



GREAT KEI
MUNICIPALITY

Great Kei Local Municipality
Annual Financial Statements
for the year ended 30 June 2024

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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.M. Nzuzo

Councillors

Cllr. S.H. Pakamile - MPAC Chair

Cllr. Z. Patuluko

Cllr. S.M. Jacobs

Cllr. M.G. Njanya

Cllr. M. Twani

Cllr.W.Singana

Cllr. Z. Tshali

Cllr. P.G. Kyriacos

Cllr. F.E. Webber

Cllr. M.E. 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

Qumrha

4950

Postal address

Private Bag X2

Qumrha

4950

Bankers

Standard Bank Limited

Auditors

Auditor General of South Africa

Telephone

(043) 831 5700

Jurisdiction

The Great Kei Municipality (GKM) is located within the Eastern Cape Province and covers an area of 1 421 square kilometres (km²). The boundaries that surround the Municipality are the borders of Buffalo City Metropolitan Municipality (BCM), Amahlathi Local Municipality and Mnquma Local Municipality. The municipality comprises of five towns and this includes Qumrha, Gxarha, Chintsa, Kei Mouth and Haga-haga.

Great Kei Local Municipality

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
EC- COGTA	Eastern Cape Department of Cooperative Governance and Traditional Affairs
ME's	Municipal Entities
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
INEP	Integrated National Electrification Programme
SCM	Supply Chain Management
EPWP	Expanded Public Works Programme
OTP	Office of the Premier
DSRAC	Department of Sports , Recreation, Arts and Culture
DOT	EC- Department of Transport Infrastructure Grant
MDRG	Municipal Disaster Recovery Grant
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
SDF	Skills Development Fund
UIF	Unemployment Insurance Fund
SIU	Special Investigating Unit
VAT	Value Added Tax
SALGA	South African Local Government Association
LEDPARD	Local Economic Development Planning And Rural Development

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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.

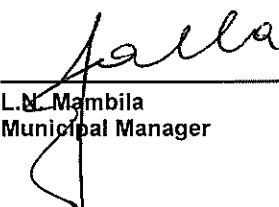
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 2024 year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or 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 97 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed by:



L.N. Mambila
Municipal Manager

**GREAT KEI
MUNICIPALITY**
29 NOV 2024

MUNICIPAL MANAGER

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	8 367 935	6 437 447
Receivables from non-exchange transactions	4	3 994 326	8 920 596
VAT receivable	5	716 535	430 743
Cash and cash equivalents	6	70 647 784	33 547 240
		83 726 580	49 336 026
Non-Current Assets			
Investment property	7	73 004 547	74 600 547
Property, plant and equipment	8	284 692 514	277 179 640
Intangible assets	9	376 162	26 402
Heritage assets	10	36 000	36 000
		358 109 223	351 842 589
Total Assets		441 835 803	401 178 615
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	47 255 487	50 309 879
VAT payable	15	1 861 721	2 631 770
Employee benefit obligation	12	5 868 603	5 778 285
Unspent conditional grants and receipts	13	16 405 539	2 263 154
Provisions	14	3 110 163	1 831 571
		74 501 513	62 814 659
Non-Current Liabilities			
Employee benefit obligation	12	10 011 675	10 576 103
Provisions	14	17 812 101	20 541 272
		27 823 776	31 117 375
Total Liabilities		102 325 289	93 932 034
Net Assets		339 510 514	307 246 581
Accumulated surplus	46	339 510 514	307 246 581
Total Net Assets		339 510 514	307 246 581

* See Note 46

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Notes	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	13 145 451	13 900 981
Rental of facilities and equipment	17	558 387	287 795
Interest on short-term investments	20	4 392 061	1 959 401
Agency services		298 743	298 460
Licences and permits		537 566	598 297
Other income	18	1 067 659	1 086 924
Interest on receivables	19	1 509 877	1 322 978
Total revenue from exchange transactions		21 509 744	19 454 836
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	27 532 301	36 614 869
Interest on receivables	19	6 585 340	6 222 702
Transfer revenue			
Government grants & subsidies	22	88 555 338	88 556 644
Public contributions and donations	23	7 766 303	2 606 277
Fines, Penalties and Forfeits		25 080	95 200
Debt forgiveness	24	3 164 224	417 692
Total revenue from non-exchange transactions		133 628 586	134 513 384
Total revenue		155 138 330	153 968 220
Expenditure			
Employee related costs	25	(48 943 491)	(44 661 123)
Remuneration of councillors	26	(5 492 669)	(4 964 894)
Depreciation and amortisation	27	(29 206 254)	(15 284 172)
Finance costs	28	(2 768 793)	(2 400 170)
Lease rentals on operating lease		(246 298)	(291 267)
Debt Impairment	29	(5 205 951)	(11 389 552)
Bulk purchases	30	(12 706 541)	(11 474 250)
Contracted services	31	(6 849 690)	(5 139 148)
Transfers and Subsidies	32	(149 450)	(156 451)
General Expenses	33	(15 546 941)	(16 272 270)
Total expenditure		(127 116 078)	(112 033 297)
Operating surplus		28 022 252	41 934 923
Gain on disposal of assets	34	767 000	85 716
Actuarial gains on employee benefit obligations	12	2 116 968	332 945
Actuarial gains on Landfill site provision		2 417 181	(624 802)
Loss on derecognition of assets	35	(1 059 466)	-
		4 241 683	(206 141)
Surplus for the year		32 263 935	41 728 782

* See Note 46

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	277 683 212	277 683 212
Adjustments		
Correction of errors 46	(12 165 413)	(12 165 413)
Balance at 01 July 2022 as restated*	265 517 799	265 517 799
Changes in net assets		
Surplus for the year	41 728 782	41 728 782
Total changes	41 728 782	41 728 782
Opening balance as previously reported	320 541 848	320 541 848
Adjustments		
Correction of errors 46	(13 295 269)	(13 295 269)
Restated* Balance at 01 July 2023 as restated*	307 246 579	307 246 579
Changes in net assets		
Surplus for the year	32 263 935	32 263 935
Total changes	32 263 935	32 263 935
Balance at 30 June 2024	339 510 514	339 510 514

Note (46)

* See Note 46

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		39 482 742	35 542 633
Grants		102 697 720	89 139 653
Interest income		12 487 278	9 505 081
Other receipts		2 487 435	2 366 674
		<u>157 155 175</u>	<u>136 554 041</u>
Payments			
Employee costs		(52 793 303)	(48 580 609)
Suppliers		(34 422 479)	(34 556 359)
Finance costs		(2 768 793)	(2 400 170)
		<u>(89 984 575)</u>	<u>(85 537 138)</u>
Net cash flows from operating activities	38	<u>67 170 600</u>	<u>51 016 903</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(30 497 349)	(34 195 159)
Purchase of other intangible assets	9	(368 960)	(35 000)
Proceeds from insurance on property, plant and equipment		54 253	-
Proceeds from sale of non-current assets		742 000	-
Proceeds from sale on disposal of assets		-	150 691
Net cash flows from investing activities		<u>(30 070 056)</u>	<u>(34 079 468)</u>
Net increase/(decrease) in cash and cash equivalents		37 100 544	16 937 435
Cash and cash equivalents at the beginning of the year		33 547 240	16 609 805
Cash and cash equivalents at the end of the year	6	<u>70 647 784</u>	<u>33 547 240</u>

The accounting policies on pages 12 to 45 and the notes on pages 45 to 97 form an integral part of the annual financial statements.

* See Note 46

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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	20 782 344	290 144	21 072 488	13 145 451	(7 927 037)	49.1
Rental of facilities and equipment	437 259	-	437 259	558 387	121 128	49.2
Interest on investments	1 200 001	-	1 200 001	4 392 061	3 192 060	49.3
Agency services	315 901	-	315 901	298 743	(17 158)	
Licences and permits	558 091	-	558 091	537 566	(20 525)	
Other income	1 157 930	3 053 541	4 211 471	1 067 659	(3 143 812)	49.4
Interest on exchange transactions	1 403 690	500 007	1 903 697	1 509 877	(393 820)	49.5
Total revenue from exchange transactions	25 855 216	3 843 692	29 698 908	21 509 744	(8 189 164)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46 569 388	(2 499 395)	44 069 993	27 532 301	(16 537 692)	49.6
Interest on non-exchange transactions	7 009 118	-	7 009 118	6 585 340	(423 778)	
Transfer revenue						
Government grants & subsidies	172 698 619	(58 208 837)	114 489 782	88 555 338	(25 934 444)	49.7
Public contributions and donations	-	-	-	7 766 303	7 766 303	49.8
Fines, Penalties and Forfeits	186 591	633 880	820 471	25 080	(795 391)	49.9
Debt Forgiveness	-	-	-	3 164 224	3 164 224	49.10
Total revenue from non-exchange transactions	226 463 716	(60 074 352)	166 389 364	133 628 586	(32 760 778)	
Total revenue	252 318 932	(56 230 660)	196 088 272	155 138 330	(40 949 942)	
Expenditure						
Personnel	(46 978 923)	(3 121 733)	(50 100 656)	(48 943 491)	1 157 165	
Remuneration of councillors	(5 525 814)	-	(5 525 814)	(5 492 669)	33 145	
Depreciation and amortisation	(13 299 528)	(17 253 048)	(30 552 576)	(29 206 254)	1 346 322	
Finance costs	(280 003)	(6 187 100)	(6 467 103)	(2 768 793)	3 698 310	49.11
Lease rentals on operating lease	-	-	-	(246 298)	(246 298)	49.12
Debt Impairment	(9 000 000)	450 000	(8 550 000)	(5 205 951)	3 344 049	49.13
Bulk purchases	(12 500 000)	(1 000 000)	(13 500 000)	(12 706 541)	793 459	
Contracted Services	(11 186 000)	683 710	(10 502 290)	(6 849 690)	3 652 600	49.14
Transfers and Subsidies	-	(150 000)	(150 000)	(149 450)	550	
General Expenses	(21 483 123)	(7 676 384)	(29 159 507)	(15 546 941)	13 612 566	49.15
Total expenditure	(120 253 391)	(34 254 555)	(154 507 946)	(127 116 078)	27 391 868	
Operating surplus	132 065 541	(90 485 215)	41 580 326	28 022 252	(13 558 074)	
Gain on disposal of assets	-	-	-	767 000	767 000	49.16
Actuarial gains on employee benefit obligations	-	-	-	2 116 968	2 116 968	49.17

