Raymond Mhlaba Local Municipality

Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality. The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Nkonkobe and Nxuba Municipalities as per section 21 of the Local Government Municipal Demarcation Board. The Raymond Mhlaba Local Municipality was subsequently established by the amalgamation of Nkonkobe Local Municipality and Nxuba Local Municipality. Operations in the Raymond Mhlaba Local Municipality commenced on 6 August 2016.
Nature of business and principal activities	Raymond Mhlaba Local Municipality (EC 129) performs the functions as set out in the Constitution.

Mayoral committee

Honorable Mayor	Nomhle Beauty Sango
	Thozama Ngaye (Speaker)
	Nonkazimlo Primrose Mlamla (Chief Whip)
	Bukelwa Sharon Tyhali (Potfolio head: Corporate Services)
	Sithembele Michael Zuka (Portfolio Head: Engineering)
	Sinethemba Mjakuca (Portfolio Head: Finance)
	Elton Bantam (Portfolio Head: Community Service)
	Portia Sabane (Portfolio Head: Sports, Arts and Culture)
	Zingiswa Modelia Rasmeni (Portfolio Head: Strategic Planning & LED)
	Ernest Lombard (EXCO (PR Councillor)
	Mhlangabezi Nombombo (EXCO (PR Councillor)
	Cllr. Zikhona Tyali (MPAC Chairperson)
	Cllr Millicent Qawu (Chaiperson - Womens Caucus
	Cllr Unathi Ngcume (Chairperson - Petitions)
	Cllr Xolani Dyantyi (Chairperson - Ethics Commitee)
	Cllr Primrose Nosipho Ruselo (Ward 1)
	Cllr Mzimkhulu Matayo (Ward 2)
	Cllr Sinovuyo Kley (Ward 3)
	Cllr Xolani Dyantyi (Ward 4)
	Cllr Masixole Tsotsa (Ward 5)
	Cllr Unathi Ngcume (Ward 6)
	Cllr Kwanele Siduli (Ward 7)
	Cllr Evelyn Nompucuko Zizi (Ward 8)
	Cllr Nkuthalo Gideon Quilie (Ward 9)
	Cllr Simon Justice Xego (Ward 10)
	Cllr Luxolo Nqala (Ward 11)
	Cllr Mthetheleli Gqokro (Ward 12)
	Cllr Sindiswa Magxwalisa (Ward 13)
	Cllr Songezo Mashenqana (Ward 14)

General Information

	Cllr Ntombomzi Klaas (Ward 15) Cllr Monwabisi Moses Zamo (Ward 16) Cllr Liziwe Faith Matyolo (Ward 17) Cllr Thobeka Priscilla Mjo (Ward 18) Cllr Sindiswa Cynthia Tokwe (Ward 19) Cllr Zikhona Nandipa Lento (Ward 20) Cllr Masixole Jonathan Tukani (Ward 21) Cllr Nolizwi Nomacwerha Yanta (Ward 22) Cllr Mpho Mahleza (Ward 23) Cllr Zikhona Tyali (PR Councillor) Cllr Nolusindiso Brenda Hans (PR Councillor) Cllr Cecelia Anne Auld (PR Councillor) Cllr Kayalethu Baliso (PR Councillor) Cllr Deon Piet Mandeka (PR Councillor) Cllr Lindile Theophilus Ntengu (PR Councillor) Cllr Patricia Ntengu (PR Councillor) Cllr Elton Bantam (PR Councillor) Cllr Milicent Nonkoliseko Qawu (PR Councillor) Cllr Xoliswa Victoria Vusani (PR Councillor) Cllr Theophilus Ngethu (PR Councillor) Cllr Kwanele Tito (PR Councillor)
Accounting Officer	Ms Unathi Malinzi
Chief Finance Officer (CFO)	Mr Mveleli Ngxowa
Registered office	8 Somerset Street Fort Beaufort 5720
Postal address	P.O Box 36 Fort Beaufort 5720
Bankers	ABSA
Auditors	Office of the Auditor General (EC) Registered Auditors
Attorneys	Lionel Trichardt & Associates A A Solwandle Attorneys Inc. NT Vuba Incorporated Smith Tabata Attorneys Siya Cockile Inc. Kirchmanns Inc. Gravett Schoeman Inc. Ntsiki-Pakade Attorneys
Preparer	The annual financial statements were internally compiled by: Budget and Treasury Office (BTO)

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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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that she 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 year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements 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 on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2023 and were signed on its behalf by:

