Ndlambe Local Municipality

Annual Financial Statements
for the year ended 30 June 2024

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 Chairperson
	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

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The reports and statements set out below comprise the annual financial statements presented to the municipal 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
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
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 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 102, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024.

R Dumezweni
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	1 438 947	1 184 641
Receivables from non-exchange transactions	4	25 784 778	20 683 124
Receivables from exchange transactions	5	37 354 309	28 793 620
VAT receivable	6	6 947 128	13 591 218
Cash and cash equivalents	7	140 308 928	67 235 366
Operating lease asset	8	12 899	17 424
		211 846 989	**131 505 393**
Non-Current Assets			
Investment property	9	242 890 547	247 150 696
Property, plant and equipment	10	1 254 942 877	1 187 695 961
Intangible assets	11	47 606	104 267
Heritage assets	12	16	16
Other financial assets	13	46 305	44 872
		1 497 927 351	**1 434 995 812**
Total Assets		**1 709 774 340**	**1 566 501 205**
Liabilities			
Current Liabilities			
Consumer deposits	15	2 827 601	2 660 816
Payables from exchange transactions	16	146 391 805	60 467 701
Unspent conditional grants and receipts	17	31 673 139	14 567 942
Financial liabilities - DBSA	18	973 082	1 464 213
Employee benefit obligation	19	22 085 561	19 642 248
Provisions	20	13 068 766	12 497 830
		217 019 954	**111 300 750**
Non-Current Liabilities			
Financial liabilities - DBSA	18	-	986 301
Employee benefit obligation	19	69 743 000	62 977 000
Provisions	20	65 659 948	60 296 161
		135 402 948	**124 259 462**
Total Liabilities		**352 422 902**	**235 560 212**
Net Assets		**1 357 351 438**	**1 330 940 993**
Accumulated surplus		1 357 351 438	1 330 940 993
Total Net Assets		**1 357 351 438**	**1 330 940 993**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	192 624 513	181 743 495
Rendering of services		504 133	421 554
Rental of facilities and equipment		1 079 721	1 046 827
Interest received - Trade and other receivables		9 655 942	8 095 895
Licences and permits		1 821 353	3 685 609
Housing debtor income		2 014 510	1 859 224
Other income	23	5 252 627	4 338 750
Interest received - investment	24	12 243 894	7 977 378
Total revenue from exchange transactions		**225 196 693**	**209 168 732**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	146 671 842	143 573 186
Licences and Permits - Non-exchange		1 313 532	1 265 973
Environmental levies		6 197 416	5 680 436
Interest received - Non-exchange receivables		4 603 955	3 845 778
Transfer revenue			
Government grants & subsidies	26	257 301 171	269 722 218
Public contributions and donations	27	517 370	3 073 000
Fines, Penalties and Forfeits		401 108	342 733
Total revenue from non-exchange transactions		**417 006 394**	**427 503 324**
Total revenue	21	**642 203 087**	**636 672 056**
Expenditure			
Employee related costs	28	(197 969 930)	(184 821 563)
Remuneration of councillors	29	(8 481 513)	(7 671 207)
Depreciation and amortisation	30	(43 149 685)	(48 887 368)
Finance costs	31	(8 294 637)	(7 967 221)
Lease rentals on operating lease		(991 905)	(1 953 178)
Debt Impairment	32	(58 357 952)	(59 826 821)
Alternative Energy Programmes		(5 932 564)	(3 758 400)
Bulk purchases	33	(95 172 935)	(89 196 010)
Contracted services	34	(89 790 542)	(72 791 127)
Transfers and Subsidies		(4 304 426)	(4 528 658)
General Expenses	35	(91 041 310)	(90 220 814)
Total expenditure		**(603 487 399)**	**(571 622 367)**
Operating surplus		**38 715 688**	**65 049 689**
Loss on disposal of assets and liabilities		(4 329 638)	(1 973 920)
Fair value adjustments	36	2 193 160	7 146 353
Actuarial gains/(losses)	19	688 135	11 193 548
Impairment loss	37	(10 856 900)	(2 789 447)
		(12 305 243)	**13 576 534**
Surplus for the year		**26 410 445**	**78 626 223**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus / deficit	Total net assets
Opening balance as previously reported		1 265 797 001	1 265 797 001
Adjustments			
Correction of errors 43		(13 482 231)	(13 482 231)
Balance at 01 July 2022 as restated*		**1 252 314 770**	**1 252 314 770**
Changes in net assets			
Surplus for the year		78 626 223	78 626 223
Total changes		78 626 223	78 626 223
Restated* Balance at 01 July 2023	43	**1 330 940 993**	**1 330 940 993**
Changes in net assets			
Surplus for the year		26 410 445	26 410 445
Total changes		26 410 445	26 410 445
Balance at 30 June 2024		**1 357 351 438**	**1 357 351 438**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		294 958 080	276 459 855
Government Grants and Subsidies		273 430 269	267 613 458
Interest income		19 081 048	17 505 292
Other receipts		7 668 245	6 540 707
		595 137 642	568 119 312
Payments			
Employee costs		(206 451 443)	(192 492 770)
Suppliers		(187 661 277)	(224 400 237)
Finance costs		(8 294 637)	(7 967 221)
Grants and subsidies		(4 304 426)	(4 528 658)
		(406 711 783)	(429 388 886)
Net cash flows from operating activities	39	**188 425 859**	**138 730 426**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(114 257 418)	(147 566 445)
Proceeds from sale of property, plant and equipment	10	382 553	205 613
Net cash flows from investing activities		**(113 874 865)**	**(147 360 832)**
Cash flows from financing activities			
Repayment of financial liabilities - dbsa		(1 477 432)	(1 919 728)
Net cash flows from financing activities		**(1 477 432)**	**(1 919 728)**
Net increase/(decrease) in cash and cash equivalents		**73 073 562**	**(10 550 134)**
Cash and cash equivalents at the beginning of the year		67 235 366	77 785 500
Cash and cash equivalents at the end of the year	7	**140 308 928**	**67 235 366**

* 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	206 426 000	-	**206 426 000**	192 624 513	**(13 801 487)**	53.1
Rendering of services	3 076 000	-	**3 076 000**	504 133	**(2 571 867)**	53.2
Rental of facilities and equipment	1 092 000	-	**1 092 000**	1 079 721	**(12 279)**	53.3
Interest received	8 389 000	-	**8 389 000**	9 655 942	**1 266 942**	53.4
Licences and permits	14 765 000	-	**14 765 000**	1 821 353	**(12 943 647)**	53.5
Housing debtor income	-	-	**-**	2 014 510	**2 014 510**	53.6
Other income	2 136 000	25 000	**2 161 000**	5 252 627	**3 091 627**	53.7
Interest received - investment	6 893 000	-	**6 893 000**	12 243 894	**5 350 894**	53.8
Total revenue from exchange transactions	**242 777 000**	**25 000**	**242 802 000**	**225 196 693**	**(17 605 307)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	154 154 000	-	**154 154 000**	146 671 842	**(7 482 158)**	53.9
Licences and Permits (Non-exchange)	1 927 000	-	**1 927 000**	1 313 532	**(613 468)**	53.10
Environmental levies	9 110 000	-	**9 110 000**	6 197 416	**(2 912 584)**	53.11
Interest received - non-exchange receivables	4 254 000	-	**4 254 000**	4 603 955	**349 955**	53.12
Transfer revenue						
Government grants & subsidies	137 300 000	112 429 000	**249 729 000**	257 301 171	**7 572 171**	53.13
Public contributions and donations	-	-	**-**	517 370	**517 370**	53.14
Fines, Penalties and Forfeits	328 000	-	**328 000**	401 108	**73 108**	53.15
Total revenue from non-exchange transactions	**307 073 000**	**112 429 000**	**419 502 000**	**417 006 394**	**(2 495 606)**	
Total revenue	**549 850 000**	**112 454 000**	**662 304 000**	**642 203 087**	**(20 100 913)**	
Expenditure						
Employee related costs	(196 957 000)	379 000	**(196 578 000)**	(197 969 930)	**(1 391 930)**	53.16
Remuneration of councillors	(8 464 000)	(620 000)	**(9 084 000)**	(8 481 513)	**602 487**	53.17
Depreciation and amortisation	(49 076 000)	-	**(49 076 000)**	(43 149 685)	**5 926 315**	53.18
Impairment loss	-	-	**-**	(10 856 900)	**(10 856 900)**	53.19
Finance costs	(196 000)	-	**(196 000)**	(8 294 637)	**(8 098 637)**	53.20
Lease rentals on operating lease	(1 089 000)	61 000	**(1 028 000)**	(991 905)	**36 095**	53.21
Debt Impairment	(39 000 000)	-	**(39 000 000)**	(58 357 952)	**(19 357 952)**	53.22
Alternative Energy Programmes	(4 394 000)	(1 250 000)	**(5 644 000)**	(5 932 564)	**(288 564)**	53.23
Bulk purchases	(79 082 000)	1 310 000	**(77 772 000)**	(95 172 935)	**(17 400 935)**	53.24
Contracted Services	(88 806 000)	(112 436 000)	**(201 242 000)**	(89 790 542)	**111 451 458**	53.25
Transfers and Subsidies	(3 980 000)	(517 000)	**(4 497 000)**	(4 304 426)	**192 574**	53.26
General Expenses	(89 727 000)	434 000	**(89 293 000)**	(91 041 310)	**(1 748 310)**	53.27
Total expenditure	**(560 771 000)**	**(112 639 000)**	**(673 410 000)**	**(614 344 299)**	**59 065 701**	
Operating surplus	**(10 921 000)**	**(185 000)**	**(11 106 000)**	**27 858 788**	**38 964 788**	

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	-	(8 000)	**(8 000)**	(4 329 638)	**(4 321 638)**	53.28
Fair value adjustments	-	-	**-**	2 193 160	**2 193 160**	53.29
Actuarial gains/losses	-	(10 000)	**(10 000)**	688 135	**698 135**	53.30
	-	**(18 000)**	**(18 000)**	**(1 448 343)**	**(1 430 343)**	
Surplus	**(10 921 000)**	**(203 000)**	**(11 124 000)**	**26 410 445**	**37 534 445**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(10 921 000)**	**(203 000)**	**(11 124 000)**	**26 410 445**	**37 534 445**	

