Ndlambe Local Municipality

Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Grading of local authority	Grade 3
Nature of business and principal activities	Municipal Services
Executive committee	
Mayor	Councillor KC Ncamiso - Corporate Services Portfolio
Speaker	Councillor AL Marasi
Executive Councillors	Councillor ST Dyakala - Infrastructure Portfolio
	Councillor NF Memani - Community Protection Portfolio
	Councillor S Venene - Finance Portfolio
Councillors	Councillor A Nyumka - MPAC Chair
	Councillor S Kolosa - Chief Whip
	Councillor A Bukani
	Councillor N Sweli
	Councillor EHK Walker
	Councillor NE Haynes
	Councillor P Khungwayo
	Councillor SI Melani
	Councillor S Zweni
	Councillor MW Mgweba
	Councillor PY Kani
	Councillor ZW Myali
	Councillor WG Johannes
	Councillor T Mbekela
	Councillor X Runeli

General Information

Primary legislation governing the municipality's operations	
	Local Government Municipal Finance Management Act (Act No 56 of 2003)
	Local Government: Municipal Systems Act (Act 32 of 2000)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Constitution of the Republic of South Africa (Act 108 of 1998)
	Municipal Property Rates Act (Act 6 of 2004)
Accounting Officer	R Dumezweni rdumezweni@ndlambe.gov.za
Chief Finance Officer (CFO)	M Klaas mklaas@ndlambe.gov.za
Business address	47 Campbell Street Port Alfred 6170
Postal address	P O Box 13 Port Alfred 6170
Bankers	First National Bank
Auditors	Auditor General
Jurisdiction	The Ndlambe Local Municipality includes the following areas: Port Alfred Bathurst Alexandria Kenton-on-Sea Cannon-Rocks Seafield Marselle

Index

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

Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
FMG	Financial Management Grant
DSRAC	Department of Sports, Recreation, Arts and Culture
DME	Department of Minerals and Energy
INEP	Integrated National Electrification Programme
DWAF	Department of Water and Forestry
ACIP	Accelerated Capital Infrastructure Project
DoRA	Division of Revenue Act
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
SBDM	Sarah Baartman District Municipality
CoGTA	Department of Co-operative Governance and Traditional Affairs
VAT	Value Added Tax
SARS	South African Revenue Service

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual 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 annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 the municipality’s business is conducted in a manner that in all reasonable circumstances is 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

R Dumezweni
Accounting Officer

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1 184 641	1 146 323
Receivables from non-exchange transactions	4	21 134 680	21 191 062
Receivables from exchange transactions	5	28 810 745	28 365 756
VAT receivable	6	13 578 962	7 255 858
Cash and cash equivalents	7	67 235 366	77 785 500
Operating lease asset	8	17 424	7 960
		131 961 818	**135 752 459**
Non-Current Assets			
Investment property	9	258 800 699	261 357 291
Property, plant and equipment	10	1 185 193 949	1 090 530 031
Intangible assets	11	104 267	146 537
Heritage assets	12	16	16
Other financial assets	13	44 872	42 962
		1 444 143 803	**1 352 076 837**
Total Assets		**1 576 105 621**	**1 487 829 296**
Liabilities			
Current Liabilities			
Consumer deposits	15	2 661 391	2 537 867
Payables from exchange transactions	16	59 019 954	43 856 855
Unspent conditional grants and receipts	17	14 567 942	16 676 701
Financial liabilities - DBSA	18	1 464 213	1 919 728
Operating lease liability	8	-	46 620
Employee benefit obligation	19	19 642 248	16 969 313
Provisions	20	12 497 830	12 014 775
		109 853 578	**94 021 859**
Non-Current Liabilities			
Financial liabilities - DBSA	18	986 301	2 450 514
Employee benefit obligation	19	62 977 000	65 229 744
Provisions	20	60 296 161	60 330 172
		124 259 462	**128 010 430**
Total Liabilities		**234 113 040**	**222 032 289**
Net Assets		**1 341 992 581**	**1 265 797 007**
Accumulated surplus		1 341 992 581	1 265 797 007
Total Net Assets		**1 341 992 581**	**1 265 797 007**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	181 743 495	166 321 134
Rendering of services		421 554	430 870
Rental of facilities and equipment		1 046 827	796 315
Interest received - Trade and other receivables		8 095 895	5 657 234
Licences and permits		3 685 609	3 267 204
Housing debtor income		1 859 224	1 444 801
Other income	23	4 338 750	4 473 608
Interest received - investment	24	7 977 378	4 278 823
Total revenue from exchange transactions		**209 168 732**	**186 669 989**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	143 573 186	134 328 925
Licences and Permits - Non-exchange		1 265 973	1 211 988
Environmental levies		5 680 436	5 021 013
Interest received - Non-exchange receivables		3 845 778	2 976 991
Transfer revenue			
Government grants & subsidies	26	~~269 722 218~~	208 894 930
Public contributions and donations	27	613 000	6 435 634
Fines, Penalties and Forfeits		342 733	675 422
Total revenue from non-exchange transactions		**425 043 324**	**359 544 903**
Total revenue	21	**634 212 056**	**546 214 892**
Expenditure			
Employee related costs	28	(184 821 563)	(171 269 622)
Remuneration of councillors	29	(7 671 207)	(7 812 605)
Depreciation and amortisation	30	(48 964 371)	(47 494 773)
Finance costs	31	(7 967 221)	(6 696 803)
Lease rentals on operating lease		(1 953 178)	(2 035 605)
Debt Impairment	32	(59 826 821)	(47 323 184)
Alternative Energy Programmes		(3 758 400)	(2 626 503)
Bulk purchases	33	(89 196 010)	(81 882 500)
Contracted services	34	(72 787 326)	(77 506 991)
Transfers and Subsidies		(4 528 658)	(3 349 996)
General Expenses	35	(90 118 255)	(68 365 430)
Total expenditure		**(571 593 010)**	**(516 364 012)**
Operating surplus		**62 619 046**	**29 850 880**
Loss on disposal of assets and liabilities		(1 973 920)	(3 665 364)
Fair value adjustments	36	7 146 353	(837 645)
Actuarial gains/(losses)	19	11 193 548	6 908 209
Impairment loss	37	(2 789 447)	(10 636 882)
		13 576 534	**(8 231 682)**
Surplus for the year		**76 195 580**	**21 619 198**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021		**1 244 177 809**	**1 244 177 809**
Changes in net assets			
Surplus for the year		21 619 198	21 619 198
Total changes		21 619 198	21 619 198
Restated* Balance at 01 July 2022	43	**1 265 797 001**	**1 265 797 001**
Changes in net assets			
Surplus for the year		76 195 580	76 195 580
Total changes		76 195 580	76 195 580
Balance at 30 June 2023		**1 341 992 581**	**1 341 992 581**
Note(s)			

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		273 881 973	271 538 864
Government Grants and Subsidies		267 726 458	234 727 441
Interest income		17 505 292	10 046 383
Other receipts		6 540 707	6 593 831
		565 654 430	522 906 519
Payments			
Employee costs		(192 492 770)	(179 082 236)
Suppliers		(223 668 049)	(222 114 431)
Finance costs		(7 967 221)	(6 696 803)
Grants and subsidies		(4 528 658)	(3 349 995)
		(428 656 698)	(411 243 465)
Net cash flows from operating activities	39	**136 997 732**	**111 663 054**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(145 833 751)	(110 277 061)
Proceeds from sale of property, plant and equipment	10	205 613	1 060 157
Net cash flows from investing activities		**(145 628 138)**	**(109 216 904)**
Cash flows from financing activities			
Repayment of financial liabilities - dbsa		(1 919 728)	(1 738 013)
Net cash flows from financing activities		**(1 919 728)**	**(1 738 013)**
Net increase/(decrease) in cash and cash equivalents		**(10 550 134)**	**708 137**
Cash and cash equivalents at the beginning of the year		77 785 500	77 077 363
Cash and cash equivalents at the end of the year	7	**67 235 366**	**77 785 500**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	209 431 769	(2 802 124)	**206 629 645**	181 743 495	**(24 886 150)**	53.1
Rendering of services	487 416	-	**487 416**	421 554	**(65 862)**	53.2
Rental of facilities and equipment	960 732	-	**960 732**	1 046 827	**86 095**	53.3
Interest received	5 445 828	-	**5 445 828**	8 095 895	**2 650 067**	53.4
Licences and permits	12 267 360	-	**12 267 360**	3 685 609	**(8 581 751)**	53.5
Housing debtor income	295 957	-	**295 957**	1 859 224	**1 563 267**	53.6
Other income	4 574 772	-	**4 574 772**	4 338 750	**(236 022)**	53.7
Interest received - investment	6 787 080	-	**6 787 080**	7 977 378	**1 190 298**	53.8
Total revenue from exchange transactions	**240 250 914**	**(2 802 124)**	**237 448 790**	**209 168 732**	**(28 280 058)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	142 586 760	-	**142 586 760**	143 573 186	**986 426**	53.9
Licences and Permits (Non-exchange)	-	-	**-**	1 265 973	**1 265 973**	53.10
Environmental levies	3 919 471	7 210 440	**11 129 911**	5 680 436	**(5 449 475)**	53.11
Interest received - non-exchange receivables	-	-	**-**	3 845 778	**3 845 778**	53.12
Transfer revenue						
Government grants & subsidies	261 092 328	23 341 430	**284 433 758**	269 722 218	**(14 711 540)**	53.13
Public contributions and donations	-	500 000	**500 000**	613 000	**113 000**	53.14
Fines, Penalties and Forfeits	769 126	-	**769 126**	342 733	**(426 393)**	53.15
Total revenue from non-exchange transactions	**408 367 685**	**31 051 870**	**439 419 555**	**425 043 324**	**(14 376 231)**	
Total revenue	**648 618 599**	**28 249 746**	**676 868 345**	**634 212 056**	**(42 656 289)**	
Expenditure						
Employee related costs	(178 807 802)	10 867 436	**(167 940 366)**	(184 821 563)	**(16 881 197)**	53.16
Remuneration of councillors	(8 286 091)	280 000	**(8 006 091)**	(7 671 207)	**334 884**	53.17
Depreciation and amortisation	(47 076 101)	-	**(47 076 101)**	(48 964 371)	**(1 888 270)**	53.18
Impairment loss	-	-	**-**	(2 789 447)	**(2 789 447)**	53.19
Finance costs	(374 808)	-	**(374 808)**	(7 967 221)	**(7 592 413)**	53.20
Lease rentals on operating lease	(6 858 821)	4 130 675	**(2 728 146)**	(1 953 178)	**774 968**	53.21
Debt Impairment	(55 848 189)	-	**(55 848 189)**	(59 826 821)	**(3 978 632)**	53.22
Alternative Energy Programmes	(3 852 869)	-	**(3 852 869)**	(3 758 400)	**94 469**	53.23
Bulk purchases	(63 193 119)	(5 767 460)	**(68 960 579)**	(89 196 010)	**(20 235 431)**	53.24
Contracted Services	(78 669 531)	5 716 255	**(72 953 276)**	(72 787 326)	**165 950**	53.25
Transfers and Subsidies	(3 511 000)	(746 000)	**(4 257 000)**	(4 528 658)	**(271 658)**	53.26
General Expenses	(67 744 515)	(18 280 687)	**(86 025 202)**	(90 118 255)	**(4 093 053)**	53.27
Total expenditure	**(514 222 846)**	**(3 799 781)**	**(518 022 627)**	**(574 382 457)**	**(56 359 830)**	
Operating surplus	**134 395 753**	**24 449 965**	**158 845 718**	**59 829 599**	**(99 016 119)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(1 973 920)	**(1 973 920)**	53.28
Fair value adjustments	-	-	-	7 146 353	**7 146 353**	53.29
Actuarial gains/losses	-	-	-	11 193 548	**11 193 548**	53.30
	-	**-**	**-**	**16 365 981**	**16 365 981**	
Surplus	**134 395 753**	**24 449 965**	**158 845 718**	**76 195 580**	**(82 650 138)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**134 395 753**	**24 449 965**	**158 845 718**	**76 195 580**	**(82 650 138)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 094 900	(777 500)	**317 400**	1 184 641	**867 241**	53.31
Operating lease asset	128 191	-	**128 191**	17 424	**(110 767)**	53.32
Receivables from non-exchange transactions	14 739 676	-	**14 739 676**	21 134 680	**6 395 004**	53.33
VAT receivable	13 895 312	-	**13 895 312**	12 163 787	**(1 731 525)**	53.34
Receivables from exchange transactions	32 582 812	4 408 316	**36 991 128**	28 810 745	**(8 180 383)**	53.33
Cash and cash equivalents	113 414 307	(24 121 802)	**89 292 505**	67 235 366	**(22 057 139)**	53.35
	175 855 198	**(20 490 986)**	**155 364 212**	**130 546 643**	**(24 817 569)**	
Non-Current Assets						
Investment property	258 944 474	-	**258 944 474**	258 800 699	**(143 775)**	53.36
Property, plant and equipment	967 450 003	44 515 929	**1 011 965 932**	1 185 193 949	**173 228 017**	53.37
Intangible assets	221 376	(8 000)	**213 376**	104 267	**(109 109)**	53.38
Heritage assets	16	-	**16**	16	**-**	53.39
Other financial assets	49 246	-	**49 246**	44 872	**(4 374)**	53.40
	1 226 665 115	**44 507 929**	**1 271 173 044**	**1 444 143 803**	**172 970 759**	
Total Assets	**1 402 520 313**	**24 016 943**	**1 426 537 256**	**1 574 690 446**	**148 153 190**	
Liabilities						
Current Liabilities						
Financial liabilities - DBSA	1 464 213	-	**1 464 213**	1 464 213	**-**	53.41
Operating lease liability	57 445	-	**57 445**	-	**(57 445)**	53.42
Payables from exchange transactions	56 759 323	(434 021)	**56 325 302**	59 019 945	**2 694 643**	53.43
Consumer deposits	2 432 573	9 000	**2 441 573**	2 661 391	**219 818**	53.44
Employee benefit obligation	24 095 765	-	**24 095 765**	19 642 248	**(4 453 517)**	53.45
Unspent conditional grants and receipts	1 048 438	(8 000)	**1 040 438**	14 567 942	**13 527 504**	53.46
Provisions	13 658 880	-	**13 658 880**	12 497 830	**(1 161 050)**	53.47
	99 516 637	**(433 021)**	**99 083 616**	**109 853 569**	**10 769 953**	
Non-Current Liabilities						
Financial liabilities - DBSA	986 300	-	**986 300**	986 301	**1**	53.41
Employee benefit obligation	56 881 253	-	**56 881 253**	62 977 000	**6 095 747**	53.45
Provisions	50 133 550	-	**50 133 550**	60 296 161	**10 162 611**	53.47
	108 001 103	**-**	**108 001 103**	**124 259 462**	**16 258 359**	
Total Liabilities	**207 517 740**	**(433 021)**	**207 084 719**	**234 113 031**	**27 028 312**	
Net Assets	**1 195 002 573**	**24 449 964**	**1 219 452 537**	**1 340 577 415**	**121 124 878**	
Net Assets						
Reserves						
Accumulated surplus	1 195 002 573	24 449 964	**1 219 452 537**	1 341 992 581	**122 540 044**	53.48