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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						
Actuarial gain on Landfill site provision	-	-	-	2 417 181	2 417 181	49.18
Loss on derecognition of assets	-	-	-	(1 059 466)	(1 059 466)	49.19
	-	-	-	4 241 683	4 241 683	
Surplus for the year	132 065 541	(90 485 215)	41 580 326	32 263 935	(9 316 391)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	132 065 541	(90 485 215)	41 580 326	32 263 935	(9 316 391)	

Statement of Financial Position

Assets

Current Assets

Inventories	13 477	-	13 477	-	(13 477)	49.20
Receivables from exchange transactions	17 810 700	-	17 810 700	8 367 935	(9 442 765)	49.21
Receivables from non-exchange transactions	33 682 455	-	33 682 455	3 994 326	(29 688 129)	49.22
VAT receivable	2 800 018	-	2 800 018	716 535	(2 083 483)	49.23
Other current assets	-	5 006	5 006	-	(5 006)	49.24
Cash and cash equivalents	55 977 589	2 229 120	58 206 709	70 647 784	12 441 075	49.25
	110 284 239	2 234 126	112 518 365	83 726 580	(28 791 785)	

Non-Current Assets

Investment property	77 800 547	(4 695 649)	73 104 898	73 004 547	(100 351)	
Property, plant and equipment	323 947 704	(37 561 180)	286 386 524	284 692 514	(1 694 010)	
Intangible assets	535 000	(94 029)	440 971	376 162	(64 809)	49.26
Heritage assets	36 000	-	36 000	36 000	-	49.27
	402 319 251	(42 350 858)	359 968 393	358 109 223	(1 859 170)	
Total Assets	512 603 490	(40 116 732)	472 486 758	441 835 803	(30 650 955)	

Liabilities

Current Liabilities

Payables from exchange transactions	8 233 602	-	8 233 602	47 255 487	39 021 885	49.28
VAT payable	-	-	-	1 861 721	1 861 721	49.29
Consumer deposits	35 033	-	35 033	-	(35 033)	49.30
Employee benefit obligation	-	-	-	5 868 603	5 868 603	49.31
Unspent conditional grants and receipts	-	-	-	16 405 539	16 405 539	49.32
Provisions	6 199 997	-	6 199 997	3 110 163	(3 089 834)	49.33
	14 468 632	-	14 468 632	74 501 513	60 032 881	

Non-Current Liabilities

Employee benefit obligation	-	-	-	10 011 675	10 011 675	49.31
Provisions	30 000 000	-	30 000 000	17 812 101	(12 187 899)	49.33
	30 000 000	-	30 000 000	27 823 776	(2 176 224)	
Total Liabilities	44 468 632	-	44 468 632	102 325 289	57 856 657	
Net Assets	468 134 858	(40 116 732)	428 018 126	339 510 514	(88 507 612)	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated surplus	468 134 858	(40 116 732)	428 018 126	339 510 514	(88 507 612)	

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 & Services	51 444 045	-	51 444 045	39 482 742	(11 961 303)	49.34
Grants	170 595 000	(59 599 536)	110 995 464	102 697 720	(8 297 744)	
Interest income	694 387	-	694 387	12 487 278	11 792 891	49.35
Other receipts	1 721 623	-	1 721 623	2 487 435	765 812	49.36
	224 455 055	(59 599 536)	164 855 519	157 155 175	(7 700 344)	
Payments						
Employee costs	(86 257 275)	28 538 545	(57 718 730)	(52 793 303)	4 925 427	49.37
Suppliers	-	-	-	(34 422 479)	(34 422 479)	49.37
Finance costs	(280 000)	-	(280 000)	(2 768 793)	(2 488 793)	49.38
	(86 537 275)	28 538 545	(57 998 730)	(89 984 575)	(31 985 845)	
Net cash flows from operating activities	137 917 780	(31 060 991)	106 856 789	67 170 600	(39 686 189)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(113 048 085)	45 077 777	(67 970 308)	(30 497 349)	37 472 959	49.39
Purchase of other intangible assets	-	-	-	(368 960)	(368 960)	49.40
Proceeds from insurance on property, plant and equipment	-	-	-	54 253	54 253	49.41
Proceeds from sale of non-current assets	-	3 043 001	3 043 001	742 000	(2 301 001)	49.42
Net cash flows from investing activities	(113 048 085)	48 120 778	(64 927 307)	(30 070 056)	34 857 251	
Net increase/(decrease) in cash and cash equivalents	24 869 695	17 059 787	41 929 482	37 100 544	(4 828 938)	
Cash and cash equivalents at the beginning of the year	16 610 008	-	16 610 008	33 547 240	16 937 232	
Cash and cash equivalents at the end of the year	41 479 703	17 059 787	58 539 490	70 647 784	12 108 294	

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (No. 56 of 2003).

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 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.

1.5 Significant judgements and sources of estimation uncertainty

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

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 2024

Significant Accounting Policies

1.5 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 2024

Significant Accounting Policies

1.5 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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 50.

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.

Great Kei Local Municipality

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Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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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Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.6 Investment property (continued)

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.

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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, its 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:

Great Kei Local Municipality

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Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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 - 50 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.

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).

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Great Kei Local Municipality

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Significant Accounting Policies

1.8 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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).

1.9 Heritage assets

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

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.9 Heritage assets (continued)

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.

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.

Great Kei Local Municipality

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Significant Accounting Policies

1.9 Heritage assets (continued)

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.

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.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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:

Great Kei Local Municipality

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Significant Accounting Policies

1.10 Financial instruments (continued)

- 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.

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.

Significant Accounting Policies

1.10 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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Significant Accounting Policies

1.10 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.10 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

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Significant Accounting Policies

1.10 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.

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Great Kei Local Municipality

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Significant Accounting Policies

1.11 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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Significant Accounting Policies

1.12 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.12 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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Significant Accounting Policies

1.12 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.

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Significant Accounting Policies

1.12 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.

1.13 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.

Great Kei Local Municipality

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Significant Accounting Policies

1.13 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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Significant Accounting Policies

1.13 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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Significant Accounting Policies

1.13 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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Significant Accounting Policies

1.13 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.

1.14 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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Significant Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, 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.

1.15 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

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Significant Accounting Policies

1.15 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.

1.16 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.16 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 2024

Significant Accounting Policies

1.17 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 2024

Significant Accounting Policies

1.17 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.18 Investment income

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

1.19 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.

1.20 Comparative figures

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

1.21 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.

1.22 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.

1.23 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.23 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.

1.24 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.

1.25 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.

1.26 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 2023/07/01 to 2024/06/30.

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

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

1.27 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.27 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.

1.28 Events after reporting date

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

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

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

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

1.29 Accounting by principals and agents

Identification

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

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

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

Significant Accounting Policies

1.29 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 107 Mergers	01 April 2023	The impact of the is not material.
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	01 April 2023	The impact of the is not material.
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2023	The impact of the is not material.
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	Undetermined dates	Unlikely there will be a material impact

3. Receivables from exchange transactions

Trade debtors	11 464 915	15 841 843
Software licence paid in advance	51 986	-
Sundry debtors	142 520	142 520
Land Disposal	2 271 000	600 000
Payroll Debtors	37 375	1 333
Creditor with debit balance	-	159 759
Vat Receivable	2 514 364	2 611 667
Debt Impairment	(8 114 225)	(12 919 675)
	8 367 935	6 437 447

June 2024	-	-	-	-
Consumer debtors by debtor type	30 Days	90 Days	+120 Days	Total
Government	59 025	4 524	2 794	66 343
Residential	964 244	561 400	9 083 565	10 609 209
Commercial / Industries	286 406	38 274	464 683	789 363
	1 309 675	604 198	9 551 042	11 464 915

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

2024

2023

3. Receivables from exchange transactions (continued)

Consumer debtors by revenue type	30 Days	90 Days	+120 days	Total
Electricity	638 125	176 976	2 229 392	3 044 493
Refuse removal	665 583	424 459	7 314 592	8 404 634
Rental	5 968	2 762	7 058	15 788
	1 309 676	604 197	9 551 042	11 464 915

June 2023	-	-	-	-
Consumer debtors by debtor type	30 Days	60 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	60 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

Creditor with debit balance

During the prior year 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.

Statutory receivables general information

Transaction(s) arising from statute

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy..

Determination of transaction amount

VAT is levied on all goods and services subject to certain exemptions, deductions, and adjustment adjustments provided for in the Value Added Tax Act 89 of 1991.