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	4 395 000	(605 000)	**3 790 000**	1 438 947	**(2 351 053)**	53.31
Operating lease asset	-	-	**-**	12 899	**12 899**	53.32
Receivables from non-exchange transactions	55 522 000	(3 452 000)	**52 070 000**	25 784 778	**(26 285 222)**	53.33
VAT receivable	164 153 000	11 954 000	**176 107 000**	210 231 679	**34 124 679**	53.34
Receivables from exchange transactions	49 331 000	(18 578 000)	**30 753 000**	37 354 309	**6 601 309**	53.33
Other current assets	263 000	602 000	**865 000**	-	**(865 000)**	
Cash and cash equivalents	22 679 000	99 011 000	**121 690 000**	140 308 928	**18 618 928**	53.35
	296 343 000	**88 932 000**	**385 275 000**	**415 131 540**	**29 856 540**	
Non-Current Assets						
Investment property	260 082 000	(1 549 000)	**258 533 000**	242 890 547	**(15 642 453)**	53.36
Property, plant and equipment	1 159 375 000	179 203 000	**1 338 578 000**	1 254 942 877	**(83 635 123)**	53.37
Intangible assets	(598 000)	648 000	**50 000**	47 606	**(2 394)**	53.38
Heritage assets	-	-	**-**	16	**16**	53.39
Other financial assets	49 000	(23 000)	**26 000**	46 305	**20 305**	53.40
	1 418 908 000	**178 279 000**	**1 597 187 000**	**1 497 927 351**	**(99 259 649)**	
Total Assets	**1 715 251 000**	**267 211 000**	**1 982 462 000**	**1 913 058 891**	**(69 403 109)**	
Liabilities						
Current Liabilities						
Financial liabilities - DBSA	973 000	(13 000)	**960 000**	973 082	**13 082**	53.41
Payables from exchange transactions	24 130 000	128 289 000	**152 419 000**	146 391 802	**(6 027 198)**	53.42
VAT payable	176 221 000	(5 300 000)	**170 921 000**	203 284 551	**32 363 551**	53.34
Consumer deposits	2 817 000	(96 000)	**2 721 000**	2 827 601	**106 601**	53.43
Employee benefit obligation	17 142 000	(14 724 000)	**2 418 000**	22 085 561	**19 667 561**	53.44
Unspent conditional grants and receipts	-	-	**-**	31 673 139	**31 673 139**	53.45
Provisions	13 188 000	540 000	**13 728 000**	13 068 766	**(659 234)**	53.46
	234 471 000	**108 696 000**	**343 167 000**	**420 304 502**	**77 137 502**	
Non-Current Liabilities						
Financial liabilities - DBSA	-	13 000	**13 000**	-	**(13 000)**	53.41
Employee benefit obligation	42 489 000	12 732 000	**55 221 000**	69 743 000	**14 522 000**	53.45
Provisions	68 184 000	(132 000)	**68 052 000**	65 659 948	**(2 392 052)**	53.46
	110 673 000	**12 613 000**	**123 286 000**	**135 402 948**	**12 116 948**	
Total Liabilities	**345 144 000**	**121 309 000**	**466 453 000**	**555 707 450**	**89 254 450**	
Net Assets	**1 370 107 000**	**145 902 000**	**1 516 009 000**	**1 357 351 441**	**(158 657 559)**	
Net Assets						
Reserves						
Accumulated surplus	1 370 107 000	145 902 000	**1 516 009 000**	1 357 351 438	**(158 657 562)**	53.47

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	344 558 000	-	**344 558 000**	294 958 080	**(49 599 920)**	53.48
Government Grants and subsidies	200 943 000	292 783 000	**493 726 000**	273 430 269	**(220 295 731)**	53.49
Interest income	6 893 000	-	**6 893 000**	19 081 048	**12 188 048**	53.50
Other receipts	39 850 000	25 000	**39 875 000**	7 668 245	**(32 206 755)**	53.51
	592 244 000	**292 808 000**	**885 052 000**	**595 137 642**	**(289 914 358)**	
Payments						
Supplier and Employee costs	(504 780 000)	(116 293 000)	**(621 073 000)**	(394 112 720)	**226 960 280**	53.52
Finance costs	(196 000)	-	**(196 000)**	(8 294 637)	**(8 098 637)**	53.53
Grants and subsidies paid	-	(4 114 000)	**(4 114 000)**	(4 304 426)	**(190 426)**	53.54
	(504 976 000)	**(120 407 000)**	**(625 383 000)**	**(406 711 783)**	**218 671 217**	
Net cash flows from operating activities	**87 268 000**	**172 401 000**	**259 669 000**	**188 425 859**	**(71 243 141)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(91 919 000)	(111 878 000)	**(203 797 000)**	(114 257 418)	**89 539 582**	53.55
Proceeds from sale of property, plant and equipment	-	-	**-**	382 553	**382 553**	53.56
Decrease in non-current investments	-	(18 000)	**(18 000)**	-	**18 000**	53.57
Net cash flows from investing activities	**(91 919 000)**	**(111 896 000)**	**(203 815 000)**	**(113 874 865)**	**89 940 135**	
Cash flows from financing activities						
Decrease in consumer deposits	(59 000)	-	**(59 000)**	-	**59 000**	53.58
Repayment of financial liabilities - DBSA	(1 477 000)	-	**(1 477 000)**	(1 477 432)	**(432)**	53.59
Net cash flows from financing activities	**(1 536 000)**	**-**	**(1 536 000)**	**(1 477 432)**	**58 568**	
Net increase/(decrease) in cash and cash equivalents	(6 187 000)	60 505 000	**54 318 000**	73 073 562	**18 755 562**	
Cash and cash equivalents at the beginning of the year	28 747 000	38 488 000	**67 235 000**	67 235 366	**366**	53.60
Cash and cash equivalents at the end of the year	**22 560 000**	**98 993 000**	**121 553 000**	**140 308 928**	**18 755 928**	

Accounting Policies

Figures in Rand	Note(s)	2024	2023

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.

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.

Accounting Policies

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+1% 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 agreements 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 vehicle 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.

Accounting Policies

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.

Accounting Policies

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 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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 a 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.

Accounting Policies

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 asset	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.

Accounting Policies

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.

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.

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.

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 weighted average cost 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.

Accounting Policies

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.

Accounting Policies

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.

Accounting Policies

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.

Accounting Policies

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.

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.

Accounting Policies

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 2023/07/01 to 2024/06/30.

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).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	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

3. Inventories

	2024	2023
Water for distribution	102 347	76 321
Stores, materials and fuels	1 336 600	1 108 320
	1 438 947	**1 184 641**
Inventories recognised as an expense during the year	14 796 269	18 680 419

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

	2024	2023
Consumer debtors - Rates	63 880 396	61 627 139
Environmental Levies	11 642 330	8 713 027
Schedule 6B - RBIG receivable	976 100	-
Traffic department receipting under investigation	609 812	654 679
Deposits	85 500	85 500
Provision for doubtful debts - Environmental Levies	(10 285 142)	(7 918 180)
Provision for doubtful debts - Consumer debtors - Rates	(41 124 218)	(42 479 041)
	25 784 778	**20 683 124**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Consumer debtors - Rates	63 880 396	61 627 261
Environmental Levies	11 642 330	8 713 027
Provision for doubtful debts - Receivables from Non-Exchange transactions	(51 409 360)	(50 397 221)
	24 113 366	**19 943 067**
Financial asset receivables included in receivables from non-exchange transactions above	**1 671 412**	**740 057**
Total receivables from non-exchange transactions	25 784 778	20 683 124

Figures in Rand	2024	2023

4. Receivables from non-exchange transactions (continued)

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 2024, R 8 749 921 (2023: R 5 341 888) were past due but not impaired.

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

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principles. These principles 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 2024, Statutory receivables of R 51 409 360 (2023: R 50 397 221) were impaired and provided for.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(50 397 221)	(48 923 428)
Provision for impairment	(8 709 201)	(7 336 328)
Amounts written off as uncollectible	7 697 062	5 862 535
	(51 409 360)	**(50 397 221)**

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 2024, R 609 812 (2023: R 654 679) were past due but not impaired.

5. Receivables from exchange transactions

Gross balances		
Electricity	31 179 219	27 341 753
Water	74 192 680	62 208 549
Waste water	28 739 751	21 964 419
Refuse	35 325 822	28 622 666
Prepayment	14 500	-
Prepaid Electricity Sales - Vendors	539 320	378 259
Housing rental	1 271 541	1 285 871
Service charges and other	15 254 893	14 607 014
	186 517 726	**156 408 531**

Less: Allowance for impairment		
Provision for Doubtful debts - Electricity	(16 395 787)	(15 528 568)
Provision for Doubtful debts - Water	(60 065 228)	(51 380 004)
Provision for Doubtful debts - Waste water	(25 374 934)	(19 518 428)
Provision for Doubtful debts - Refuse	(31 272 575)	(25 789 236)
Provision for Doubtful debts - Housing rental	(1 206 453)	(1 240 687)
Provision for Doubtful debts - Service charges and other	(14 848 440)	(14 157 988)
	(149 163 417)	**(127 614 911)**

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Net balance		
Electricity	14 783 432	11 813 185
Water	14 127 452	10 828 545
Waste water	3 364 817	2 445 991
Refuse	4 053 247	2 833 430
Business service levies	14 500	-
Prepaid electricity sales - Vendors	539 320	378 259
Housing rental	65 088	45 184
Service charges and other	406 453	449 026
	37 354 309	**28 793 620**

Electricity		
Current (0 -30 days)	8 926 840	9 563 312
31 - 60 days	2 252 719	927 326
61 - 90 days	1 452 082	785 554
91 - 120 days	1 061 196	701 220
121 - 365 days	4 262 101	5 374 257
> 365 days	13 224 281	9 990 084
	31 179 219	**27 341 753**

Water		
Current (0 -30 days)	7 549 374	11 819 594
31 - 60 days	2 744 194	2 350 752
61 - 90 days	2 535 544	1 972 464
91 - 120 days	2 206 602	1 971 492
121 - 365 days	16 330 205	12 442 951
> 365 days	42 826 761	31 651 296
	74 192 680	**62 208 549**

Waste water		
Current (0 -30 days)	2 021 604	2 658 958
31 - 60 days	1 175 512	814 770
61 - 90 days	1 032 004	748 377
91 - 120 days	950 939	707 423
121 - 365 days	6 412 181	4 684 153
> 365 days	17 147 511	12 350 738
	28 739 751	**21 964 419**

Refuse		
Current (0 -30 days)	2 266 793	3 154 447
31 - 60 days	1 316 696	928 951
61 - 90 days	1 104 721	863 579
91 - 120 days	1 018 197	798 476
121 - 365 days	6 887 713	5 361 319
> 365 days	22 731 702	17 515 894
	35 325 822	**28 622 666**

Prepayment		
Current (0 -30 days)	14 500	-

Prepaid electricity sales - Vendors		
Current (0 -30 days)	539 320	378 259

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Housing rental		
Current (0 -30 days)	97 353	142 026
31 - 60 days	67 621	48 466
61 - 90 days	63 281	48 039
91 - 120 days	58 480	46 610
121 - 365 days	356 531	306 521
> 365 days	628 275	694 209
	1 271 541	**1 285 871**

Service charges and other		
Current (0 -30 days)	249 436	261 775
31 - 60 days	220 515	143 063
61 - 90 days	258 738	247 178
91 - 120 days	255 544	285 664
121 - 365 days	1 952 137	3 261 949
> 365 days	12 318 523	10 407 385
	15 254 893	**14 607 014**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(127 614 911)	(118 121 507)
Contributions to allowance	(56 339 343)	(59 573 329)
Debt impairment written off against allowance	34 790 837	50 079 925
	(149 163 417)	**(127 614 911)**

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 2024, R 14 623 691 (2023: R 7 030 600) were past due but not impaired.