Ms. Unathi Malinzi
Municipal Manager

Raymond Mhlaba Local Municipality
(Registration number EC129)
Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	181 602 137	133 649 784
Receivables from non-exchange transactions	4	206 251 028	125 631 218
VAT receivable	5	35 994 415	47 214 507
Cash and cash equivalents	6	7 973 419	16 057 681
		431 820 999	**322 553 190**
Non-Current Assets			
Investment property	7	20 671 700	19 720 850
Property, plant and equipment	8	776 934 321	743 446 421
Intangible assets	9	444 300	961 846
Heritage assets	10	70 000	70 000
		798 120 321	**764 199 117**
Total Assets		**1 229 941 320**	**1 086 752 307**
Liabilities			
Current Liabilities			
Payables from non exchange transactions	11	1 672 174	9 294 024
Payables from exchange transactions	12	466 380 054	456 091 453
Employee benefit obligation	13	25 023 599	23 051 127
Finance lease obligation	14	208 815	444 517
Unspent conditional grants and receipts	15	1 107 038	1 113 375
Provisions	16	23 422 573	14 447 634
		517 814 253	**504 442 130**
Non-Current Liabilities			
Employee benefit obligation	13	44 459 000	39 803 000
Finance lease obligation	14	-	208 815
Provisions	16	48 893 073	48 893 073
		93 352 073	**88 904 888**
Total Liabilities		**611 166 326**	**593 347 018**
Net Assets		**618 774 994**	**493 405 289**
Accumulated surplus		618 774 994	493 405 289
Total Net Assets		**618 774 994**	**493 405 289**

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	114 546 474	111 699 029
Rental of facilities and equipment	19	806 563	580 288
Interest received - receivables from exchange transactions		16 261 520	11 646 351
Licences and permits	20	709 933	-
Commissions received		4 667 674	4 744 229
Discount received		11 540 891	2 703 701
Other income	22	1 298 919	8 419 010
Interest received - investment	23	2 465 640	1 955 766
Total revenue from exchange transactions		**152 297 614**	**141 748 374**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	107 715 326	95 847 291
Transfer revenue			
Government grants & subsidies	25	271 619 803	239 354 285
Public contributions and donations	26	5 183 885	-
Fines, Penalties and Forfeits	27	371 570	140 778
Interest - Property rates	28	20 815 336	25 901 792
Total revenue from non-exchange transactions		**405 705 920**	**361 244 146**
Total revenue	17	**558 003 534**	**502 992 520**
Expenditure			
Employee related costs	29	(208 967 718)	(204 341 166)
Remuneration of councillors	30	(18 842 244)	(18 311 510)
Depreciation and amortisation	31	(23 356 255)	(29 867 677)
Finance costs	32	(29 338 110)	(21 373 750)
Debt Impairment	33	9 363 307	97 508 351
Bulk purchases	34	(78 604 822)	(81 615 368)
Contracted services	35	(16 161 925)	(54 901 575)
Transfers and Subsidies	36	(2 865 790)	(2 509 425)
General Expenses	37	(65 055 683)	(55 115 378)
Total expenditure		**(433 829 240)**	**(370 527 498)**
Operating surplus		**124 174 294**	**132 465 022**
Fair value adjustments	38	1 062 150	752 979
Actuarial gains/losses	13	2 887 521	(2 807 311)
Impairment loss	39	(2 584 505)	(643 900)
Loss on non-current assets held for sale or disposal groups		(169 755)	(2 509 069)
		1 195 411	**(5 207 301)**
Surplus for the year		**125 369 705**	**127 257 721**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	203 842 935	203 842 935
Adjustments		
Prior year adjustments 44	162 304 633	162 304 633
Balance at 01 July 2021 as restated*	**366 147 568**	**366 147 568**
Changes in net assets		
Surplus for the year	127 257 721	127 257 721
Total changes	127 257 721	127 257 721
Restated* Balance at 01 July 2022	**493 405 289**	**493 405 289**
Changes in net assets		
Surplus for the year	125 369 705	125 369 705
Total changes	125 369 705	125 369 705
Balance at 30 June 2023	**618 774 994**	**618 774 994**

Note(s)