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	12 919 675	10 617 876
Amounts written off as uncollectible	8 114 225	12 919 675
Unused amounts reversed	(12 919 675)	(10 617 876)
	8 114 225	12 919 675

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024			2023
4. Receivables from non-exchange transactions				
Fines	389 058			372 798
Halycon	1 121 630			1 121 630
Consumer debtors - Rates	66 247 119			75 369 026
Debt impairment	(63 763 481)			(67 942 858)
	3 994 326			8 920 596
30 June 2024				
	0-30 Days	90 Days	+ 120 Days	Total
Government	186 134	105 894	87 874	379 902
Residential	5 055 540	5 274 796	48 933 565	59 263 901
Commercial / industries	521 916	409 554	5 671 846	6 603 316
	5 763 590	5 790 244	54 693 285	66 247 119
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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Transactions arising from statute Property rates-related transactions arise in terms of the Municipal Property Rates act, 6 of 2004, Municipal Finance Management act, 56 of 2003, as well as the property rates policy of the municipality approved by the council as part of the budget process.

Traffic fines arise from the national road traffic Act 93 of 1996, National Road traffic regulations 2000 and criminal procedure Act 51 of 1977. prosecutor performs prosecutorial functions in terms of general delegation awarded by the national prosecuting Authority and is subject to the control of the control prosecutor at the Magistrate court Government grants-related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant provincial gazette

Determination of transaction amount

Property rates amounts are determined in line with the annual tariff list of the municipality approved by the council as part of the budget process in terms of the Municipal Finance Management Act 56 of 2003.

Traffic fines arise from the national road traffic Act 93 of 1996, National Road traffic regulations 2000 and criminal procedure Act 51 of 1977. prosecutor performs prosecutorial functions in terms of general delegation awarded by the national prosecuting Authority and is subject to the control of the control prosecutor at the Magistrate court Government grants-related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant provincial gazette

Interest or other charges levied/charged

Interest charged Interest charged on property rates are in line with the annual tariff list of the municipality approved by council as part of budget process in terms of the municipal finance management Act 56 of 2003.

The interest is calculated one percent higher than the prime rate. Basis used to test whether the statutory receivable is impaired

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess for property rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess for traffic fines receivable is to look to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

There were no trade and other receivables pledged as security.

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

Opening balance	67 942 858	58 835 605
Amounts written off as uncollectible	63 926 744	67 942 858
Unused amounts reversed	(67 942 858)	(58 835 605)
	63 926 744	67 942 858

5. VAT receivable

VAT Control	716 535	430 743
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An amount of R716 462.83 has been received subsequent to the month end of June 2024 and therefore, the recoverability of the amount receivable from SARS is not remote.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30	50
Bank balances	2 021 243	2 960 830
Short-term deposits	68 626 511	30 586 360
	70 647 784	33 547 240

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
STD BANK - MAIN ACCOUNT: 280720963	2 021 244	2 960 829	2 054 024	2 021 244	2 960 830	2 054 026
STD BANK- MIG ACCOUNT: 388529768-402	2 482 816	6 676 822	1 400 185	2 482 816	6 676 822	1 400 185
STD BANK - MSIG ACCOUNT: 388528672-002	953 463	902 354	862 188	953 463	902 354	862 188
STD BANK - EQUITABLE SHARE ACCOUNT: 388527544- 402	544 300	397 627	231 533	544 300	397 627	231 533
STD BANK - FMG ACCOUNT: 388528672-004	40 395 377	14 794 917	5 060 166	40 395 377	14 794 917	5 060 166
STD BANK - MVR ACCOUNT: 285973452	319 009	169 266	2 743 984	319 009	169 266	2 743 984
STD BANK - EPWP ACCOUNT: 3885286-002	2 045 172	897 300	2 630 410	2 045 172	897 300	2 630 410
FNB ACCOUNT: 74841787622	1 881 794	1 730 884	1 622 703	1 881 794	1 730 884	1 622 703
FNB ACCOUNT: 62096711843	4 579	4 496	4 501	4 579	4 496	4 501
STD BANK - NOTICE DEPOSIT:388523786-003	20 000 000	5 012 695	-	20 000 000	5 012 695	-
Total	70 647 754	33 547 190	16 609 694	70 647 754	33 547 191	16 609 696

Great Kei Local Municipality
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7. Investment property

	2024		2023			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	73 004 547	-	73 004 547	74 600 547	-	74 600 547

Reconciliation of investment property - June 2024

	Opening balance	Disposals	Total
Investment property	74 600 547	(1 596 000)	73 004 547

Reconciliation of investment property - 2023

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

During the current financial year council took a resolution to dispose certain municipal land parcels.

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.

Great Kei Local Municipality
Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

8. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated impairment
	85 117 489	-	85 117 489	85 567 489
Land	184 346 200	(106 757 043)	77 589 157	160 760 257
Buildings	276 278 137	(201 295 681)	74 982 456	256 157 956
Infrastructure	23 396 418	(7 440 609)	15 955 809	16 297 293
Other property, plant and equipment	29 051 570	-	29 051 570	47 600 754
Work in progress	9 521 013	(7 524 980)	1 996 033	9 521 013
Landfill site asset				
Total	607 710 827	(323 018 313)	284 692 514	575 904 762
			(298 725 122)	277 179 640

Great Kei Local Municipality

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2024

	Opening balance	Additions	Disposals	Derecognition of assets	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	85 567 489	-	(450 000)	-	-	-	-	-	85 117 489
Buildings	74 479 335	-	-	-	20 385 941	(17 706 048)	-	429 929	77 589 157
Infrastructure	58 837 697	-	-	(852 607)	26 798 783	(9 801 417)	-	-	74 982 456
Other property, plant and equipment	8 617 115	9 198 181	(261 115)	-	-	(1 577 181)	(21 191)	-	15 955 809
Work in progress	47 600 754	29 065 472	-	-	(47 614 656)	-	-	-	29 051 570
Landfill site asset	2 077 250	-	-	-	-	(81 217)	-	-	1 996 033
	277 179 640	38 263 653	(711 115)	(852 607)	(429 932)	(29 165 863)	(21 191)	429 929	284 692 514

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	69 793 283	20 500	-	-	8 133 266	(3 467 714)	-	74 479 335
Infrastructure	62 522 360	-	-	-	5 275 471	(8 952 431)	(7 703)	58 837 697
Other property, plant and equipment	4 290 285	5 587 068	(64 976)	-	134 700	(1 288 934)	(41 028)	8 617 115
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
	252 518 753	36 801 436	(64 976)	3 200 000	-	(13 790 295)	(1 485 278)	277 179 640

During the current year the municipality received a donation of service delivery assets for solid waste management.

Pledged as security

No assets are pledged as security:

Great Kei Local Municipality

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Figures in Rand	2024	2023
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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress June 2024

	Infrastructure Assets	Community Assets	Total
Opening balance	31 076 950	16 523 804	47 600 754
Additions/capital expenditure	21 516 496	7 548 975	29 065 471
Transferred to completed items	(26 798 783)	(20 815 872)	(47 614 655)
	25 794 663	3 256 907	29 051 570

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

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	1
Chintsa Sportsfield - phase 2 (N1)	1 754 062	1 745 062
Happy valley community hall (N1)	1 220 900	1 220 900
Sinolo day care centre (N1)	155 894	155 894
Construction of Icwili Sports Fields (N2)	-	3 245 634
	3 130 857	6 367 491

Infrastructure Assets

Upgrading of Komga switching rooms (N3)	4 336 444	4 336 444
Surfacing of Kei Mouth internal streets (N4)	10 306 361	10 306 361
Upgrading of Komga Bulk Electrical Infrastructure (N5)	788 845	788 845
Surfacing of Chintsa East internal streets (N6)	-	14 795 621
	15 431 650	30 227 271

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 project could not be completed in the prior year due to the resignation and pulling off-site by the initial contractor, the project has since been completed in August 2023.

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 litigation of the contractor by a private company which later affected the progress on site.

N5: The project has been delayed due to non-confirmation of funding from the funder (OTP) and as such the municipal SDBIP was revised to consider the status of the project.

N6: The project could not be completed in the prior year due to additional scope of works and extension of time was granted, the project has since been completed in November 2023.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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8. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - June 2024

		-
	Emergency	Total
Buildings	240 450	240 450
Other property, plant and equipment	410 769	410 769
Mini dumping site	76 432	76 432
Electrical infrastructure	143 917	143 917
	871 568	871 568

Maintenance of property, plant and equipment by condition - 2023

		-
	Emergency	Total
Buildings	119 084	119 084
Other property, plant and equipment	499 805	499 805
Mini dump site	44 000	44 000
Computer equipment	22 575	22 575
	685 464	685 464

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

	2024		2023			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	403 960	(27 798)	376 162	35 000	(8 598)	26 402

Reconciliation of intangible assets - June 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	26 402	368 960	(19 200)	376 162

Reconciliation of intangible assets - 2023

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

Notes to the Annual Financial Statements

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10. Heritage assets

2024		2023	
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
36 000	-	36 000	36 000
			Accumulated impairment losses
			Carrying value
			36 000

Art Collections, antiquities and exhibits

Reconciliation of heritage assets 2024

Art Collections, antiquities and exhibits

Opening balance	36 000	Total
		36 000

Reconciliation of heritage assets 2023

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
11. Payables from exchange transactions		
Trade payables	20 350 119	19 122 589
Debtors with credit balances	14 802 174	10 330 305
Deposits received	6 708 120	6 380 326
Salary Control	590 217	8 846 685
Retentions	4 804 857	5 629 974
	47 255 487	50 309 879

The average credit period on purchases is 30 days from the receipts of the statement as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the financial risk policies in place to ensure that all payables are paid within the credit time frame

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	(10 565 828)	(11 373 541)
Bonus accrual	(1 416 108)	(1 122 486)
Leave pay accrual	(3 898 342)	(3 858 361)
	(15 880 278)	(16 354 388)
Non-current liabilities	(10 011 675)	(10 576 103)
Current liabilities	(5 868 603)	(5 778 285)
	(15 880 278)	(16 354 388)

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

Opening balance	11 373 541	10 419 754
Benefits paid	(590 378)	(668 716)
Net expense recognised in the statement of financial performance	(217 335)	1 622 503
	10 565 828	11 373 541

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Employee benefit obligation (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	835 076	705 583
Interest cost	1 064 557	1 249 865
Actuarial gains	(2 116 968)	(332 945)
	(217 335)	1 622 503

Key assumptions used

Assumptions used at the reporting date:

Post Medical Services :

Discount rates used	13,50 %	9,39 %
Consumer price inflation	7,87 %	5,17 %
Health care cost inflation	9,37 %	6,67 %
Net discount rate	3,77 %	2,55 %

Long Service Awards:

Consumer price inflation	5,41 %	5,86 %
Salary increase rate	6,41 %	6,86 %
Net discount rate	3,87 %	3,62 %

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.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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 below table highlights the effects (from right to left) of a 20% lighter and 20% heavier mortality table assumption as at 30 June 2024. The adjustment would result in a 10.12% increase and 8.22% decrease in the accrued liability respectively..