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and services	295 765 000	1 936 000	**297 701 000**	273 881 973	**(23 819 027)**	53.49
Government Grants and subsidies	260 822 000	48 761 000	**309 583 000**	267 726 458	**(41 856 542)**	53.50
Interest income	6 787 000	-	**6 787 000**	17 505 292	**10 718 292**	53.51
Other receipts	19 770 000	187 000	**19 957 000**	6 540 707	**(13 416 293)**	53.52
	583 144 000	**50 884 000**	**634 028 000**	**565 654 430**	**(68 373 570)**	
Payments						
Supplier and Employee costs	(398 396 000)	(3 751 000)	**(402 147 000)**	(416 160 819)	**(14 013 819)**	53.53
Finance costs	(422 000)	-	**(422 000)**	(7 967 221)	**(7 545 221)**	53.54
Grants and subsidies paid	(3 511 000)	(42 579 000)	**(46 090 000)**	(4 528 658)	**41 561 342**	53.55
	(402 329 000)	**(46 330 000)**	**(448 659 000)**	**(428 656 698)**	**20 002 302**	
Net cash flows from operating activities	**180 815 000**	**4 554 000**	**185 369 000**	**136 997 732**	**(48 371 268)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(142 921 000)	(43 401 000)	**(186 322 000)**	(145 833 751)	**40 488 249**	53.56
Proceeds from sale of property, plant and equipment	-	-	**-**	205 614	**205 614**	53.57
Decrease in non-current investments	67 000	(67 000)	**-**	-	**-**	53.58
Net cash flows from investing activities	**(142 854 000)**	**(43 468 000)**	**(186 322 000)**	**(145 628 137)**	**40 693 863**	
Cash flows from financing activities						
Decrease in consumer deposits	50 000	9 000	**59 000**	-	**(59 000)**	53.59
Repayment of financial liabilities - DBSA	(1 920 000)	-	**(1 920 000)**	(1 919 728)	**272**	53.60
Net cash flows from financing activities	**(1 870 000)**	**9 000**	**(1 861 000)**	**(1 919 728)**	**(58 728)**	
Net increase/(decrease) in cash and cash equivalents	36 091 000	(38 905 000)	**(2 814 000)**	(10 550 133)	**(7 736 133)**	
Cash and cash equivalents at the beginning of the year	75 364 000	16 677 000	**92 041 000**	77 785 500	**(14 255 500)**	53.61
Cash and cash equivalents at the end of the year	**111 455 000**	**(22 228 000)**	**89 227 000**	**67 235 367**	**(21 991 633)**	

Accounting Policies

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

1.3 Going concern assumption

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

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and 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 trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible 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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management, through the use of an external service provider, determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

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

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows -

The municipality considers the nature of the agremeents entered into between itself and other entities. A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Should it render a service on behalf of another entity or vice versa, it will trigger the need to the related disclosure in terms of GRAP 109.

The municipality has identified that it acts as an agent for the collection of motor vehcile licence fees on behalf of the department of Transport.

Additional information is disclosed in Note 52.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and 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, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

1.6 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

1.7 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	50 Years
Plant and machinery	Straight-line	5 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
Office equipment	Straight-line	5 - 15 Years
IT equipment	Straight-line	5 - 15 Years
Community	Straight-line	10 - 30 Years
Electricity Network	Straight-line	15 - 80 Years
Roads	Straight-line	15 - 80 Years
Wastewater Network	Straight-line	15 - 60 Years
Water Network	Straight-line	15 -100 Years

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.8 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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.8 Intangible assets (continued)

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 - 15 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

1.9 Heritage assets (continued)

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.10 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.

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

A concessionary loan is a loan granted to or received by an entity 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.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

1.10 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity 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 (see the Standard of GRAP on Revenue from Exchange Transactions), 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 entity 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 entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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 entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Liquidity risk is the risk encountered by an entity 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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.10 Financial instruments (continued)

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 entity 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 entity 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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
DBSA Loans	Financial liability measured at amortised cost

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.

1.10 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.10 Financial instruments (continued)

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.
- Financial instruments at cost.

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

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, an 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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 or 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.

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 directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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.

1.10 Financial instruments (continued)

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 (Taxes and Transfers).

1.11 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.
These amounts are seperately disclosed as part of Receivables from non-exchange transactions & as VAT receivable.

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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

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.

Accounting Policies

1.11 Statutory receivables (continued)

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

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses 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 of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the 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.

1.12 Leases

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

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

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

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

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.

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

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

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

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

1.14 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.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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.

1.15 Impairment of non-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.

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

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 managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

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

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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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 the Standards of 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.

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

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.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

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

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

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

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, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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 which reflects the time value of money.

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

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

1.16 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 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, an 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, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.16 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

1.17 Provisions and contingencies

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating surplus (deficit).

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

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 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.

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.

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions 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.

1.18 Revenue from exchange transactions (continued)

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 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, other than increases relating to contributions from owners.

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.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

1.19 Revenue from non-exchange transactions (continued)

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 the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

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.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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.

Accounting Policies

1.20 Investment income

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

1.21 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.

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

Accounting Policies

1.22 Accounting by principals and agents (continued)

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Segment information

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

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

1.28 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.29 Related parties

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person 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.

Accounting Policies

1.30 Events after reporting date

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

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

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

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

1.31 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of the financial period the municipality determined commitments in respect of capital expenditure in terms of GRAP 17 that has been approved and contracted for.

1.32 Material Losses (Water and Electricity)

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.

The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and the case of water the lowest rate per Kl (incl VAT).

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

Water for distribution	76 321	75 960
Stores, materials and fuels	1 108 320	1 070 363
	1 184 641	**1 146 323**
Inventories recognised as an expense during the year (General expenses - Other materials)	3 973 979	5 186 850

Game is held for recreational purposes in the form of viewing of game at the reserves by the public. These animals are held for the enjoyment of the public and not for resale. It is not the intention of the municipality to trade in wildlife and as such these animals have not been recognised as Biological assets or non-living resources.

4. Receivables from non-exchange transactions

Consumer debtors - Rates	61 627 261	61 629 311
Environmental Levies	8 713 027	7 948 124
Traffic department receipting under investigation	654 679	-
Deposits	85 500	85 500
Housing Sundry	125 061	125 061
Recoverable legal expenses	326 494	326 494
Provision for doubtful debts - Environmental Levies	(7 918 301)	(7 180 783)
Provision for doubtful debts - Consumer debtors - Rates	(42 479 041)	(41 742 645)
	21 134 680	**21 191 062**

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions (continued)

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Consumer debtors - Rates	61 627 261	61 629 311
Environmental Levies	8 713 027	7 948 124
Provision for doubtful debts - Receivables from Non-Exchange transactions	(50 397 342)	(48 923 428)
	19 942 946	**20 654 007**
Financial asset receivables included in receivables from non-exchange transactions above	**1 191 734**	**537 055**
Total receivables from non-exchange transactions	21 134 680	21 191 062

Statutory receivables general information

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 5 341 888 (2022: R 7 470 243) were past due but not impaired.

Factors the entity considered in assessing statutory receivables past due but not impaired

The muncipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R 50 397 823 (2022: R 48 923 428) were impaired and provided for.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(48 923 428)	(45 564 128)
Provision for impairment	(7 336 930)	(7 018 278)
Amounts written off as uncollectible	5 862 535	3 658 978
	(50 397 823)	**(48 923 428)**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 537 055 (2022: R 537 055) were past due but not impaired.

5. Receivables from exchange transactions

Gross balances		
Electricity	27 341 753	28 366 992
Water	62 208 549	53 450 487
Waste water	21 964 419	20 690 373
Refuse	28 622 666	25 986 608
Prepaid Electricity Sales - Vendors	378 259	1 401 744
Housing rental	1 285 871	1 071 928
Service charges and other	14 624 139	15 519 131
	156 425 656	**146 487 263**

Figures in Rand	2023	2022

5. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Provision for Doubtful debts - Electricity	(15 528 568)	(16 749 379)
Provision for Doubtful debts - Water	(51 380 004)	(44 411 925)
Provision for Doubtful debts - Waste water	(19 518 428)	(18 390 779)
Provision for Doubtful debts - Refuse	(25 789 236)	(23 400 389)
Provision for Doubtful debts - Housing rental	(1 240 687)	(1 017 931)
Provision for Doubtful debts - Service charges and other	(14 157 988)	(14 151 104)
	(127 614 911)	**(118 121 507)**

Net balance		
Electricity	11 813 185	11 617 613
Water	10 828 545	9 038 562
Waste water	2 445 991	2 299 594
Refuse	2 833 430	2 586 219
Prepaid electricity sales - Vendors	378 259	1 401 744
Housing rental	45 184	53 997
Service charges and other	466 151	1 368 027
	28 810 745	**28 365 756**

Electricity		
Current (0 -30 days)	9 563 312	8 141 034
31 - 60 days	927 326	2 469 517
61 - 90 days	785 554	1 560 448
91 - 120 days	701 220	1 307 874
121 - 365 days	5 374 257	6 335 439
> 365 days	9 990 084	8 552 680
	27 341 753	**28 366 992**

Water		
Current (0 -30 days)	11 819 594	7 386 104
31 - 60 days	2 350 752	2 014 022
61 - 90 days	1 972 464	1 776 902
91 - 120 days	1 971 492	1 810 630
121 - 365 days	12 442 951	7 935 662
> 365 days	31 651 296	32 527 167
	62 208 549	**53 450 487**

Waste water		
Current (0 -30 days)	2 658 958	1 426 517
31 - 60 days	814 770	735 252
61 - 90 days	748 377	604 475
91 - 120 days	707 423	583 379
121 - 365 days	4 684 153	3 170 300
> 365 days	12 350 738	14 170 450
	21 964 419	**20 690 373**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	3 154 447	1 678 456
31 - 60 days	928 951	886 265
61 - 90 days	863 579	715 238
91 - 120 days	798 476	645 002
121 - 365 days	5 361 319	3 695 647
> 365 days	17 515 894	18 366 000
	28 622 666	**25 986 608**

Prepaid electricity sales - Vendors		
Current (0 -30 days)	378 259	1 401 744

Housing rental		
Current (0 -30 days)	142 026	72 426
31 - 60 days	48 466	36 752
61 - 90 days	48 039	35 661
91 - 120 days	46 610	34 988
121 - 365 days	306 521	147 885
> 365 days	694 209	744 216
	1 285 871	**1 071 928**

Service charges and other		
Current (0 -30 days)	278 900	1 362 454
31 - 60 days	143 063	238 020
61 - 90 days	247 178	214 662
91 - 120 days	285 664	212 841
121 - 365 days	3 261 949	1 444 172
> 365 days	10 407 385	12 046 982
	14 624 139	**15 519 131**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(118 121 507)	(98 199 767)
Contributions to allowance	(59 573 329)	(46 768 590)
Debt impairment written off against allowance	50 079 925	26 846 850
	(127 614 911)	**(118 121 507)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 7 030 600 (2022: R 6 405 340) were past due but not impaired.