Consumer debtors impairment process

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principles. These principles 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 similar to the process undertaken for the provision of doubtful debts as documented under note 4. Refer to the municipal policy for full details.

6. VAT receivable

VAT	6 947 128	13 591 218

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. VAT receivable (continued)

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 municipality 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 2024, 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	5 511
Bank balances	5 327 400	7 533 278
Short-term deposits	134 976 017	59 696 577
	140 308 928	**67 235 366**

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 still ongoing and during the 2021/2022 financial year distributions were made in accordance with the liquidation process.

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 30 June 2024	Bank statement balances 30 June 2023	Bank statement balances 30 June 2022	Cash book balances 30 June 2024	Cash book balances 30 June 2023	Cash book balances 30 June 2022
	8 262 819	7 479 844	5 684 152	5 327 588	7 533 278	6 027 941
FIRST NATIONAL BANK General Account-Current	6 997 758	6 848 150	3 119 050	4 062 527	6 901 584	3 462 839
FIRST NATIONAL BANK Current Account-Housing	417 401	13 352	106 172	417 401	13 352	106 172
FIRST NATIONAL BANK Current Account - Revolving	847 660	618 342	2 458 930	847 660	618 342	2 458 930
	16 404 249	22 216 453	34 854 052	16 404 249	22 216 453	34 854 052
FIRST NATIONAL BANK CRR Call Accounts	1 406 353	5 372 699	18 096 193	1 406 353	5 372 699	18 096 193
FIRST NATIONAL BANK Fixed Deposit Account DBSA	3 148 595	3 149 305	3 139 220	3 148 595	3 149 305	3 139 220
FIRST NATIONAL BANK Call Account - Eskom	1 310 051	3 164 582	3 154 458	1 310 051	3 164 582	3 154 458
FIRST NATIONAL BANK Call Account - Eskom Guarantee	10 539 250	10 529 867	10 464 181	10 539 250	10 529 867	10 464 181
	50 915 740	12 303 392	20 883 266	50 915 740	12 303 392	20 883 266
STANDARD BANK Notice Bank - Alex	244 694	228 382	213 606	244 694	228 382	213 606
STANDARD BANK Call Account - FMG 003	-	-	-	-	-	-
STANDARD BANK Call Account - Ndlambe waste managment 006	-	-	-	-	-	-
STANDARD BANK Call Account - LED Kapriver 007	-	-	-	-	-	-
STANDARD BANK Call Account - Fire Officer 008	170 085	32 691	1 979 540	170 085	32 691	1 979 540
STANDARD BANK Upgrade road 009	-	-	1 278 940	-	-	1 278 940
STANDARD BANK Upgrade Bathurst Bulkwater supply 010	-	-	1 332 068	-	-	1 332 068
STANDARD BANK Bathurts Water 011	1 456 583	-	287 602	1 456 583	-	287 602
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	-	-	358 052	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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	-	-	1 291 321
STANDARD BANK Water Service Infrastructure 023	77 573	78 646	1 040 431	77 573	78 646	1 040 431
STANDARD BANK Drought Relief 024	-	-	3 453 435	-	-	3 453 435
STANDARD BANK EC Sports 025	754 117	1 313 558	1 372 403	754 117	1 313 558	1 372 403
STANDARD BANK Ndlambe Building Acc's 026	-	-	8 031 237	-	-	8 031 237
STANDARD BANK COGTA Retention 027	613 134	609 017	-	613 134	609 017	-
STANDARD BANK OTP 028	1 615 900	2 538 944	396 403	1 615 900	2 538 944	396 403
STANDARD BANK Wentzel Park 029	319	168 661	135 105	319	168 661	135 105
STANDARD BANK Wentzel Park Rentention 030	16 921	19 021	67 805	16 921	19 021	67 805
STANDARD BANK Klipfontein 031	23 881	153 751	-	23 881	153 751	-
STANDARD BANK Nemato Bayso 032	178 579	101 167	-	178 579	101 167	-
STANDARD BANK Nemato Ezidonkini 033	2 429	32 082	-	2 429	32 082	-
STANDARD BANK Nemato New Rest 034	1 314 510	2 000 346	-	1 314 510	2 000 346	-
STANDARD BANK MMarselle Zihagu 500 035	201 774	1 781 127	-	201 774	1 781 127	-
STANDARD BANK Cogta Retention 036	948 910	940 838	-	948 910	940 838	-
STANDARD BANK Nemato Cricket field 037	73 278	292 218	-	73 278	292 218	-
STANDARD BANK Alex Brakfontein 038	907 549	713 347	-	907 549	713 347	-
STANDARD BANK Kenton-on-Sea 039	58	925 120	-	58	925 120	-
STANDARD BANK Kos ISBT 10 Retention 040	16 385	16 424	-	16 385	16 424	-
STANDARD BANK Housing Bathurst Infill	13 196 758	-	-	13 196 758	-	-
STANDARD BANK Housing Kenton Ndokwenza	12 937 508	-	-	12 937 508	-	-
STANDARD BANK Housing Kenton Horseplay	8 132 665	-	-	8 132 665	-	-
STANDARD BANK Housing Alexandria Boknes Roads	8 032 130	-	-	8 032 130	-	-
	12 678 040	24 402 936	4 634 858	12 678 040	24 402 936	4 634 858
INVESTEC BANK Call Account - Disaster 501	-	-	-	-	-	-
INVESTEC BANK Call Account - FMG 502	-	-	-	-	-	-
INVESTEC BANK Call Account - FMG 503	-	-	-	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

7. Cash and cash equivalents (continued)

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	-	-	-	-	-	-
INVESTEC BANK Call Account -LG Seta 512	1 161 384	851 675	699 940	1 161 384	851 675	699 940
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	2 243 274	2 175 490	2 118 096	2 243 274	2 175 490	2 118 096
INVESTEC BANK Call Account-LED Initia 524	-	-	-	-	-	-
INVESTEC BANK Call Account-Retention 526	1 111 356	1 828 917	1 816 822	1 111 356	1 828 917	1 816 822
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	393 196	1 460 527	-	393 196	1 460 527	-
INVESTEC BANK Call Ac-MIG Bulk Sewerage 533	580 190	31 466	-	580 190	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	2 212 293	1 246 886	-	2 212 293	1 246 886	-
INVESTEC BANK Call Account-WSIG 537	1 361 890	16 231 923	-	1 361 890	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	217 092	201 245	-	217 092	201 245	-
INVESTEC BANK WSIG Retention	3 285 483	-	-	3 285 483	-	-
INVESTEC BANK EPWP	111 882	-	-	111 882	-	-
	54 978 175	947 123	11 380 270	54 978 175	947 123	11 380 270
ABSA BANK Call Account - PMU 0075	-	-	407 021	-	-	407 021
ABSA BANK Call Account - Roads 0651	-	-	5	-	-	5

Figures in Rand					2024	2023

7. Cash and cash equivalents (continued)

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	700	869 031	2 731 566	700	869 031	2 731 566
ABSA BANK Call Account - Revolving 9340	1 362	48 511	885 501	1 362	48 511	885 501
ABSA BANK Call Account -Additional Equitable share - Covid19 9798	-	-	7 718	-	-	7 718
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
ABSA BANK Housing Land Acquisition 3248	38 253 975	-	-	38 253 975	-	-
ABSA BANK Municipality Disaster Fund 3379	9 489 672	-	-	9 489 672	-	-
ABSA BANK MIG Roads 3939	1 079 195	-	-	1 079 195	-	-
ABSA BANK WSIG (R30Million) 5231	586 071	-	-	586 071	-	-
ABSA BANK Housing Bulk Infrastructure Retention 7325	2 701 479	-	-	2 701 479	-	-
ABSA BANK Councillors Equitable Share 0900	229 547	-	-	229 547	-	-
ABSA BANK Housing Bulk Infrastructure 9194	2 636 174	-	-	2 636 174	-	-
Total	**143 239 023**	**67 349 748**	**77 436 598**	**140 303 792**	**67 403 182**	**77 780 387**

8. Operating lease asset (liability)

Current assets	12 899	17 424

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	253 188 009	(10 297 462)	242 890 547	256 269 447	(9 118 751)	247 150 696

Reconciliation of investment property - 2024

	Opening balance	Disposals/Derecognitions	Depreciation	Total
Land	223 197 982	(3 081 438)	-	220 116 544
Buildings	23 952 714	-	(1 178 711)	22 774 003
	247 150 696	**(3 081 438)**	**(1 178 711)**	**242 890 547**

Reconciliation of investment property - 2023

	Opening balance	Disposals/Derecognitions	Depreciation	Total
Land	224 577 982	(1 380 000)	-	223 197 982
Buildings	25 129 306	-	(1 176 592)	23 952 714
	249 707 288	**(1 380 000)**	**(1 176 592)**	**247 150 696**