	20% Mortality rate	Valuation assumption	+ 20% Mortality rate
Employer's accrued liability	7 035 924	7 665 720	8 441 748
Employer's current service costs	497 886	544 255	600 229
Employer's expense cost	922 717	1 007 494	1 112 014
	8 456 527	9 217 469	10 153 991

Salary increase rate

As per the table below, a 1% increase in the salary increase rate results in a 6.55% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.98% decrease in the accrued liability.

	1% decrease R's	30 June 2024 Valuation basis R's	1% increase R's
Employer's accrued liability	2 726 728	2 900 108	3 090 085
Employer's current service cost	338 482	361 406	386 700
Employer's interest cost	279 176	297 429	317 430
	3 344 386	3 558 943	3 794 215

	One percentage point increase	One percentage point increase
Effect on defined benefit obligation	8 987 718	10 189 268
Effect on the aggregate of the service cost	687 444	692 813
Effect on the aggregate of the interest cost	1 127 846	934 575

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:

	2024	2023	2022	2021	2020
Defined benefit obligation	10 565 828	11 373 541	10 014 957	11 712 208	8 854 004

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
Municipal Disaster Recovery Grant (MDRG)	16 405 539	-
Integrated National Electrification Programme Grant (INEP)	-	159 010
	16 405 539	2 263 154

Movement during the year

Balance at the beginning of the year	2 263 154	364 773
Additions during the year	49 161 381	26 448 000
Income recognition during the year	(35 018 996)	(24 549 619)
	16 405 539	2 263 154

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

See note 22 for reconciliation of grants from National/Provincial Government.

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

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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14. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	21 592 843	(2 417 181)	-	1 051 571	20 227 233
Legal proceedings	780 000	-	(84 969)	-	695 031
	22 372 843	(2 417 181)	(84 969)	1 051 571	20 922 264

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

Non-current liabilities	17 812 101	20 541 272
Current liabilities	3 110 163	1 831 571
	20 922 264	22 372 843

Environmental rehabilitation provision

The Komga Landfill Site is located on Farm 31 within the Great Kei Local Municipality. The site is located approximately 1 km west of the town of Qumrha in the Amatole District of the Eastern Cape Province and is accessed directly off the National Route R63. The landfill is located on relatively flat terrain.

The original license, number HO/B/9/L014/12, was issued in March 2014 and extended in August 2017 for an additional three years, expiring in 2020. Subsequently, the Department of Economic Development, Environmental Affairs, and Tourism issued a 10-year variation license (License number: HO/B/9/L01/23) on 7th December 2023 to replace the previous license and amendment notice.

15. VAT payable

VAT Output Accrual on Receivables	1 861 721	2 631 770
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VAT Receivable and VAT Payable are statutory arrangements. VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, deductions, and adjustment adjustments provided for in the Value Added Tax Act 89 of 1991. The VAT Output Accrual on receivables has been provisionally impaired.

16. Service charges

Sale of electricity	9 605 616	9 580 300
Refuse removal	3 539 835	4 320 681
	13 145 451	13 900 981

17. Rental of facilities and equipment

Premises		
Premises	558 387	287 795

Great Kei Local Municipality

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Figures in Rand	2024	2023
18. Other income		
Handling / payroll commission	42 052	42 250
Building plan fees	473 085	478 382
Business licences	2 421	3 039
Clearance fees	35 344	10 397
Sundry revenue	-	19 371
Tender documents	365 840	188 722
Burial and cemetery fees	14 180	2 199
Connection fees - electricity	134 737	342 564
	1 067 659	1 086 924

19. Interest on receivables

Interest from non-exchange transactions	6 585 340	6 222 702
Interest from exchange transactions	1 509 877	1 322 978
	8 095 217	7 545 680

Interest charged Interest charged on property rates are in line with the annual tariff list of the municipality approved by council as part of budget process in terms of the municipal finance management Act 56 of 2003.

The interest is calculated one percent higher than the prime rate. Basis used to test whether the statutory receivable is impaired.

20. Interest on short-term investments

Interest on investments	4 392 061	1 959 401
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21. Property rates

Rates received

Property rates	27 532 301	36 614 869
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Valuations

Commercial	223 562 768	226 709 767
Industrial	7 918 000	7 918 000
Multipurpose	11 452 000	12 161 000
Residential	3 459 402 395	3 381 347 294
Small holdings and farms	1 824 835 738	1 023 757 182
State	127 890 300	124 051 000
Public Benefit Organisation	18 052 000	21 412 100
Vacant	819 609 645	838 061 590
Public service infrastructure	53 080 974	58 957 141
	6 545 803 820	5 694 375 074

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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Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
22. Government grants & subsidies				
Operating grants				
Equitable share (EQ)	52 810 000	50 186 000		
Library subsidy - (DSRAC)	500 000	500 000		
Finance Management Grant (FMG)	2 449 999	2 450 000		
Expanded Public Works Programme (EPWP)	973 000	1 050 000		
Municipal Infrastructure Grant (MIG)	737 478	1 142 823		
LG SETA Grant	78 141	-		
COGTA Grant	-	1 315 372		
Human Settlements Grant	148 199	98 799		
	57 696 817	56 742 994		
Capital grants				
Municipal Infrastructure Grant (MIG)	13 086 665	19 332 806		
Municipal Disaster Recovery Grant (MDRG)	1 014 465	-		
Small Town Revitalisation Grant - EC: Office of the Premier (OTP)	7 722 820	11 906 854		
Integrated National Electrification Programme (INEP)	5 159 010	573 990		
EC - Department of Transport Infrastructure Grant (DOT)	3 875 561	-		
	30 858 521	31 813 650		
	88 555 338	88 556 644		
Prior year reclassification within Government grants & subsidies	Previously reported	Correction of Error	Reclassification on	Restated Balance
Operating grants	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	-	1 142 823	1 142 823
Capital grants	-	-	-	-
Municipal Infrastructure Grant (MIG)	20 475 629	-	(1 142 823)	19 332 806
	20 475 629	-	-	20 475 629
Municipal Infrastructure Grant - MIG				
Balance unspent at beginning of year	2 104 144	364 773		
Current-year receipts	11 720 000	22 215 000		
Conditions met - transferred to revenue	(13 824 144)	(20 475 629)		
	-	2 104 144		
Conditions still to be met - remain liabilities (see note 13).				
Integrated National Electrification Programme - INEP				
Balance unspent at beginning of year	159 010	-		
Current-year receipts	5 000 000	733 000		
Conditions met - transferred to revenue	(5 159 010)	(573 990)		
	-	159 010		
Conditions still to be met - remain liabilities e (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)		
	-	-		

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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22. Government grants & subsidies (continued)

In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue (see note (see note 13)).

Expended Public Works Programme Grant - EPWP

Current-year receipts	973 000	1 050 000
Conditions met - transferred to revenue	(973 000)	(1 050 000)
	-	-

In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue (see note (see note 13)).

Municipal Disaster Recovery Grant (MDRG)

Current-year receipts	17 420 000	-
Conditions met - transferred to revenue	(1 014 461)	-
	16 405 539	-

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

Small Town Revitalization Grant - OTP

Current-year receipts	7 722 820	11 906 854
Conditions met - transferred to revenue	(7 722 820)	(11 906 854)
	-	-

In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue. 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.

EC - Department of Transport Infrastructure Grant (DOT)

Current-year receipts	3 875 561	-
Conditions met - transferred to revenue	(3 875 561)	-
	-	-

In the current year the municipality fully met the spending conditions and the whole allocation was transferred to revenue (see note (see note 13)). This grant is from the Department of Transport to assist with the construction of a surfaced road from R349 to Haga-haga and also the resurfacing of Kei Mouth main road to Kei Mouth Ferry.

23. Donations received

Capital asset donation	7 766 303	2 606 277
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Current year donations consist of service delivery assets for solid waste management donated by a local mines (Sibanye Still Water and Licitron) and also office chairs from EC Department of Human Settlements.

The prior 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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Figures in Rand	2024	2023
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24. Debt forgiveness

Trade creditors	3 164 224	417 692
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Current year

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.

2023

In 2023 financial year, 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.