Consumer debotrs impairment process

The muncipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. This process is simialr to the process undertaken for the provision of doubtful debts as documented under note 4. Refer to the municipal policy for full details.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. VAT receivable

VAT	13 578 962	7 255 858

VAT receivable represents the Net amount of refunds outstanding along with the yet to be claimed Input VAT on accruals and yet to be declared Output VAT on outstanding Accounts receivable. This is as a result of the differences between the cash basis of declarations to SARS and the Accrual basis of accounting for the GRAP annual financial statements.

The amount is classified as statutory receivables.

Statutory receivables past due but not impaired

No VAT Receivable - Statutory receivables are currently assessed as being past due, as the conditions necessary for their declaration/payment/receipt has not taken place.

Factors the entity considered in assessing statutory receivables past due but not impaired

The muncipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly, this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

The amount of impairment on the amounts in suspense and receivable from SARS is not considered impaired as refunds from SARS are received without significant delay.

Statutory receivables impaired

As of 30 June 2023, VAT receivable - Statutory receivables were not required to be impaired.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 511	5 111
Bank balances	7 533 278	6 027 941
Short-term deposits	59 696 577	71 752 448
	67 235 366	**77 785 500**

Ndlambe Municipality also holds four bank accounts with the New Republic Bank Limited. These accounts related to bank investments made by Port Alfred TLC. New Republic Bank Limited went into liquidation in 1999. These accounts do not show any withdrawable funds/balances and are not active on bank confirmation searches. The liquidation process is however ongoing and during the prior year distributions have been made in accordance with the liquidation processs as disclosed in note 23.

Cash and cash equivalents pledged as collateral

Total financial assets ceded to DBSA	1 300 000	1 300 000
There is a cession recorded against the account (FNB-71078484865) to this value.		
Refer to note regarding DBSA loans.		
Total financial assets pledged as guarantee to ESKOM	10 378 790	10 378 790
There is a guarantee recorded against the FNB bank accounts in favour of ESKOM.		

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
	7 479 844	5 684 152	9 864 837	7 533 278	6 027 941	9 864 837
FIRST NATIONAL BANK General Account-Current	6 848 150	3 119 050	6 923 549	6 901 584	3 462 839	6 923 549
FIRST NATIONAL BANK Current Account-Housing	13 352	106 172	715 338	13 352	106 172	715 338
FIRST NATIONAL BANK Current Account - Revolving	618 342	2 458 930	2 225 950	618 342	2 458 930	2 225 950
	22 216 453	34 854 052	38 840 559	22 216 453	34 854 052	38 840 559
FIRST NATIONAL BANK CRR Call Accounts	5 372 699	18 096 193	32 576 527	5 372 699	18 096 193	32 576 527
FIRST NATIONAL BANK Fixed Deposit Account DBSA	3 149 305	3 139 220	3 124 438	3 149 305	3 139 220	3 124 438
FIRST NATIONAL BANK Call Account - Eskom	3 164 582	3 154 458	3 139 594	3 164 582	3 154 458	3 139 594
FIRST NATIONAL BANK Call Account - Eskom Guarantee	10 529 867	10 464 181	-	10 529 867	10 464 181	-
	12 303 392	20 883 266	14 694 740	12 303 392	20 883 266	14 694 740
STANDARD BANK Notice Bank - Alex	228 382	213 606	200 897	228 382	213 606	200 897
STANDARD BANK Call Account - FMG 003	-	-	778 610	-	-	778 610
STANDARD BANK Call Account - Ndlambe waste managment 006	-	-	-	-	-	-
STANDARD BANK Call Account - LED Kapriver 007	-	-	-	-	-	-
STANDARD BANK Call Account - Fire Officer 008	32 691	1 979 540	483 647	32 691	1 979 540	483 647
STANDARD BANK Upgrade road 009	-	1 278 940	603 935	-	1 278 940	603 935
STANDARD BANK Upgrade Bathurst Bulkwater supply 010	-	1 332 068	1 289 307	-	1 332 068	1 289 307
STANDARD BANK Bathurts Water 011	-	287 602	937 711	-	287 602	937 711
STANDARD BANK PMU 012	-	-	-	-	-	-
STANDARD BANK INEG 014	-	3 370	-	-	3 370	-
STANDARD BANK Upgrade Roads 015	-	-	-	-	-	-
STANDARD BANK LED Mobile 016	-	-	-	-	-	-
STANDARD BANK Equitable Share Councillors 017	-	-	-	-	-	-
STANDARD BANK Revolving Account 018	-	-	-	-	-	-
STANDARD BANK EPWP 019	358 052	-	5 847	358 052	-	5 847

Notes to the Annual Financial Statements

Figures in Rand						2023	2022

7. Cash and cash equivalents (continued)

STANDARD BANK DEDEA West Beach 020	-	-	-	-	-	-
STANDARD BANK Drought Relief 021	-	-	-	-	-	-
STANDARD BANK MIG Upgrade Sewer 022	-	1 291 321	266 013	-	1 291 321	266 013
STANDARD BANK Water Service Infrastructure 023	78 646	1 040 431	722 526	78 646	1 040 431	722 526
STANDARD BANK Drought Relief 024	-	3 453 435	4 020 813	-	3 453 435	4 020 813
STANDARD BANK EC Sports 025	1 313 558	1 372 403	1 373 927	1 313 558	1 372 403	1 373 927
STANDARD BANK Ndlambe Building Acc's 026	-	8 031 237	4 011 507	-	8 031 237	4 011 507
STANDARD BANK COGTA Retention 027	609 017	-	-	609 017	-	-
STANDARD BANK OTP 028	2 538 944	396 403	-	2 538 944	396 403	-
STANDARD BANK Wentzel Park 029	168 661	135 105	-	168 661	135 105	-
STANDARD BANK Wentzel Park Rentention 030	19 021	67 805	-	19 021	67 805	-
STANDARD BANK Klipfontein 031	153 751	-	-	153 751	-	-
STANDARD BANK Nemato Bayso 032	101 167	-	-	101 167	-	-
STANDARD BANK Nemato Ezidonkini 033	32 082	-	-	32 082	-	-
STANDARD BANK Nemato New Rest 034	2 000 346	-	-	2 000 346	-	-
STANDARD BANK MMarselle Zihagu 500 035	1 781 127	-	-	1 781 127	-	-
STANDARD BANK Cogta Retention 036	940 838	-	-	940 838	-	-
STANDARD BANK Nemato Cricket field 037	292 218	-	-	292 218	-	-
STANDARD BANK Alex Brakfontein 038	713 347	-	-	713 347	-	-
STANDARD BANK Kenton-on-Sea 039	925 120	-	-	925 120	-	-
STANDARD BANK Kos ISBT 10 Retention 040	16 424	-	-	16 424	-	-
	24 402 936	4 634 858	2 404 770	24 402 936	4 634 858	2 404 770
INVESTEC BANK Call Account - Disaster 501	-	-	-	-	-	-
INVESTEC BANK Call Account - FMG 502	-	-	-	-	-	-
INVESTEC BANK Call Account - FMG 503	-	-	-	-	-	-
INVESTEC BANK Call Account - LED Essential Oil 504	-	-	-	-	-	-
INVESTEC BANK Call account -Chicory 506	-	-	-	-	-	-
INVESTEC BANK Call Account - Cacadu IDP 510	-	-	-	-	-	-
INVESTEC BANK Call Account-EC Sports 511	-	-	-	-	-	-

Figures in Rand					2023	2022

7. Cash and cash equivalents (continued)

INVESTEC BANK Call Account -LG Seta 512	851 675	699 940	464 730	851 675	699 940	464 730
INVESTEC BANK EPWP 514	-	-	-	-	-	-
INVESTEC BANK Call Account - EC Loc Gov LED Section Assist 515	-	-	-	-	-	-
INVESTEC BANK Equitable share Councillors 516	-	-	-	-	-	-
INVESTEC BANK Call Account-PrepwaterMete523	2 175 490	2 118 096	1 835 922	2 175 490	2 118 096	1 835 922
INVESTEC BANK Call Account-LED Initia 524	-	-	-	-	-	-
INVESTEC BANK Call Account-Retention 526	1 828 917	1 816 822	104 118	1 828 917	1 816 822	104 118
INVESTEC BANK Call Account-DME 509	-	-	-	-	-	-
INVESTEC BANK Call Account-Disaster relief 529	-	-	-	-	-	-
INVESTEC BANK Call Acc-MIG Water Ret. 530	-	-	-	-	-	-
INVESTEC BANK Call Account-MIG Roads 532	1 460 527	-	-	1 460 527	-	-
INVESTEC BANK Call Ac-MIG Bulk Sewerage 533	31 466	-	-	31 466	-	-
INVESTEC BANK Call Acc-Integrated Elec 534	5 283	-	-	5 283	-	-
INVESTEC BANK Call Account-MIG PMU 535	22 563	-	-	22 563	-	-
INVESTEC BANK Call Acc-Financial Man. 536	1 246 886	-	-	1 246 886	-	-
INVESTEC BANK Call Account-WSIG 537	16 231 923	-	-	16 231 923	-	-
INVESTEC BANK Call Acc-Ndlambe Capital Res.538	346 534	-	-	346 534	-	-
INVESTEC BANK Call Acc-MIG Sportfield 539	427	-	-	427	-	-
INVESTEC BANK Call Acc-Greenest Town 540	201 245	-	-	201 245	-	-
	947 123	11 380 270	11 267 347	947 123	11 380 270	11 267 347
ABSA BANK Call Account - PMU 0075	-	407 021	-	-	407 021	-
ABSA BANK Call Account - Roads 0651	-	5	-	-	5	-
ABSA BANK Call Account - Sportsfield 1801	-	-	-	-	-	-
ABSA BANK Call Account - Sewer Projects 2132	-	-	-	-	-	-
ABSA BANK Call Account - Waterworks 2417	-	-	-	-	-	-
ABSA BANK Call Account - Councillors Equitable Share 3669	869 031	2 731 566	1 575 136	869 031	2 731 566	1 575 136
ABSA BANK Call Account - Revolving 9340	48 511	885 501	-	48 511	885 501	-

7. Cash and cash equivalents (continued)

ABSA BANK Call Account -Additional Equitable share - Covid19 9798	-	7 718	9 692 211	-	7 718	9 692 211
ABSA BANK Call Account -071	29 581	5 341 062	-	29 581	5 341 062	-
ABSA BANK Call Account -637	-	2 007 397	-	-	2 007 397	-
Total	**67 349 748**	**77 436 598**	**77 072 253**	**67 403 182**	**77 780 387**	**77 072 253**

8. Operating lease asset (liability)

	2023	2022
Current assets	17 424	7 960
Current liabilities	-	(46 620)
	17 424	**(38 660)**

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	267 919 450	(9 118 751)	258 800 699	270 474 955	(9 117 664)	261 357 291

Reconciliation of investment property - 2023

	Opening balance	Disposals/Derecognitions	Depreciation	Total
Land	236 227 985	(1 380 000)	-	234 847 985
Buildings	25 129 306	-	(1 176 592)	23 952 714
	261 357 291	**(1 380 000)**	**(1 176 592)**	**258 800 699**

Reconciliation of investment property - 2022

	Opening balance	Additions	Disposals/Derecognitions	Depreciation	Total
Land	233 814 088	4 913 937	(2 500 040)	-	236 227 985
Investment property	26 305 897	-	-	(1 176 591)	25 129 306
	260 119 985	**4 913 937**	**(2 500 040)**	**(1 176 591)**	**261 357 291**

