



GREAT KEI
MUNICIPALITY

Great Kei Local Municipality
Annual financial statements
for the year ended 30 June 2023

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Nature of business and principal activities

Great Kei Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998)

The municipality's operations are governed by:

-Municipal Finance Management Act no. 56 of 2003

-Municipal Structures Act no.117 of 1998

-Municipal Systems Act no. 32 of 2000 and various other acts and regulations.

List of councillors

Mayor

Cllr. N.W. Tekile

Speaker

Cllr. N.P. Mgema

Chief Whip

Cllr. Z. Nzuzo

Councillors

Cllr. H. Phakamile - MPAC Chair

Cllr. Z. Patuluko

Cllr. S.M. Jacobs

Cllr. M. Njanya

Cllr. M Twani

Cllr. W. Sinqana

Cllr. Z. Tshali

Cllr. P. Kyriacos

Cllr. F.W. Webber

Cllr. M. Matshoba

Grading of local authority

Category 2

Accounting Officer

Mr L.N. Mambila

Chief Finance Officer (CFO)

Mr A. Lwana

Registered office

17 Main Street

Komga

4950

Postal address

Private Bag X2

Komga

4950

Bankers

Standard Bank Limited

Auditors

Auditor General of South Africa

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CRR	Capital Replacement Reserve
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MEs	Municipal Entities
EC-COGTA	Eastern Cape Department of Cooperative Governance and Traditional Affairs
OTP	Office of the Premier
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
INEP	Integrated National Electrification Programme
SCM	Supply Chain Management
EPWP	Expanded Public Works Programme
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No. 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 place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring 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 period from 1 July 2023 year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out from page 4 to page 86, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2023 and were signed by:


L.N. Mambila
Municipal Manager



Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022
Assets			
Current Assets			
Receivables from exchange transactions	3	3 825 780	3 606 442
Statutory receivables	4	8 920 596	4 504 827
VAT receivable	5	1 739 454	2 790 895
Cash and cash equivalents	6	33 547 240	16 609 805
		48 033 070	27 511 969
Non-Current Assets			
Investment property	7	74 600 547	77 800 547
Property, plant and equipment	8	276 585 521	251 343 266
Intangible assets	9	26 402	-
Heritage assets	10	36 000	36 000
		351 248 470	329 179 813
Total Assets		399 281 540	356 691 782
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	37 749 307	41 654 633
Employee benefit obligation	12	5 778 285	6 156 537
Unspent conditional grants and receipts	13	2 263 154	364 773
Provisions	14	1 831 571	1 820 802
		47 622 317	49 996 745
Non-Current Liabilities			
Employee benefit obligation	12	10 576 103	9 485 388
Provisions	14	20 541 272	19 526 437
		31 117 375	29 011 825
Total Liabilities		78 739 692	79 008 570
Net Assets		320 541 848	277 683 212
Accumulated surplus		320 541 848	277 683 212
Total Net Assets		320 541 848	277 683 212

* See Note

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Notes	2023	2022
Revenue			
Revenue from exchange transactions			
Service charges	15	13 900 981	17 761 800
Rental of facilities and equipment	16	287 795	47 244
Agency services		298 460	177 555
Licences and permits		598 297	459 220
Other income	17	1 086 924	1 018 102
Interest income	18	3 282 379	4 047 101
Total revenue from exchange transactions		19 454 836	23 511 022
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	36 614 869	33 682 245
Interest on property rates	18	6 222 702	4 377 795
Transfer revenue			
Government grants & subsidies	20	88 556 644	77 072 799
Public contributions and donations	21	2 606 277	-
Fines, Penalties and Forfeits		95 200	19 500
Debt forgiveness	22	417 692	7 902 566
Total revenue from non-exchange transactions		134 513 384	123 054 905
Total revenue		153 968 220	146 565 927
Expenditure			
Employee related costs	23	(44 661 123)	(44 367 296)
Remuneration of councillors	24	(4 964 894)	(4 725 247)
Depreciation, impairment loss and amortisation	25	(14 702 804)	(13 077 698)
Finance costs	26	(2 209 328)	(2 468 162)
Lease rentals on operating lease		(291 267)	(261 443)
Debt Impairment	27	(11 389 552)	(19 553 381)
Bulk purchases	28	(11 474 250)	(12 218 921)
Contracted services	29	(5 139 148)	(7 847 772)
Transfers and Subsidies	30	(156 451)	(147 121)
General Expenses	31	(15 914 629)	(14 269 293)
Total expenditure		(110 903 446)	(118 936 334)
Operating surplus		43 064 774	27 629 593
Actuarial gains on employee benefit obligations	12	332 945	2 694 875
Actuarial loss on Landfill site provision	14	(624 802)	(1 161 473)
Gain (loss) on non-current assets held for sale or disposal groups	8	85 716	(1 936 880)
		(206 141)	(403 478)
Surplus for the year		42 858 633	27 226 115

* See Note

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	250 457 097	250 457 097
Changes in net assets		
Surplus for the year	27 226 115	27 226 115
Total changes	27 226 115	27 226 115
Restated* Balance at 01 July 2022	277 683 215	277 683 215
Changes in net assets		
Surplus for the year	42 858 633	42 858 633
Total changes	42 858 633	42 858 633
Balance at 30 June 2023	320 541 848	320 541 848

Note

* See Note



Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Other receipts		2 366 674	1 721 621
Rates and services		34 491 192	38 679 556
Grants		89 139 653	74 330 759
Interest income		9 505 081	8 424 896
		<u>135 502 600</u>	<u>123 156 832</u>
Payments			
Employee costs		(48 580 609)	(47 874 309)
Suppliers		(33 641 365)	(39 088 056)
Finance costs		(2 209 328)	(2 468 162)
		<u>(84 431 302)</u>	<u>(89 430 527)</u>
Net cash flows from operating activities	34	<u>51 071 298</u>	<u>33 726 305</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(34 249 554)	(22 560 487)
Proceeds from sale of property, plant and equipment	8	150 691	-
Purchase of other intangible assets	9	(35 000)	-
		<u>(34 133 863)</u>	<u>(22 560 487)</u>
Net cash flows from investing activities		<u>(34 133 863)</u>	<u>(22 560 487)</u>
Net increase/(decrease) in cash and cash equivalents		16 937 435	11 165 818
Cash and cash equivalents at the beginning of the year		16 609 805	5 443 987
Cash and cash equivalents at the end of the year	6	<u>33 547 240</u>	<u>16 609 805</u>

* See Note

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	22 554 953	15	22 554 968	13 900 981	(8 653 987)	44.1
Rental of facilities and equipment	302 000	3	302 003	287 795	(14 208)	
Agency services	300 000	1	300 001	298 460	(1 541)	
Licences and permits	530 000	3	530 003	598 297	68 294	44.2 (A)
Other income	3 267 400	(5)	3 267 395	1 086 924	(2 180 471)	44.2
Interest income	4 611 844	-	4 611 844	3 282 379	(1 329 465)	44.3
Total revenue from exchange transactions	31 566 197	17	31 566 214	19 454 836	(12 111 378)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	41 324 752	13	41 324 765	36 614 869	(4 709 896)	44.4
Interest, Dividends and Rent on Land	2 139 284	-	2 139 284	6 222 702	4 083 418	44.5
Transfer revenue						
Government grants & subsidies	97 084 000	26	97 084 026	88 556 644	(8 527 382)	
Public contributions and donations	-	5 865 001	5 865 001	2 606 277	(3 258 724)	44.6
Fines, Penalties and Forfeits	177 200	3	177 203	95 200	(82 003)	44.7
Debt forgiveness	-	-	-	417 692	417 692	44.8
Total revenue from non-exchange transactions	140 725 236	5 865 043	146 590 279	134 513 384	(12 076 895)	
Total revenue	172 291 433	5 865 060	178 156 493	153 968 220	(24 188 273)	
Expenditure						
Employee related costs	(45 423 640)	(1 836 485)	(47 260 125)	(44 661 123)	2 599 002	
Remuneration of councillors	(5 293 120)	-	(5 293 120)	(4 964 894)	328 226	
Depreciation and amortisation	(12 800 000)	(2 260 010)	(15 060 010)	(14 702 804)	357 206	
Finance costs	(376 000)	105 073	(270 927)	(2 209 328)	(1 938 401)	44.9
Lease rentals on operating lease	-	-	-	(291 267)	(291 267)	44.10
Debt Impairment	(14 500 000)	3 252 968	(11 247 032)	(11 389 552)	(142 520)	
Bulk purchases	(12 000 000)	347 021	(11 652 979)	(11 474 250)	178 729	
Contracted Services	(8 784 004)	(300 306)	(9 084 310)	(5 139 148)	3 945 162	44.11
Transfers and Subsidies	-	(157 000)	(157 000)	(156 451)	549	
General Expenses	(18 293 396)	(5 082 315)	(23 375 711)	(15 914 629)	7 461 082	44.12
Total expenditure	(117 470 160)	(5 931 054)	(123 401 214)	(110 903 446)	12 497 768	
Operating surplus	54 821 273	(65 994)	54 755 279	43 064 774	(11 690 505)	
Actuarial gains/losses	-	-	-	332 945	332 945	
Actuarial loss on Landfill site provision	-	-	-	(624 802)	(624 802)	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gain (loss) on non-current assets held for sale or disposal groups	-	-	-	85 716	85 716	
	-	-	-	(206 141)	(206 141)	
Surplus for the year	54 821 273	(65 994)	54 755 279	42 858 633	(11 896 646)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	54 821 273	(65 994)	54 755 279	42 858 633	(11 896 646)	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Other financial assets	4 840 390	200 013	5 040 403	-	(5 040 403)	44.14 (A)
Receivables from exchange transactions	3 173 499	-	3 173 499	3 825 780	652 281	44.14 (B)
Statutory receivables	40 279 268	-	40 279 268	8 920 596	(31 358 672)	44.14
VAT receivable	-	-	-	1 739 454	1 739 454	44.15
Cash and cash equivalents	21 863 476	4 320 395	26 183 871	33 547 240	7 363 369	44.13
	70 156 633	4 520 408	74 677 041	48 033 070	(26 643 971)	
Non-Current Assets						
Investment property	77 800 543	-	77 800 543	74 600 547	(3 199 996)	
Property, plant and equipment	222 189 019	6 403 438	228 592 457	276 585 521	47 993 064	44.16
Intangible assets	499 991	4	499 995	26 402	(473 593)	44.17
Heritage assets	35 996	-	35 996	36 000	4	
	300 525 549	6 403 442	306 928 991	351 248 470	44 319 479	
Liabilities						
Current Liabilities						
Payables from exchange transactions	18 500 000	44 914 575	63 414 575	37 749 307	(25 665 268)	44.18
Consumer deposits	99 968	-	99 968	-	(99 968)	44.18 (A)
Employee benefit obligation	-	-	-	5 778 285	5 778 285	44.19
Unspent conditional grants and receipts	-	-	-	2 263 154	2 263 154	44.20
Provisions	6 700 000	-	6 700 000	1 831 571	(4 868 429)	44.19
	25 299 968	44 914 575	70 214 543	47 622 317	(22 592 226)	
Non-Current Liabilities						
Employee benefit obligation	11 000 000	-	11 000 000	10 576 103	(423 897)	44.19
Provisions	18 300 008	-	18 300 008	20 541 272	2 241 264	44.19
	29 300 008	-	29 300 008	31 117 375	1 817 367	
Total Liabilities	54 599 976	44 914 575	99 514 551	78 739 692	(20 774 859)	
Net Assets	316 082 206	(33 990 725)	282 091 481	320 541 848	38 450 367	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	316 082 206	(33 990 725)	282 091 481	320 541 848	38 450 367	



Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and services	38 354 873	-	38 354 873	34 491 192	(3 863 681)	44.21
Other receipts	2 269 399	(1)	2 269 398	2 366 674	97 276	
Grants	97 184 000	5 815 000	102 999 000	89 139 653	(13 859 347)	44.22
Interest income	3 960 620	-	3 960 620	9 505 081	5 544 461	44.23
	141 768 892	5 814 999	147 583 891	135 502 600	(12 081 291)	
Payments						
Suppliers	(38 701 400)	231 388	(38 470 012)	(33 695 760)	4 774 252	44.24
Employee cost	(50 716 760)	(836 485)	(51 553 245)	(48 580 609)	2 972 636	
Finance costs	(376 000)	105 073	(270 927)	(2 209 328)	(1 938 401)	44.25
	(89 794 160)	(500 024)	(90 294 184)	(84 485 697)	5 808 487	
Net cash flows from operating activities	51 974 732	5 314 975	57 289 707	51 016 903	(6 272 804)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(42 134 503)	(1 544 600)	(43 679 103)	(34 195 159)	9 483 944	44.26
Proceeds from sale of property, plant and equipment	4 964 761	-	4 964 761	150 691	(4 814 070)	44.27
Purchase of other intangible assets	-	-	-	(35 000)	(35 000)	
Net cash flows from investing activities	(37 169 742)	(1 544 600)	(38 714 342)	(34 079 468)	4 634 874	
Cash flows from financing activities						
Net increase/(decrease) in cash and cash equivalents	14 804 990	3 770 375	18 575 365	16 937 435	(1 637 930)	
Cash and cash equivalents at the beginning of the year	21 863 476	4 320 395	26 183 871	16 609 805	(9 574 066)	
Cash and cash equivalents at the end of the year	36 668 466	8 090 770	44 759 236	33 547 240	(11 211 996)	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Notes	2023	2022
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1. Significant accounting policies

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Offsetting

Financial assets and financial liabilities shall be offset, and the net amount presented in the statement of financial position when the municipality:

- has a currently enforceable legal right to set off the recognised amounts and
- intends either to settle on a net basis, or to realise the net asset and settle the liability simultaneously.

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 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.

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.

Fair value estimation

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.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 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. 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 service potential of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Assumptions regarding departmental/governmental debt shall be treated as fully recoverable due to inter-governmental relations.

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 14 - Provisions.

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 government 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 12.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows and for post-retirement benefits, a net discount is used. The net discount rate is made up of the health care cost inflation, consumer price inflation and the discount rate based on the Bond Exchange Zero Coupon Yield Curve.

Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance, estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating historic payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historic payment ratios.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances, the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are as per iGRAP 18.

In some instances, the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as per iGRAP 18.

Impairment of statutory receivables

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

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. At the end of each reporting date the municipality assesses the recoverability of a debtor by assessing the collection of receipts from an individual debtor during the financial year under review.

An impairment loss recognised in prior periods for a statutory receivable are 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.

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.



Great Kei Local Municipality

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1.5 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.

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 instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	5-50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

1.6 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.

Great Kei Local Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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 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	Straight-line	Indefinite
Infrastructure		
- Tarred roads and paving	Straight-line	20 - 80 years
- Access roads	Straight-line	5 - 20 years
- Electricity	Straight-line	7 - 50 years
Other property, plant and equipment		
- Buildings and related items	Straight-line	5 - 50 years
- Recreational facilities and related items	Straight-line	5 - 50 years
- Halls and related items	Straight-line	5 - 30 years
- Parks and gardens and related items	Straight-line	5 - 30 years
- Plant, machinery and other equipment	Straight-line	2 - 25 years
- Furniture, fittings and office equipment	Straight-line	2 - 20 years
- Motor vehicles	Straight-line	5 - 20 years
- Computer equipment	Straight-line	2 - 10 years
Landfill sites	Straight-line	5 - 20 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.

Great Kei Local Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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 discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.7 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.

Great Kei Local Municipality

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Accounting Policies

1.7 Intangible assets (continued)

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.

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 years

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

1.8 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 a 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.



Great Kei Local Municipality

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Accounting Policies

1.8 Heritage assets (continued)

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 a 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.

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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 9).

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

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.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Great Kei Local Municipality

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Accounting Policies

1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 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.

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 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.

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

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

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

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

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

Great Kei Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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;
- 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.

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Accounting Policies

1.9 Financial instruments (continued)

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
Cash and cash equivalents	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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Employee benefit obligations	Financial liability measured at amortised cost
Provision for landfill site rehabilitation	Financial liability measured at amortised cost



Great Kei Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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

1. Accumulated surplus.

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.

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.

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.

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, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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.

Great Kei Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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 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 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.

Derecognition

Financial assets

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.

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

Financial liabilities

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

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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 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.

Great Kei Local Municipality

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Accounting Policies

1.10 Statutory receivables (continued)

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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, the 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 receivables 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:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred 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.



Great Kei Local Municipality

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Accounting Policies

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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.

Great Kei Local Municipality

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

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.

Great Kei Local Municipality

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

Great Kei Local Municipality

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Accounting Policies

1.11 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.

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.

1.12 Employee benefits

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

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

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

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

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

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



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Accounting Policies

1.12 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.

Great Kei Local Municipality

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Accounting Policies

1.12 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.

Great Kei Local Municipality

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Accounting Policies

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

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

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

Great Kei Local Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.13 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.

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.



Great Kei Local Municipality

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Accounting Policies

1.13 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 37.

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, a municipality recognises the obligation at the higher of:

- the amount determined using 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.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 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.

Great Kei Local Municipality

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

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.

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.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 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.



Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 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.

Great Kei Local Municipality

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Accounting Policies

1.17 Investment income

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

1.18 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.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote
- expenditure of money appropriated for specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in bullet points 2, 3 and 4 of the definition of allocation otherwise than in accordance with any conditions of allocations; or
- a grant by a municipality otherwise than in accordance with this Act.

1.21 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 must be disclosed in the note to the annual financial statements.

1.22 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

(a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms of section 170;

(b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; or

(c) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the Public-Office Bearers Act, 1998 (Act No.20 of 1998); or

(d) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such a policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure". Irregular expenditure is recognised when a payment is made.

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.

Great Kei Local Municipality

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Accounting Policies

1.22 Irregular expenditure (continued)

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 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.

1.23 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.

1.24 Transfer payments

The municipality transfers goods to organisations from time to time, through the Local Economic Development initiative. In making these transfers, the municipality does not:

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

These transfers are recognised in the statement of financial performance as expenses in the period during which the events giving rise to the transfer occurred.

1.25 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

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

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

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

1.26 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.

Great Kei Local Municipality

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Accounting Policies

1.26 Related parties (continued)

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.

1.27 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.

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	Undetermined dates	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact



Great Kei Local Municipality

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2. New standards and interpretations (continued)

• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	Undetermined dates	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Receivables from exchange transactions

Trade debtors		15 841 843	12 781 798
Sundry debtors		142 520	142 520
Land Disposal		600 000	1 300 000
Payroll debtors		1 333	-
Creditor with debit balance		159 759	-
Debt impairment		(12 919 675)	(10 617 876)
		3 825 780	3 606 442

30 June 2023

Consumer debtors by debtor type

	30 Days	90 Days	+ 120 Days	Total
Government	42 986	4 987	-	47 973
Residential	758 305	736 876	13 246 564	14 741 745
Commercial / Industries	286 450	106 189	659 486	1 052 125
	1 087 741	848 052	13 906 050	15 841 843

Consumer debtors by revenue type

	30 Days	90 Days	+ 120 Days	Total
Electricity	161 380	208 602	2 014 465	2 384 447
Refuse removal	821 244	639 417	11 891 585	13 352 246
Rental	105 117	33	-	105 150
	1 087 741	848 052	13 906 050	15 841 843

30 June 2022

Consumer debtors by debtor type

	30 Days	90 Days	+ 120 Days	Total
Government	71 491	58 548	671 424	801 463
Residential	941 450	728 158	9 368 039	11 037 647
Commercial / Industries	401 404	65 031	476 253	942 688
	1 414 345	851 737	10 515 716	12 781 798

Consumer debtors by revenue type

	30 Days	90 Days	+ 120 Days	Total
Electricity	691 739	286 736	685 110	1 663 585
Refuse removal	722 056	565 001	9 831 156	11 118 213
	1 413 795	851 737	10 516 266	12 781 798

Creditor with debit balance

The municipality entered into a debt arrangement with the Office of the Auditor General in order to service the outstanding audit fees, the debt was settled by the municipality and write-offs were effected by the Office of the Auditor General.