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
25. Employee related costs		
Employee related costs (Excluding Senior Managers):		
Basic	30 284 404	28 197 355
Bonus	2 833 782	2 525 440
Medical aid - company contributions	2 680 398	2 812 359
UIF	227 970	212 369
SDL	422 564	397 966
Other payroll levies	12 552	10 800
Leave pay provision charge	243 186	476 983
Pension	5 113 893	4 369 075
Travel, motor car, accommodation, subsistence and other allowances	470 790	523 547
Overtime payments	1 012 608	780 335
Long-service awards	131 328	(356 654)
Housing benefits and allowances	53 321	48 422
Post employment benefits expense	584 902	393 521
	44 071 698	40 391 518
<u>Employee related costs (Senior Managers):</u>		
Remuneration of municipal manager - L.N. Mambila		
Annual Remuneration	967 000	892 340
Travel Allowance	288 000	216 000
Housing Allowance	283 000	216 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Bonus provision	70 000	40 000
	1 610 125	1 366 465
Remuneration of chief finance officer - A. Lwana		
Annual Remuneration	864 000	692 032
Travel Allowance	375 000	223 276
Housing allowance	105 000	92 758
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Bonus provision	60 000	85 000
Leave payout	-	202 739
	1 406 125	1 297 930
Remuneration of Director: Strategic Services - M. Mtalo		
Annual Remuneration	-	208 351
Car Allowance	-	56 010
Performance Bonuses	-	52 010
Contributions to UIF, Medical and Pension Funds	-	708
Bonus provision	-	50 000
Leave payout	-	193 749
	-	560 828

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

Great Kei Local Municipality

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Figures in Rand	2024	2023
25. Employee related costs (continued)		
Remuneration of Director: Technical and Community Services - N.N. Chisango		
Annual Remuneration	546 336	703 734
Travel Allowance	232 102	278 523
Contributions to UIF, Medical and Pension Funds	1 771	2 125
Bonus provision	60 000	60 000
Leave payout	186 896	-
Payout settlement	828 438	-
	1 855 543	1 044 382
Total employee related costs	48 943 491	44 661 123
26. Remuneration of councillors		
Executive Mayor	907 997	866 264
Chief Whip	406 779	366 218
Councillors	2 239 737	2 257 240
Councillor's allowances	1 202 517	780 863
Speaker	735 639	694 309
	5 492 669	4 964 894
Remuneration of Mayor - N.W. Tekile		
Salary	647 662	652 725
Allowances	260 335	213 539
	907 997	866 264
Remuneration of Speaker - Mgema		
Salary	518 131	522 181
Allowances	217 508	172 128
	735 639	694 309
Remuneration of Whip of Council - Nzuzo		
Salary	270 984	273 102
Allowances	135 795	93 116
	406 779	366 218
27. Depreciation, impairment loss and amortisation		
Property, plant and equipment	29 165 863	13 790 295
Impairment loss	21 191	1 485 279
Amortisation - Intangible assets	19 200	8 598
	29 206 254	15 284 172
28. Finance costs		
Provisions	1 051 571	720 802
Employee benefit obligations	1 064 557	1 249 865
Trade and other payables	652 665	429 503
	2 768 793	2 400 170

Great Kei Local Municipality

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Figures in Rand	2024	2023
29. Debt impairment		
Bad debts written off	14 902 843	-
Contributions to debt impairment provision	(9 696 892)	11 389 552
	5 205 951	11 389 552

During the current the municipal council approve a debt incentive scheme in response to the state of the economy in the country that has impacted negatively and therefore affected the people's affordability to pay for municipal levies and services as they were unable to earn an income as a result of a COVID-19 global pandemic.

This has resulted in the municipality's assessment indicating that more debt may not be collectible resulting in a increase in the allowance for doubtful debts for the period as indicated above.

30. Bulk purchases

Electricity - Eskom			12 706 541	11 474 250
Electricity losses				
	Number 2024	Number 2023		
Units purchased	6 814 319	7 121 482	12 706 541	11 474 250
Units sold	(4 544 744)	(4 765 226)	(9 605 616)	(9 663 637)
Total loss	2 269 575	2 356 256	3 100 925	1 810 613
Comprising of:				
Technical losses	2 269 575	2 356 256	3 703 702	3 796 438
Percentage Loss:				
Technical losses	33 %	33 %	33 %	33 %

Electricity distribution losses have remained at 33% from prior year.. Distribution losses are caused by:

1. Dilapidated electrical infrastructure
2. Illegal tempering 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.

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

31. Contracted services

Commission fees	84 544	-
Business and Advisory	3 496 268	2 126 627
Mini Dumping Sites	76 432	44 000
Occupational health services	4 730	4 113
Outsourced Services		
Personnel and Labour	1 064 913	1 043 792
Security Services	5 537	5 811
Sewerage Services	-	29 673

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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31. Contracted services (continued)

Consultants and Professional Services

Infrastructure and Planning	202 106	-
Legal Cost	563 910	363 141
Valuation services	275 850	697 071

Contractors

Maintenance of Buildings and Facilities	240 000	95 030
Maintenance of Equipment	2 881	168 729
Maintenance of Other Assets	405 948	331 381
Maintenance of Electrical Infrastructure	143 917	-
Prepaid Electricity Vendors	231 885	187 048
Refreshments	50 769	42 732
	6 849 690	5 139 148

32. Transfer and subsidies

Other subsidies

Support to local Co-operatives	-	156 451
Support to local community wards	149 450	-
	149 450	156 451

The municipality through its LED section supports Co-operatives and community (Ward 1-7) by purchasing garden inputs. The projects are selected through council processes and supported as per the required assistance which is only in the forms of inputs.

2023

Nomakha Primary Agricultural Co-operative	R 50 081
Mzwini Cooks and Bake Multipurpose Co-operative	60 500
Sivise Draaibosch Primary Agricultural Co-operative	45 870
	156 451

Great Kei Local Municipality

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Figures in Rand	2024	2023
33. General expenses		
Advertising, printing and stationery	557 160	515 534
Auditors remuneration	3 700 990	3 843 777
Bank charges	135 314	206 367
Cleaning and greening	30 000	-
Conferences and seminars	318 130	107 513
Consumables	439 862	368 410
Electricity	363 456	262 312
Fuel and oil	1 770 923	2 013 211
Hire	20 000	-
Indigent relief	532 308	431 289
Insurance	226 064	422 243
Motor vehicle expenses	84 855	127 686
Postage and courier	-	350
Printing and stationery	137 174	160 909
Protective clothing	178 578	46 356
Signage	-	7 031
Software expenses	1 729 523	1 412 568
Subscriptions and membership fees	11 776	555 921
Telephone and fax	1 117 121	1 494 854
Title deed search fees	30 967	-
Travel - local	593 125	343 745
Ward committee expenses	1 196 925	786 420
Water	1 783 710	2 808 133
Workmen's compensation	588 980	357 641
	15 546 941	16 272 270

34. Gain on disposal of assets

Gain on disposal of assets - 2024	Carrying value	Disposal	Gain
Investment property	(1 596 000)	2 001 000	405 000
Land	(450 000)	812 000	362 000
	(2 046 000)	2 813 000	767 000

During the current the municipality has received proceeds from the disposal of land parcels to the value of R742 0000, please see Cash Flow Statement.

Gain on disposal of assets - 2023	Cost	Accumulated	Disposal proceeds	Gains
Other Assets	857 333	(792 357)	(150 691)	(85 715)

In the prior year the municipality disposed moveable assets. Please see Cash Flow Statement for proceeds.

35. Loss on derecognition of assets

Gain or Loss on derecognition of asset - 2024	Cost	Accumulated	Insurance proceeds	Loss
Other assets	(2 099 056)	1 837 941	54 255	(206 860)
Infrastructure Assets	(6 678 602)	5 825 995	-	(852 607)
	(8 777 658)	7 663 936	54 255	(1 059 467)

During the current year the municipality received insurance proceeds, please see Cash Flow Statement.

Great Kei Local Municipality

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Figures in Rand	2024	2023
36. Auditors' remuneration		
Fees	3 700 990	3 843 777
37. Related parties		
Relationships	Refer to accounting officers' report note	
Accounting Officer	Councillor N.W. Tekile	
Mayor	Councillor N.P. Mgema	
Speaker	Councillor Z.M. Nzuzo	
	Councillor Z. Patuluko	
	Councillor S.M. Jacobs	
	Councillor S.H. Pakamile	
	Councillor M.G. Njanya	
	Councillor M. Twani	
	Councillor W. Singana	
	Councillor Z. Tshali	
	Councillor P.G. Kyriacos	
	Councillor M.E. Matshoba	
	Councillor F.E. Webber	
Members of key management		
Chief Financial Officer	Mr A. Lwana	
Director Technical and Community Services	Mrs N. Chisango	
Director Strategic Services	Mr M. Mtalo (contract ended October 2022)	
Acting Director Corporate Services	Mr B. Douglas	
Acting Director LEDPARD	Mr P. Godongwana	
Councillors and executive management received salaries for services rendered in relation to their employment in the municipality. Refer to note 25 and 26 no other related party transactions took place.		
Related party balances		
There were no related party balances for the period ended 30 June 2024.		
38. Cash generated from operations		
Surplus	32 263 935	41 728 782
Adjustments for:		
Depreciation and amortisation	29 206 254	15 284 172
Actuarial gains on employee benefit obligations	(2 116 968)	(332 945)
Loss on derecognition of assets	1 059 466	-
Actuarial loss on landfill site provision	(2 417 181)	624 802
Gain on disposal of assets	(767 000)	(85 716)
Debt impairment	5 205 951	11 389 552
Donation - received	(7 766 303)	(2 606 277)
Transfers non cash COGTA Grant	-	(1 315 372)
Other non-cash items Debt forgiveness	(3 164 224)	(417 692)
Changes in working capital:		
Receivables from exchange transactions	43 208	(445 435)
Consumer debtors	(5 205 951)	(11 389 552)
Other receivables from non-exchange transactions	4 926 269	(4 189 670)
Payables from exchange transactions	109 838	(1 623 778)
VAT	(958 537)	1 051 441
Unspent conditional grants and receipts	14 142 381	1 898 381
Employee benefit obligation	1 642 858	1 045 408
Provisions	966 604	400 802
	67 170 600	51 016 903

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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39. Financial instruments disclosure

Categories of financial instruments

June 2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	5 853 571	5 853 571
Cash and cash equivalents	70 647 784	-	70 647 784
	70 647 784	5 853 571	76 501 355

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	47 255 487	47 255 487

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	50 309 879	50 309 879

VAT Receivable has been excluded on the trade and other receivables from exchange transactions as it is a Statutory receivable, and it does not form part of financial instruments in accordance with the standards.