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Taxation		72 937 146	62 764 297
Sale of goods and services		67 161 356	63 069 970
Grants		274 289 382	224 321 756
Interest income		2 465 640	1 955 766
Other receipts		16 485 700	43 543 854
		433 339 224	395 655 643
Payments			
Employee costs		(221 466 243)	(224 091 814)
Suppliers		(139 203 385)	(102 736 966)
Finance costs		(26 165 836)	(17 075 418)
Grants and subsidies		(2 865 791)	(2 509 425)
		(389 701 255)	(346 413 623)
Net cash flows from operating activities	41	**43 637 969**	**49 242 020**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(51 277 714)	(50 883 584)
Proceeds from sale of property, plant and equipment	8	-	5 994 020
Net cash flows from investing activities		**(51 277 714)**	**(44 889 564)**
Cash flows from financing activities			
Finance lease payments		(444 517)	(4 957 964)
Net increase/(decrease) in cash and cash equivalents		**(8 084 262)**	**(605 508)**
Cash and cash equivalents at the beginning of the year		16 057 681	16 663 189
Cash and cash equivalents at the end of the year	6	**7 973 419**	**16 057 681**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	85 008 000	9 618 000	**94 626 000**	114 546 474	**19 920 474**	refer to note 59
Rental of facilities and equipment	350 000	-	**350 000**	806 563	**456 563**	refer to note 59
Interest received (trading)	8 300 000	6 700 000	**15 000 000**	16 261 520	**1 261 520**	refer to note 59
Licences and permits	5 700 000	1 000 000	**6 700 000**	709 933	**(5 990 067)**	refer to note 59
Commissions received	-	-	**-**	4 667 674	**4 667 674**	refer to note 59
Discount received	-	-	**-**	11 540 891	**11 540 891**	
Sale of goods and rendering of services	600 000	-	**600 000**	-	**(600 000)**	refer to note 59
Other income - (rollup)	2 380 000	16 200 000	**18 580 000**	1 298 919	**(17 281 081)**	refer to note 59
Interest received - investment	-	2 100 000	**2 100 000**	2 465 640	**365 640**	refer to note 59
Total revenue from exchange transactions	**102 338 000**	**35 618 000**	**137 956 000**	**152 297 614**	**14 341 614**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	116 761 000	(10 000 000)	**106 761 000**	107 715 326	**954 326**	refer to note 59
Transfer revenue						
Government grants & subsidies	258 290 850	11 363 000	**269 653 850**	271 619 803	**1 965 953**	refer to note 59
Public contributions and donations	-	-	**-**	5 183 885	**5 183 885**	refer to note 59
Fines, Penalties and Forfeits	180 000	-	**180 000**	371 570	**191 570**	refer to note 59
Interest - Transfer revenue	15 100 000	4 000 000	**19 100 000**	20 815 336	**1 715 336**	refer to note 59
Total revenue from non-exchange transactions	**390 331 850**	**5 363 000**	**395 694 850**	**405 705 920**	**10 011 070**	
Total revenue	**492 669 850**	**40 981 000**	**533 650 850**	**558 003 534**	**24 352 684**	
Expenditure						
Personnel	(192 002 284)	(14 000)	**(192 016 284)**	(208 967 718)	**(16 951 434)**	refer to note 59
Remuneration of councillors	(18 358 570)	(917 927)	**(19 276 497)**	(18 842 244)	**434 253**	refer to note 59
Depreciation and amortisation	(26 704 522)	(4 000 000)	**(30 704 522)**	(23 356 255)	**7 348 267**	refer to note 59
Impairment loss/ Reversal of impairments	-	-	**-**	(2 584 505)	**(2 584 505)**	refer to note 59
Finance costs	(5 420 000)	(18 000 000)	**(23 420 000)**	(29 338 110)	**(5 918 110)**	refer to note 59
Debt Impairment	(16 380 589)	(52 379 211)	**(68 759 800)**	9 363 307	**78 123 107**	refer to note 59
Bulk purchases	(80 000 000)	(3 000 000)	**(83 000 000)**	(78 604 822)	**4 395 178**	refer to note 59
Contracted Services	(18 960 000)	(10 102 563)	**(29 062 563)**	(16 161 925)	**12 900 638**	refer to note 59
Transfers and Subsidies	(2 500 000)	-	**(2 500 000)**	(2 865 790)	**(365 790)**	refer to note 59
General Expenses	(23 491 534)	(11 224 906)	**(34 716 440)**	(65 055 683)	**(30 339 243)**	refer to note 59
Total expenditure	**(383 817 499)**	**(99 638 607)**	**(483 456 106)**	**(436 413 745)**	**47 042 361**	
Operating surplus	**108 852 351**	**(58 657 607)**	**50 194 744**	**121 589 789**	**71 395 045**	
Fair value adjustments	-	-	**-**	1 062 150	**1 062 150**	refer to note 59