Great Kei Local Municipality

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3. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	10 617 876	40 195 634
Amounts written off as uncollectible	12 919 675	10 617 876
Unused amounts reversed	(10 617 876)	(40 195 634)
	12 919 675	10 617 876

4. Statutory receivables

Fines	372 798	277 598
Halycon	1 121 630	1 121 630
Consumer debtors - Rates	75 369 026	61 960 704
Debt impairment	(67 942 858)	(58 855 105)
	8 920 596	4 504 827

30 June 2023

	0-30 Days	90 Days	+ 120 Days	Total
Government	241 241	161 102	95 068	497 411
Residential	5 131 777	5 489 798	59 372 787	69 994 362
Commercial / industries	624 493	494 283	3 758 477	4 877 253
	5 997 511	6 145 183	63 226 332	75 369 026

30 June 2022

	0-30 Days	90 Days	+ 120 Days	Total
Government	238 066	231 231	2 051 839	2 521 136
Residential	6 187 805	5 194 318	45 951 589	57 333 712
Commercial / industries	420 229	322 275	1 363 352	2 105 856
	6 846 100	5 747 824	49 366 780	61 960 704

Statutory receivables pledged as security

There were no trade and other receivables pledged as security.

Reconciliation of provision for impairment of statutory receivables

Opening balance	58 835 605	54 093 517
Amounts written off as uncollectible	67 942 858	58 835 605
Unused amounts reversed	(58 835 605)	(54 093 517)
	67 942 858	58 835 605

2022:

Offsetting

The Council approved an item relating to a debt set-off between debt owed by Great Kei Municipality (water services) against the debt owed by the Amathole District Municipality. A reconciliation was prepared between Great Kei Local Municipality and Amathole District Municipality (rates and taxes) and the balance below was set of:

Amathole District Municipalities

	Gross amounts before set off	Gross amounts set off	Total
Rates	3 219 499	(3 029 045)	190 454

Great Kei Local Municipality

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	2023	2022
5. VAT receivable		
VAT	1 739 454	2 790 895

An amount of R430 672 has been received subsequent to the month end of June 2023 and therefore, the recoverability of the amount receivable from SARS is not remote.

Great Kei Local Municipality

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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	50	110
Bank balances	2 960 830	2 054 026
Short-term deposits	30 586 360	14 555 669
	33 547 240	16 609 805

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
STD BANK - MAIN ACCOUNT: 280720963	2 960 829	2 054 024	403 759	2 960 830	2 054 026	393 030
STD BANK- MIG ACCOUNT: 388529768-402	6 676 822	1 400 185	2 313 702	6 676 822	1 400 185	2 313 702
STD BANK - MSIG ACCOUNT: 388528672-002	902 354	862 188	417 758	902 354	862 188	417 758
STD BANK - EQUITABLE SHARE ACCOUNT: 388527544- 402	397 627	231 533	386 809	397 627	231 533	386 809
STD BANK - FMG ACCOUNT: 388528672-004	14 794 917	5 060 166	40 540	14 794 917	5 060 166	40 540
STD BANK - MVR ACCOUNT: 285973452	169 266	2 743 984	86 233	169 266	2 743 984	86 233
STD BANK - EPWP ACCOUNT: 3885286-002	897 300	2 630 410	1 769 352	897 300	2 630 410	1 769 352
FNB ACCOUNT: 74841787622	1 730 884	1 622 703	35 145	1 730 884	1 622 703	35 145
FNB ACCOUNT: 62096711843	4 496	4 501	-	4 496	4 501	-
STD BANK - NOTICE DEPOSIT:388523786-003	5 012 695	-	-	5 012 695	-	-
Total	33 547 190	16 609 694	5 453 298	33 547 191	16 609 696	5 442 569



Great Kei Local Municipality

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7. Investment property

	2023		2022			
Investment property	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	74 600 547	-	74 600 547	77 800 547	-	77 800 547

Reconciliation of investment property - 2023

Investment property

Opening balance	Transfers	Total
77 800 547	(3 200 000)	74 600 547

Reconciliation of investment property - 2022

Investment property

Opening balance	Total
77 800 547	77 800 547

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.

Change in use

During the year the municipality identified a land parcel to be utilised as a new landfill fill site in order to assist the community of Great Kei on wastemnt management related issues.

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8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	85 567 489	-	85 567 489	82 367 489	-	82 367 489
Buildings	163 960 258	(89 480 924)	74 479 334	155 806 491	(86 013 209)	69 793 282
Infrastructure	256 157 956	(197 320 259)	58 837 697	250 882 485	(188 360 126)	62 522 359
Other property, plant and equipment	16 297 293	(8 274 296)	8 022 997	11 432 858	(8 318 058)	3 114 800
Work in progress	47 600 754	-	47 600 754	31 386 870	-	31 386 870
Landfill site asset	9 521 013	(7 443 763)	2 077 250	9 521 013	(7 362 547)	2 158 466
Total	579 104 763	(302 519 242)	276 585 521	541 397 206	(290 053 940)	251 343 266

Great Kei Local Municipality

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	82 367 489	-	-	3 200 000	-	-	-	85 567 489
Buildings	69 793 282	20 500	-	-	8 133 266	(3 467 714)	-	74 479 334
Infrastructure	62 522 359	-	-	-	5 275 471	(8 952 430)	(7 703)	58 837 697
Other property, plant and equipment	3 114 800	5 587 068	(64 976)	-	134 700	(707 567)	(41 028)	8 022 997
Work in progress	31 386 870	31 193 868	-	-	(13 543 437)	-	(1 436 547)	47 600 754
Landfill site asset	2 158 466	-	-	-	-	(81 216)	-	2 077 250
	251 343 266	36 801 436	(64 976)	3 200 000	-	(13 208 927)	(1 485 278)	276 585 521

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	82 367 489	-	-	-	-	-	82 367 489
Buildings	67 401 402	-	-	5 706 876	(3 314 996)	-	69 793 282
Infrastructure	73 403 089	-	(1 913 739)	-	(8 900 880)	(66 111)	62 522 359
Other property, plant and equipment	2 696 837	1 079 749	(23 142)	75 850	(646 058)	(68 436)	3 114 800
Work in progress	15 688 858	21 480 738	-	(5 782 726)	-	-	31 386 870
Landfill site asset	2 239 683	-	-	-	(81 217)	-	2 158 466
	243 797 358	22 560 487	(1 936 881)	-	(12 943 151)	(134 547)	251 343 266

Pledged as security

No assets are pledged as security:

Great Kei Local Municipality

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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Infrastructure Assets	Community Assets	Total
Opening balance	20 295 852	11 091 017	31 386 869
Additions/capital expenditure	16 056 569	15 174 020	31 230 589
Impairment loss	-	(1 436 547)	(1 436 547)
Transferred to completed items	(5 275 471)	(8 304 686)	(13 580 157)
	31 076 950	16 523 804	47 600 754

Reconciliation of Work-in-Progress 2022

	Infrastructure Assets	Community Assets	Total
Opening balance	6 707 767	8 981 091	15 688 858
Additions/capital expenditure	13 588 085	7 892 652	21 480 737
Transferred to completed items	-	(5 782 726)	(5 782 726)
	20 295 852	11 091 017	31 386 869

Construction Projects that are taking significant longer to complete (Longer than the initial planned date):

Community Assets

Construction Plangeni/Kwelera Sportsfield - Phase 2 (N1)	1	849 348
Chintsa Sportsfield - phase 2 (N1)	1 745 062	1 965 062
Happy valley community hall (N1)	1 220 900	1 220 900
Sinolo day care centre (N1)	155 894	523 094
Construction of Icwili Sports Fields (N2)	3 245 634	2 866 013
	6 367 491	7 424 417

Infrastructure Assets

Upgrading of Komga switching rooms (N3)	4 336 444	4 336 444
Surfacing of Kei Mouth internal streets (N4)	10 306 361	7 143 769
Upgrading of Komga Bulk Electrical Infrastructure (N5)	788 845	788 845
Surfacing of Chintsa East internal streets (N6)	14 795 621	6 339 735
	30 227 271	18 608 793

Reasons for delays:

N1: These construction projects have taken longer than expected due to the fact that the construction was halted as they were under investigation by the special crimes unit (SIU)

N2: The contractor resigned and pulled off-site which led to a project halt, the municipality has subsequently appointed a contractor to finalise the construction.

N3: The project has been delayed due to insufficient funds, the municipality is currently sourcing funding to finalise the project.

N4: The construction was delayed due to court interdict by a community member, the municipality has successfully responded to the interdict.

N5: The project has been delayed as procurement of the contractor has not yet been finalised and the amount above relates to professional fees by the project consultant.

N6: The project has been delayed due to additional scope of works and the extension of time has been granted.



Great Kei Local Municipality

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8. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2023

	Corrective Maintenance	
	Emergency	Total
Buildings	119 084	119 084
Other property, plant and equipment	499 805	499 805
Mini dumping site	44 000	44 000
Computer equipment	22 575	22 575

Maintenance of property, plant and equipment by condition - 2022

	Corrective Maintenance	
	Emergency	Total
Buildings	48 837	48 837
Office equipment	54 301	54 301
Other property, plant and equipment	330 367	330 367
Mini dump site	97 313	97 313
Traffic and street lights	11 408	11 408
	542 226	542 226

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.

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9. Intangible assets

	2023		2022	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation
Computer software, other	35 000	(8 598)	26 402	-
				Accumulated amortisation and accumulated impairment
				Carrying value

Reconciliation of intangible assets - 2023

Computer software, other	Opening balance	Additions	Amortisation	Total
	-	35 000	(8 598)	26 402

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10. Heritage assets

	2023		2022			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	36 000	-	36 000	36 000	-	36 000

Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits

Opening balance	36 000	Total
		36 000

Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits

Opening balance	36 000	Total
		36 000

Details of the asset

The municipality owns the following heritage asset:
- Mayoral Gold Plated Brass Chain.