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Construction	37 777 074	28 141 426
Total capital commitments	37 777 074	28 141 426
Authorised operational expenditure		
Already contracted for but not provided for		
• Accounting services	600 000	-
• ICT	1 437 941	1 647 949
• Insurance	678 075	938 048
• Other	2 659 718	126 415
	5 375 734	2 712 412
Total operational commitments	5 375 734	2 712 412
Total commitments		
Total commitments		
Authorised capital expenditure	37 777 074	28 141 426
Authorised operational expenditure	5 375 734	2 712 412
	43 152 808	30 853 838

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
41. Contingent liabilities		
	9 091 449	700 000

Pending legal claims

Current year

1. MUNICIPAL WORKERS RETIREMENT FUND // GREAT KEI LOCAL MUNICIPALITY

This an application that was brought Instruction by Municipal Workers Retirement Fund where the fund lodged a case against the municipality relating to shortage in retirement fund contributions made on behalf of employees more than 15 years ago. This matter is set down for hearing on 15 August 2024 for an amount of R8 279 248,79.

2. 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. Currently, Mr Makhwayiba is claiming for an amount of R812 200.00

Prior year

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

Great Kei Local Municipality

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41. Contingent liabilities (continued)

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.

Contingent assets

At year end the municipality had no contingent assets.

42. 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	June 2024	2023
Receivables from exchange transactions	8 367 935	6 437 447
Short term deposits	68 626 511	30 586 360

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.

Great Kei Local Municipality

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43. Unauthorised expenditure

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

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

44. Fruitless and wasteful expenditure

Opening balance as previously reported	6 002 335	2 882 234
Correction of error	-	6 002 335
Add: Fruitless and wasteful expenditure identified - current	15 603	238 661
Less: Amount written off - current	(15 603)	(238 661)
Less: Amount written off - prior period	(6 002 335)	(2 882 234)
Closing balance	-	6 002 335

Notes to the Annual Financial Statements

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44. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	
	amounts investigated and written off	amounts investigated and written off
Interest on SARS	27	-
Interest on overdue accounts	15 576	238 661
	15 603	238 661

Interest on SARS

In June 2021 the Municipality entered in to payment arrangement with SARS for the purpose of paying the total debt owed. It was agreed that all incurred interest and penalties as at the date of signing the arrangement will be written off as well as interest and penalties that may be charged during the arrangement period will be written off on the settlement of arrangement after (thirty-six months.)

Interest on overdue accounts

The interest on overdue accounts is a result of long outstanding creditors due to financial distress.

Great Kei Local Municipality

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44. Fruitless and wasteful expenditure (continued)

Amount written-off

The council approved the MPAC report on fruitless and wasteful expenditure amounting to R6 017 938 that it be written off, as the explanations provided by the department were clear enough and valid to warrant a write off, the MPAC committee also considered the write off an amount relating to prior year balance.

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

45. Irregular expenditure

Opening balance as previously reported
Less: Amount written off - prior period

Closing balance

-	16 392 004
-	(16 392 004)
-	-

Amount written-off

In the prior year after the council committee investigations, the municipal 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.

Great Kei Local Municipality

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46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
VAT receivable (see below 1&2)	5	2 790 895	(1 328 814)	(106 346)	1 355 735
VAT Payable (see below 1&2)	15	-	-	(1 969 436)	(1 969 436)
Receivables from exchange (see below 1&2)	3	3 825 780	-	2 075 782	5 901 562
Property, plant and equipment (see 3 below)	8	251 343 265	1 175 489	-	252 518 754
Trade and other payables (see 4 below)	11	(41 654 629)	(12 012 088)	-	(53 666 717)
Accumulated Surplus		(277 683 212)	12 165 413	-	(265 517 799)
		(61 377 901)	-	-	(61 377 901)

Reasons for restatement:

1. The restatement of VAT was due to the output VAT accrual on receivables that was not derecognised in prior years.
2. This is due to the reclassification of VAT payable as per GRAP 19 Disclosure.
3. The restatement is due to a reassessment of useful lives of moveable assets in use that were fully depreciated.
4. The restatement is due to a recognition of interest accrued to SARS on long-outstanding debt entered into arrangement in prior year and allocated upon settlement of debt.

Great Kei Local Municipality

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46. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Current Assets		-	-	-	-
Cash and Cash Equivalents		33 547 240	-	-	33 547 240
Receivables from exchange transactions (see below 1&2)	3	3 825 780	-	2 611 667	6 437 447
Receivables from non-exchange transactions		8 920 596	-	-	8 920 596
VAT Receivable (see below 1 & 2)	5	1 739 454	(1 328 814)	20 103	430 743
Non-current assets		-	-	-	-
Heritage Assets		36 000	-	-	36 000
Intangible Assets		26 402	-	-	26 402
Investment property		74 600 547	-	-	74 600 547
Property, plant and equipment (see below 3 & 3(a))	8	276 585 521	594 118	-	277 179 639
Current Liabilities		-	-	-	-
Trade and other payables (see below (4 & 4b))		(37 749 307)	(12 560 573)	-	(50 309 880)
Defined Benefit Obligations -Current Liabilities		(5 778 285)	-	-	(5 778 285)
Provisions - current liabilities		(1 831 571)	-	-	(1 831 571)
VAT Payable (see below 1&2)	15	-	-	(2 631 770)	(2 631 770)
Unspent conditional grants		(2 263 154)	-	-	(2 263 154)
Non-current liabilities		-	-	-	-
Provisions - Non-current liabilities		(20 541 272)	-	-	(20 541 272)
Defined Benefit Obligations -Non-current Liabilities		(10 576 103)	-	-	(10 576 103)
Accumulated Surplus		(320 541 848)	13 295 269	-	(307 246 579)
		-	-	-	-

Reasons for restatement:

1. The restatement of VAT was due to the output VAT accrual on receivables that was not derecognised.
2. This is due to the reclassification of VAT payable as per GRAP 19 Disclosure .
3. The restatement is due to a reassessment of useful lives of moveable assets in use that were fully depreciated.
4. The restatement is due to a recognition of interest accrued to SARS on long-outstanding debt entered into arrangement in prior year and allocated upon settlement of debt.
- 4(a). The restatement is due to recognition of compensation fund long invoices that were submitted during the current year by Department of Labour after Annual returns reconciliations.

Statement of financial performance

Great Kei Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2024	2023		
46. Prior-year adjustments (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions		-	-	-	-
Service charges		(13 900 981)	-	-	(13 900 981)
Rental from Fixed Assets Market Related		(287 795)	-	-	(287 795)
Agency fees		(298 460)	-	-	(298 460)
Licences and permits		(598 297)	-	-	(598 297)
Other income		(1 086 924)	-	-	(1 086 924)
Interest income (see 1 below)		(3 282 379)	-	3 282 379	-
Interest on short-term investments (see 1 below)		-	-	(1 959 401)	(1 959 401)
Interest on receivables (see 1 below)		-	-	(1 322 978)	(1 322 978)
Revenue from non-exchange transactions		-	-	-	-
Property rates		(36 614 869)	-	-	(36 614 869)
Interest on property rates (see 1 below)		(6 222 702)	-	6 222 702	-
Interest on receivables (see 1 below)		-	-	(6 222 702)	(6 222 702)
Donations - Allocation-In kind (see above 3(a))	23	(2 606 277)	-	-	(2 606 277)
Fines		(95 200)	-	-	(95 200)
Debt forgiveness		(417 692)	-	-	(417 692)
Government grants		(88 556 644)	-	-	(88 556 644)
Expenditure		-	-	-	-
Employee related costs		44 661 123	-	-	44 661 123
Remuneration of councillors		4 964 894	-	-	4 964 894
Depreciation, impairment loss and amortisation	27	14 702 804	581 368	-	15 284 172
Finance costs (see above 4 & 4(b))	28	2 209 328	190 841	-	2 400 169
Lease rentals on operating lease		291 267	-	-	291 267
Debt Impairment		11 389 552	-	-	11 389 552
Bulk purchases		11 474 250	-	-	11 474 250
Contracted services		5 139 148	-	-	5 139 148
Transfers and Subsidies		156 451	-	-	156 451
General Expenses (see above 4(b))	33	15 914 629	357 641	-	16 272 270
Actuarial gains on employee benefit obligations		(332 945)	-	-	(332 945)
Actuarial loss on landfill site provision		624 802	-	-	624 802
Gain (loss) on non-current held for sale		(85 716)	-	-	(85 716)
Surplus for the year		(42 858 633)	1 129 850	-	(41 728 783)

1. Interest on property rates and interest income has been correctly classified and also interest on investment has been separately disclosed.