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

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	83 030 971	-	83 030 971	83 030 971	-	83 030 971
Buildings	159 683 243	(51 181 330)	108 501 913	160 848 693	(44 414 904)	116 433 789
Plant and machinery	10 376 503	(7 231 007)	3 145 496	10 048 793	(6 950 412)	3 098 381
Motor vehicles	62 620 902	(36 755 786)	25 865 116	55 558 346	(31 717 167)	23 841 179
Office equipment	10 714 469	(7 915 238)	2 799 231	9 967 027	(7 704 383)	2 262 644
IT equipment	7 966 960	(4 040 472)	3 926 488	7 081 740	(3 592 204)	3 489 536
Electrical Network	159 181 016	(62 559 278)	96 621 738	159 181 015	(58 659 270)	100 521 745
Work in progress	283 421 101	-	283 421 101	187 488 829	-	187 488 829
Roads	491 881 122	(186 449 545)	305 431 577	478 131 756	(173 287 984)	304 843 772
Wastewater network	210 862 144	(64 946 441)	145 915 703	210 862 143	(57 582 417)	153 279 726
Water network	347 410 911	(151 127 368)	196 283 543	347 122 603	(137 717 214)	209 405 389
Total	**1 827 149 342**	**(572 206 465)**	**1 254 942 877**	**1 709 321 916**	**(521 625 955)**	**1 187 695 961**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	83 030 971	-	-	-	-	-	83 030 971
Buildings	116 433 789	345 606	(1 455 374)	971 622	(4 740 043)	(3 053 687)	108 501 913
Plant and machinery	3 098 381	547 266	(22 470)	-	(463 141)	(14 540)	3 145 496
Motor vehicles	23 841 179	7 062 555	-	-	(3 485 506)	(1 553 112)	25 865 116
Office equipment	2 262 644	1 084 715	(22 283)	-	(512 115)	(13 730)	2 799 231
IT equipment	3 489 536	1 215 808	(58 375)	-	(693 917)	(26 564)	3 926 488
Electrical Network	100 521 745	-	-	-	(3 742 139)	(157 868)	96 621 738
Work in progress	187 488 829	110 993 348	-	(15 061 076)	-	-	283 421 101
Roads	304 843 772	-	(7 019)	13 996 090	(12 731 882)	(669 384)	305 431 577
Wastewater network	153 279 726	-	-	-	(5 644 563)	(1 719 460)	145 915 703
Water network	209 405 389	399 586	(65 232)	93 364	(9 920 061)	(3 629 503)	196 283 543
	1 187 695 961	**121 648 884**	**(1 630 753)**	**-**	**(41 933 367)**	**(10 837 848)**	**1 254 942 877**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	81 482 691	1 548 280	-	-	-	-	83 030 971
Buildings	106 791 109	14 371 832	(11 457)	-	(4 507 079)	(210 616)	116 433 789
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	659 752	(34 952)	-	(498 421)	(22 693)	2 262 644
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	122 455 593	-	(47 341 405)	-	-	187 488 829
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
	1 089 149 346	**149 804 102**	**(798 123)**	**-**	**(47 669 917)**	**(2 789 447)**	**1 187 695 961**

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
3ML RO Plant Commissioning of the project has not taken place as it is dependent on completion of other projects.	7 610 252	-
	7 610 252	**-**

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Buildings	Included within Roads	Included within Water Network	Included within Sewerage Network	Included Electrical Network	Total
Opening balance	864 733	8 258 354	84 412 523	92 741 045	1 212 174	187 488 829
Additions/capital expenditure	9 887 120	17 814 414	26 119 108	57 172 707	-	110 993 349
Transferred to completed assets	(971 622)	(13 996 090)	(93 364)	-	-	(15 061 076)
	9 780 231	**12 076 678**	**110 438 267**	**149 913 752**	**1 212 174**	**283 421 102**

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	16 153 196	22 619 493	81 716 001	1 212 174	122 455 597
Transferred to completed assets	-	(7 894 842)	(16 344 310)	(23 102 254)	-	(47 341 406)
	864 733	**8 258 354**	**84 412 523**	**92 741 045**	**1 212 174**	**187 488 829**

Expenditure incurred to repair and maintain property, plant and equipment

	2024	2023
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	27 050 854	21 745 922

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

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 863 522	(2 815 916)	47 606	2 863 522	(2 759 255)	104 267

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	104 267	(37 609)	(19 052)	47 606

Reconciliation of intangible assets - 2023

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

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

Reconciliation of heritage assets 2024

	Opening balance	Total
Conservation areas	16	16

Reconciliation of heritage assets 2023

	Opening balance	Total
Conservation areas	16	16

13. Other financial assets

Designated at fair value		
Listed shares	46 305	44 872
Non-current assets		
Designated at fair value	46 305	44 872

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	37 354 309	37 354 309
Receivables from non-exchange transactions	-	1 671 412	1 671 412
Cash and cash equivalents	-	140 308 928	140 308 928
Other financial assets	46 305	-	46 305
	46 305	**179 334 649**	**179 380 954**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	146 391 805	146 391 805
Financial liabilities - DBSA	973 082	973 082
	147 364 887	**147 364 887**

2023

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	28 793 620	28 793 620
Receivables from non-exchange transactions	-	740 057	740 057
Cash and cash equivalents	-	67 235 366	67 235 366
Other financial assets	44 872	-	44 872
	44 872	**96 769 043**	**96 813 915**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	60 467 701	60 467 701
Financial liabilities - DBSA	2 450 514	2 450 514
	62 918 215	**62 918 215**

15. Consumer deposits

	2024	2023
Electricity	1 798 367	1 756 682
Water	976 917	860 775
Housing rental	52 317	43 359
	2 827 601	**2 660 816**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

16. Payables from exchange transactions

Trade payables & accrued expenses	37 315 518	24 036 660
Payments received in advanced	9 171 793	7 966 232
Unidentified Direct Deposits	7 779 499	8 154 541
Retention monies	10 930 069	11 499 026
EC Housing Land Acquisition	43 200 000	-
Human Settlements	37 685 926	8 669 959
Advanced Receipts - Land sales proceeds	309 000	141 283
	146 391 805	**60 467 701**

Accrued expenditure has been re-classified with trade payables as the municipal system now allows for the capturing of accruals into a prior period ledger. We believe it is more useful to the users of the financial statements to reflect all trade creditors (being trade payables and accrued expenses) as a single line item.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	-	-
INEP	-	-
COGTA - Disaster Grant	10 026 130	-
EC Sports, Arts and Culture	1 095 641	1 166 953
EPWP	-	-
FMG	-	-
RBIG	-	-
Water Services Infrastructure Grant	-	12 291 144
EC Human Settlements - Bulk Infrastructure UISP	20 551 368	-
SBDM: Public Safety	-	1 109 845
	31 673 139	**14 567 942**

Movement during the year

Balance at the beginning of the year	14 567 942	16 676 702
Additions during the year	139 336 281	126 327 000
Income recognition during the year	(123 207 184)	(128 435 760)
Amount recognised as Receivables from non-exchange transactions	976 100	-
	31 673 139	**14 567 942**

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%	973 082	1 835 286
DBSA Loan 102557/1 15 Years @ 8.81%	-	615 228
	973 082	**2 450 514**

Figures in Rand	2024	2023

18. Financial liabilities - DBSA (continued)

Total other financial liabilities	**973 082**	**2 450 514**
Non-current liabilities		
At amortised cost	-	986 301
Current liabilities		
At amortised cost	973 082	1 464 213

19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Pension benefits

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(57 639 000)	(59 630 274)
Benefits paid during the year	2 499 483	2 457 161
Current service cost	(2 972 000)	(3 399 777)
Interest cost	(7 041 000)	(7 166 610)
Actuarial gains/(losses)	84 517	10 100 500
	(65 068 000)	**(57 639 000)**
Non-current liabilities	(62 083 000)	(55 221 000)
Current liabilities	(2 985 000)	(2 418 000)
	(65 068 000)	**(57 639 000)**

Net expense recognised in the statement of financial performance

Current service cost	2 972 000	3 399 777
Interest cost	7 041 000	7 166 610
Actuarial (gains) losses	(84 517)	(10 100 500)
Benefits paid during the year	(2 499 483)	(2 457 161)
	7 429 000	**(1 991 274)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,23 %	12,47 %
General earnings inflation rate (long term)	5,41 %	5,69 %
Health cost inflation rate (health cost trend)	7,71 %	8,08 %
Net discount rate	4,20 %	4,06 %
Average retirement age (Years)	62	62

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:

19. Employee benefit obligations (continued)

	One percentage point increase	One percentage point decrease
Effect on Post retirement medical aid - change in discount rate	57 695 000	74 098 000
Effect on Interest Costs - movement in health care inflation	7 677 000	6 339 000
Effect on Service Costs - movement in health care inflation	3 325 000	2 558 000

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

	2024	2023	2022	2021	2020
Defined benefit obligation	(65 068 000)	(57 639 000)	(59 630 274)	(59 973 000)	(52 499 290)

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:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(8 986 000)	(9 026 961)
Benefits paid during the year	603 618	741 704
Current service costs	(1 007 000)	(948 048)
Interest Costs	(929 000)	(845 743)
Actuarial Gain/(Loss)	676 382	1 093 048
	(9 642 000)	**(8 986 000)**

Non-current liabilities	(7 660 000)	(7 756 000)
Current liabilities	(1 982 000)	(1 230 000)
	(9 642 000)	**(8 986 000)**

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

Current service cost	1 007 000	948 048
Interest cost	929 000	845 743
Actuarial (gains) losses	(676 382)	(1 093 048)
Benefits paid during the year	(603 618)	(741 704)
	656 000	**(40 961)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,83 %	11,08 %
General earnings inflation rate (long term)	5,98 %	6,47 %
Net discount rate	4,57 %	4,33 %
Average retirement age (Years)	62	62

Other assumptions

Figures in Rand	2024	2023

19. Employee benefit obligations (continued)

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	9 209 000	10 120 000
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:

	2024	2023	2022	2021	2020
Defined benefit obligation	(9 642 000)	(8 986 000)	(9 026 961)	(8 153 000)	(6 817 936)

Other current employee benefits liabilities

	2024	2023
Current liabilities		
Leave accrual	11 799 320	10 931 180
Bonus accrual	4 485 256	4 193 948
Overtime accrual	833 985	869 120
	17 118 561	**15 994 248**