Great Kei Local Municipality

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11. Payables from exchange transactions

Trade payables	12 564 351	15 949 442
Debtors with credit balances	10 330 305	9 445 098
Deposits received	6 380 326	6 150 765
Salary control	2 844 351	7 092 272
Retentions	5 629 974	3 017 056
	37 749 307	41 654 633

12. Employee benefit obligation

Defined benefit plan

Bonuses

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days of accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days of accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days of accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days of accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days of accumulative leave

The estimated contribution for the next financial year.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(11 373 541)	(10 419 754)
Bonus accrual	(1 122 486)	(1 056 608)
Leave pay accrual	(3 858 361)	(4 165 563)
	(16 354 388)	(15 641 925)
Non-current liabilities	(10 576 103)	(9 485 388)
Current liabilities	(5 778 285)	(6 156 537)
	(16 354 388)	(15 641 925)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10 419 754	11 712 208
Benefits paid	(668 716)	(586 951)
Net expense recognised in the statement of financial performance	1 622 503	(705 503)
	11 373 541	10 419 754

Great Kei Local Municipality

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12. Employee benefit obligation (continued)

Net expense recognised in the statement of financial performance

Current service cost	705 583	729 957
Interest cost	1 249 865	1 259 415
Actuarial gains	(332 945)	(2 694 875)
	1 622 503	(705 503)

Key assumptions used

Assumptions used at the reporting date:

Post Medical Services:

Discount rates used	9,39 %	13,16 %
Consumer price inflation	5,17 %	8,66 %
Health care cost inflation	6,67 %	10,16 %
Net discount rate	2,55 %	2,72 %

Long Service Award:

Discount rates used	10,73 %	10,93 %
Consumer price inflation	5,86 %	7,24 %
Salary increase rate	6,86 %	8,24 %
Net discount rate	3,62 %	2,49 %

The long term discount rate was determined as the average of the BEASSA yield curve whilst the CPI was determined from the difference in averages in the Nominal and Real Bond.

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12. Employee benefit obligation (continued)

Other assumptions

Mortality rate

The value of the liabilities is particularly sensitive to the healthcare cost of inflation. The table below sets out the sensitivity of the valuation due to higher or lower mortality rates increasing and decreasing mortality rates. The effects are as follows:

The table below highlights the effects (from right to left) of a 20% lighter and 20% heavier mortality table assumption as at 30 June 2023. The adjustment would result in a 2.93% decrease and 5.50% decrease in the accrued liability respectively.

	20% Mortality rate	Valuation assumption	+ 20% Mortality rate
Employer's accrued liability	8 417 254	8 671 180	8 193 834
Employer's current service costs	553 935	538 882	524 228
Employer's expense cost	768 457	792 130	747 478
	9 739 646	10 002 192	9 465 540

Salary increase rate

As per the table below, a 1% increase in the salary increase rate results in a 6.60% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.01% decrease in the accrued liability.

	1% decrease R's	30 June 2023 Valuation basis R's	1% increase R's
Employer's accrued liability	2 539 834	2 702 361	2 880 828
Employer's current service cost	277 331	296 194	317 037
Employer's interest cost	254 988	272 427	291 577
	3 072 153	3 270 982	3 489 442

Effect on defined benefit obligation
Effect on the aggregate of the service cost
Effect on the aggregate of the interest cost

	One percentage point increase	One percentage point decrease
	10 189 268	7 461 225
	692 813	772 832
	934 575	678 619

The above table has 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:

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

	2023	2022	2021	2020	2019
Defined benefit obligation	11 373 541	10 419 754	11 712 208	8 854 004	12 324 918

Great Kei Local Municipality

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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	2 104 144	364 773
Integrated National Electrification Programme Grant (INEP)	159 010	-
	2 263 154	364 773

Movement during the year

Balance at the beginning of the year	364 773	492 910
Additions during the year	26 448 000	15 165 000
Income recognition during the year	(24 549 619)	(14 800 227)
Surrendered to National Revenue Fund	-	(492 910)
	2 263 154	364 773

The municipality received the above mentioned conditional grants that are relating to the construction of infrastructure assets.

See note 20 for reconciliation of grants from National/Provincial Government.

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

14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	20 247 239	294 033	-	1 051 571	21 592 843
Legal proceedings	1 100 000	-	(320 000)	-	780 000
	21 347 239	294 033	(320 000)	1 051 571	22 372 843

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	18 406 564	1 119 873	720 802	20 247 239
Legal proceedings	-	1 100 000	-	1 100 000
	18 406 564	2 219 873	720 802	21 347 239

Non-current liabilities

Current liabilities	20 541 272	19 526 437
	1 831 571	1 820 802
	22 372 843	21 347 239

Environmental rehabilitation provision

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The provision for the rehabilitation of the landfill sites relate to the obligation to rehabilitate the landfill site used for waste disposal.

The landfill sites are nearing the end of their useful lives and the Municipality is still using the existing landfill site for waste disposals because the planned arrangement of utilising the ADM's site which is in Butterworth did not continue for long as planned. However the Municipality had applied for the renewal of the licence for the existing landfill site from the Department of Economic Development and Environmental Affairs and Tourism to continue using it as a short-term measure, but that has not been granted yet due to long processes that are followed by the Department.

Great Kei Local Municipality

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	2023	2022
15. Service charges		
Sale of electricity	9 580 300	9 423 502
Refuse removal	4 320 681	8 338 298
	13 900 981	17 761 800
16. Rental of facilities and equipment		
Premises		
Premises	287 795	47 244
17. Other income		
Handling / payroll commission	42 250	53 524
Building plan fees	478 382	476 746
Business licences	3 039	2 610
Clearance fees	10 395	25 427
Sundry revenue	19 371	41 400
Tender documents	188 722	157 053
Burial and cemetery fees	2 199	215
Connection fees - electricity	342 564	261 127
Clearance fees	2	-
	1 086 924	1 018 102
18. Interest income		
Interest revenue		
Interest on property rates	6 222 702	4 377 795
Bank	1 959 401	694 387
Interest charged on trade and other receivables	1 322 978	3 352 714
	9 505 081	8 424 896

The amount included in interest revenue arising from receivables from exchange transactions amounted to **R1 322 978 2022: R3 352 714.**

The amount included in interest revenue arising from non-exchange transactions amounted to **R6 222 702 2022: R 4 377 795.**

Great Kei Local Municipality

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19. Property rates

Rates received

Property rates

36 614 869

33 682 245

Valuations

Commercial

226 709 767

68 935 000

Industrial

7 918 000

7 918 000

Multipurpose

12 161 000

12 161 000

Residential

3 381 347 294

3 105 450 000

Small holdings and farms

1 023 757 182

896 845 000

State

124 051 000

156 892 000

Public benefit organisation

21 412 100

19 074 000

Vacant

838 061 590

814 322 800

Public service infrastructure

58 957 141

54 773 520

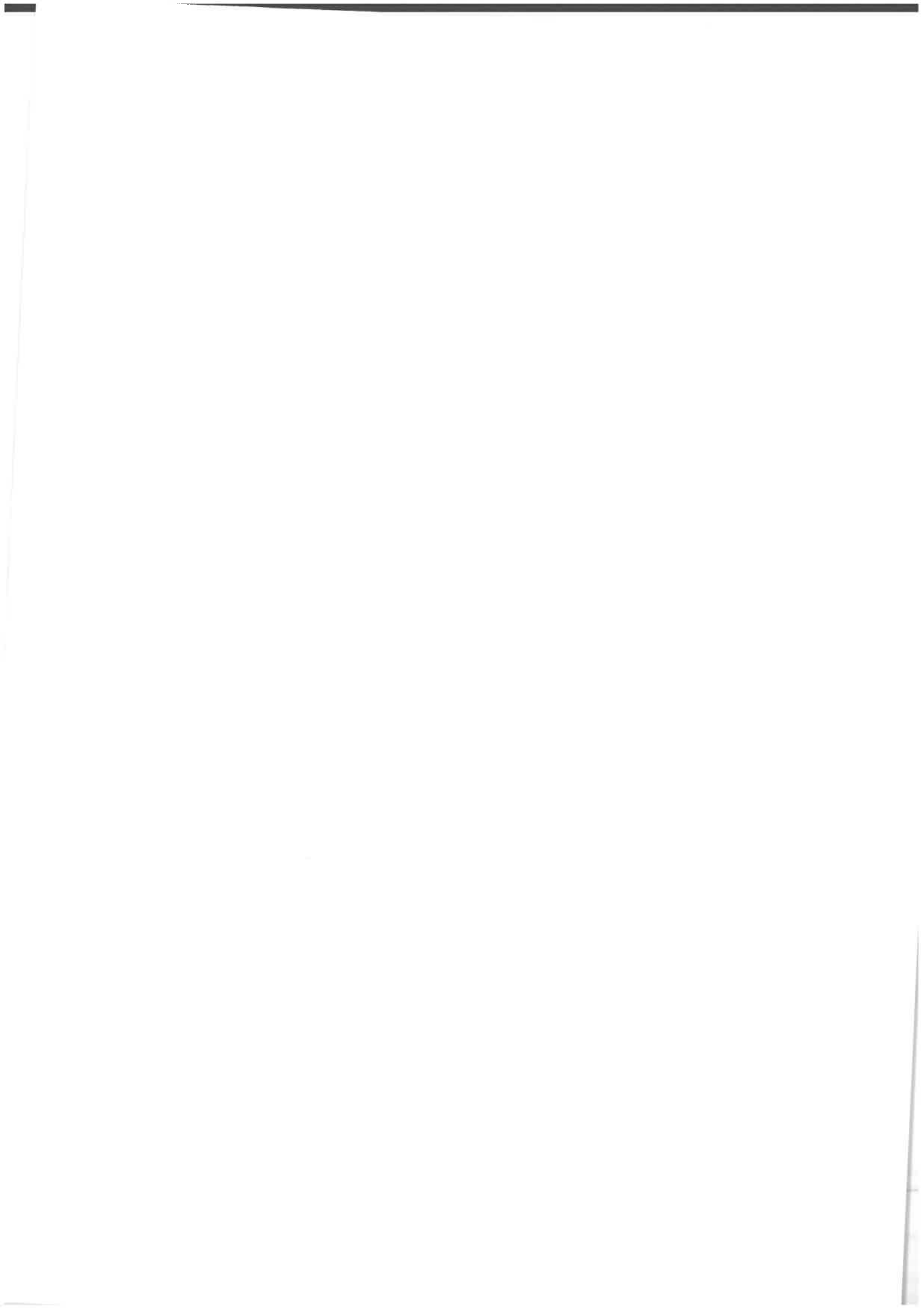
5 694 375 074

5 136 371 320

Valuations on land and buildings are performed every 4 years and supplementary valuations are performed annually. The last general valuation came into effect on 1 July 2020. 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.