Cash flow statement

As a result of the errors note above the cashflow s from operating ,investing and financing activities had been revised.

Disclosure notes

The following disclosure note was restated as a result of correction of errors mentioned above:

	2023	2022
Fruitless and Wasteful Expenditure (Note 42)		
Opening balance as previously reported	8 882 212	2 352 689
Correction of error	2 357	5 999 978
Opening balance as restated	8 884 569	8 352 667
Add: Current	238 661	529 545
Less: Write-off current	(238 661)	-
Less: Write-off prior year	(2 882 234)	-
	6 002 335	8 882 212

Great Kei Local Municipality

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46. Prior-year adjustments (continued)

The restatement is due to a recognition of interest accrued to SARS on long-outstanding debt entered into arrangement in prior year and allocated upon settlement of debt. As per section 32 and circular 68 of the MFMA, the municipality has recognised the interest incurred and restated the fruitless and wasteful expenditure note in accordance with the legislative prescript.

Additional disclosure in terms of Municipal Finance Management Act:

PAYE and UIF (Note 45)

Opening balance as previously reported
Correction of error

Opening balance as restated

Add: Current year fees

Less: Amount paid current

2023	2022
10 970 551	8 319 249
2 357	5 879 628
10 972 908	14 198 877
7 446 351	7 490 382
(11 111 010)	(10 718 708)
7 308 249	10 970 551

The restatement is due to a recognition of interest accrued to SARS on long-outstanding debt entered into arrangement in prior year and allocated upon settlement of debt.

Segment Reporting - Statement of Financial Performance (Note 46)

	Previously reported	Correction of Error	Restated Balance
2023	-	-	-
Segment surplus or deficit	-	-	-
Entity's revenue:	-	-	-
Total segment revenue	21 603 009	-	21 603 009
Total non-segment revenue	132 450 926	-	132 450 926
Total Revenue	154 053 935	-	154 053 935
Entity's expenditure:	-	-	-
Total segment expenditure	(36 217 829)	-	(36 217 829)
Total non-segment expenditure	(74 977 473)	(1 129 850)	(76 107 323)
	42 858 633	(1 129 850)	41 728 783

Segment Reporting - Statement of Financial Position

	Previously reported	Correction of Error	Restated Balance
2023	-	-	-
Total segment assets	7 549 014	-	7 549 014
Total non-segment assets	391 732 526	(734 696)	390 997 830
Total Assets	399 281 540	(734 696)	398 546 844
Total segment liabilities	(21 963 895)	-	(21 963 895)
Total non-segment liabilities	(56 775 797)	(12 560 570)	(69 336 367)
	320 541 848	(13 295 266)	307 246 582

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47. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government - SALGA		
Opening balance	542 162	2 169 923
Current year subscription / fee	556 553	542 162
Amount paid - previous years	(542 162)	(2 169 923)
	556 553	542 162
Audit fees		
Opening balance	(159 758)	1 770 400
Current year subscription / fee	4 256 138	4 727 759
Amount paid - current year	(3 836 776)	(5 198 202)
1% COGTA Grant	-	(1 315 372)
Debt forgiveness	(259 604)	(144 343)
	-	(159 758)
PAYE and UIF		
Opening balance - Restated	7 305 892	5 090 923
Correction of error	2 357	5 879 628
Current year subscription / fee	7 588 068	7 446 351
Amount paid - current year	(12 007 180)	(11 111 010)
Debt Forgiveness	(2 782 037)	-
	107 100	7 305 892
Pension and Medical Aid Deductions		
Opening balance	1 056 559	910 404
Current year subscription / fee	13 606 866	11 636 150
Amount paid - current year	(14 663 425)	(11 489 995)
	-	1 056 559
VAT		
VAT receivable	716 535	430 743

VAT output payables and VAT input receivables are shown in note 15 and note 3 respectively.

All VAT returns have been submitted by the due date throughout the year and the amount receivable as at year end is shown in note 5.

Great Kei Local Municipality

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48. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of the following functional areas : Waste management services, Electrical Services, Traffic services and Town Planning. 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. Komga
5. Gxarha
6. Tainton

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 segments

Waste Management Services
Electrical Services
Traffic Services
Town Planning
Halls and Rental

Non-segments

Budget and Treasury
Office of the Municipal Manager
Administration and Corporate Services

Goods and/or services

Waste Removal Services
Electricity Sales
Licences and Permits Transport Agency Services
Building Plan Approval
Rental of Halls and Facilities

Goods and/or services

Financial Services
Strategic services
Administration services

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48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

June 2024

Revenue	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
Revenue from exchange transactions						
Service Charges	3 539 835	9 605 616	-	-	-	13 145 451
Rental from Assets Market Related	-	-	-	77 324	-	77 324
Agency services	-	-	298 743	-	-	298 743
Licences and permits	-	-	537 566	-	-	537 566
Other income	-	134 737	-	45 280	475 506	655 523
Interest on receivables	1 311 371	195 137	-	-	-	1 506 508
Revenue from non-exchange transactions						
Government grants	973 000	5 158 912	-	500 000	-	6 631 912
Fines	-	-	25 080	-	-	25 080
Donations	7 766 303	-	-	-	-	7 766 303
Actuarial gain on Landfill site provision	2 417 181	-	-	-	-	2 417 181
Total segment revenue	16 007 690	15 094 402	861 389	622 604	475 506	33 061 591

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	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
48. Segment information (continued)						
Non-segment revenue						
Revenue from exchange transactions						
Interest on receivables						3 370
Other income						412 136
Interest on short-term investments						4 392 061
Rental from Assets Market Related						481 063
Revenue from non-exchange transactions						
Government grants and subsidies						81 923 423
Property rates						27 532 301
Interest on receivables						6 585 340
Debt forgiveness						3 164 224
Actuarial gain on employee benefits						2 116 968
Gain on disposal of non-current assets						767 000
Total revenue reconciling items						127 377 886
Entity's revenue						160 439 477
Expenditure						
Employee related costs	9 419 282	2 163 687	4 070 710	-	1 233 695	16 887 374
Depreciation and amortization	81 217	-	-	-	-	81 217
Finance costs	1 051 571	-	-	-	-	1 051 571
Bulk purchases	-	12 706 541	-	-	-	12 706 541
Contracted services	1 526 946	329 429	4 845	4 500	202 106	2 067 826
General Expenses	1 247 615	1 044 189	243 234	3 675	15 629	2 554 342
Total segment expenditure	13 326 631	16 243 846	4 318 789	8 175	1 451 430	35 348 871
Total segmental surplus/(deficit)	2 681 059	(1 149 444)	(3 457 400)	614 429	(975 924)	(2 287 280)

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48. Segment information (continued)
Non-segment expenditure

Employee related costs
Remuneration of councillors
Depreciation and amortisation
Finance costs
Lease rentals on operating lease
Debt impairment
Contracted services
Transfers and Subsidies
General expenses
Loss on derecognition of non-current assets
Total revenue reconciling items

Entity's surplus for the period

Assets

Receivables from exchange transactions
Property, plant and equipment
Intangible assets

Total segment assets

Cash and cash equivalents
Receivables from non exchange transactions
Receivables from exchange transactions
Vat
Heritage assets
Intangible assets
Investment property
Property, plant and equipment

Total assets as per Statement of financial Position

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
						(32 056 117)
						(5 492 670)
						(29 125 037)
						(1 717 222)
						(246 298)
						(5 205 951)
						(4 781 863)
						(149 450)
						(12 992 597)
						(1 059 466)
						127 377 886
						32 263 935

432 930	3 044 493	-	-	-	3 477 423
2 081 272	4 461 817	18 905	-	-	6 561 994
75 000	-	-	-	-	75 000
2 589 202	7 506 310	18 905	-	-	10 114 417
					70 647 784
					3 994 326
					4 890 515
					716 535
					36 000
					301 161
					73 004 547
					278 130 518
					441 835 803

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48. Segment information (continued)

Liabilities

Trade and other payables from exchange transactions
Provisions

Total segment liabilities

Trade and other payables from exchange transactions
Unspent conditional grants and receipts
Vat payable
Provisions
Employee benefit obligation

Total liabilities as per Statement of financial Position

	Waste management services	Electrical Services	Traffic services	Halls and facilities	Town planning	Total
	(2 321 832)	(7 372 779)	(2 140 658)	8 957	(712 081)	(12 538 393)
	(20 227 233)	-	-	-	-	(20 227 233)
	(22 549 065)	(7 372 779)	(2 140 658)	8 957	(712 081)	(32 765 626)
						(34 717 094)
						(16 405 539)
						(1 861 721)
						(695 031)
						(15 880 278)
						(102 325 289)

The following corresponding figures are restated as per Note 46.