Summary of Employee benefit obligations

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

	2024	2023
Current liabilities		
Leave Accrual	11 799 320	10 931 180
Bonus Accrual	4 485 256	4 193 948
Overtime Accrual	833 985	869 120
Post retirement medical aid plan	2 985 000	2 418 000
Long service awards	1 982 000	1 230 000
	22 085 561	**19 642 248**

	2024	2023
Non-current liabilities		
Post retirement medical aid plan	62 083 000	55 221 000
Long service awards	7 660 000	7 756 000
	69 743 000	**62 977 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Fair Value Adjustments	Interest costs/Unwinding of Interest	Total
Environmental rehabilitation	72 793 991	(2 176 400)	8 111 123	78 728 714

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

	2024	2023
Non-current liabilities	65 659 948	60 296 161
Current liabilities	13 068 766	12 497 830
	78 728 714	**72 793 991**

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

	2024	2023
Rendering of services	504 133	421 554
Service charges	192 624 513	181 743 495
Rental of facilities and equipment	1 079 721	1 046 827
Interest received - trade and other receivables	9 655 942	8 095 895
Licences and permits (Exchange transactions)	1 821 353	3 685 609
Housing debtor income	2 014 510	1 859 224
Licences and Permits (Non-exchange)	1 313 532	1 265 973
Other income	5 252 627	4 338 750
Interest received - investment	12 243 894	7 977 378
Property rates	146 671 842	143 573 186
Environmental levies	6 197 416	5 680 436
Interest, Dividends and Rent on Land	4 603 955	3 845 778
Government grants & subsidies	257 301 171	269 722 218
Public contributions and donations	517 370	3 073 000
Fines, Penalties and Forfeits	401 108	342 733
	642 203 087	**636 672 056**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	192 624 513	181 743 495
Rendering of services	504 133	421 554
Rental of facilities and equipment	1 079 721	1 046 827
Interest received - trade and other receivables	9 655 942	8 095 895
Licences and permits (Exchange)	1 821 353	3 685 609
Housing debtor income	2 014 510	1 859 224
Other income	5 252 627	4 338 750
Interest received - investment	12 243 894	7 977 378
	225 196 693	**209 168 732**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	146 671 842	143 573 186
Licences or permits	1 313 532	1 265 973
Environmental levies	6 197 416	5 680 436
Interest, Dividends and Rent on Land	4 603 955	3 845 778
Transfer revenue		
Government grants & subsidies	257 301 171	269 722 218
Public contributions and donations	517 370	3 073 000
Fines, Penalties and Forfeits	401 108	342 733
	417 006 394	**427 503 324**

22. Service charges

Sale of electricity	92 197 379	80 661 996
Sale of water	59 338 163	64 111 001
Solid waste	22 161 387	20 265 916
Sewerage and sanitation charges	18 927 584	16 704 582
	192 624 513	**181 743 495**

23. Other income

Building plan fees	2 692 980	2 207 723
Encroachments	18 717	3 068
Commission on Insurance	240 924	228 148
Insurance refunds	1 009 329	462 889
Subdivisions	31 675	28 163
Sundry income	1 141 823	1 181 158
Town planning income	1 020	60 796
Camping fees	116 159	166 805
	5 252 627	**4 338 750**

24. Investment revenue

Interest revenue		
Bank	12 243 894	7 977 378

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. Property rates

Rates received

Property rates	146 671 842	143 573 186

Valuations

All	14 735 195 198	14 691 390 362

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	2024	2023

26. Government grants & subsidies

	2024	2023
Operating grants		
Unconditional: Equitable share	126 830 587	114 788 000
Unconditional: Equitable share: Cllrs & Ward Contribution	1 705 415	4 443 000
Unconditional: LG SETA Grants	332 865	304 304
Unconditional: SBDM Grant Revenue	1 305 120	1 667 623
Unconditional: Greenest Town	20 000	200 000
Finance Management Grant	2 650 000	2 650 000
Municipal Infrastructure Grant	1 490 950	1 536 368
Library Grant (DSRAC)	2 761 094	2 712 570
	137 096 031	**128 301 865**

	2024	2023
Capital grants		
Unconditional: OTP Grant	3 900 000	3 376 005
Unconditional: Department of Water and Sanitation	-	16 507 527
Conditional: Regional Bulk Infrastructure Grant (RBIG)	4 760 508	-
SBDM - Public Safety (Capital)	2 191 845	2 939 528
Water Services Infrastructure Grant (Capital)	39 253 145	78 432 378
Department of Co-operative Governance and Traditional Affairs - Disaster Grant	1 223 870	7 848 524
Municipal Infrastructure Grant (Capital)	28 328 050	29 190 632
Expanded Public Works Prog Grant (EPWP) (Capital)	1 486 000	1 730 034
Library Grant (DSRAC) (Capital)	60 218	1 725
INEP (Capital)	-	1 394 000
EC Human Settlements - Bulk Infrastructure UISP	39 001 504	-
	120 205 140	**141 420 353**
	257 301 171	**269 722 218**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2024	2023
Conditional grants received	139 336 281	126 327 000
Unconditional grants received	134 093 987	141 286 459
	273 430 268	**267 613 459**

MIG

	2024	2023
Current-year receipts	29 819 000	30 727 000
Conditions met - transferred to revenue - operating	(1 490 950)	(1 536 368)
Conditions met - transferred to revenue - capital	(28 328 050)	(29 190 632)
	-	-

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

INEP

	2024	2023
Current-year receipts	-	1 394 000
Conditions met - transferred to revenue	-	(1 394 000)
	-	-

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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	11 250 000	-
Conditions met - transferred to revenue	(1 223 870)	(7 848 524)
	10 026 130	**-**

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

EC Sports/Arts and Culture

Balance unspent at beginning of year	1 166 953	1 131 249
Current-year receipts	2 750 000	2 750 000
Conditions met - transferred to revenue	(2 821 312)	(2 714 296)
	1 095 641	**1 166 953**

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

EPWP: Public Works

Balance unspent at beginning of year	-	33
Current-year receipts	1 486 000	1 730 000
Conditions met - transferred to revenue	(1 486 000)	(1 730 033)
	-	**-**

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

FMG

Current-year receipts	2 650 000	2 650 000
Conditions met - transferred to revenue	(2 650 000)	(2 650 000)
	-	**-**

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

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	3 784 409	-
Conditions met - transferred to revenue	(4 760 509)	-
	(976 100)	**-**

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

Water Services Infrastructure Grant

Balance unspent at beginning of year	12 291 144	5 723 522
Current-year receipts	26 962 000	85 000 000
Conditions met - transferred to revenue	(39 253 144)	(78 432 378)
	-	**12 291 144**

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

Figures in Rand	2024	2023

26. Government grants & subsidies (continued)

EC Human Settlements - Bulk Infrastructure UISP

Current-year receipts	59 552 872	-
Conditions met - transferred to revenue	(39 001 504)	-
	20 551 368	**-**

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

SBDM: Public Safety

Balance unspent at beginning of year	1 109 845	1 973 373
Current-year receipts	1 082 000	2 076 000
Conditions met - transferred to revenue	(2 191 845)	(2 939 528)
	-	**1 109 845**

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

27. Public contributions and donations

Sarah Baartman District Municipality - cash	-	500 000
Kariega Foundation - Furniture and computer equipment	439 472	-
Sarah Baartman District Municipality - Fire equipment	-	113 000
Sarah Baartman District Municipality - Computer equipment & licences	77 898	-
Porperty, plant and equipment transfers received	-	2 460 000
	517 370	**3 073 000**

Kariega Foundation donated the furniture and Computer Equipment to the municipal libraries amounting to -

Computer equipment laptops:	R410 562
Computer consumables (non-capital)	R 7 025
Furniture - chairs	R 21 885

Sarah Baartman District Municipality donated the following funds during the current financial year

Computer equipment - laptops	R 44 325
Computer licences - Annual(non-capital)	R 33 573

Sarah Baartman District Municipality donated the following funds during the previous financial year -

Cash donation towards Alexandria Abattoir:	R 500 000
Pumps for Fire services:	R 113 000

Porperty, plant and Equipment transfers received-
Property, plant and equipment in the form of land and buildings were transfered to the municipality during the preious year, these properties were fair valued: R2 460 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Employee related costs

Basic	105 895 470	96 546 739
Bonus	8 978 213	8 080 353
Allowances	8 325 529	7 791 551
Post-employment benefits	27 786 988	27 204 578
Medical aid - company contributions	14 929 852	13 375 930
UIF	1 042 649	1 040 812
Leave pay accrual charge	873 318	1 859 883
Overtime payments	13 018 143	14 596 338
Long-service awards	207 869	89 245
Car allowance	5 226 044	4 578 504
Housing benefits and allowances	490 724	503 789
Group insurance	264 953	249 093
Industrial levy	103 877	74 668
Employee costs - ex S57 managers	**187 143 629**	**175 991 483**

Remuneration of municipal manager

Annual Remuneration	1 457 259	1 482 276
Backpay	176 240	-
Car Allowance	193 529	193 529
Performance Bonus	184 593	97 761
Contributions to UIF, Medical and Pension Funds	320 924	127 952
Telephone allowance	17 084	17 084
13th Cheque	123 010	129 799
Leave Pay	101 909	138 562
	2 574 548	**2 186 963**

Remuneration of chief finance officer

Annual Remuneration	1 105 361	916 996
Backpay	127 099	-
Acting Allowance	-	41 222
Car Allowance	197 944	181 448
Performance Bonuses	81 565	108 857
Contributions to UIF, Medical and Pension Funds	259 805	217 849
Telephone allowance	26 393	24 193
13th Cheque	91 707	74 400
Leave Pay	121 799	107 239
	2 011 673	**1 672 204**

Remuneration of director Infrastructural Development

Annual Remuneration	1 079 458	976 808
Backpay	134 773	-
Car Allowance	224 336	224 336
Performance Bonuses	81 565	77 755
Contributions to UIF, Medical and Pension Funds	254 586	230 114
Telephone allowance	39 589	39 589
13th Cheque	82 989	60 528
Leave pay	187 824	-
	2 085 120	**1 609 130**

Figures in Rand	2024	2023

28. Employee related costs (continued)

Remuneration of director Corporate Services

Annual Remuneration	1 161 099	971 469
Backpay	126 966	-
Acting Allowance	70 817	102 071
Car Allowance	158 355	145 159
Performance Bonuses	130 504	77 755
Contributions to UIF, Medical and Pension Funds	252 323	207 326
Telephone allowance	13 196	12 097
13th Cheque	96 537	79 233
Leave Pay	127 723	99 600
	2 137 520	**1 694 710**

Remuneration of director Community Protection Services

Annual Remuneration	1 097 219	993 616
Backpay	138 661	-
Car Allowance	197 944	197 944
Performance Bonuses	97 878	77 755
Contributions to UIF, Medical and Pension Funds	268 622	244 943
Telephone allowance	26 393	26 393
13th Cheque	91 137	47 075
Leave Pay	99 586	79 347
	2 017 440	**1 667 073**

Reconciliation of employee costs

Employee costs - ex S57 managers	187 143 629	175 991 483
Remuneration of municipal manager	2 574 548	2 186 963
Remuneration of chief financial officer	2 011 673	1 672 204
Remuneration of director Infrastructural Development	2 085 120	1 609 130
Remuneration of director Corporate Services	2 137 520	1 694 710
Remuneration of director Community Protection Services	2 017 440	1 667 073
	197 969 930	**184 821 563**

29. Remuneration of councillors

Mayor	991 747	923 784
Speaker	803 115	744 582
Executive Members	1 323 904	1 214 053
MPAC Chair	535 846	318 817
Councillors	4 826 901	4 469 971
	8 481 513	**7 671 207**

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.