The current general valuation will be implemented as from 01 July 2020 to 30 June 2025.



Great Kei Local Municipality

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20. Government grants & subsidies

Operational grants

Equitable share	50 186 000	46 594 909
Library subsidy	500 000	500 000
Finance Management Grant	2 450 000	2 450 000
Expanded Public Works Programme	1 050 000	1 079 000
COGTA Grant	1 315 372	2 613 910
Human Settlements Grant	98 799	-
	55 600 171	53 237 819

Capital grants

Municipal Infrastructure Grant	20 475 629	11 271 221
Small Town Revitalisation Grant - EC: Office of the Premier	11 906 854	12 563 759
Integrated National Electrification Programme	573 990	-
	32 956 473	23 834 980
	88 556 644	77 072 799

Operational and Capital

Included in above are the following grants and subsidies received:

Prior year reclassification within Government grants & subsidies

	Previously disclosed	Reclassification	Total
Operational grants	49 708 819	3 529 000	53 237 819
Capital grants	27 363 980	(3 529 000)	23 834 980
	77 072 799	-	77 072 799

Municipal Infrastructure Grant - MIG

Balance unspent at beginning of year	364 773	-
Current-year receipts	22 215 000	11 636 000
Conditions met - transferred to revenue	(20 475 629)	(11 271 227)
	2 104 144	364 773

Conditions still to be met - remain liabilities (see note 13).

Integrated National Electrification Programme - INEP

Balance unspent at beginning of year	-	479 901
Current-year receipts	733 000	-
Conditions met - transferred to revenue	(573 990)	-
Surrendered to National Revenue Fund	-	(479 901)
	159 010	-

Conditions still to be met - remain liabilities (see note 13).

Financial Management Grant - FMG

Current-year receipts	2 450 000	2 450 000
Conditions met - transferred to revenue	(2 450 000)	(2 450 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

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20. Government grants & subsidies (continued)

Expended Public Works Programme Grant - EPWP

Balance unspent at beginning of year	-	13 009
Current-year receipts	1 050 000	1 079 000
Conditions met - transferred to revenue	(1 050 000)	(1 079 000)
Surrendered to National Revenue Fund	-	(13 009)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

Small Town Revitalization Grant - OTP

Current-year receipts	11 906 854	12 563 759
Transferred to revenue	(11 906 854)	(12 563 759)
	<u>-</u>	<u>-</u>

The Small Town Revitalization Grant is an intervention grant from the Eastern Cape - Office of the Premier to assist with the revitalisation of municipal assets.

21. Donations received

Capital asset donation	2 606 277	-
	<u>2 606 277</u>	<u>-</u>

The current year donation was received from Department of Forestry, Fisheries and the Environmental to assist the municipality with a refuse collection compactor truck.

Great Kei Local Municipality

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	2023	2022
22. Debt forgiveness		
Trade creditors		
Current year	417 692	7 902 566

The municipality entered into a debt arrangements with the trade creditors in order to service the outstanding amounts, the debt was settled by the municipality and write-offs were effected by creditors.

2022

In 2022 financial year, the council approved an item an item relating to a debt set-off between owed by Great Kei Municipality (water services) against the debt owed by the Amathole District Municipality. A reconciliation was prepared between Great Kei Local Municipality and the District (rates and taxes) and the balance was set-off.

Great Kei Local Municipality

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23. Employee related costs

Employee related costs (Excluding Senior Managers):

Basic	28 197 355	28 235 516
Bonus	2 525 440	2 339 235
Medical aid - company contributions	2 812 359	2 184 487
UIF	212 369	208 400
SDL	397 966	347 929
Other payroll levies	10 800	11 351
Leave pay provision charge	476 983	629 891
Pension	4 369 075	4 249 797
Travel, motor car, accommodation, subsistence and other allowances	523 547	603 906
Overtime payments	780 335	616 306
Long-service awards	(356 654)	119 607
Acting allowances	-	63 795
Housing benefits and allowances	48 422	80 740
Post employment benefits expense	393 521	400 493
	40 391 518	40 091 453

Employee related costs (Senior Managers):

Remuneration of municipal manager - L.N. Mambila

Annual Remuneration	892 340	774 215
Travel Allowance	216 000	216 426
Housing allowance	216 000	216 426
Contributions to UIF, Medical and Pension Funds	2 125	-
Leave payout	-	236 650
Bonus provision	40 000	60 000
	1 366 465	1 503 717

Remuneration of chief finance officer - A. Lwana

Annual Remuneration	692 032	635 563
Travel allowance	223 276	243 573
Housing allowance	92 758	101 191
Contributions to UIF, Medical and Pension Funds	2 125	-
Bonus provision	85 000	60 000
Leave payout	202 739	-
	1 297 930	1 040 327

The Chief Financial Officer resigned during the current year in May 2023.

Remuneration of Director: Strategic Services - M. Mtalo

Annual Remuneration	208 351	625 052
Travel Allowance	56 010	168 029
Housing allowance	52 010	156 029
Contributions to UIF, Medical and Pension Funds	708	-
Bonus provision	50 000	60 000
Leave payout	193 749	-
	560 828	1 009 110

The contract of the Director Strategic Services ended during the current year (October 2022).



Great Kei Local Municipality

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23. Employee related costs (continued)		
Remuneration of Director: Technical and Community Services - N.N. Chisango		
Annual Remuneration	703 734	468 797
Travel Allowance	278 523	198 107
Housing allowance	-	12 259
Contributions to UIF, Medical and Pension Funds	2 125	-
Bonus provision	60 000	43 526
	1 044 382	722 689
Director Technical and Community Services assumed a contract on the 01/09/2021.		
Total employee related costs	44 661 123	44 367 296
24. Remuneration of councillors		
Executive Mayor	866 264	814 945
Chief Whip	366 218	284 565
Councillors	2 257 240	2 403 039
Councillor's allowances	780 863	814 288
Speaker	694 309	408 410
	4 964 894	4 725 247
Remuneration of Mayor - N.W. Tekile		
Salary	652 725	616 708
Allowances	213 539	198 237
	866 264	814 945
Remuneration of Speaker - Mgema		
Salary	522 181	310 588
Allowances	172 128	97 822
	694 309	408 410
The Council Speaker assumed her position on a full time basis 23 November 2021.		
Remuneration of Whip of Council - Khantshashe		
Salary	-	98 900
Allowances	-	33 306
	-	132 206
The previous Whip of council left her office in November 2021.		
Remuneration of Whip of Council - Nzuzo		
Salary	273 102	114 526
Allowances	93 116	37 832
	366 218	152 358

Whip of Council was appointed by the council to assume his duties in 28 January 2022.

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

Great Kei Local Municipality

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			2023	2022
25. Depreciation, impairment loss and amortisation				
Property, plant and equipment			13 208 927	12 943 151
Impairment loss			1 485 279	134 547
Amortisation - Intangible assets			8 598	-
			14 702 804	13 077 698
26. Finance costs				
Provisions			720 802	679 202
Employee benefit obligations			1 249 865	1 259 415
Trade and other payables			238 661	529 545
			2 209 328	2 468 162
27. Debt impairment				
Bad debts written off			-	44 401 553
Contributions to debt impairment provision			11 389 552	(24 848 172)
			11 389 552	19 553 381
28. Bulk purchases				
Electricity - Eskom			11 474 250	12 218 921
Electricity losses				
	Number	Number		
	2023	2022		
Units purchased	7 121 482	8 488 703	11 474 250	12 218 921
Units sold	(4 765 226)	(5 168 588)	(9 663 637)	(7 439 837)
Total loss	2 356 256	3 320 115	1 810 613	4 779 084
Comprising of:				
Technical losses	2 356 256	3 320 115	3 796 438	4 779 084
Percentage Loss:				
Technical losses	33 %	39 %	33 %	39 %

Electricity distribution losses have decreased from the prior by 6%. Distribution losses are caused by:

1. Dilapidated electrical infrastructure
2. Illegal tampering by consumers - illegal temperings increased substantially.

The municipality has managed to secure funding / grant from the Office of the Premier to the value of R5 million to upgrade the dilapidated infrastructure. On a monthly basis, the municipality monitors electricity sales for each consumer electricity meter and identifies and investigates meters that are possibly tampered with illegally.

During the financial year the municipal council approved an amnesty period in order to deal with the illegal tamperings and distribution losses.

Great Kei Local Municipality

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29. Contracted services		
Business and Advisory	2 126 627	2 380 419
Mini Dumping Sites	44 000	97 313
Occupational health services	4 113	7 263
Outsourced Services		
Personnel and Labour	1 043 792	1 034 898
Security Services	5 811	5 618
Sewerage Services	29 673	63
VAT recovery	-	433 992
Consultants and Professional Services		
Legal Cost	363 141	2 166 440
Valuation services	697 071	995 650
Contractors		
Maintenance of Buildings and Facilities	95 030	48 837
Maintenance of Equipment	168 729	54 301
Maintenance of Unspecified Assets	331 381	330 367
Prepaid Electricity Vendors	187 048	218 759
Refreshments	42 732	62 443
Traffic and Street Lights	-	11 409
	5 139 148	7 847 772
30. Transfer and subsidies		
Other subsidies		
Support to local Co-operatives	156 451	147 121

The municipality assisted local co-operatives by buying them material inputs as part of the Local Economic Development initiative:

	R
2023	
Nomakha Primary Agricultural Co-operative	50 081
Mzwini Cooks and Bake Multipurpose Co-operative	60 500
Sivise Draaibosch Primary Agricultural Co-operative	45 870
	156 451
2022	
Hlathi Primary Co-Operative	49 800
Morgan Bay Multipurpose Co-Operative	47 820
Sithungu Primary Agricultural Co-Operative	49 501
	147 121

Great Kei Local Municipality

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31. General expenses

Advertising, printing and stationery		
Auditors remuneration	515 534	422 647
Bank charges	3 843 777	3 395 612
Conferences and seminars	206 367	223 267
Consumables	107 513	44 765
Electricity	368 410	250 986
Entertainment	262 312	565 404
Fuel and oil	-	30 935
Indigent relief	2 013 211	1 448 589
Insurance	431 289	450 349
Motor vehicle Licencing and tracker expenses	422 243	1 029 368
Postage and courier	127 686	83 455
Printing and stationery	350	-
Protective clothing	160 909	22 484
Signage	46 356	149 878
Software expenses	7 031	-
Subscriptions and membership fees	1 412 568	1 545 371
Telephone and fax	555 921	528 834
Travel - local	1 494 854	1 446 004
Ward committee expenses	343 745	134 715
Water	786 420	463 040
	2 808 133	2 033 590
	15 914 629	14 269 293

32. Auditors' remuneration

Fees	3 843 777	3 395 612
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33. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Mayor	Councillor N.W. Tkile
Speaker	Councillor N.P. Mgema
Council Whip	Councillor Z. Nzuzo
Councillors	Councillor Z. Patuluko
	Councillor S. Jacobs
	Councillor H. Phakamile
	Councillor M Njanya
	Councillor M. Twani
	Councillor W. Singana
	Councillor Z. Tshali
	Councillor P. Kyriacos
	Councillor M. Matshoba
	Councillor F.W. Webber
Members of key management	Name
Chief Financial Officer	Mr A. Lwana
Director Technical and Community Services	Mrs N. Chisango
Director Strategic Services	Mr M. Mtalo

Councillors and executive management received salaries for services rendered in relation to their employment in the municipality. Refer to note 23 and 24. No other related party transactions took place.