Pledged as security

No Investment Property has been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	83 760 691	-	83 760 691	82 260 691	-	82 260 691
Buildings	158 436 973	(43 889 477)	114 547 496	146 492 454	(39 098 660)	107 393 794
Plant and machinery	10 048 793	(6 950 412)	3 098 381	9 686 044	(7 227 455)	2 458 589
Motor vehicles	55 558 346	(31 717 167)	23 841 179	48 473 109	(27 993 614)	20 479 495
Office equipment	9 949 902	(7 704 128)	2 245 774	10 018 517	(7 859 559)	2 158 958
IT equipment	7 081 740	(3 592 204)	3 489 536	7 016 646	(4 592 009)	2 424 637
Electrical Network	159 181 015	(58 659 270)	100 521 745	158 541 559	(52 635 542)	105 906 017
Work in progress	186 160 260	-	186 160 260	112 374 641	-	112 374 641
Roads	478 131 756	(173 287 984)	304 843 772	470 243 144	(159 023 894)	311 219 250
Wastewater network	210 862 143	(57 582 417)	153 279 726	189 357 411	(52 827 540)	136 529 871
Water network	347 122 603	(137 717 214)	209 405 389	331 001 405	(123 677 317)	207 324 088
Total	**1 706 294 222**	**(521 100 273)**	**1 185 193 949**	**1 565 465 621**	**(474 935 590)**	**1 090 530 031**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	82 260 691	1 500 000	-	-	-	-	83 760 691
Buildings	107 393 794	11 960 112	(11 457)	-	(4 584 337)	(210 616)	114 547 496
Plant and machinery	2 458 589	1 141 352	(19 609)	-	(468 241)	(13 710)	3 098 381
Motor vehicles	20 479 495	7 088 005	(158 489)	-	(3 314 730)	(253 102)	23 841 179
Office equipment	2 158 958	642 627	(34 952)	-	(498 166)	(22 693)	2 245 774
IT equipment	2 424 637	1 696 946	(103 492)	-	(516 947)	(11 608)	3 489 536
Electrical Network	105 906 017	639 456	-	-	(3 791 300)	(2 232 428)	100 521 745
Work in progress	112 374 641	121 127 024	-	(47 341 405)	-	-	186 160 260
Roads	311 219 250	-	-	7 894 842	(14 270 320)	-	304 843 772
Wastewater network	136 529 871	-	(338 127)	23 102 254	(5 968 982)	(45 290)	153 279 726
Water network	207 324 088	202 886	(131 997)	16 344 309	(14 333 897)	-	209 405 389
	1 090 530 031	**145 998 408**	**(798 123)**	**-**	**(47 746 920)**	**(2 789 447)**	**1 185 193 949**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	82 260 691	-	-	-	-	-	82 260 691
Buildings	99 694 281	56 629	(6 609)	15 410 578	(4 378 581)	(3 382 504)	107 393 794
Plant and machinery	2 733 345	315 187	(8 201)	-	(526 856)	(54 886)	2 458 589
Motor vehicles	15 393 622	8 915 414	(28 785)	-	(3 620 835)	(179 921)	20 479 495
Office equipment	2 543 662	335 898	(26 962)	-	(658 879)	(34 761)	2 158 958
IT equipment	2 266 597	793 089	(52 753)	-	(544 127)	(38 169)	2 424 637
Electrical Network	94 570 022	681 401	(723 142)	16 233 288	(3 495 001)	(1 360 551)	105 906 017
Work in progress	172 261 259	97 541 584	-	(154 436 481)	-	(2 991 721)	112 374 641
Roads	318 034 216	-	(229 285)	7 418 377	(14 010 947)	6 889	311 219 250
Wastewater network	138 194 310	19 234	(1 132 680)	7 249 951	(5 709 331)	(2 091 613)	136 529 871
Water network	112 627 717	352 588	-	108 124 287	(13 270 858)	(509 646)	207 324 088
	1 040 579 722	**109 011 024**	**(2 208 417)**	**-**	**(46 215 415)**	**(10 636 883)**	**1 090 530 031**

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Included Electrical Network	Total
Opening balance	110 000	-	78 137 340	34 127 298	-	112 374 638
Additions/capital expenditure	754 733	15 831 886	22 940 803	80 387 432	1 212 174	121 127 028
Transfered to completed assets	-	(7 894 842)	(16 344 310)	(23 102 254)	-	(47 341 406)
	864 733	**7 937 044**	**84 733 833**	**91 412 476**	**1 212 174**	**186 160 260**

Reconciliation of Work-in-Progress 2022

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Included Electrical Network	Total
Opening balance	13 072 277	-	141 555 953	17 633 029	-	172 261 259
Additions/capital expenditure	2 448 301	7 418 377	47 697 395	23 744 220	16 233 288	97 541 581
Transfered to completed assets	(15 410 578)	(7 418 377)	(108 124 287)	(7 249 951)	(16 233 288)	(154 436 481)
WIP Impairment	-	-	(2 991 721)	-	-	(2 991 721)
	110 000	**-**	**78 137 340**	**34 127 298**	**-**	**112 374 638**

Expenditure incurred to repair and maintain property, plant and equipment

	2023	2022
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	21 745 922	17 846 541

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 863 522	(2 759 255)	104 267	2 894 604	(2 748 067)	146 537

Reconciliation of intangible assets - 2023

	Opening balance	Disposals	Amortisation	Total
Computer software, other	146 537	(1 410)	(40 860)	104 267

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software, other	266 369	(17 065)	(102 767)	146 537

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

Reconciliation of heritage assets 2023

	Opening balance	Total
Conservation areas	16	16

Reconciliation of heritage assets 2022

	Opening balance	Total
Conservation areas	16	16

13. Other financial assets

Designated at fair value		
Listed shares	44 872	42 962
Terms and conditions		
Non-current assets		
Designated at fair value	44 872	42 962

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	28 810 745	28 810 745
Receivables from non-exchange transactions	-	1 191 734	1 191 734
Cash and cash equivalents	-	67 235 366	67 235 366
Other financial assets	44 872	-	44 872
	44 872	**97 237 845**	**97 282 717**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	59 019 954	59 019 954
Financial liabilities - DBSA	2 450 514	2 450 514
	61 470 468	**61 470 468**

2022

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	28 365 756	28 365 756
Receivables from non-exchange transactions	-	537 055	537 055
Cash and cash equivalents	-	77 785 500	77 785 500
Other financial assets	42 962	-	42 962
	42 962	**106 688 311**	**106 731 273**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	43 856 855	43 856 855
Financial liabilities - DBSA	4 370 242	4 370 242
	48 227 097	**48 227 097**

15. Consumer deposits

	2023	2022
Electricity	1 756 682	1 745 871
Water	860 775	757 674
Housing rental	43 934	34 322
	2 661 391	**2 537 867**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Payables from exchange transactions

Trade payables	6 565 075	12 424 557
Payments received in advanced	7 966 232	7 876 656
Accrued expense	17 352 409	11 582 556
Unidentified Direct Deposits	8 154 539	5 195 350
Retention monies	11 499 026	6 530 281
Human Settlements	7 341 390	106 172
Advanced Receipts - Land sales proceeds	141 283	141 283
	59 019 954	**43 856 855**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	-	-
INEP	-	-
COGTA - Disaster Grant	-	7 848 524
EC Sports, Arts and Culture	1 166 953	1 131 249
EPWP	-	33
FMG	-	-
Water Services Infrastructure Grant	12 291 144	5 723 522
SBDM: Public Safety	1 109 845	1 973 373
	14 567 942	**16 676 701**

Movement during the year

Balance at the beginning of the year	16 676 702	1 048 439
Additions during the year	126 327 000	87 409 373
Income recognition during the year	(128 435 760)	(71 781 111)
	14 567 942	**16 676 701**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. Financial liabilities - DBSA

At amortised cost		
DBSA Loan 101161/2 20 Years @ 10.89%	1 835 286	2 646 727
DBSA Loan 102557/1 15 Years @ 8.81%	615 228	1 723 515
	2 450 514	**4 370 242**
Total other financial liabilities	**2 450 514**	**4 370 242**

Non-current liabilities		
At amortised cost	986 301	2 450 514

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Financial liabilities - DBSA (continued)

Current liabilities		
At amortised cost	1 464 213	1 919 728

19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Pension benefits

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	3 399 777	2 862 000
Interest cost	7 166 610	5 891 000
Actuarial (gains) losses	(10 100 500)	(6 615 645)
Benefits paid during the year	(2 457 161)	(2 480 081)
	(1 991 274)	**(342 726)**

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rates used	12,47 %	12,25 %
General earnings inflation rate (long term)	5,69 %	6,20 %
Health cost inflation rate (health cost trend)	8,08 %	8,77 %
Net discount rate	4,06 %	3,20 %
Average retirement age (Years)	62	62

Figures in Rand	2023	2022

19. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on Post retirement medical aid - change in discount rate	51 063 000	65 699 000
Effect on Interest Costs - movement in health care inflation	8 253 089	6 272 052
Effect on Service Costs - movement in health care inflation	4 099 184	2 843 908

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	(57 639 000)	(59 630 274)	(59 973 000)	(52 499 290)	(59 171 458)

Long Service Awards

Ndlambe Municipality offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the individual employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of a percentage of their annual salaries as well as additional leave days to employees at the end of the specified time period.

The amounts recognised in the statement of financial position are as follows:

	2023	2022
Carrying value of the defined benefit obligation-wholly unfunded		
Present value of the defined benefit obligation-wholly unfunded	(9 026 961)	(8 153 000)
Benefits paid during the year	741 704	475 475
Current service costs	(948 048)	(964 000)
Interest Costs	(845 743)	(678 000)
Actuarial Gain/(Loss)	1 093 048	292 564
	(8 986 000)	**(9 026 961)**
Non-current liabilities	(7 756 000)	(7 854 140)
Current liabilities	(1 230 000)	(1 172 821)
	(8 986 000)	**(9 026 961)**

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	948 048	964 000
Interest cost	845 743	678 000
Actuarial (gains) losses	(1 093 048)	(292 564)
Benefits paid during the year	(741 704)	(475 475)
	(40 961)	**873 961**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,08 %	10,02 %
General earnings inflation rate (long term)	6,47 %	7,65 %
Net discount rate	4,33 %	2,20 %
Average retirement age (Years)	62	62

Other assumptions

Assumed inflation & discount trends have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on Long service Award - discount rate	8 562 000	9 453 000
Effect on Interest Costs - discount rate	962 000	892 000
Effect on Service Costs - discount rate	958 000	1 061 000

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	(8 986 000)	(9 026 961)	(8 153 000)	(6 817 936)	(6 980 880)

Other current employee benefits liabilities

Current liabilities		
Leave accrual	10 931 180	9 071 296
Bonus accrual	4 193 948	3 783 531
Overtime accrual	869 120	686 995
	15 994 248	**13 541 822**

Summary of Employee benefit obligations

The Employee benefit obligations disclosed above can be summarised as follows:

Current liabilities		
Leave accrual	10 931 180	9 071 296
Bonus accrual	4 193 948	3 783 531
Overtime accrual	869 120	686 995
Post retirement medical aid plan	2 418 000	2 254 670
Long service awards	1 230 000	1 172 821
	19 642 248	**16 969 313**
Non-current liabilities		
Post retirement medical aid plan	55 221 000	57 375 604
Long Service Awards	7 756 000	7 854 140
	62 977 000	**65 229 744**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	72 344 947	(7 145 974)	7 595 018	72 793 991

Reconciliation of provisions - 2022

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	65 369 036	831 361	6 144 550	72 344 947

	2023	2022
Non-current liabilities	60 296 161	60 330 172
Current liabilities	12 497 830	12 014 775
	72 793 991	**72 344 947**

Ndlambe Municipality operates 5 landfill sites which by law will have to be permitted and closed in accordance with the "Minimum Requirements" and in accordance with the Environment Conservation Act. (Act no.73 of 1989) Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management. This requirement does not extend over transfer stations which have been operated as transfer stations.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes. Previously there has been a court order to affect the closure of the Bushmens' landfill site, thereby directly affecting the provision estimation as the closure is now projected within the timeframes set out by the court ruling.

The site assessments and provision calculation was conducted by Zutari (Pty) Ltd.