Additional information

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. Depreciation and amortisation

Property, plant and equipment	41 933 367	47 669 917
Investment property	1 178 710	1 176 591
Intangible assets	37 608	40 860
	43 149 685	**48 887 368**

31. Finance costs

Non-current borrowings	183 514	372 203
Landfill Rehabilitation - Interest Cost	8 111 123	7 595 018
	8 294 637	**7 967 221**

32. Debt impairment

Electricity	2 292 095	1 922 375
Water	29 045 167	32 568 335
Refuse	8 472 772	7 165 123
Waste Water	8 265 514	7 132 920
Service charges	1 793 355	3 465 641
Housing debtors	20 595	454 634
Rates	5 329 970	5 144 304
Environmental levies	3 138 484	1 973 489
	58 357 952	**59 826 821**

33. Bulk purchases

Electricity - Eskom	76 635 411	67 178 593
Water	18 537 524	22 017 417
	95 172 935	**89 196 010**

34. Contracted services

Outsourced Services	14 166 815	12 975 750
Consultants and Professional Services	35 284 992	27 781 101
Contractors	40 338 735	32 034 276
	89 790 542	**72 791 127**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. General expenses

Advertising	568 309	802 386
Auditors remuneration	5 103 412	5 510 686
Bank charges	1 146 477	1 143 715
Commission paid	2 114 711	2 217 824
Delivery expenses	-	713
Electricity	20 160 785	17 201 103
Entertainment	107 855	130 560
Fines and penalties	-	300
Fuel and oil	10 626 530	15 037 879
Hire	13 622 379	10 888 851
IT expenses	5 799 794	5 266 786
Insurance	4 310 921	2 592 086
Levies	1 610 195	1 507 986
Other expenses	2 068 141	3 808 466
Other materials	12 892 955	11 724 286
Postage and courier	815 501	944 013
Printing and stationery	29 899	67 223
Protective clothing	1 438 668	2 124 708
Subscriptions and membership fees	2 088 409	1 900 017
Telephone and fax	3 345 624	3 873 040
Title deed search fees	22 648	24 906
Transport and freight	223 115	249 617
Travel - local	2 944 982	3 203 663
	91 041 310	**90 220 814**

36. Fair value adjustments

Other financial assets		
• Old Mutual shares	1 433	1 910
• FV Adjustment of Landfill rehabilitation provision	2 176 400	7 145 974
• Adjustments to Inventory	15 327	(1 531)
	2 193 160	**7 146 353**

37. Impairment loss

Impairments		
Property, plant and equipment	10 837 848	2 789 447
Intangible assets	19 052	-
	10 856 900	**2 789 447**

38. Auditors' remuneration

Fees	5 103 412	5 510 686

Figures in Rand	2024	2023

39. Cash generated from operations

Surplus	26 410 445	78 626 223
Adjustments for:		
Depreciation and amortisation	43 149 685	48 887 368
Gain on sale of assets and liabilities	4 329 638	1 973 920
Actuarial (gains)/losses	(688 135)	(11 193 548)
Fair value adjustments	(2 193 160)	(7 146 353)
Impairment loss	10 856 900	2 789 447
Debt impairment	58 357 952	59 826 821
Movements in operating lease assets and accruals	4 525	(56 084)
Movements in retirement benefit assets and liabilities	9 897 448	11 613 739
Movements in provisions	8 127 883	7 595 399
Non-cash donations and other in-kind benefits	(476 772)	(2 573 000)
Changes in working capital:		
Inventories	(254 306)	(38 318)
Receivables from exchange transactions	(58 450 187)	(53 136 892)
Receivables from non-exchange transactions	(13 570 108)	(7 061 398)
Other current assets	(1 433)	(1 910)
Payables from exchange transactions	79 009 412	16 946 183
VAT	6 644 090	(6 335 360)
Unspent conditional grants and receipts	17 105 197	(2 108 760)
Consumer deposits	166 785	122 949
	188 425 859	**138 730 426**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	144 336 126	58 577 558
Total capital commitments		
Already contracted for but not provided for	144 336 126	58 577 558

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	18 900	18 000

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.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	25 939	62 146
- in second to fifth year inclusive	80 662	57 727
- later than five years	11 559	11 337
	118 160	**131 210**

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 proceedings 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 proceedings 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.

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 proceedings 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 includes contempt of court procedings lodged in the current year. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Dyongwana vs Ndlambe Municipality - Legal proceedings 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 were 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 would ensue. Arbitration was finalised in the current year and resulted in the arbitrator's award of outstanding fees from Ndlambe to QFS. This decision is currently under appeal. The possible financial effect of this is estimated at R10 million.

Litigation is in the process against the municipality relating to various matters above. The total estimated potential liability to the municipality at 30 June 2024 is R10 600 000 and 30 June 2023 was R600 000.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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	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

	2024	2023
Purchases from related parties- General Expenses - Other Materials		
Genkorald General Trading (Pty) Ltd - arm's length	31 372	-
Purchases from related parties - Building maintenance		
Genkorald General Trading (Pty) Ltd - arm's length	-	49 818
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

2024

Name	Allowance	Transport	Telephone	Medical Aid	Pension	Backpay	Total
Mayor - KC Ncamiso	651 212	189 504	42 800	17 280	48 841	42 110	991 747
Speaker - L Marasi	543 836	83 376	42 800	17 280	81 575	34 248	803 115
Executive member - NF Memani	264 031	78 180	42 800	17 280	19 802	19 248	441 341
Executive member - S Venene	264 066	78 180	42 800	17 280	19 805	19 091	441 222
Executive member - S Dyakala	264 031	78 180	42 800	17 280	19 802	19 248	441 341
Chief Whip - S Kolosa	197 843	56 856	42 800	17 280	14 838	15 240	344 857
MPAC Chair - A Nyumka	277 367	56 856	42 800	-	20 803	138 020	535 846
Councillor - A Bukani	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - M Sweli	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - HK Walker	197 843	56 856	42 800	17 280	14 838	15 240	344 857
Councillor - NE Haynes	229 667	56 856	42 800	-	-	15 240	344 563
Councillor - P Khungwayo	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - SI Melani	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - S Zweni	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - MW Mgweba	213 940	56 856	42 800	-	16 046	15 240	344 882
Councillor - PY Kani	229 667	56 856	42 800	-	-	15 240	344 563
Councillor - ZW Myali	197 843	56 856	42 800	17 280	14 838	15 240	344 857
Councillor - WG Johannes	229 667	56 856	42 800	-	-	15 240	344 563
Councillor - T Mbekela	213 940	56 856	42 800	-	16 046	15 144	344 786
Councillor - X Runeli	229 667	56 856	42 800	-	-	15 240	344 563
	5 274 320	**1 360 260**	**856 000**	**138 240**	**367 464**	**485 229**	**8 481 513**

42. Related parties (continued)

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**

Also refer to note "Remuneration of councillors" Note 29

Figures in Rand	2024	2023

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
Receivables from Non-exchange Transactions	21 134 679	(451 555)	20 683 124	1
Receivables from Exchange Transactions	28 810 745	(17 125)	28 793 620	2
VAT Receivable	13 578 962	12 256	13 591 218	3
Investment Property	258 800 699	(11 650 003)	247 150 696	4
Property, Plant and Equipment	1 185 193 949	2 502 012	1 187 695 961	5
Consumer deposits	(2 661 391)	575	(2 660 816)	6
Payables from exchange transactions	(59 019 954)	(1 447 748)	(60 467 702)	7
Accumulated surplus	(1 341 992 581)	11 051 588	(1 330 940 993)	8
	103 845 108	**-**	**103 845 108**	-

1- Receivables from Non-Exchange transactions - Statement of Financial Position	
Previously reported 2023 balance	21 134 679
Impaired Housing debtor balance	(125 061)
Impaired Recoverable legal expenses balance	(326 494)
Restated 2023 Closing balance	**20 683 124**

2- Receivables from Exchange transactions - Statement of Financial Position	
Previously reported 2023 balance	28 810 745
Office equipment purchased-incorrectly recognised as prepaid expenditure	(17 125)
Restated 2023 Closing Balance	**28 793 620**

3 - VAT Receivable - Statement of Financial Position	
Previously reported 2023 balance	13 578 962
VAT on additional Accruals raised	12 256
Restated 2023 Closing Balance	**13 591 218**

4 - Investment Property - Statement of Financial Position	
Previously reported 2023 balance	258 800 699
Derecognition of Land duplication and historic removals	(11 650 028)
Recognition of Land previously not identified	25
Restated 2023 Closing Balance	**247 150 696**

5 - Property, plant and Equipment - Statement of Financial Position	
Previously reported 2023 balance	1 185 193 949
Office equipment purchased	17 125
Additional depreciation on office equipment recognised	(255)
Effect of Impairment of Buildings in 2019	(602 685)
Reversal of depreciation on Buildings fully impaired	84 389
Derecognition of Land duplication and historic removals	(778 000)
Correction of WIP expenditure on Bulk infrastructure	1 328 569
Recognition of Land transferred during the year	48 280
Recognition of Buildings transferred during the year	2 411 720
Additional Depreciation of Building transferred	(7 131)
Restated 2023 Closing Balance	**1 187 695 961**