Related party balances

There were no related party balances for the period ended 30 June 2023.



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34. Cash generated from operations

Surplus	42 858 633	27 226 115
Adjustments for:		
Depreciation and amortisation	14 702 804	13 077 698
Actuarial gains on employee benefit obligations	(332 945)	(2 694 875)
Gain/(Loss) on disposal of non-current assets	(85 716)	1 936 880
Actuarial loss on landfill site provision	624 802	1 161 473
Debt impairment	11 389 552	19 553 381
Donation - received	(2 606 280)	-
Movements in employee benefit obligations	1 045 408	1 218 234
Movements in provisions	400 802	1 779 202
Licencing expense re-imbursed (Donation)	54 396	-
Transfers non cash COGTA Grant	(1 315 372)	(2 613 910)
Other non-cash items Debt forgiveness	(417 692)	(7 902 566)
Changes in working capital:		
Receivables from exchange transactions	(219 338)	6 889 767
Consumer debtors	(11 389 552)	(19 553 381)
Other receivables from non-exchange transactions	(4 415 769)	(100 880)
Payables from exchange transactions	(2 172 257)	(3 659 719)
VAT	1 051 441	(2 462 977)
Unspent conditional grants and receipts	1 898 381	(128 137)
	51 071 298	33 726 305

35. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3 825 780	3 825 780
Cash and cash equivalents	33 547 240	-	33 547 240
	33 547 240	3 825 780	37 373 020

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	37 749 307	37 749 307

2022

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	3 606 442	3 606 442
Cash and cash equivalents	16 609 805	-	16 609 805
	16 609 805	3 606 442	20 216 247

Financial liabilities

	At amortised cost	Total
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35. Financial instruments disclosure (continued)		
Trade and other payables from exchange transactions	41 654 633	41 654 633
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Construction	28 141 426	33 806 055
Total capital commitments		
Already contracted for but not provided for	28 141 426	33 806 055
Authorised operational expenditure		
Already contracted for but not provided for		
• Accounting services	-	870 020
• ICT	1 647 949	2 594 533
• Insurance	938 048	-
• Other	126 415	-
	2 712 412	3 464 553
Total operational commitments		
Already contracted for but not provided for	2 712 412	3 464 553
Total commitments		
Total commitments		
Authorised capital expenditure	28 141 426	33 806 055
Authorised operational expenditure	2 712 412	3 464 553
	30 853 838	37 270 608

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

Great Kei Local Municipality

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37. Contingent liabilities

700 000

700 000

Pending legal claims

1. IODENE GEZA// GREAT KEI LOCAL MUNICIPALITY AND ANOTHER EC/EL/RC228/15C

An interdict application was brought against the municipality where a member of the Iodene Geza a member of the Public who opened a case of assault against a former GKM Traffic Officer (Mr Denzil Fillis) while he was an employee and he resigned in April 2016.

The municipality could not determine the current year amount claimed by the applicant.

2. JETVEST // GREAT KEI MUNICIPALITY

This is an application that was brought by Jetvest where a defendant has lodged an amended claim against the municipality in reconvention.

The municipality could not determine the current year amount claimed by the applicant.

3. GREAT KEI MUNICIPALITY // MR.MTALO

This is an application that was brought by Great Kei versus Mr.Mtalo who is the director Strategic Services, the disciplinary hearing has not been finalised.

The municipality could not determine the current year amount claimed by the applicant.

4. GREAT KEI LOCAL MUNICIPALITY // MAKHWAYIBA

This is an application that was brought by Great Kei Municipality vs Makhwayiba, the employee was dismissed for misconduct and the matter is before SALGBC with settlement negotiations being entered into.

The municipality could not determine the current year amount claimed by the applicant.

5. AREENA REORT TRUST (RATHBONE) // GREAT KEI LOCAL MUNICIPALITY, GRAHAMSTOWN CASE NO.1601 / 22

On 21 June 2022 the Municipality was ordered to communicate its decision in respect of a subdivision of portion 22, Farm 695, East London and to consider, decide and communicate the decision.

The municipality could not determine the current year amount claimed by the applicant

6. JF VAN DALEN // GREAT KEI LOCAL MUNICIPALITY, GRAHAMSTOWN HIGH COURT CASE NO. 2553 / 2018 The High Court, Grahamstown declared Mr Van Dalen's suspension unlawful in case no. 2813 / 2016. Currently, Mr Van Dalen is claiming for malicious prosecution in the amount of R700 000.00.

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38. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

Credit risk

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Amounts owed by customers are settled in cash or using major credit cards.

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

Financial instrument	2023	2022
Receivables from exchange transactions	3 825 780	3 606 442
Short term deposits	30 586 360	14 555 669

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.

Price risk

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.

39. Unauthorised expenditure

Opening balance as previously reported	58 993 755	58 993 755
Less: Amount authorised - prior period	(58 993 755)	-
Closing balance	-	58 993 755

During the current year the municipal council did write off the prior year balances of unauthorised expenditure following the relevant legislative prescripts.



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40. Fruitless and wasteful expenditure

Opening balance as previously reported	2 882 234	2 352 689
Add: Fruitless and wasteful expenditure identified - current	238 661	529 545
Less: Amount written off - current	(238 661)	-
Less: Amount written off - prior period	(2 882 234)	-
Closing balance	-	2 882 234

During the current year the municipal council approved the recommendations of the council committee to write off the current year amount of **R238 661** and prior year balances of fruitless and wasteful expenditure in accordance with the relevant legislative prescripts.

41. Irregular expenditure

Opening balance as previously reported	16 392 004	15 704 006
Add: Irregular expenditure - current	-	687 998
Less: Amount written off - prior period	(16 392 004)	-
Closing balance	-	16 392 004

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41. Irregular expenditure (continued)

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

Non-compliance with SCM Regulation 32	-	188 907
Non-compliance with SCM Regulation 38	-	499 091
	-	687 998

The irregular expenditure amount for prior year was reported to council for a re-investigation as the write off process was not in accordance to s32 of the MFMA and National Treasury Circulars, a council committee was appointed and thus Municipal Public Accounts Committee (MPAC) was appointed to re-investigate the causes of the expenditure and the recoverability thereof.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R16 392 004 - from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

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42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	2 169 923	2 996 661
Current year subscriptions	542 162	500 000
Amount paid - previous years	(2 169 923)	(1 326 738)
	542 162	2 169 923

Audit fees

Opening balance	1 770 400	3 099 306
Current year fees	4 727 759	4 083 321
Amount paid - current year	(5 198 202)	(2 798 317)
Amount paid - previous years	-	(2 613 910)
1% COGTA Grant	(1 315 372)	-
Debt forgiveness	(144 343)	-
	(159 758)	1 770 400

PAYE and UIF

Opening balance	5 090 923	8 319 249
Current year fees	7 446 351	7 490 382
Amount paid - current year	(11 111 010)	(10 718 708)
	1 426 264	5 090 923

Pension and Medical Aid Deductions

Opening balance	910 404	1 501 244
Current year subscriptions	11 636 150	10 850 389
Amount paid - current year	(11 489 995)	(11 441 229)
	1 056 559	910 404

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43. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were 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.

Aggregated segments

The municipality operates in the Eastern Cape, Amathole District and services the following areas:

1. Haga-Haga
2. Chintsa
3. Kei Mouth
4. Qumrha
5. Morgan's Bay

Segments were aggregated on the basis of services, the type or class of customer to which goods and services are delivered and the method used to distribute the goods or provide the service as management considered that the economic characteristics of the segments throughout the Great Kei Municipal area were sufficiently similar to warrant aggregation.