21. Revenue

	2023	2022
Rendering of services	421 554	430 870
Service charges	181 743 495	166 321 134
Rental of facilities and equipment	1 046 827	796 315
Interest received - trade and other receivables	8 095 895	5 657 234
Licences and permits (Exchange transactions)	3 685 609	3 267 204
Housing debtor income	1 859 224	1 444 801
Licences and Permits (Non-exchange)	1 265 973	1 211 988
Other income	4 338 750	4 473 608
Interest received - investment	7 977 378	4 278 823
Property rates	143 573 186	134 328 925
Environmental levies	5 680 436	5 021 013
Interest, Dividends and Rent on Land	3 845 778	2 976 991
Government grants & subsidies	269 722 218	208 894 930
Public contributions and donations	613 000	6 435 634
Fines, Penalties and Forfeits	342 733	675 422
	634 212 056	**546 214 892**

Figures in Rand	2023	2022

21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	181 743 495	166 321 134
Rendering of services	421 554	430 870
Rental of facilities and equipment	1 046 827	796 315
Interest received - trade and other receivables	8 095 895	5 657 234
Licences and permits (Exchange)	3 685 609	3 267 204
Housing debtor income	1 859 224	1 444 801
Other income	4 338 750	4 473 608
Interest received - investment	7 977 378	4 278 823
	209 168 732	**186 669 989**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	143 573 186	134 328 925
Licences or permits	1 265 973	1 211 988
Environmental levies	5 680 436	5 021 013
Interest, Dividends and Rent on Land	3 845 778	2 976 991
Transfer revenue		
Government grants & subsidies	269 722 218	208 894 930
Public contributions and donations	613 000	6 435 634
Fines, Penalties and Forfeits	342 733	675 422
	425 043 324	**359 544 903**

22. Service charges

Sale of electricity	80 661 996	84 727 310
Sale of water	64 111 001	49 073 128
Solid waste	20 265 916	17 770 738
Sewerage and sanitation charges	16 704 582	14 749 958
	181 743 495	**166 321 134**

23. Other income

Building plan fees	2 207 723	2 679 556
Encroachments	3 068	2 407
Commission on Insurance	228 148	214 256
Insurance refunds	462 889	626 094
Subdivisions	28 163	115 914
Sundry income	1 181 158	650 623
Town planning income	60 796	72 130
Camping fees	166 805	112 628
	4 338 750	**4 473 608**

24. Investment revenue

Interest revenue		
Bank	7 977 378	4 278 823

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Property rates

Rates received

Property rates	143 573 186	134 328 925

Valuations

All	14 691 390 362	14 251 553 212

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

Figures in Rand	2023	2022

26. Government grants & subsidies

Operating grants		
Unconditional: Equitable share	114 788 000	103 139 000
Unconditional: Equitable share: Cllrs & Ward Contribution	4 443 000	4 443 000
Unconditional: LG SETA Grants	304 304	316 953
Unconditional: SBDM Grant Revenue	1 667 623	1 207 838
Finance Management Grant	2 650 000	2 652 013
Greenest Town	200 000	-
Municipal Infrastructure Grant	1 536 368	1 433 150
Library Grant (DSRAC)	2 712 570	2 592 578
	128 301 865	**115 784 532**
Capital grants		
Unconditional: OTP Grant	3 376 005	16 297 914
Unconditional: Department of Water and Sanitation	16 507 527	3 192 688
Conditional: Regional Bulk Infrastructure Grant (RBIG)	-	8 516 427
SBDM - Public Safety (Capital)	2 939 528	-
Water Services Infrastructure Grant (Capital)	78 432 378	14 278 197
Department of Co-operative Governance and Traditional Affairs - Disaster Grant	7 848 524	7 380 476
Municipal Infrastructure Grant (Capital)	29 190 632	27 229 850
Expanded Public Works Prog Grant (EPWP) (Capital)	1 730 034	1 144 111
Library Grant (DSRAC) (Capital)	1 725	70 735
INEP (Capital)	1 394 000	15 000 000
	141 420 353	**93 110 398**
	269 722 218	**208 894 930**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	126 327 000	106 130 049
Unconditional grants received	141 286 459	128 597 393
	267 613 459	**234 727 442**

MIG

Current-year receipts	30 727 000	28 663 000
Conditions met - transferred to revenue	(30 727 000)	(28 663 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

INEP

Current-year receipts	1 394 000	15 000 000
Conditions met - transferred to revenue	(1 394 000)	(15 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Government grants & subsidies (continued)

Department of Co-operative Governance and Traditional Affairs - Disaster Grant

Balance unspent at beginning of year	7 848 524	-
Current-year receipts	-	15 229 000
Conditions met - transferred to revenue	(7 848 524)	(7 380 476)
	-	**7 848 524**

Conditions still to be met - remain liabilities (see note 17).

EC Sports/Arts and Culture

Balance unspent at beginning of year	1 131 249	1 044 562
Current-year receipts	2 750 000	2 750 000
Conditions met - transferred to revenue	(2 714 296)	(2 663 313)
	1 166 953	**1 131 249**

Conditions still to be met - remain liabilities (see note 17).

EPWP: Public Works

Balance unspent at beginning of year	33	145
Current-year receipts	1 730 000	1 144 000
Conditions met - transferred to revenue	(1 730 033)	(1 144 112)
	-	**33**

Conditions still to be met - remain liabilities (see note 17).

FMG

Balance unspent at beginning of year	-	2 013
Current-year receipts	2 650 000	2 650 000
Conditions met - transferred to revenue	(2 650 000)	(2 652 013)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	(10 204 249)
Current-year receipts	-	18 720 676
Conditions met - transferred to revenue	-	(8 516 427)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Water Services Infrastructure Grant

Balance unspent at beginning of year	5 723 522	1 719
Current-year receipts	85 000 000	20 000 000
Conditions met - transferred to revenue	(78 432 378)	(14 278 197)
	12 291 144	**5 723 522**

Conditions still to be met - remain liabilities (see note 17).

Figures in Rand	2023	2022

26. Government grants & subsidies (continued)

SBDM: Public Safety

Balance unspent at beginning of year	1 973 373	-
Current-year receipts	2 076 000	1 973 373
Conditions met - transferred to revenue	(2 939 528)	-
	1 109 845	**1 973 373**

Conditions still to be met - remain liabilities (see note 17).

27. Public contributions and donations

Sarah Baartman District Municipality - cash	500 000	1 026 000
University of Potsdam(Germany)	-	110 000
SALGA	-	385 697
Investment property transfers received	-	4 913 937
Sarah Baartman District Municipality - Fire equipment	113 000	-
	613 000	**6 435 634**

Sarah Baartman District Municipality donated the following funds during the current financial year -
Cash donation towards Alexandria Abbatoir: R 500 000
Pumps for Fire services: R 113 000

Sarah Baartman District Municipality donated the following funds during the previous financial year -
Cash donation towards anniversary celebration at Emzini Bathurst: R 100 000
Cash donation towards the renovation of Krantz Port Alfred: R 200 000
Cash donation towards Sarel Hayward Dam Pumpstation Line: R 726 000

Potsdam University - Germany donated the following funds during the previous financial year -
Cash donation towards Multi Purpose Community Centre : R 110 000

SALGA donated the following funds during the previous financial year -
Cash donation towards acquisition of rainwater tanks: R 325 697
Computer equipment to the value of : R 60 000

Investment property transfers received-
Investment property in the form of land was transfered to the municipality during the previous year, these properties were fair valued R4 913 937

Figures in Rand	2023	2022

28. Employee related costs

Basic	96 546 739	90 528 810
Bonus	8 080 353	7 452 533
Allowances	7 791 551	4 239 147
Post-employment benefits	27 204 578	30 716 703
Medical aid - company contributions	13 375 930	12 141 982
UIF	1 040 812	989 208
Leave pay accrual charge	1 859 883	783 986
Overtime payments	14 596 338	10 871 383
Long-service awards	89 245	70 057
Car allowance	4 578 504	4 108 202
Housing benefits and allowances	503 789	597 383
Group insurance	249 093	252 333
Industrial levy	74 668	69 341
Employee costs - ex S57 managers	**175 991 483**	**162 821 068**

Remuneration of municipal manager

Annual Remuneration	1 482 276	1 449 604
Backpay	-	21 901
Car Allowance	193 529	193 529
Performance Bonuses	97 761	113 075
Contributions to UIF, Medical and Pension Funds	127 952	135 646
Telephone allowance	17 084	17 084
13th Cheque	129 799	111 931
Leave Pay	138 562	96 576
	2 186 963	**2 139 346**

Remuneration of chief finance officer

Annual Remuneration	916 996	989 952
Backpay	-	16 867
Acting Allowance	41 222	66 225
Car Allowance	181 448	197 944
Performance Bonuses	108 857	-
Contributions to UIF, Medical and Pension Funds	217 849	232 426
Telephone allowance	24 193	26 709
13th Cheque	74 400	81 350
Leave pay	107 239	57 803
	1 672 204	**1 669 276**

Remuneration of director Infrastructural Development

Annual Remuneration	976 808	806 098
Backpay	-	13 663
Car Allowance	224 336	186 947
Performance Bonuses	77 755	90 083
Contributions to UIF, Medical and Pension Funds	230 114	186 531
Telephone allowance	39 589	32 991
13th Cheque	60 528	72 799
Leave Pay	-	45 475
	1 609 130	**1 434 587**

Figures in Rand	2023	2022

28. Employee related costs (continued)

Remuneration of director Corporate Services

Annual Remuneration	971 469	1 060 390
Backpay	-	15 433
Acting Allowance	102 071	34 145
Car Allowance	145 159	158 355
Performance Bonuses	77 755	90 112
Contributions to UIF, Medical and Pension Funds	207 326	217 142
Telephone allowance	12 097	13 196
13th Cheque	79 233	86 647
Leave pay	99 600	56 914
	1 694 710	**1 732 334**

Remuneration of director Community Protection Services

Annual Remuneration	993 616	822 805
Backpay	-	15 641
Car Allowance	197 944	164 953
Performance Bonus	77 755	90 039
Contributions to UIF, Medical and Pension Funds	244 943	194 031
Telephone allowance	26 393	21 994
13th Cheque	47 075	101 686
Leave pay	79 347	61 862
	1 667 073	**1 473 011**

Reconciliaton of employee costs

Employee costs - ex S57 managers	175 991 483	162 821 068
Remuneration of municipal manager	2 186 963	2 139 346
Remuneration of chief financial officer	1 672 204	1 669 276
Remuneration of director Infrastructural Development	1 609 130	1 434 587
Remuneration of director Corporate Services	1 694 710	1 732 334
Remuneration of director Community Protection Services	1 667 073	1 473 011
	184 821 563	**171 269 622**

29. Remuneration of councillors

Mayor	923 784	917 563
Speaker	744 582	752 773
Executive Members	1 214 053	1 251 058
Councillors	4 788 788	4 891 211
	7 671 207	**7 812 605**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

30. Depreciation and amortisation

Property, plant and equipment	47 746 920	46 215 415
Investment property	1 176 591	1 176 591
Intangible assets	40 860	102 767
	48 964 371	**47 494 773**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Finance costs

Non-current borrowings	372 203	551 522
Trade and other payables	-	732
Landfill Rehabilitaion - Interest Cost	7 595 018	6 144 549
	7 967 221	**6 696 803**

32. Debt impairment

Electricity	1 922 375	6 460 716
Water	32 568 335	21 759 422
Refuse	7 165 123	5 040 625
Waste Water	7 132 920	5 251 453
Service charges	3 465 641	526 701
Housing debtors	454 634	(108 197)
Rates	5 144 304	5 386 613
Environmental levies	1 973 489	3 005 851
	59 826 821	**47 323 184**

33. Bulk purchases

Electricity - Eskom	67 178 593	64 075 241
Water	22 017 417	17 807 259
	89 196 010	**81 882 500**

34. Contracted services

Outsourced Services	12 975 750	12 646 831
Consultants and Professional Services	27 781 101	21 895 940
Contractors	32 030 475	42 964 220
	72 787 326	**77 506 991**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. General expenses

Advertising	802 386	738 844
Auditors remuneration	5 510 686	4 653 265
Bank charges	1 143 715	906 510
Commission paid	2 217 824	1 963 703
Delivery expenses	713	5 518
Electricity	17 195 862	14 140 597
Entertainment	130 560	54 894
Fines and penalties	300	4 800
Fuel and oil	15 037 879	8 986 192
Hire	10 888 851	9 641 134
IT expenses	5 266 786	5 705 240
Insurance	2 591 526	2 411 219
Levies	1 507 986	1 423 741
Other expenses	3 790 533	2 824 963
Other materials	11 694 647	7 872 487
Postage and courier	944 013	773 359
Printing and stationery	67 223	81 859
Protective clothing	2 124 708	749 955
Subscriptions and membership fees	1 900 017	1 771 865
Telephone and fax	3 823 854	1 841 983
Title deed search fees	24 906	36 701
Transport and freight	249 617	254 427
Travel - local	3 203 663	1 522 174
	90 118 255	**68 365 430**

36. Fair value adjustments

Other financial assets		
• Old Mutual shares	1 910	(6 284)
• FV Adjustment of Landfill rehabilitation provision	7 145 974	(831 361)
• Adjustments to Inventory	(1 531)	-
	7 146 353	**(837 645)**

37. Impairment loss

Impairments		
Property, plant and equipment	2 789 447	10 636 882

38. Auditors' remuneration

Fees	5 510 686	4 653 265

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. Cash generated from operations

Surplus	76 195 580	21 619 198
Adjustments for:		
Depreciation and amortisation	48 964 371	47 494 773
Gain on sale of assets and liabilities	1 973 920	3 665 364
Actuarual (gains)/losses	(11 193 548)	(6 908 209)
Fair value adjustments	(7 146 353)	837 645
Impairment deficit	2 789 447	10 636 882
Debt impairment	59 826 821	47 323 184
Movements in operating lease assets and accruals	(56 084)	109 406
Movements in Employee benefit assets and liabilities	11 613 739	8 130 248
Movements in provisions	7 595 399	6 138 266
Non-cash donations and other in-kind benefits	(500 000)	(4 913 937)
Changes in working capital:		
Inventories	(38 318)	(43 083)
Receivables from exchange transactions	(53 154 017)	(45 435 810)
Receivables from non-exchange transactions	(7 061 411)	(1 582 298)
Other financial assets	(1 910)	6 284
Payables from exchange transactions	15 498 435	2 109 768
VAT	(6 323 104)	6 691 884
Unspent conditional grants and receipts	(2 108 759)	15 628 263
Consumer deposits	123 524	155 226
	136 997 732	**111 663 054**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	58 577 558	35 627 108
Total capital commitments		
Already contracted for but not provided for	58 577 558	35 627 108

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	18 000	596 457
- in second to fifth year inclusive	-	477 696
	18 000	**1 074 153**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are escalated by a fixed percentage on an annual basis. No contingent rent is payable.