6 - Consumer Deposits - Statement of Financial Position	
Previously reported 2023 balance	(2 661 391)
Additional Deposits paid	575
Restated 2023 Closing Balance	**(2 660 816)**

Figures in Rand	2024	2023

43. Prior period errors & reclassification (continued)

7 - Payables from exchange transactions - Statement of Financial Position	
Previously reported 2023 balance	(59 019 954)
Additional Accruals Raised	(119 179)
Reclassification of Accrued expense to Trade payables (disclosure classification)	17 352 409
Reclassification to Trade payables of Accrued expense (disclosure classification)	(17 352 409)
Correction of WIP expenditure on Bulk infrastructure	(1 328 569)
Restated 2023 Closing Balance	**(60 467 702)**

43. Prior period errors & reclassification (continued)

8 - Accumulated Surplus - Statement of Financial Position

Previously reported 2022/23 Opening balance	(1 265 797 001)
Effect of opening balance corrections relating to -	13 482 231
Impaired Housing debtor balance	125 049
Impaired Recoverable legal expenses balance	326 494
Effect of Impairment of Buildings in 2019	602 685
Derecognition of Land duplication and historic removals - PPE	778 000
Derecognition of Land duplication and historic removals - Investment Property	11 650 028
Recognition of Land previously not identified - Investment Property	(25)
RESTATED 2022/23 OPENING BALANCE	(1 252 314 770)
	-
RESTATED 2022/23 (Surplus)/Deficit	(78 626 223)
Previously reported Surplus	(76 195 580)
Net corrections as per 2022/23 Statement of Financial Performance (see below)	(2 430 643)
	-
RESTATED 2022/23 CLOSING BALANCE	**(1 330 940 993)**

The 2023 amount on Inventory expensed during the year as disclosed in note 3 has been restated from R3 973 979 to R18 680 418 due to the inclusion of stores issued fuel previously omitted.

Note 10 - Property, plant and equipment includes a re-classification of WIP amounting to R321 310 from Water-WIP to Roads-WIP. This only affects the reconciliation of WIP note and not the overall Property, plant and Equipment or WIP balances.

	2023 Comparative restatements			
Statement of Financial Performance	Previously reported	Adjustment DT/(CT)	As restated	Reference
REVENUE				
Public contributions and donations	613 000	(2 460 000)	3 073 000	i
EXPENDITURE				
Depreciation and Amortisation	(48 964 371)	(77 003)	(48 887 368)	ii
Contracted services	(72 787 326)	3 801	(72 791 127)	iii
General expenses	(90 118 255)	102 559	(90 220 814)	iv
	(211 256 952)	**(2 430 643)**	**(208 826 309)**	

i) Public contributions and donations - Statement of Financial Performance

As previously reported	613 000
Land and Buildings Transferred	2 460 000
	3 073 000

ii) Depreciation and Amortisation - Statement of Financial Performance

As previously reported	(48 964 371)
Additional depreciation on office equipment recognised	(255)
Reversal of depreciation of fully impaired assets	84 389
Additional Depreciation on Buildings transferred	(7 131)
	(48 887 368)

Figures in Rand	2024	2023

43. Prior period errors & reclassification (continued)

iii) Contracted Services - Statement of Financial Performance	
As previously reported	(72 787 326)
Additional Accruals Raised	(3 801)
	(72 791 127)

iv) General expenses - Statement of Financial Performance	
As previously reported	(90 118 255)
Additional Accruals Raised	(102 559)
	(90 220 814)

Cash flow statement

Cash flow from operating activities	**RESTATED**	**PREVIOUSLY DISCLOSED**
Rates and Services	276 459 855	273 881 973
Government grants and subsidies	267 613 458	267 726 458
Suppliers	(224 400 237)	(223 668 052)
	319 673 076	**317 940 379**

Cash flow from investing activities		
Purchase of property, plant and equipment	(147 566 445)	(145 833 751)

44. Unauthorised expenditure

Opening balance as previously reported	124 267 390	115 765 219
Opening balance as restated	**124 267 390**	**115 765 219**
Add: Expenditure identified - current	42 150 388	-
Add: Expenditure identified - prior period	-	84 000 359
Less: Amount written off - current	(84 000 358)	-
Less: Amount written off - prior period	-	(75 498 188)
Closing balance	**82 417 420**	**124 267 390**

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

Non-cash	29 404 392	69 018 578
Cash	12 745 996	14 981 781
	42 150 388	**84 000 359**

Figures in Rand	2024	2023

44. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Municipal Manager	294 807	-
Corporate services	5 244 607	9 129 703
Waste Management	-	11 300 505
Electricity	18 976 650	18 789 444
Water	3 862 798	29 848 528
Waste Water Management	-	4 901 375
Technical	-	5 265 753
Housing	-	148 193
Community and Social Services	13 771 526	4 616 858
	42 150 388	**84 000 359**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	727 190	72 511
Opening balance as restated	**727 190**	**72 511**
Add: Expenditure identified - current	53 887	-
Add: Expenditure identified - prior period	-	654 679
Less: Amounts recoverable - current	(102 312)	-
Less: Amount written off - current	(11 958)	-
Closing balance	**666 807**	**727 190**

Fruitless and wasteful expenditure incurred in the current year relates to further monies identified which relates to misappropriations made by a cashier in the prior year, as well as a traffic fine. In addition in the current year there were payments made to incorrect creditor's bank accounts. In the prior financial year fruitless and wasteful expenditure relates to traffic deposit monies shortages as well as cashier misappropriations which the municipality had to settle with the department of transport and debtors' accounts. R58 249 for 2023/24 & R654 679 for 2022/23 is being investigated for further collectability and all the matters were reported to SAPS where applicable.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Irregular expenditure

	2024	2023
Opening balance as previously reported	235 198 131	301 843 209
Opening balance as restated	**235 198 131**	**301 843 209**
Add: Irregular Expenditure - current	110 910 511	-
Add: Irregular Expenditure - prior period	-	81 810 509
Less: Amount written off - current	(244 088 445)	-
Less: Amount written off - prior period	-	(148 455 587)
Closing balance	**102 020 197**	**235 198 131**

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 proceedings to be determined. Goods and/or services were received in all instances and none of the payments were made in vain.	110 910 511
		110 910 511

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Opening balance	2 000 035	1 858 015
Current year subscription / fee	2 198 407	2 006 035
Amount paid - current year	(2 013 285)	(1 864 015)
	2 185 157	**2 000 035**

Audit fees

	2024	2023
Opening balance	17 081	-
Current year subscription / fee	5 868 923	6 320 708
Amount paid - current year	(5 886 004)	(6 303 627)
	-	**17 081**

PAYE and UIF

	2024	2023
Amount paid - current year	25 031 290	22 080 559

Pension and Medical Aid Deductions

	2024	2023
Amount paid - current year	35 269 925	31 551 416

VAT

	2024	2023
VAT receivable	6 947 128	13 591 218

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.

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 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor - WG Johannes	3 276	67 417	70 693
Councillor - ST Dyakala	5 914	4 320	10 234
Councillor - S Kolosa	2 122	726	2 848
	11 312	**72 463**	**83 775**

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

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	2024	2023
S36(1)(a)(i) - Emergency	7 278 985	40 156 102
S36(1)(a)(ii) - Sole Supplier	1 068 140	3 072 088
S36(1)(a)(v) - Impractical / Impossible (other)	104 523 346	58 208 300
	112 870 471	**101 436 490**

48. Water and electricity losses

Material Losses

	2024	2023
Water	27 659 822	22 328 338
Electricity	5 789 611	6 436 632
	33 449 433	**28 764 970**

Water Losses
In 2024 the water reticulation losses were 48.5% (3 674 237 kl supplied and 1 892 032 kl sold) (2023: 45.3% (3 346 810 kl supplied and 1 831 998 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 2024, the electricity losses were 9.6% (2023: 12.2%). Electricity purchased was 38 637 443 kWh and 34 917 809 kWh was sold (2023: 39 124 452 kWh and 34 356 576 kWh was sold). These losses are predominantly due to MV and LV losses in switchgear, overhead lines, obsolete aluminium lines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

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	2024	2023
Receivables from Non-Exchange Transactions	1 671 412	740 178
Receivables from Exchange Transactions	37 354 309	28 793 620
Cash and cash equivalents	140 308 928	67 235 366
Other financial assets	46 305	44 872

The municipality holds deposits of R 2 827 601 (2023: R 2 660 816) 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 2024 and 2023, 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	10,86%	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

2024

	Electricity	Water	Sewerage and sanitation	Solid Waste	Total
Revenue					
Revenue from non-exchange transactions	-	-	-	6 197 416	6 197 416
Revenue from exchange transactions	92 197 379	59 338 163	18 927 584	22 161 387	192 624 513
Interest received - trade and other receivables	1 280 148	3 185 352	2 035 148	2 648 705	9 149 353
Total segment revenue	**93 477 527**	**62 523 515**	**20 962 732**	**31 007 508**	**207 971 282**
Revenue from exchange transactions					23 422 828
Revenue from non-exchange transactions					410 808 976
Total revenue reconciling items					**434 231 804**
Entity's revenue					**642 203 086**
Expenditure					
Employee related costs	966 124	11 763 375	9 855 194	12 237 189	34 821 882
Depreciation and amortisation	3 780 691	10 505 289	5 450 445	212 904	19 949 329
Finance costs	-	183 514	-	8 111 123	8 294 637
Lease rentals	-	27 500	-	-	27 500
Debt impairment	2 292 095	29 045 167	8 265 514	8 472 772	48 075 548
Alternative energy programme	5 932 564	-	-	-	5 932 564
Bulk purchases	76 635 411	18 537 524	-	-	95 172 935
Contracted services	19 144 413	13 382 265	4 247 478	9 055 356	45 829 512
General Expenses	20 299 040	13 435 324	4 653 883	4 753 608	43 141 855
Fair value adjustments	-	-	-	(2 176 400)	(2 176 400)
Loss on disposal of assets	-	71 171	-	-	71 171
Impairment loss	157 868	3 788 671	1 752 441	-	5 698 980
Total segment expenditure	**129 208 206**	**100 739 800**	**34 224 955**	**40 666 552**	**304 839 513**
Total segmental surplus/(deficit)					**(96 868 231)**