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

Waste management services
Electrical services
Traffic services
Town planning
Halls and facilities

Non-segments

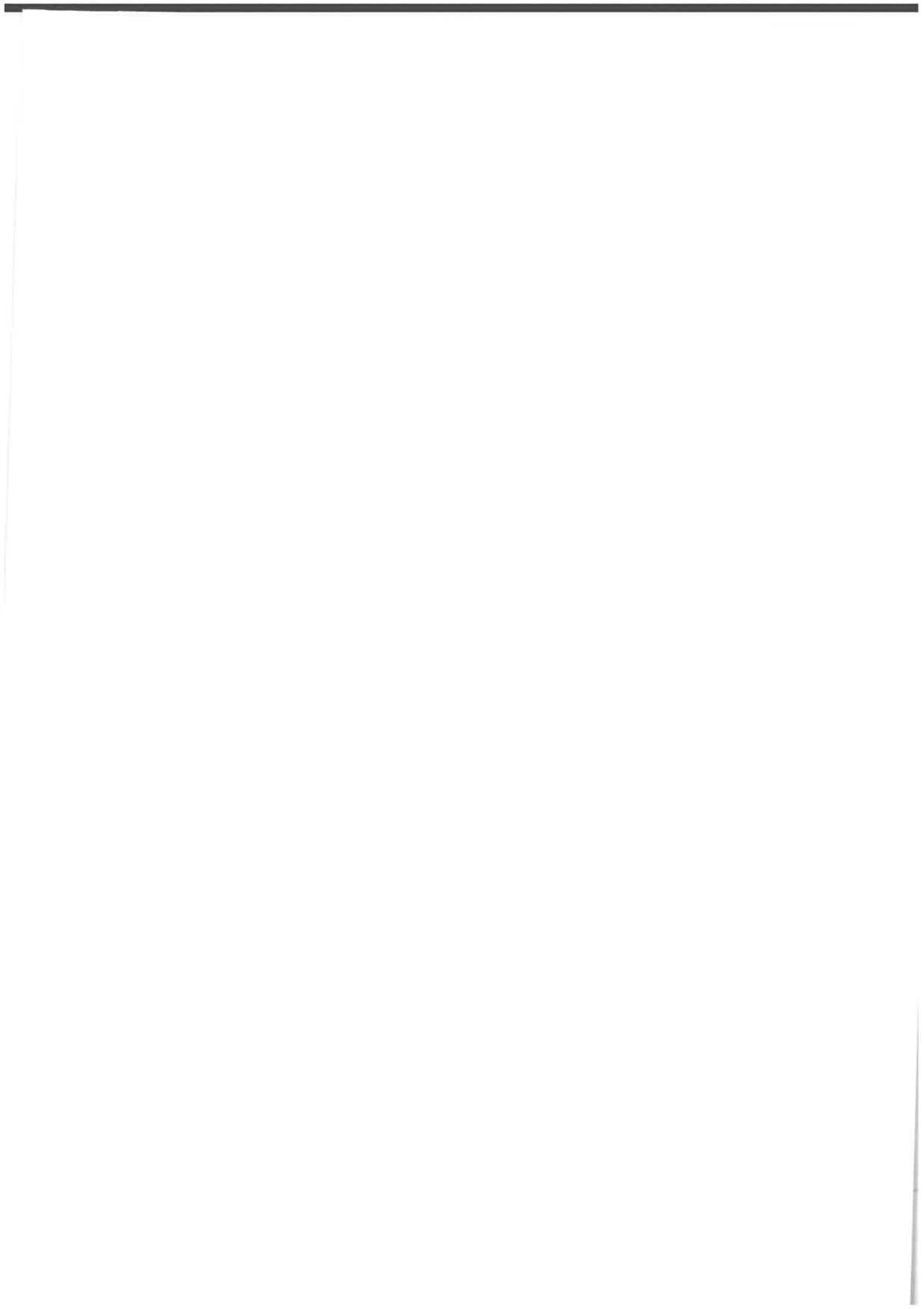
Administration and corporate
Office of the Municipal Manager
Budget and treasury

Goods and/or services

Waste removal services
Electrical provisions
Licences and permits and transport agency services
Building plan approvals
Rental of halls and facilities

Goods and/or services

Administration services
Strategic services
Financial Services



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43. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
Revenue						
Revenue from exchange transactions						
Service Charges	5 187 407	9 580 300	-	-	-	14 767 707
Rental from Assets Market Related	-	-	-	11 687	-	11 687
Agency services	-	-	298 460	-	-	298 460
Licences and permits	-	-	598 297	-	-	598 297
Other income	-	347 895	-	2 199	481 421	831 515
Interest	1 121 168	198 707	-	-	-	1 319 875
Revenue from non-exchange transactions						
Government grants	-	573 991	-	500 000	-	1 073 991
Fines	-	-	95 200	-	-	95 200
Donations	2 606 277	-	-	-	-	2 606 277
Total segment revenue	8 914 852	10 700 893	991 957	513 886	481 421	21 603 009

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	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
43. Segment information (continued)						
Non-segment revenue						
Revenue from exchange transactions						
Service charges						(866 725)
Other income						255 407
Interest received						1 962 504
Rental from Assets Market Related						276 108
Revenue from non-exchange transactions						
Government grants and subsidies						87 482 653
Property rates						36 614 869
Interest received						6 222 702
Gain on non-current assets held for sale or disposal groups						85 716
Debt forgiveness						417 692
Total revenue reconciling items						132 450 926
Entity's revenue						154 053 935
Expenditure						
Employee related costs	10 132 589	601 660	1 997 551	-	1 407 136	14 138 936
Depreciation and amortization	94 752	-	-	-	-	94 752
Finance costs	720 802	-	-	-	-	720 802
Lease rentals on operating lease	-	-	-	-	-	-
Debt impairment	-	-	-	21 734	-	21 734
Bulk purchases	2 159 279	-	95 200	-	-	2 254 479
Contracted services	-	11 474 250	-	-	-	11 474 250
General Expenses	511 105	187 048	7 929	30 661	-	736 743
Actuarial loss on Landfill site provision	1 423 232	532 632	159 029	4 002 880	33 558	6 151 331
Total segmental expenditure	6 248 802	12 795 590	2 259 709	4 055 275	1 440 694	6 248 802
Total segmental surplus/(deficit)	(6 751 709)	(2 094 697)	(1 267 752)	(3 541 389)	(959 273)	(14 614 820)

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	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
43. Segment information (continued)						
Non-segment expenditure						
Employee related costs						(30 522 188)
Remuneration of councillors						(4 964 892)
Depreciation and amortisation						(14 608 052)
Finance costs						(1 488 526)
Lease rentals on operating lease						(269 533)
Debt impairment						(9 135 071)
Contracted services						(4 402 405)
Transfers and Subsidies						(156 451)
General expenses						(9 763 300)
Actuarial gain / (loss) on employment benefits						332 945
Total revenue reconciling items						132 450 926
Entity's surplus (deficit) for the period						42 858 633
Assets						
Receivables from exchange transactions						
Property, plant and equipment	2 232 116	720 860	-	-	-	2 952 976
Total segment assets	3 747 552	499 123	-	349 363	-	4 596 038
Cash and cash equivalents	5 979 668	1 219 983	-	349 363	-	7 549 014
Receivables from non exchange transactions						33 547 240
Receivables from exchange transactions						8 920 595
Vat						872 803
Heritage assets						1 739 455
Intangible assets						36 000
Investment property						26 402
Property, plant and equipment						74 600 548
Total assets as per Statement of financial Position						271 989 483
						399 281 540

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	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
43. Segment information (continued)						
Liabilities						
Payables from exchange transactions	-	5 200	(218 012)	770	-	(212 042)
Unspent conditional grants and receipts Provisions	-	(159 010)	-	-	-	(159 010)
Total segment liabilities	(21 592 843)	(153 810)	(218 012)	770	-	(21 592 843)
Payables from exchange transactions						
Unspent conditional grants and receipts Provisions						(37 537 262)
Employee benefit obligation						(2 104 147)
Total liabilities as per Statement of financial Position						(780 000)
						(16 354 388)
						(78 739 692)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.



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43. Segment information (continued)

2022

Revenue	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Total
Revenue from exchange transactions						
Service Charges	8 338 303	9 423 502	-	-	-	17 761 805
Rental from Assets Market related	-	-	-	41 557	-	41 557
Agency services	-	-	177 555	-	-	177 555
Licences and permits	-	-	459 220	-	-	459 220
Other income	-	(3 216)	-	-	476 746	473 530
Interest revenue	2 985 706	366 474	-	-	-	3 352 180
Revenue from non-exchange transactions						
Fines, penalties and forfeits	-	-	-	-	-	-
Total segment revenue	-	-	19 500	-	-	19 500
Non segment revenue	11 324 009	9 786 760	656 275	41 557	476 746	22 285 347
Revenue from exchange transactions						
Other income						544 565
Rental from Assets Market related						5 687
Interest received						694 921
Revenue from non-exchange transactions						
Government grants and subsidies						77 072 797
Debt forgiveness						7 902 566
Property rates						33 682 245
Interest received						4 377 799
Total revenue reconciling items						124 280 580
Entity's revenue						146 565 927

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	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Total
43. Segment information (continued)						
Expenditure						
Employee related costs	11 205 992	422 478	654 076	378 995	1 447 085	14 108 626
Depreciation and amortization	81 217	-	-	-	-	81 217
Finance cost	679 202	-	-	-	-	679 202
Debt impairment	-	(28 844 825)	-	-	-	(28 844 825)
Bulk purchases	-	12 218 921	-	-	-	12 218 921
Contracted services	242 999	294 141	43 823	34 048	53 875	668 886
General expenses	1 257 129	1 222 849	101 969	-	7 510	2 589 457
Actuarial gain / (loss) on landfill sites	1 161 473	-	-	-	-	1 161 473
Total segment expenditure	14 628 012	(14 686 436)	799 868	413 043	1 508 470	2 662 957
Total segmental deficit	(3 304 003)	24 473 196	(143 593)	(371 486)	(1 031 724)	19 622 390
Total revenue reconciling items						124 280 580
Employee related costs						(30 304 161)
Remuneration of councillors						(4 679 754)
Depreciation and amortization						(12 996 481)
Finance costs						(1 788 960)
Lease rentals on operating lease						(261 443)
Debt impairment						(48 398 206)
Contracted services						(7 178 885)
General expenses						(11 679 837)
Actuarial gain / (loss) on employment benefits						2 694 875
Transfer payments						(147 121)
Loss on disposal of non-current assets						(1 936 880)
Total revenue reconciling items						27 226 117
Entity's surplus (deficit) for the period						27 226 117

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	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Total
43. Segment information (continued)						
Assets						
Receivables from exchange transactions		(2 704 640)	-	-	-	(33 972 938)
Property, plant and equipment	-	2 204 706	-	26 085	-	2 230 791
Total segment assets	(31 268 298)	(499 934)	-	26 085	-	(31 742 147)
Cash and cash equivalents						16 609 805
Statutory receivables						4 504 826
Receivables from exchange transactions						37 579 381
Heritage assets						36 000
Investment property						77 800 547
Property, plant and equipment						249 111 576
VAT						2 791 793
Total assets as per Statement of financial Position						356 691 781
Liabilities						
Payables from exchange transactions					(381 563)	(381 563)
Provisions	(20 247 239)	-	-	-	-	(20 247 239)
VAT	-	(898)	-	-	-	(898)
Total segment liabilities	(20 247 239)	(898)	-	-	(381 563)	(20 629 700)
Unspent conditional grants						(364 774)
Property, plant and equipment						(41 272 168)
Provisions						(1 100 000)
Employee benefit obligation						(15 641 925)
Total liabilities as per Statement of financial Position						(79 008 567)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.
Measurement of segment surplus or deficit, assets and liabilities