Figures in Rand	2023	2022

40. Commitments (continued)

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	62 146	22 827
- in second to fifth year inclusive	57 727	26 720
- later than five years	11 337	2 080
	131 210	**51 627**

Certain of the municipality's properties are held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

41. Contingencies

Campbell and Shelton vs Ndlambe LM- The claimant has instituted procedings to suspend all approvals for building development on wetland area in Port Alfred. The financial effect of this cannot be determined.

KOSRA, Bushmans Kariega Estuary Care Management Forum & Natures Landing Homeowners Association vs Ndlambe LM - Legal procedings have been instituted against the municipality regarding the state of the landfill site at Bushmans River Mouth and to put measures in place to rectify the state of the landfill. The financial effect of this cannot be estimated as the financial claim has not been made.

Agri EC vs Ndlambe Municipality & others - Agric EC has taken Ndlambe Municipality to court to force the municipality to apply its by-laws. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

McNamara and others vs Ndlambe municipality - McNamara and others have taken Ndlambe Municipality to court to enforce the municipality to ensure that wetland fencing have been erected, as was removed by another party. The matter is in ongoing, but a financial claim has not been made, the financial effect cannot therefore be estimated.

V. Long vs Ndlambe Municipality & others - Legal procedings were instituted by V. Long to force Ndlambe Municipality to set aside a decision on a guesthouse approval. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Agri EC & Others vs Ndlambe Municipality - Agri EC has taken Ndlambe Municipality to court in relation to the legality of abstraction water, which Ndlambe Municipality procures from a company. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Dyongwana vs Ndlambe Municipality - Legal procedings were instituted by Dyongwana against Ndlambe municipality after the former's minor child fell into an uncovered drain and sustained alleged damages. The possible financial effect of this is R600 000.

Quality Filtration Systems vs Ndlambe - Both parties are in arbitration in relation to a dispute over the running and costs of the Ndlambe RO Plant. The matter was heard in the High Court and a binding agreement reached that arbitration will ensue and could result in an award. The possible financial effect of this cannot be estimated at this stage.

Litigation is in the process against the municipality relating to various matters above. The total estimated potential liability to the municipality at 30 June 2023 is R600 000 & 30 June 2022 cannot be determined reliably.

Figures in Rand	2023	2022

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Close family member of key management	MG Ncamiso (husband of Mayor Ncamiso) Sole shareholder of Nakhe Security and Cleaning Solutions 50% Shareholder of Genkorald General Trading XM Ncamiso (son of Mayor Ncamiso) 50% Shareholder of Genkorald General Trading X Masiza (husband of Ndlambe Director Infrastructure) Director of Lisolomzi Prestige Security
Members of key management as defined in GRAP 20	1. Members of Council Full names and remuneration details provided below 2. Section 57 managers Remuneration details provided in note 29

Related party balances

The amounts are unsecured and no security has been given.

Related party transactions

	2023	2022
Capital expenditure from related parties - Property, plant and Equipment		
Genkorald General Trading (Pty) Ltd - arm's length	-	250 334
Purchases from related parties - Security services		
Nakhe Security and cleaning (Pty) Ltd - arm's length	-	210 000
Lisolomzi Prestige Security (Pty) Ltd	-	542 960
Purchases from related parties - Building maintenance		
Genkorald General Trading (Pty) Ltd - arm's length	49 818	24 782
Purchases from related parties- Contracted services- Contractors		
Genkorald General Trading (Pty) Ltd - arm's length	1 200	-

42. Related parties (continued)

Remuneration of management

Management class: Council

2023

Name	Allowance	Transport	Telephone	Medical Aid	Pension	Total
Mayor - KC Ncamiso	625 324	189 504	40 800	17 280	46 900	919 808
Speaker - L Marasi	524 457	83 376	40 800	17 280	78 670	744 583
Executive member - NF Memani	266 618	78 180	40 800	2 880	19 996	408 474
Executive member - S Venene	253 419	78 180	40 800	17 165	19 006	408 570
Executive member - S Dyakala	253 204	78 180	40 800	17 280	18 990	408 454
Chief Whip - S Kolosa	189 657	56 856	40 800	17 280	14 224	318 817
MPAC Chair - A Nyumka	189 657	56 856	40 800	17 280	14 224	318 817
Councillor - A Bukani	205 753	56 856	40 800	-	15 432	318 841
Councillor - M Sweli	205 753	56 856	40 800	-	15 432	318 841
Councillor - HK Walker	189 657	56 856	40 800	17 280	14 224	318 817
Councillor - NE Haynes	220 879	56 856	40 800	-	-	318 535
Councillor - P Khungwayo	205 753	56 856	40 800	-	15 432	318 841
Councillor - SI Melani	205 753	56 856	40 800	-	15 432	318 841
Councillor - S Zweni	208 274	56 856	40 800	-	12 859	318 789
Councillor - MW Mgweba	205 753	56 856	40 800	-	15 432	318 841
Councillor - PY Kani	220 879	56 856	40 800	-	-	318 535
Councillor - ZW Myali	189 657	56 856	40 800	17 280	14 224	318 817
Councillor - WG Johannes	220 879	56 856	40 800	-	-	318 535
Councillor - T Mbekela	191 195	56 856	40 800	15 725	14 340	318 916
Councillor - X Runeli	220 879	56 856	40 800	-	-	318 535
	4 993 400	**1 360 260**	**816 000**	**156 730**	**344 817**	**7 671 207**

42. Related parties (continued)

2022

Name	Allowance	Backpay	Transport	Telephone	Medical aid	Pension	Other benefits received	Total
Mayor - KC Ncamiso	404 746	15 205	130 643	28 127	12 960	43 328	5 000	640 009
Ex- Mayor - S Dyakala	195 623	-	58 861	12 673	2 880	7 516	-	277 553
Speaker - L Marasi	327 722	14 491	53 689	26 273	11 520	49 158	-	482 853
Ex-Speaker - NV Maphaphu	194 060	7 352	29 687	14 527	5 760	13 534	5 000	269 920
Executive member - NF Memani	170 571	6 058	50 343	26 273	-	9 787	-	263 032
Executive member - S Venene	170 818	8 966	50 343	26 273	1 440	8 066	-	265 906
Executive member - S Dyakala	81 910	10 787	26 060	13 600	5 760	6 143	-	144 260
Ex-Executive member - A Nyumka	80 612	-	24 283	12 673	2 880	3 041	-	123 489
Ex-Executive member - T Mazana	99 127	3 845	27 837	14 527	-	-	7 000	152 336
Ex- Executive member - N Xhasa	92 772	3 395	27 522	14 527	-	6 483	7 000	151 699
Ex-Executive member - LR Schenk	99 127	3 845	27 837	14 527	-	-	5 000	150 336
Chief Whip - S Kolosa	122 316	4 582	36 612	26 273	8 640	6 876	-	205 299
Ex-Chief Whip - AL Marasi	61 646	-	20 244	14 527	5 760	8 521	7 000	117 698
MPAC Chair - A Nyumka	61 334	5 400	18 952	13 600	5 760	4 600	-	109 646
Ex-MPAC Chair - TM Bunge	89 282	3 732	27 837	14 527	-	6 239	7 000	148 617
Councillor - A Bukani	132 793	4 582	36 612	26 272	5 003	-	-	205 262
Councillor - M Sweli	131 579	4 582	36 612	26 272	-	6 241	-	205 286
Councillor - HK Walker	124 872	4 582	36 612	26 272	7 200	5 738	-	205 276
Councillor - NE Haynes	137 697	4 582	36 612	26 272	-	-	-	205 163
Councillor - P Khungwayo	131 579	4 582	36 612	26 272	-	6 241	-	205 286
Councillor - SI Melani	128 267	7 490	36 612	26 272	-	9 620	-	208 261
Councillor - S Zweni	137 697	4 582	36 612	26 272	-	-	-	205 163
Councillor - MW Mgweba	132 793	4 582	36 612	26 272	-	5 003	-	205 262
Councillor - PY Kani	137 696	7 490	36 612	26 273	-	-	-	208 071
Councillor - ZW Myali	122 316	4 582	36 612	26 272	8 640	6 877	-	205 299
Councillor - WG Johannes	137 697	4 582	36 612	26 272	-	-	-	205 163
Councillor - T Mbekela	120 326	7 490	36 612	26 272	8 525	9 024	-	208 249
Councillor - X Runeli	137 696	7 490	36 612	26 272	-	-	-	208 070
Councillor - AW Diniso	50 116	1 246	13 396	9 612	-	-	-	74 370
Councillor - KC Ncamiso	14 172	-	3 791	2 720	-	-	-	20 683
Councillor - N Gamlashe	66 667	2 909	20 244	14 527	-	9 274	5 000	118 621

42. Related parties (continued)

Councillor - CB James	65 542	2 909	20 244	14 527	5 760	4 553	5 000	118 535
Councillor - A Nqosha	75 765	2 909	20 244	14 527	-	-	5 000	118 445
Councillor - M Raco	70 908	2 909	20 244	14 527	-	4 956	5 000	118 544
Councillor - MW Yali	70 908	2 909	20 244	14 527	-	4 956	5 000	118 544
Councillor - M Mateti	66 667	2 909	20 244	14 527	-	9 275	5 000	118 622
Councillor - K Daweti	70 907	2 909	20 244	19 473	-	4 956	5 000	123 489
Councillor - PY Kani	75 765	-	20 244	14 527	-	-	5 000	115 536
Councillor - JP Guest	75 765	2 909	20 244	14 527	-	-	5 000	118 445
Councillor - S Venene	75 765	-	20 244	14 527	-	-	5 000	115 536
Councillor - T Mbekela	70 908	-	20 244	14 527	-	4 956	5 000	115 635
Councillor - X Runeli	70 845	-	20 244	14 527	-	4 952	7 000	117 568
Councillor - SI Melani	70 845	-	20 244	14 527	-	4 952	7 000	117 568
	4 956 219	**183 374**	**1 367 065**	**820 593**	**98 488**	**274 866**	**112 000**	**7 812 605**

Also refer to note "Remuneration of councillors" Note 29

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Prior period errors & reclassification

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
VAT Receivable	7 176 066	79 792	7 255 858	1
Property, Plant and Equipment	1 093 521 752	(2 991 721)	1 090 530 031	2
Payables from exchange transactions	(56 777 485)	12 920 631	(43 856 854)	3
Employee benefit obligation - current	(3 427 491)	(13 541 822)	(16 969 313)	4
Accumulated surplus	(1 269 330 127)	3 533 120	(1 265 797 007)	5
	(228 837 285)	**-**	**(228 837 285)**	**-**

1 - VAT Receivable - Statement of Financial Position

Previously reported 2022 balance	7 176 066
VAT on additional accruals raised	79 792
Restated 2022 Closing Balance	**7 255 858**

2 - Property, plant and equipment - Statement of Financial Position

Previously reported 2022 balance	1 093 521 751
WIP impairment due to project finalisation	(2 991 721)
Restated 2022 Closing Balance	**1 090 530 030**

3 - Payables from exchange transactions - Statement of Financial Position

Previously reported 2022 balance	(56 777 485)
Raise of additional Accruals 2022	(621 191)
Employee benefit obligations reclassification to payables (overtime, accrual and bonus)	13 541 822
Restated 2022 Closing Balance	**(43 856 854)**

4 - Employee benefit obligation - Current - Statement of Financial Position

Previously reported 2022 balance	(3 427 491)
Employee benefit obligations reclassification from payables (overtime, accrual and bonus)	(13 541 822)
Restated 2022 Closing balance	**(16 969 313)**

5 - Accumulated Surplus - Statement of Financial Position

Previously reported 2022 Opening balance	(1 244 177 802)
Effect of opening balance corrections relating to -	-
RESTATED 2021/22 OPENING BALANCE	(1 244 177 802)
	-
RESTATED 2021/22 (Surplus)/Deficit	(21 619 198)
Previously reported Surplus	(25 152 319)
Net corrections as per 2020/21 Statement of Financial Performance (see below)	3 533 121
	-
RESTATED 2021/22 CLOSING BALANCE	**(1 265 797 000)**