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48. Segment information (continued)

2023

	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Total
Revenue						
Revenue from exchange transactions						
Service Charges	4 320 681	9 580 300	-	-	-	13 900 981
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 on receivables	1 121 168	198 707	-	-	-	1 319 875
	-	-	-	-	-	-
Revenue from non-exchange transactions						
Government grants	-	573 991	-	500 000	-	1 073 991
Fines, penalties and forfeits	-	-	95 200	-	-	95 200
Donations	2 606 277	-	-	-	-	2 606 277
Total segment revenue	8 048 126	10 700 893	991 957	513 886	481 421	20 736 283
Non segment revenue						
Revenue from exchange transactions						
Interest on receivables						3 103
Other income						255 407
Interest on short-term investments						1 959 401
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 on receivables						6 222 702
Gain on disposal of assets						150 691
Debt forgiveness						417 692
Actuarial gain / (loss) on employment benefits						332 945
Total revenue reconciling items						133 715 571

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48. Segment information (continued)

Entity's revenue

	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Total
						154 451 854
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 cost	720 802	-	-	-	-	720 802
Lease rentals on operating lease	-	-	-	21 734	-	21 734
Debt impairment	2 159 279	-	95 200	-	-	2 254 479
Bulk purchases	-	11 474 250	-	-	-	11 474 250
Contracted services	511 105	187 048	7 929	30 661	-	736 743
General expenses	1 423 232	532 632	159 029	4 002 880	33 558	6 151 331
Actuarial loss on landfill site provision	624 802	-	-	-	-	624 802
Total segment expenditure	15 666 561	12 795 590	2 259 709	4 055 275	1 440 694	36 217 829
Total segmental deficit	(7 618 435)	(2 094 697)	(1 267 752)	(3 541 389)	(959 273)	(15 481 546)
Total revenue reconciling items						133 715 571
Employee related costs						(30 522 188)
Remuneration of councillors						(4 964 892)
Depreciation and amortization						(15 189 420)
Finance costs						(1 679 368)
Lease rentals on operating lease						(269 533)
Debt impairment						(9 135 071)
Contracted services						(4 402 403)
Transfers and subsidies						(156 451)
General expenses						(10 120 939)
Loss on derecognition of assets						(64 978)
Total revenue reconciling items						41 728 782
Entity's surplus (deficit) for the period						

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48. Segment information (continued)

Assets
Receivables from exchange transactions
Property, plant and equipment

Total segment assets

Cash and cash equivalents
Statutory receivables
Receivables from exchange transactions
VAT receivable
Heritage assets
Intangible assets
Investment property
Property, plant and equipment

Total assets as per Statement of financial Position

Liabilities

Payables from exchange transactions
Unspent conditional grants and receipts
Provisions

Total segment liabilities

Unspent conditional grants
Payables from exchange transactions
Provisions
Employee benefit obligation
Vat payable

Total liabilities as per Statement of financial Position

Measurement of segment surplus or deficit, assets and liabilities

	Waste management services	Electrical Services	Traffic Services	Halls and facilities	Town planning	Total
2 232 116	720 860	-	-	-	-	2 952 976
3 747 552	499 123	-	349 363	-	-	4 596 038
5 979 668	1 219 983	-	349 363	-	-	7 549 014
Cash and cash equivalents						33 547 240
Statutory receivables						8 920 595
Receivables from exchange transactions						3 484 471
VAT receivable						430 743
Heritage assets						36 000
Intangible assets						26 402
Investment property						74 600 548
Property, plant and equipment						272 583 602
Total assets as per Statement of financial Position						401 178 615
Payables from exchange transactions	-	5 200	(218 012)	-	770	(212 042)
Unspent conditional grants and receipts	-	(159 010)	-	-	-	(159 010)
Provisions	(21 592 843)	-	-	-	-	(21 592 843)
Total segment liabilities	(21 592 843)	(153 810)	(218 012)	-	770	(21 963 895)
Unspent conditional grants						(2 104 147)
Payables from exchange transactions						(50 097 834)
Provisions						(780 000)
Employee benefit obligation						(16 354 388)
Vat payable						(2 631 770)
Total liabilities as per Statement of financial Position						(93 932 034)

Great Kei Local Municipality

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48. 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.

Great Kei Local Municipality

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49. 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

49.1 Service Charges – 38% : There was a huge reduction in revenue for refuse removal and was due to write off of this service from the debt incentive scheme and council approved write off on RDP properties.

49.2 Rental of facilities and equipment – 28%: Revenue for this line item has increased due to Department of Social Development payment for long outstanding rental of office space.

49.3 : Interest on short term investments - 266%:Actual amounts is far greater than budgeted amount, this is due to positive balances and investments.

49.4 Other Income – 75%: Estimate budget is more than actual, This is due to a decrease in revenue line items such as reconnections fees and building plans approval fees.

49.5 Interest on receivables (exchange) - 51% :Actual amounts is less than budgeted amount, this is due to an implementation of debt collection policy.

49.6 Property Rates - 38% : There was a slight reduction in revenue for property and was due to the implementation of supplementary valuations during the current year.

49.7 Government grants and subsidies – 23% : Actual amounts is less than budgeted , this is due to unspent amount on Municipal Disaster Recovery Grant and delays on EC – Department of Transport Infrastructure Grant.

49.8 Public Contributions and donations – 100% : Revenue on this line item was not budgeted for, The donations consist of service delivery assets for solid waste management.

49.9 Fines, Penalties and Forfeits – 97%: Revenue on this line item was less than what was anticipated, this is due to a shortage of staff. However additional traffic officers were appointed in quarter 3.

49.10 Debt forgiveness – 100%: This line items was not budgeted for, and this was revenue in kind through a write-off of interests after an Auditor General and South African Revenue Services accounts were paid in full.

Expenditure

49.11 Finance Costs – 57%: 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 actuarial provision on landfill site year end.

49.12 Lease rentals – : This line item is budgeted for under general expenditure.

49.13 Debt Impairment - 39% : Actual amount is less than budgeted on this line item, due to the anticipated debt incentive scheme write off.

49.14 Contracted Services – 35%: Underspending was caused by implementation of cost containment measures.

49.15 General Expenses – 46%: Underspending was due to implementation of cost containment measures.

49.16 Gain on disposal of assets – 100% : This line item was not budgeted for as the council approval for disposal was in June 2024.

49.17 Actuarial gain on employee benefit provision obligations – 100% : This line item was not budgeted for since the actuarial report is received year-end.

Great Kei Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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49. Budget differences (continued)

49.18 Actuarial gain on Landfill site provision – 100% : This line item was not budgeted for since the actuarial report is received at year-end.

49.19 Derecognition of non-current assets – 100%: This line item was not budgeted for as the council approval for disposal was in June 2024.

Statement of Financial Position

Assets

Current Assets

49.20 Inventories -100%: The municipality did not procure any inventories in during the current year.

49.21 Receivables from exchange transactions – 53% : Actual is less than budgeted due to strict debt collection processes and with the addition of the debt incentive scheme.

49.22 Receivables from non-exchange transactions – 88% : Actual is less than budgeted due to strict debt collection processes and with the addition of the debt incentive scheme.

49.23 Vat Receivable – 74%: Budget for this line item is high, an anticipation was that additional refunds will be received as at end June.

49.24 Other Current Assets – 100% : There was no movement on this line item during the current year.

49.25 Cash & Cash Equivalents – 21%: The variance is more than 21% when comparing budget, this is due to cost containment measures, additional grants as well as an increase in VAT refunds and the implementation of the debt collection policy.

Non-Current Assets

49.26 Intangible Assets – 15%: Additional intangible assets have been purchased during the year.

49.27 Heritage Assets – 100%: There was no movement on heritage assets during the current year.

Current Liabilities

49.28 Payables from exchange transactions – 474% : Actual is far more than budgeted due to unexpected creditors raised during the current financial year.

49.29 Vat Payable – 100% : This item was budgeted for under VAT receivable.

49.30 Consumer deposits -100%: There was no movement on this line item during the current year.

49.31 Employee benefit obligation 100% - : This item is budgeted for under provisions on A Schedule. Movement is only effective on year-end journals.

49.32 Unspent conditional grants –100% the municipality did not budget for unspent conditional grants because it envisaged that all conditional grants will be spent in full in 2023/2024.

49.33 Provisions include the following since A Schedule does not have a split: - Landfill site current portion provision – budget; Employee benefit obligation current portion provision; Legal Fees provision , therefore, the budget estimate was higher than actual.

Cash Flow Statement

Cash Flow from operating activities

Great Kei Local Municipality

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49. Budget differences (continued)

Receipts

49.34 Rates & Services – 23%: 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.

49.35 Interest Income – 1724%: Actual amounts is far greater than budgeted amount, this is due to positive balances and investments

49.36 Other receipt – 46% : Other receipts have increased due to receipts from Department of Social Development for outstanding rental fees over several years
Payments

49.37 Employee Costs & Suppliers: Are budgeted for under one item on A7 of Schedule A .

49.38 Finance Cost – 888% : 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 landfill site.

Cashflows from investing activities

49.39 Purchase of property plant and equipment: 55% - An anticipation that additional funding for capital grants will be utilised during the year, under performance is due to slow movement on capital projects funded by Department of Transport and Municipal Disaster Management Grant ..

49.40 Purchase of other intangible assets – This line item is budgeted for under Capital assets on A7 of Schedule A.

49.41 Proceeds from insurance on Property, plant & equipment – This line item is budgeted for under Proceeds on disposal of PPE on A7 of Schedule A.

49.42 Proceeds from sale of non-current assets -76%: Actual is less than budgeted this is due to slowing paying debtors on Land disposal debtor

50. Accounting by principals and agents

Municipality acting as the agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R298 743 - (2023: R298 460).

Department of Transport (EC):

The municipality acts as agent for the Department of Transport (EC), where it collects monies for motor vehicle licences on behalf of Department of Transport (EC).

Municipality acting as the principal

Fee paid

Prepaid Electricity Sales	6 851 263	5 924 606
Fee paid as commission to the agent	231 885	187 048

Great Kei Local Municipality paid commission from 0.20% - 2.75% to Ontec for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

Great Kei Local Municipality

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51. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R339 510 514 and that the municipality's total assets exceed its liabilities by R339 510 514.

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.

52. Events after the reporting date

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