Notes to the Annual Financial Statements

Figures in Rand

	Electricity	Water	Sewerage and sanitation	Solid Waste	Total
51. Segment information (continued)					
Employee related costs					(163 148 051)
Remuneration of councillors					(8 481 513)
Depreciation					(23 200 356)
Lease rentals					(964 405)
Debt impairment					(10 282 405)
Contracted services					(43 961 032)
Transfers and Subsidies					(4 304 427)
General expenses					(47 899 447)
Fair value adjustments					16 760
Loss on disposal of assets					(4 258 466)
Actuarial gains					688 135
Impairment loss					(5 157 921)
Total revenue reconciling items					434 231 804
Entity's surplus (deficit) for the period					**26 410 445**
Assets					
Receivables from exchange transactions	15 322 751	14 127 452	3 364 817	4 053 246	36 868 266
Property, plant and equipment	96 621 736	196 283 543	145 915 704	-	438 820 983
Property, plant and equipment - WIP	1 212 174	110 438 267	149 913 752	-	261 564 193
Total segment assets	**113 156 661**	**320 849 262**	**299 194 273**	**4 053 246**	**737 253 442**
Property, plant and equipment					554 557 708
Other non-current assets					242 984 475
Current assets					174 978 730
Total assets as per Statement of financial Position					**1 709 774 355**
Current liabilities					(217 019 951)
Non-current liabilities					(135 402 948)
Total liabilities as per Statement of financial Position					**(352 422 899)**

51. Segment information (continued)

2023

	Electricity	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					421 822 889
Total revenue reconciling items					**442 623 553**
Entity's revenue					**636 672 058**
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
Lease rentals	-	284 352	-	-	284 352
Debt impairment	1 922 375	32 568 335	7 132 920	7 165 123	48 788 753
Alternative energy	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	17 358 387	16 094 275	4 507 212	5 249 752	43 209 626
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	**111 725 877**	**106 323 325**	**29 375 911**	**32 419 487**	**279 844 600**
Total segmental surplus/(deficit)					**(85 796 095)**

51. Segment information (continued)

	Electricity	Water	Sewerage and sanitation	Solid waste	Total
Total revenue reconciling items					442 623 553
Employee related costs					(152 062 584)
Remuneration of councillors					(7 671 207)
Depreciation					(24 260 274)
Finance costs					(2 394)
Lease rentals					(1 668 827)
Debt impairment					(11 038 067)
Contracted services					(39 143 452)
Transfers and subsidies					(4 528 658)
General expenses					(47 011 193)
Fair value adjustments					379
Gain on disposal of assets					(1 503 798)
Actuarial Gains					11 193 548
Impairment loss					(504 708)
Entity's surplus (deficit) for the period					**78 626 223**
Assets					
Receivables from exchange transactions	12 191 444	10 828 545	2 445 992	2 833 430	28 299 411
Property, plant and equipment	100 521 746	209 405 388	153 279 727	-	463 206 861
Property, plant and equipment - WIP	1 212 174	84 412 523	92 741 045	-	178 365 742
Total segment assets	**113 925 364**	**304 646 456**	**248 466 764**	**2 833 430**	**669 872 014**
Property, plant and equipment					546 123 359
Other non-current assets					247 299 850
Current assets					103 205 986
Total assets as per Statement of financial Position					**1 566 501 209**
Current liabilities					(111 300 758)
Non-current liabilities					(124 259 461)
Total liabilities as per Statement of financial Position					**(235 560 219)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Accounting by principals and agents

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

Details of the arrangements are as follows:

The municipality acts 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.

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 1 821 353 (2023: R 3 685 609).

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

	2024	2023
Category 1 - MV Licences and registrations		
Amount received on behalf of the principal	5 868 138	14 938 067
Amounts transferred to the principal	(4 046 785)	(11 252 458)
Amount recognised as revenue for services rendered	(1 821 353)	(3 685 609)
	-	-
Category 2 - Human Settlements		
Opening balance	8 669 959	106 171
Amounts received - Human settlements	84 223 042	42 270 487
Amounts paid on behalf of Dept. Human Settlements on projects	(55 207 075)	(33 706 699)
	37 685 926	**8 669 959**
Category 3 - EC Housing Land Acquisition		
Amounts Received	43 200 000	-
	43 200 000	**-**
All categories		
Opening balance	8 669 959	106 171
Amounts received on behalf of the principal	5 868 138	14 938 067
Amount transferred to the principal	(4 046 785)	(11 252 458)
Amount recognised as revenue for the services rendered	(1 821 353)	(3 685 609)
Amounts received - Human settlements	127 423 042	42 270 487
Amounts paid on behalf of Dept. Human Settlements on projects	(55 207 075)	(33 706 699)
	80 885 926	**8 669 959**

Figures in Rand	2024	2023

52. Accounting by principals and agents (continued)

Entity as principal

Fee paid

Fee paid as compensation to the agent	670 710	566 878

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

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 variance is mostly due to drought water tariffs no longer being applied from December 2023 onwards.

53.2) Rendering of services:
There was an erroneous over budget in the line items grouped in the rendering of services.

53.3) Rental of facilities and equipment: Immaterial variance

53.4) Interest received:
The budget was kept in line with the prior period interest income and did not fully factor larger gross debtors' balances throughout the year on hand.

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, however the traffic department was closed for a large part of the year affecting this total collections.

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

53.7) Other income
Variance is due to the underbudgeting for insurance refunds and sundry income, which are sporadic by nature.

53.8) Interest received - investment
The budgeting process did not predict the larger than expected cash balances from grants, especially housing grants being on hand for an extended period.

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 overbudgeted for during the 2023/24 financial year.

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

53.12) Interest received - non-exchange receivables: Immaterial variance

53.13) Government Grants and subsidies: Immaterial variance- Budget was aligned with the conditional grant funding received during the year.

53.14) Public Contributions and donations
The donations amount was not budgeted for. Donations, by its nature, is gratuitous and were transferred 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 values - which is very unpredictable.

53.16) Employee related costs: Immaterial variance

53. Budget differences (continued)

53.17) Remuneration of councillors - Immaterial variance

53.18) Depreciation and amortisation: The actual depreciation is less than the budget due to the re-estimation of useful lives which reduced actual figures for 2024(change in estimate).

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: Immaterial variance

53.22) Debt impairment -
The variance is largely due to the fact that the budget cannot accommodate the full extent of funding the movement in doubtful debts.

53.23) Alternative Energy Programmes: Immaterial variance.

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

53.25) Contracted services
The budget adjustments are in relation to budgeting related to the Housing grant expenditure being budgeted for against this line item. Majority of Housing funding is relating to principal/agent and s purchases segment.

53.26) Transfers and subsidies - Immaterial variance

53.27) General expenses: Immaterial variance

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 significant determination for the actuarial gains, which previously was included in employee costs, which affects both the variances on Actuarial losses.

STATEMENT OF FINANCIAL POSITION

53.31) Inventories
The variance is due to an over-estimate of stock on hand at year end. 2023 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.

53.33) Receivables from non-exchange transactions & Receivables from exchange transactions
The variance is due to not fully budgeting for the full debt impairment expense needed to write-down the receivables to their

53. Budget differences (continued)
impaired value at year end. The variance is similar to the variance on debt impairment.

53.34) VAT receivable
The budget accounts for the amounts in debit separate to the amounts in credit. The nett figure however shows a small variance overall variance when combining the VAT receivable & VAT payable line items.

53.35) Cash and cash equivalents
The higher than expected cash balances are due to some unspent housing monies within accounts payable at year end. The large increase in budgeted figures were due to accounting for the increased housing monies received.

53.36) Investment property: Immaterial variance.
Variance also somewhat due to correcting prior period misstatements on the Investment property register.

53.37) Property, plant and Equipment:
The variance is due to the budgeting for the majority of the EC Housing monies as capital whereas a majority relates to Principal/agent monies received. The budget balance is therefore higher than anticipated.

53.38) Intangible assets: Immaterial variance

53.39) Heritage assets - Immaterial variance

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

53.41) Financial liabilities - DBSA: Immaterial variance

53.42) Payables from exchange transactions:
The large budget increase is due to the receipting of additional EC Housing monies.

53.43) Consumer deposits: Immaterial variance

53.44) Employee Benefit obligation
The budget adjustment does not factor in the large portions of current liability relating to overtime, bonus and leave as well as short term portions of the Long Service and Post Retirement Medical Aid Liability.

53.45) Unspent conditional grants and receipts
Balances of unspent grants per the budget did not factor in multi-year projects on COGTA and EC Housing Bulk Infrastructure in unspent amounts at year end.

53.46) Provisions: Immaterial variance.

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

CASHFLOW STATEMENT VARIANCES

53.48) Rates and services
Rates and services were overbudgeted due to the overbudgeting of the collection rates.

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

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

53.51) Other receipts
The budgeted amount was overestimated due to the traffic collections not being netted off to the department of transport

53. Budget differences (continued)

payments made per the budget, whereas the actual figures shows just the agent fees received.

53.52) Supplier and Employee costs
The variance is due to budgeting for housing which is not included in the municipal operations

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

53.54) Grants and subsidies paid: Immaterial variances - initially omitted from the budget

53.55) Purchase of Property, plant and equipment
The budget increase relates to acquisition of assets via grant, however not all grants were spent and not all monies were grant monies received and hence not all capital expenditure was for the benefit of the municipality as per the agent/principal agreements in place.

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

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

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

53.59) Repayment of financial liabilities - DBSA: Immaterial variances

53.60) Cash and cash equivalents at the beginning of the year
The original budget does not relate to the actual cash balances at end of 2022/23 financial year, which was corrected with the adjustment budget and results in immaterial variance between actual and final budget.

54. Change in estimate

Property, plant and equipment

The useful life of certain assets were 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 R7 830 915.

Investment Property

The useful life of certain assets were re-estimated in the current period. Management have revised their estimated respective useful lives. The effect of this revision has increased the depreciation charges for the current period and decreased it for the future periods by R1 097.

Intangible assets

The useful life of certain assets were re-estimated in the current period. Management have revised their estimated respective useful lives. The effect of this revision has increased the depreciation charges for the current period and decreased it for the future periods by R17 165.

55. Events after the reporting date

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