Figures in Rand	2023	2022

43. Prior period errors & reclassification (continued)

Statement of Financial Performance	2022 Comparative restatements Previously reported	Adjustment DT/(CT)	As restated	Reference
EXPENDITURE				
Employee related costs	(164 361 413)	6 908 209	(171 269 622)	i
Lease rentals from operating leases	(5 379 494)	(3 343 889)	(2 035 605)	ii
Alternative Energy Programme	(5 594 743)	(2 968 240)	(2 626 503)	iii
Bulk purchases	(81 666 463)	216 037	(81 882 500)	iv
Contracted services	(77 353 013)	153 978	(77 506 991)	v
General expenses	(61 881 916)	6 483 514	(68 365 430)	vi
Impairment Loss	(7 645 161)	2 991 721	(10 636 882)	vii
Actuarial Gains/(losses)	-	(6 908 209)	6 908 209	viii
	(403 882 203)	**3 533 121**	**(407 415 324)**	

i) Employee related costs - Statement of Financial Performance

As previously reported	(164 361 413)
Re-classification of Actuarial gains in line with MSCOA	(6 908 209)
	(171 269 622)

ii) Lease rentals from operating leases - Statement of Financial Performance

As previously reported	(5 379 494)
Correction of classification of Hire charges	3 343 889
	(2 035 605)

iii) Alternative Energy programme - Statement of Financial Performance

As previously reported	(5 594 743)
Correction of misallocation of municipal consumed electricity	2 968 240
	(2 626 503)

iv) Bulk purchases - Statement of Financial Performance

As previously reported	(81 666 463)
Additional Accruals raised 2022	(216 037)
	(81 882 500)

v) Contracted Services - Statement of Financial Performance

As previously reported	(77 353 013)
Additional Accruals raised 2022	(153 978)
	(77 506 991)

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Prior period errors & reclassification (continued)

vi) General Expenses - Statement of Financial Performance

As previously reported	(61 881 916)
Additional Accruals raised 2022	(171 385)
Correction of misallocation of municipal consumed electricity	(2 968 240)
Correction of classification of Hire charges	(3 343 889)
	(68 365 430)

vii) Impairment Loss - Statement of Financial Performance

As previously reported	(7 645 161)
WIP impairment due to project finalisation	(2 991 721)
	(10 636 882)

viii) Actuarial Gains and Losses - Statement of Financial Performance

As previously reported	-
Re-classification of Actuarial gains in line with MSCOA	6 908 209
	6 908 209

The following disclosures have been restated in the comparative figure:
Unautorised expenditure - Note 44
Previous Disclosure

Opening balance - 2021/22	107 890 877
Add: Unauthorised Expenditure	75 498 188
Less: Condoned by council	(70 955 368)
	112 433 697

New disclosure

Opening balance - 2021/22	107 890 877
Add: Unauthorised Expenditure	78 829 710
Less: Condoned by council	(70 955 368)
	115 765 219

Cash flow statement

Cash flow from operating activities	**RESTATED**	**PREVIOUSLY DISCLOSED**
Rates and services	271 538 864	271 618 656
Employee costs	(179 082 236)	(172 174 018)
Suppliers	(222 114 431)	(229 102 441)
	(129 657 803)	**(129 657 803)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Unauthorised expenditure

Opening balance as previously reported	115 765 219	107 890 877
Opening balance as restated	**115 765 219**	**107 890 877**
Add: Expenditure identified - current	84 000 359	-
Add: Expenditure identified - prior year	-	78 829 710
Less: Amount written off - current	(75 498 188)	-
Less: Amount written off - prior	-	(70 955 368)
Closing balance	**124 267 390**	**115 765 219**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	69 018 578	67 166 406
Cash	14 981 781	11 663 304
	84 000 359	**78 829 710**

Unauthorised expenditure: Budget overspending – per municipal department:

Corporate services	9 129 703	-
Waste Management	11 300 505	4 344 003
Electricity	18 789 444	39 056 353
Water	29 848 528	27 181 327
Waste Water Management	4 901 375	3 203 640
Technical	5 265 753	246 776
Housing	148 193	-
Community and Social Services	4 616 858	4 797 611
	84 000 359	**78 829 710**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	72 511	79 519
Opening balance as restated	**72 511**	**79 519**
Add: Expenditure identified - current	654 679	-
Add: Expenditure identified - prior year	-	4 800
Less: Amount written off - prior period	-	(11 808)
Closing balance	**727 190**	**72 511**

Fruitless and wasteful expenditure incurred in the current year relates to traffic deposit monies shortages which the municipality had to settle with the department of transport. R654 679 is being investigated for possible misappropriation and/or negligence due to fire losses.

Fruitless and wasteful expenditure incurred in the prior year was due to traffic fines on municipal vehicles.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Irregular expenditure

Opening balance as previously reported	301 843 209	633 168 213
Opening balance as restated	**301 843 209**	**633 168 213**
Add: Irregular Expenditure - current	81 810 509	-
Add: Irregular Expenditure - prior year	-	78 990 362
Less: Amount written off - current	(148 455 587)	-
Less: Amount written off - prior period	-	(410 315 366)
Closing balance	**235 198 131**	**301 843 209**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
- Supply Chain Management Regulation and/or Policy Deviations -Lack of Supporting documentation - Deviations not in accordance with S36 of the SCM regulations	Items will be referred to MPAC for Investigation and the need for criminal procedings to be determined. Goods and/or services were received in all instances and none of the payments were made in vain.	81 810 509
		81 810 509

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 858 015	1 727 228
Current year subscription / fee	2 006 035	1 886 963
Amount paid - current year	(1 864 015)	(1 756 176)
	2 000 035	**1 858 015**

Audit fees

Opening balance	-	8 815
Current year fee	6 320 708	5 351 254
Amount paid - current year	(6 303 627)	(5 360 069)
	17 081	**-**

PAYE and UIF

Amount paid - current year	22 080 559	21 429 609

Pension and Medical Aid Deductions

Amount paid - current year	31 551 416	28 815 561

VAT

VAT receivable	13 578 962	7 255 858

VAT output payables and VAT input receivables are shown in note 6.

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

Figures in Rand	2023	2022

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - WG Johannes	3 861	109 605	113 466

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - MW Mgweba	1 194	340	1 534
Councillor -TS Dyakala	2 072	1 763	3 835
Councillor - WG Johannes	4 147	144 869	149 016
Councillor - KC Ncamiso	8 484	2 526	11 010
	15 897	**149 498**	**165 395**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
S36(1)(a)(i) - Emergency	40 156 102	24 473 505
S36(1)(a)(ii) - Sole Supplier	3 072 088	1 058 039
S36(1)(a)(v) - Impractical / Impossible (other)	58 208 300	23 637 626
	101 436 490	**49 169 170**

48. Water and electricity losses

Material Losses

Water	22 328 338	14 075 376
Electricity	6 436 632	5 144 465
	28 764 970	**19 219 841**

Water Losses
In 2023 the water reticulation losses were 45.3% (3 346 810 kl supplied and 1 831 998 kl sold) (2022: 38.2% (2 650 127 kl supplied and 1 637 510 kl sold). In both years these losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, meter faults, unauthorised and unmetered consumption.

Electricity Losses
In 2023, the electricity losses were 12.2% (2022: 8.8%). Electricity purchased was 39 124 452 kWh and 34 356 576 kWh was sold (2022: 43 157 538 kWh purchased and 39 346 823 kWh sold). These losses are predominantly due to MV and LV losses in switchgear, overheadlines, obsolete aluminium lines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Receivables from Non-Exchange Transactions	1 191 734	537 055
Receivables from Exchange Transactions	28 810 745	28 365 756
Cash and cash equivalents	67 235 366	77 785 500
Other financial assets	44 872	42 962

The municipality holds deposits of R 2 661 391 (2022: R 2 537 867) from consumer deposits. No guarantees of collateral was provided to third parties.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2023 and 2022, the municipality has no borrowings at variable rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Financial liabilities - DBSA Loans	8,8% - 12,34%	1 660 947	1 032 354	-	-	-

49. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

50. Going concern

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.

51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of the four major trading services: Electricity (Energy Sources), Water (Water management), Waste Water (Waste Water management) and Refuse (Waste Management) services. The segments were organised around the type of service delivered and the consumers. Management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

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.

Geographical information

The municipality operates in the Ndlambe Municipal demarcation, which include the following main towns: Port Alfred, Kenton-on-Sea, Alexandria, Cannon-Rocks, Seafield and Marselle. The information necessary to be able to report on segments on a geographical basis is not available and the municipality deems the costs necessary to develop that to be excessive and as such has disclosed the financial information on a geographical basis.

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
Electricity	Delivery of electrical services
Water	Delivery of water services
Sewerage and Sanitation	Delivery of waste water services
Solid Waste	Rendering of refuse removal

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Electricty	Water	Sewerage and sanitation	Solid Waste	Total
Revenue					
Revenue from non-exchange transactions	-	-	-	5 680 436	5 680 436
Revenue from exchange transactions	80 661 996	64 111 001	16 704 583	20 265 916	181 743 496
Interest received - trade and other receivables	1 073 920	2 219 147	1 380 982	1 950 524	6 624 573
Total segment revenue	**81 735 916**	**66 330 148**	**18 085 565**	**27 896 876**	**194 048 505**
Revenue from exchange transactions					20 800 664
Revenue from non-exchange transactions					419 362 887
Total revenue reconciling items					**440 163 551**
Entity's revenue					**634 212 056**
Expenditure					
Employee related costs	988 087	10 666 338	8 819 498	12 285 054	32 758 977
Depreciation and amortisation	3 755 448	14 912 662	5 771 465	187 518	24 627 093
Finance costs	-	369 809	-	7 595 018	7 964 827
Debt impairment	1 922 374	32 568 335	7 132 919	7 165 123	48 788 751
Alternatve energy programme	3 758 400	-	-	-	3 758 400
Bulk purchases	67 178 593	22 017 417	-	-	89 196 010
Contracted services	14 532 159	9 271 119	2 761 400	7 082 996	33 647 674
General Expenses	17 353 146	16 065 374	4 507 212	5 249 752	43 175 484
Fair value adjustments	-	-	-	(7 145 974)	(7 145 974)
Loss on disposal of assets	-	131 997	338 126	-	470 123
Impairment loss	2 232 428	7 021	45 290	-	2 284 739
Total segment expenditure	**111 720 635**	**106 010 072**	**29 375 910**	**32 419 487**	**279 526 104**
Total segmental surplus/(deficit)					**(85 477 599)**

Figures in Rand

51. Segment information (continued)

	Electricty	Water	Sewerage and sanitation	Solid Waste	Total
Employee related costs					(152 062 584)
Remuneration of councillors					(7 671 207)
Depreciation					(24 337 277)
Finance costs					(2 394)
Lease rentals					(1 953 179)
Debt impairment					(11 038 067)
Contracted services					(39 139 656)
Transfers and Subsidies					(4 528 658)
General expenses					(46 942 769)
Gain on disposal of assets					(1 503 799)
Fair value adjustments					379
Actuarial gains					11 193 547
Impairment loss					(504 708)
Total revenue reconciling items					440 163 551
Entity's surplus (deficit) for the period					**76 195 580**
Assets					
Receivables from exchange transactions	11 813 185	10 828 545	2 445 991	2 833 430	27 921 151
Property, plant and equipment	100 521 745	209 405 389	153 282 517	-	463 209 651
Property, plant and equipment - WIP	-	84 733 833	91 412 477	-	176 146 310
Total segment assets	**112 334 930**	**304 967 767**	**247 140 985**	**2 833 430**	**667 277 112**
Property, plant and equipment					545 837 988
Other non-current assets					258 949 854
Current assets					104 040 667
Total assets as per Statement of financial Position					**1 576 105 621**
Current liabilities					(109 853 578)
Non-current liabilities					(124 259 462)
Total liabilities as per Statement of financial Position					**(234 113 040)**

51. Segment information (continued)

2022

	Electricity	Water	Sewerage and sanitation	Solid waste	Total
Revenue					
Revenue from non-exchange transactions	-	-	-	5 021 013	5 021 013
Revenue from exchange transactions	84 727 310	49 073 128	14 749 958	17 770 738	166 321 134
Interest received - trade and other receivables	841 037	1 633 212	837 804	1 273 680	4 585 733
Total segment revenue	**85 568 347**	**50 706 340**	**15 587 762**	**24 065 431**	**175 927 880**
Revenue from exchange transactions					15 763 117
Revenue from Non-exchange transactions					354 523 890
Total revenue reconciling items					**370 287 007**
Entity's revenue					**546 214 887**
Expenditure					
Employee related costs	781 333	10 541 943	8 630 622	11 286 169	31 240 067
Depreciation and amortisation	18 316 410	6 496 266	1 950 038	44 165	26 806 879
Finance costs	-	551 522	-	6 145 281	6 696 803
Debt impairment	6 460 716	21 759 422	5 251 453	5 040 625	38 512 216
Alternative energy	2 626 503	-	-	-	2 626 503
Bulk purchases	64 075 241	17 807 259	-	-	81 882 500
Contracted services	12 367 905	18 281 200	2 757 574	5 792 140	39 198 819
General expenses	6 875 260	9 294 954	7 290 318	4 445 183	27 905 715
Fair value adjustments	-	-	-	831 361	831 361
Loss on disposal of assets	723 143	-	2 391 941	-	3 115 084
Impairment loss	1 825 197	3 132 755	2 305 247	-	7 263 199
Total segment expenditure	**114 051 708**	**87 865 321**	**30 577 193**	**33 584 924**	**266 079 146**
Total segmental surplus/(deficit)					**(90 151 266)**