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43. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

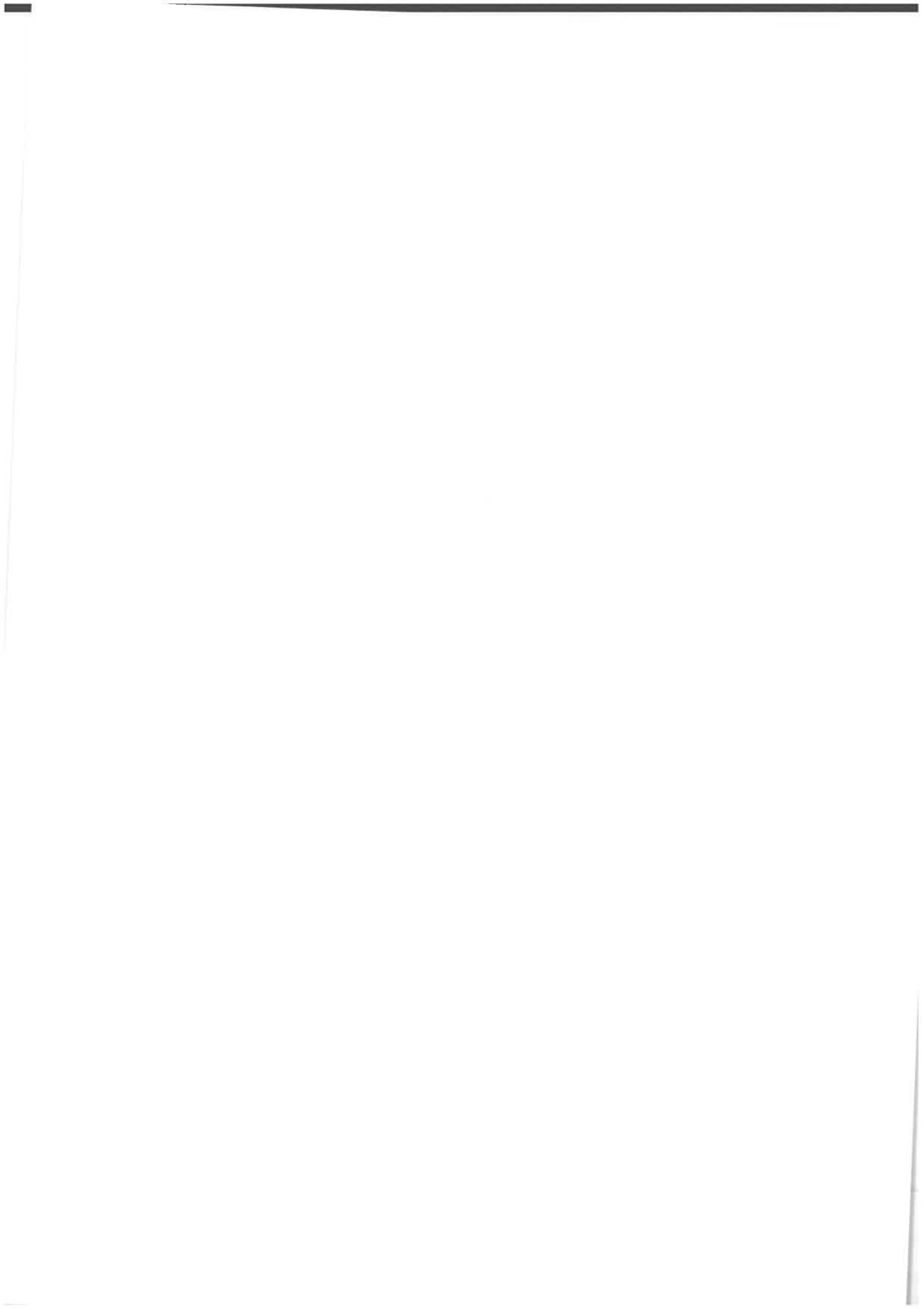
Information about geographical areas

The municipality's operations are in the Eastern Cape Province. Listed below are the geographical segments of the municipality:

1. Ward 1 - Chintsa
2. Ward 2 - Cefane, Makhazi, Ngxingxolo, Tainton and Slatsha
3. Ward 3 - Sotho, Elityeni, Stungu, Nyarha, Lusizini and Magrangxeni
4. Ward 4 - Mzwini, Mangqukela, Lusasa and Belekumntwana
5. Ward 5 - Morgans Bay, Haga-haga and Kei Mouth
6. Ward 6 - Siviwe, Draaibosch and Happy valley
7. Ward 7 - Qumrha, Tyityaba, Waterfalls and Dongweni

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Great Kei Municipal area were sufficiently similar to warrant aggregation.

The municipality does however not monitor operating results of the geographical segments, and operational results are only monitored within the business units as previously disclosed.



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44. Budget differences

Material differences between budget and actual amounts

Difference below 10% are considered to be insignificant for the purposes of explaining budget differences, therefore, only differences above the 10% threshold are explained below:

Statement of Financial Performance

Revenue

44.1 Service Charges : There was a huge reduction in revenue for refuse removal and was due to write off of this service from RDP houses, this exercise was undertaken in the previous financial year before a budget was approved, adjustment will be made mid- term.

44.2 (A) Licence and permits: The variance is due to an improvement in the collection due to additional staff at traffic.

44.2 Other Income: Estimate budget is more than actual, with an anticipation of increased revenue sources and this reason was based on the previous financial performance of this line item.

44.3 Interest Income: A reduction is due to write off of this service from RDP houses, this exercise was undertaken in the previous financial year. Also clients have been paying debts on time, thus interest billed is less.

44.4 Property Rates: There was a slight reduction in revenue for property and was due to write off of this service from RDP houses, this exercise was undertaken in the previous financial year before a budget was approved, adjustment will be made mid- term.

44.5 Interest (Non-exchange): The budget was estimated with an anticipation that there will be an improvement on payment of accounts for rates.

44.6 Donations received: This line items was not budgeted for and this was revenue in kind through a donation from Department of Forestry, Fisheries and the Environmental municipality with a refuse collection compactor truck.

44.7 Fines, Penalties and Forfeits: Revenue on this line item was less than what was anticipated, this is due to shortage of staff.

44.8 Debt forgiveness: This line items was not budgeted for and this was revenue in kind through a write off of interests after an AG account was paid in full.

Expenditure

44.9 Finance Costs: An anticipation on budget was less compared to performance as at year end, this is due to finance costs calculated for employee benefits obligations.

44.10 Lease rentals: Slight reduction on lease rentals is due to implementation of cost containment measures and this line item is budgeted for under general expenditure.

44.11 Contracted Services: Underspending was caused by implementation of cost containment measures.

44.12 General Expenses: Underspending was due to implementation of cost containment measures.

Statement of Financial Position

Assets

Current Assets

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44. Budget differences (continued)

44.13 Cash & Cash Equivalents: The variance is more than 10% when comparing budget, this is due to additional grants as well as an increase in VAT refunds and debt collection.

44.14 (A) Other financial assets: There was no movement on this line item, the estimation was made to provide for any Other Trade Debtors either than receivables from exchange transaction or statutory receivables.

44.14 (B) Receivables from exchange transactions: The variance is more due to Creditor with debit and rental due from debtors which was not budgeted for. Also an increase in electricity owed balance as at year end.

44.14 Statutory receivables: Budget for this line item is high, an anticipation was that additional billing will be provided, and hence debt impairment was not taken into consideration.

44.15 Vat Receivable: Budget for this line item is high, an anticipation was that additional refunds will be received as at end June.

Non - Current Assets

44.16 Property, Plant & Equipment: The variance is more than 10% when comparing budget over estimated to date, this is due to additional assets purchase during the year.

44.17 Intangible Assets: Budget for this line item is high, an anticipation was that additional intangible assets will be purchased during the year.

Current Liabilities

44.18 Trade and Other Payable Exchange Transactions: Budget for this line item is high, an anticipation was that additional items from other payables will increase, however, the only increase was in debtors with credit balances and salary control as well as trade payables reduced drastically.

44.18 (A) Consumer deposits: There was no movement in this line item, the estimation was made to provide for any Other Trade creditor either than payables from exchange transactions.

44.19 Provisions include the following since A Schedule does not have a split: Landfill site current portion provision – budget R 1 200 000; Employee benefit obligation current portion provision – budget R4 700 000; Legal Fees provision – budget R800 000, therefore, the budget estimate was low.

44.20 Unspent conditional grants – the municipality did not budget for unspent conditional grants because it envisaged that all conditional grants will be spent in full in 2022/2023.

Cash Flow Statement

Cash Flow from operating activities

Receipts

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44. Budget differences (continued)

44.21 Rates and Other: An anticipation was that there will be an increase collection compared to previous year because there were additional properties during the year based on implementation of Supplementary Valuations.

44.22 Grants: Budget was increase on grants with an anticipation that grants from Department of Transport will be received before year end.

44.23 Interest Income: Interest from non-exchange has increased drastically during the year, due to implementation of Supplementary Valuations.

44.24 Suppliers: Underspending was due to implementation of cost containment measures.

44.25 Finance Costs: An anticipation on budget was less compared to performance as at year end, this is due to finance costs calculated for employee benefits obligations and land fill site.

44.26 Purchase of Property, plant and equipment: An anticipation that additional funding for capital grants will be utilised during the year, however, this grant from DOT was not received during the year.

44.27 Proceeds from sale of Property, plant and equipment: An anticipation that the municipality would dispose some land parcels before the end of the financial year but only disposed moveable assets.

45. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R320 541 848 and that the municipality's total assets exceed its liabilities by R320 541 848.

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.

However, the municipality has noted that it is unable to meet its obligations on time due to cash flow constraints. The management of the municipality has assessed the financial status of the municipality and are confident that the municipal will continue with the operations in the forceable future, given the above, and that we are a government institution with legislated funding that enable us to provide services to the communities.

46. Events after the reporting date

The accounting officer is not aware of any significant matter or circumstance arising subsequent the reporting date.