CORPORATE SERVICES	7	148	155	155		(0)	100%	2215%			–	
Vote 8 - ROADS AGENCY	200	105	305	105		(200)	35%	53%			–	
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	**59,467**	**(31,460)**	**28,007**	**3,724**	**–**	**(24,283)**	**13%**	**6%**	**–**	**–**	**–**	**–**
Single-year expenditure												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	–	–	–	–		–	-	-			–	
Vote 2 - COMM AND DEV	31,317	(1,476)	29,841	27,507		(2,334)	92%	88%			–	
Vote 3 - ENGINERING	12,877	(2,510)	10,366	7,399		(2,967)	71%	57%			–	
Vote 4 - RURAL AND SOCIAL	–	–	–	–		–	-	-			–	
Vote 5 - OFFICE OF THE MM	525	(42)	483	470		(13)	97%	89%			–	
Vote 6 - FINANCIAL SERVICES	1,349	(1,016)	333	322		(10)	97%	24%			–	
Vote 7 - CORPORATE SERVICES	494	(54)	441	401		(40)	91%	81%			–	
Vote 8 - ROADS AGENCY	1,640	(891)	750	209		(540)	28%	13%			–	
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	48,202	(5,989)	42,213	36,308	–	(5,905)	86%	75%	–	–	–	–
Total Capital Expenditure - Vote	107,669	(37,449)	70,220	40,032	–	(30,188)	57%	37%	–	–	–	–
Capital Expenditure - Standard												
Governance and administration	**11,005**	**(819)**	**10,186**	**8,248**	**–**	**(1,938)**	**81%**	**75%**	**–**	**–**	**–**	**–**
Executive and council	20	(7)	13	9		(4)	70%	47%			–	
Budget and treasury office	1,349	(776)	573	563		(10)	98%	42%			–	
Corporate services	9,636	(36)	9,600	7,676		(1,924)	80%	80%			–	
Community and public safety	**35,397**	**(3,863)**	**31,534**	**28,709**	**–**	**(2,825)**	**91%**	**81%**	**–**	**–**	**–**	**–**
Community and social services	6,205	(3,159)	3,046	1,893		(1,153)	62%	31%			–	
Sport and recreation	–	–	–	–		–	-	-			–	
Public safety	29,098	(670)	28,427	26,765		(1,663)	94%	92%			–	
Housing	–	–	–	–		–	-	-			–	
Health	95	(34)	61	51		(10)	84%	54%			–	
Economic and environmental services	**61,267**	**(32,768)**	**28,499**	**3,075**	**–**	**(25,424)**	**11%**	**5%**	**–**	**–**	**–**	**–**
Planning and development	59,427	(31,982)	27,444	2,760		(24,684)	10%	5%			–	
Road transport	1,840	(785)	1,055	315		(740)	30%	17%			–	
Environmental protection	–	–	–	–		–	-	-			–	
Trading services	**–**	**–**			**–**	**–**	**-**	**-**	**–**	**–**	**–**	**–**
Electricity	–	–	–	–		–	-	-			–	
Water	–	–	–	–		–	-	-			–	
Waste water management	–	–	–	–		–	-	-			–	
Waste management	–	–	–	–		–	-	-			–	
Other	**–**	**–**	**–**	**–**		**–**	**-**	**-**			**–**	
Total Capital Expenditure - Standard	**107,669**	**(37,449)**	**70,220**	**40,032**	**–**	**(30,188)**	**57%**	**37%**	**–**	**–**	**–**	**–**
Funded by:												
National Government	–	–	–	–		–	-	-				
Provincial Government	2,340	165	2,505	1,763		(742)	70%	75%				
District Municipality	–	–	–	–		–	-	-				
Other transfers and grants	–	–	–	–		–	-	-				
Transfers recognised - capital	**2,340**	**165**	**2,505**	**1,763**		**(742)**	**70%**	**75%**				**–**
Public contributions & donations	**–**	**–**	**–**	**–**		**–**	**-**	**-**				
Borrowing	**–**	**–**	**–**	**–**		**–**	**-**	**-**				
Internally generated funds	**105,329**	**(37,614)**	**67,715**	**38,269**		**(29,446)**	**57%**	**36%**				
Total Capital Funding	**107,669**	**(37,449)**	**70,220**	**40,032**		**(30,188)**	**57%**	**37%**				**–**

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

Description R thousand	2023/24 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	2022/23 Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	193,740	28,327	222,068	122,649	(99,419)	55.2%	63.3%	
Government - operating	270,158	1,166	271,324	267,004	(4,320)	98.4%	98.8%	
Government - capital	2,340	(785)	1,555	500	(1,055)	32.2%	21.4%	
Interest	42,700	8,472	51,172	56,762	5,590	110.9%	132.9%	
Dividends	–	–	–	–	–	-	-	
Payments								
Suppliers and employees	(512,604)	(36,004)	(548,609)	(404,397)	144,212	73.7%	78.9%	
Finance charges	–	–	–	–	–	-	-	
Transfers and Grants	(17,984)	(1,502)	(19,485)	(13,795)	5,691	70.8%	76.7%	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**(21,649)**	**(325)**	**(21,975)**	**28,724**	**50,698**	**-130.7%**	**-132.7%**	**–**
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	–	–	–	–	-	-	
Decrease (Increase) in non-current debtors	–	–	–	–	–	-	-	
Decrease (increase) other non-current receivables	–	–	–	–	–	-	-	
Decrease (increase) in non-current investments	(160,000)	(58,000)	(218,000)	(200,000)	18,000	91.7%	125.0%	
Payments								
Capital assets	(107,669)	37,449	(70,220)	(48,018)	22,202	68.4%	44.6%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(267,669)**	**(20,551)**	**(288,220)**	**(248,018)**	**40,202**	**86.1%**	**92.7%**	**–**
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	-	-	
Borrowing long term/refinancing	–	–	–	–	–	-	-	
Increase (decrease) in consumer deposits	–	–	–	–	–	-	-	
Payments								
Repayment of borrowing	–	–	–	–	–	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	**–**	**–**	**–**	**–**	**–**	**-**	**-**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD	(289,318)	(20,876)	(310,195)	(219,295)				–
Cash/cash equivalents at the year begin:	782,689	(121,147)	661,542	643,542				
Cash/cash equivalents at the year end:	493,371	(142,023)	351,347	424,247	72,900	120.7%	86.0%	