51. Segment information (continued)

	Electricity	Water	Sewerage and sanitation	Solid waste	Total
Total revenue reconciling items					370 287 007
Employee related costs					(140 029 558)
Remuneration of councillors					(7 812 606)
Depreciation					(20 687 895)
Lease rentals					(2 035 605)
Debt impairment					(8 810 970)
Contracted services					(38 308 172)
Transfers and subsidies					(3 349 995)
General expenses					(40 459 703)
Gain on disposal of assets					(550 281)
Fair value adjustments					(6 284)
Actuarial Gains					6 908 209
Impairment loss					(3 373 683)
Entity's surplus (deficit) for the period					**21 619 198**
Assets					
Receivables from exchange transactions	11 617 613	9 038 562	2 299 594	2 586 219	25 541 988
Property, plant and equipment	105 906 017	207 324 088	136 529 871	-	449 759 976
Property, plant and equipment - WIP	-	78 137 340	34 127 298	-	112 264 638
Total segment assets	**117 523 630**	**294 499 990**	**172 956 763**	**2 586 219**	**587 566 602**
Property, plant and equipment					528 505 417
Other non-current assets					261 546 806
Current assets					110 210 471
Total assets as per Statement of financial Position					**1 487 829 296**
Current liabilities					(94 021 859)
Non-current liabilities					(128 010 430)
Total liabilities as per Statement of financial Position					**(222 032 289)**

52. Accounting by principals and agents

The entity is a party to the following principal-agent arrangements.

Details of the arrangments are as follows:

The municipality acts an an agent for the Department of Transport whereby it administers the provision of motor vehicle licences and registrations as well as drivers' licences. It receives compensation for these services based on a binding arrangement with the department.

The entity is the principal. Refer to note 1.5 for significant judgements applied in making this assessment.

The municipality acts as a principal in binding arrangements with vendors who sell prepaid electricity. The vendors earn commission on the prepaid electricity sales based on agreements.

Furthermore, the municipality acts as an agent for the Department of Human Settlements whereby it oversees the construction of RDP houses on behalf of the department. There is no compensation for this agency service and hence no revenue recognised.

Figures in Rand	2023	2022

52. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 3 685 609 (2022: R 3 267 204).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2023	2022
Category 1 - MV Licences and registrations		
Opening balance	-	197 733
Amount received on behalf of the principal	14 938 067	10 450 909
Amounts transferred to the principal	(11 252 458)	(7 381 438)
Amount recognised as revenue for services rendered	(3 685 609)	(3 267 204)
	-	**-**
Category 2 - Human Settlements		
Opening balance	106 171	715 338
Amounts received - Human settlements	42 270 487	9 238 203
Amounts paid on behalf of Dept. Human Settlements on projects	(35 035 268)	(9 847 370)
	7 341 390	**106 171**
All categories		
Opening balance	106 171	913 071
Amounts received on behalf of the principal	14 938 067	10 450 909
Amount transferred to the principal	(11 252 458)	(7 381 438)
Amount recognised as revenue for the services rendered	(3 685 609)	(3 267 204)
Amounts received - Human settlements	42 270 487	9 238 203
Amounts paid on behalf of Dept. Human Settlements on projects	(35 035 268)	(9 847 370)
	7 341 390	**106 171**

Figures in Rand	2023	2022

52. Accounting by principals and agents (continued)

Entity as principal

Fee paid

Fee paid as compensation to the agent	566 878	564 850

The fee paid relates to the commission paid to vendors for selling pre-paid electricity to the consumers on behalf of the municipality. The amount decreased in the current year due to a new contract being entered into with vending system service provider.

53. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Budget differences (continued)

The variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%. Below are details of the relevant material variances as per the Statement of Comparison of Budget and Actual:

STATEMENT OF FINANCIAL PERFORMANCE

53.1) Service Charges:
Immaterial variance between budget and actual. The budget adjustment relates to the provision made for reduced revenue on water due to the existing drought conditions.

53.2) Rendering of services: Immaterial variance

53.3) .Rental of facilities and equipment:
Variance is due to the straight-lining of the operating lease liability(lessee)

53.4) Interest received:
The budget was kept in line with the prior period intrest income and did not factor in the expected effect of increased interest rates during the interest rate hiking cycle experienced in the economy.

53.5) Licences and Permits
The budgeting process relating to the forecast of licences and permits was flawed as there was an overestimate of the agency revenue and the figure budgeted for more closely relates to overall collections from motor vehicle licences and permits, rather than just the portion earned as municipal portion of the agency services. On the basis of overall collections the budget agrees to collections as disclosed in the agent principal note.

53.6) Housing debtor income
Variance is due to an overbudgeting on indigent debtors for housing rental.

53.7) Other income: Immaterial variance

53.8) Interest received - investment
The budgeting process did not predict the prime interest rate increases as seen through the financial year, which led to greater than expected interest returns on call deposits.

53.9) Property rates: Immaterial variance

53.10) Licences and permits (non-exchange)
The licencing and permits relate to boat and trading licence. The figure has not been budgeted for during the 2022/23 financial year, which was an oversight.

53.11) Environmental levies:
Variance is due to an erroneous extrapolation of the mid-year projection which resulted in the overbudgeting and adjustment to the budget.

53.12) Interest received - non-exchange receivables:
The budgeting process erroeously omitted interest on non-exchange receivables.

53.13) Government Grants and subsidies:
The variance is due to unspent grants, therefore not yet transfered to revenue, as well as not all WSIG grant received during the year and rolled over.

53.14) Public Contributions and donations
The donations amount was not budgeted for in full. Donations, by its nature, is gratuitous and were transfered as in-kind donations and other donations - there was no expectation to receive additional donations during the year, other than what was budgeted for.

53.15) Fines, Penalties and Forfeits
The budget for fines, penalties and forfeits was prepared, with the expectation of historical traffic volumes. However road traffic volumes remain lower than historical circumstances, the number of fines issued during the year remain subdued versus historical trends.

53. Budget differences (continued)

53.16) Personnel: The budget was adjusted downwards due to the affect of vacancies, yet the effect of movements in relation to Long Service Awards and Post Retirement medical aid, along with bonus and leave accrual was not included in the budget.

53.17) Remuneration of councillors - Immaterial variance

53.18) Depreciation and amortisation: Immaterial variance.

53.19) Impairment loss
The impairment loss amount was not budgeted for as impairments by its nature are unplanned - there was no expectation to have any impairment losses during the year.

53.20) Finance costs
The finance costs budget does not include the material interest component related to the provision on the landfill site rehabilitation. This resulted in the variance as identified.

53.21) Lease rentals on operating lease
The lease contracts were terminated during the latter part of the year as a result of the acquisition of the previously leased property. The budget was duly adjusted downward, but the registration still was a bit later than anticipated.

53.22) Debt impairment: Immaterial variance

53.23) Alternative Energy Programmes: Immaterial variance.

53.24) Bulk purchases
The variance is due to underbudgeting on both water and electricity. Post pandemic consumption has also increased due to more holidaymakers visiting the municipal area during the period, along with bulk increases above inflation.

53.25) Contracted services
The budget adjustments are in relation to savings calculated in the mid-year budget and re-allocated to the Bulk purchases segment.

53.26) Transfers and subsidies - Immaterial variance

53.27) General expenses:
The budget adjustments were due to budget savings identified and increased in line with expected year end expenditure.

53.28) Loss on disposal of assets
The disposals of movable & immovable assets based on the derecognition of obsolete assets resulted in unbudgeted losses which contributed towards the variance between budget actual expenditure.

53.29) Fair value adjustments:
At the time of the budget no budget was provided for fair value adjustments. It is also not known at the time of the budget what the effect of external factors would be on the landfill provision estimate. As such budget is not provided to the extent of the actual fair value losses incurred as this would have to be funded with revenue through rate increases.

53.30) Actuarial gains:
The budget provided no seperate determination for the actuarial gains, which previously was included in employee costs, which affects both the variances on Actuarial losses and Employee costs.

STATEMENT OF FINANCIAL POSITION

53.31) Inventories
The variance is due to an over-estimate of stock on hand at year end. 2022 figures were not used to normalise stock levels in the budget process.

53.32) Operating lease asset
The budget did not factor in the unwinding of future lease assets as the leases near the end of their term.

53. Budget differences (continued)
53.33) Receivables from non-exchange transactions & Receivables from exchange transactions
The variance is due to budgeting misallignment between the receivables from exchange transactions and receivables from non-exchange transactions. There was a smaller overall debt due to the increase in the overall provision higher than expected.

53.34) VAT receivable
The actual variance is due to the underestimate on the housing VAT not yet claimed during the year which amounts to R1,4 Million.

53.35) Cash and cash equivalents
The lower than expected actual balance is due to the overall increase in spending above budgeted expected inflows.

53.36) Investment property: Immaterial variance.

53.37) Property, plant and Equipment:
The variance is due to the budgeted amounts not being alligned to the actual 2023 opening balances + additions.

53.38) Intangible assets
The variance is due to budget not being alligned to the actual 2023 opening balances.

53.39) Heritage assets - Immaterial variance

53.40) Other financial assets
The expected market value of the listed shares are trading well below anticipated levels

53.41) Financial liabilities - DBSA: Immaterial variance

53.42) Operating lease liability
The figures were based previously recognised 2021 figures when the 2023 budget was established. This does not take into account the purchase of the new building which cancelled the leases.

53.43) Payables from exchange transactions:
The variance is largely due to the Housing department payable being much larger than budgeted for due to projects being underway at year end.

53.44) Consumer deposits: Immaterial variance

53.45) Employee Benefit obligation
The overall variance in employee benefit obligations is largely in line with the budgeted figures. The current portion has however been overestimated based on projection which were higher than actual expected payments to be made.

53.46) Unspent conditional grants and receipts
Balances of unspent grants per the budget did not factor in mutli-year projects on WSIG and COGTA and resulted in unspent amounts at year end.

53.47) Provisions
The provisions balances have been restated in the prior year which has resulted in a greater than anticipated increase in the provisions balance and which was not factored in at the time of the 2022/23 budget.

53.48) Accumulated surplus
The variance is a result of the above explanations combined. Due to the nature of the balance it will always represent the balacing figure on the budgeted statement of financial position.

CASHFLOW STATEMENT VARIANCES

53.49) Rates and services
Rates and services were overbudgeted due to the overbudgeting of the collection rate.

53.50) Government grants and subsidies
The variance is due to budgeting for housing which is not included in the municipal operations.

Figures in Rand	2023	2022

53. Budget differences (continued)

53.51) Interest income
The variance is due to under budgeting for receivable from non-exchange transactions and underbudgeting of collections on interest.

53.52) Other receipts
The budgeted amount was overestimated due to the traffic collections not being netted off to the department of transport payments made per the budget, whereas the actual figures shows just the agent fees received.

53.53) Supplier and Employee costs - Immaterial variance

53.54) Finance Costs
The finance costs budget does not include the landfill finance costs. This resulted in the variance as identified.

53.55) Grants and subsidies paid:
The bduget was adjusted for the effect of the housing department grants received, which was not reflected as municipal grants due to the agency principal.

53.56) Purchase of Property, plant and equipment
The budget increase relates to acquisition of assts via grant, however not all grants were spent and not all grant monies were received as was budgeted.

53.57) Proceeds on sale of property, plant and equipment
Amounts were not budgeted as disposals are not determined at budget phase.

53.58) Decrease in non-current investments:
No non-current investment movements

53.59) Decrease in consumer deposits: No decrease in consumer deposits identified

53.60)Repayment of financial liabilities - DBSA: Immaterial variances

53.61) Cash and cash equivalents at the beginning of the year
The commencement budget does not relate to the actual cash balances at end of 2021/22 financial year.

54. Change in estimate

Property, plant and equipment

The useful life of certain plant was estimated in re-estimated in the current period. Management have revised their estimated respective useful lives. The effect of this revision has decreased the depreciation charges for the current period and increased it for the future periods by R1 041 895.

55. Events after the reporting date

No material non-adjusting events have been identified after the reporting date.