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	-	2 887 521	**2 887 521**	refer to note 59
Loss on non-current assets held for sale or disposal groups	-	-	-	(169 755)	**(169 755)**	refer to note 59
	-	**-**	**-**	**3 779 916**	**3 779 916**	
Surplus before taxation	**108 852 351**	**(58 657 607)**	**50 194 744**	**125 369 705**	**75 174 961**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**108 852 351**	**(58 657 607)**	**50 194 744**	**125 369 705**	**75 174 961**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	(156 474)	**(156 474)**	-	**156 474**	refer to note 59
Receivables from non-exchange transactions	11 000 000	23 675 097	**34 675 097**	206 251 028	**171 575 931**	refer to note 59
VAT receivable	42 233 000	8 001 611	**50 234 611**	13 917 756	**(36 316 855)**	refer to note 59
Trade and other receivables from exchnage transactions	46 704 522	(33 976 902)	**12 727 620**	181 602 137	**168 874 517**	refer to note 59
Cash and cash equivalents	11 242 244	(29 094 006)	**(17 851 762)**	7 973 419	**25 825 181**	refer to note 59
	111 179 766	**(31 550 674)**	**79 629 092**	**409 744 340**	**330 115 248**	
Non-Current Assets						
Investment property	77 854 848	(58 633 998)	**19 220 850**	20 671 700	**1 450 850**	refer to note 59
Property, plant and equipment	717 838 635	80 418 256	**798 256 891**	776 934 321	**(21 322 570)**	
Intangible assets	1 642 230	263 093	**1 905 323**	444 300	**(1 461 023)**	refer to note 59
Heritage assets	70 000	-	**70 000**	70 000	**-**	
	797 405 713	**22 047 351**	**819 453 064**	**798 120 321**	**(21 332 743)**	
Total Assets	**908 585 479**	**(9 503 323)**	**899 082 156**	**1 207 864 661**	**308 782 505**	
Liabilities						
Current Liabilities						
Payables from non exchange transactions	-	-	**-**	1 672 174	**1 672 174**	
Finance lease obligation	1 550 000	(1 105 483)	**444 517**	208 815	**(235 702)**	refer to note 59
Payables from exchange transactions	272 582 787	172 963 483	**445 546 270**	466 380 054	**20 833 784**	refer to note 59
VAT payable	-	18 281 367	**18 281 367**	(22 076 659)	**(40 358 026)**	refer to note 59
Consumer deposits	3 096 618	(234 161)	**2 862 457**	-	**(2 862 457)**	refer to note 59
Employee benefit obligation	-	-	**-**	25 023 599	**25 023 599**	refer to note 59
Unspent conditional grants and receipts	(13 500 000)	14 613 375	**1 113 375**	1 107 038	**(6 337)**	refer to note 59
Provisions	13 439 070	22 262 691	**35 701 761**	23 422 573	**(12 279 188)**	refer to note 59
	277 168 475	**226 781 272**	**503 949 747**	**495 737 594**	**(8 212 153)**	
Non-Current Liabilities						
Finance lease obligation	5 169 570	(4 960 755)	**208 815**	-	**(208 815)**	refer to note 59
Employee benefit obligation	32 177 000	8 130 000	**40 307 000**	44 459 000	**4 152 000**	refer to note 59
Provisions	42 344 977	6 548 096	**48 893 073**	48 893 073	**-**	refer to note 59
	79 691 547	**9 717 341**	**89 408 888**	**93 352 073**	**3 943 185**	
Total Liabilities	**356 860 022**	**236 498 613**	**593 358 635**	**589 089 667**	**(4 268 968)**	
Net Assets	**551 725 457**	**(246 001 936)**	**305 723 521**	**618 774 994**	**313 051 473**	

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reserves						
Accumulated surplus	551 725 457	(246 001 936)	**305 723 521**	618 774 994	**313 051 473**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	70 056 782	(12 021 720)	**58 035 062**	72 937 146	**14 902 084**	
Sale of goods and services	75 127 881	27 880 324	**103 008 205**	67 161 356	**(35 846 849)**	
Grants	258 291 000	(206 236 787)	**52 054 213**	274 289 382	**222 235 169**	
Interest income	-	-	**-**	2 465 640	**2 465 640**	
Other receipts	9 210 000	(2 360 500)	**6 849 500**	16 485 700	**9 636 200**	
	412 685 663	**(192 738 683)**	**219 946 980**	**433 339 224**	**213 392 244**	
Payments						
Employee costs and payments to suppliers	(332 742 388)	(54 283 465)	**(387 025 853)**	(360 669 628)	**26 356 225**	
Finance costs	(2 000 000)	(21 420 000)	**(23 420 000)**	(26 165 836)	**(2 745 836)**	
Transfers and subsidies	(13 500 000)	13 423 000	**(77 000)**	(2 865 791)	**(2 788 791)**	
	(348 242 388)	**(62 280 465)**	**(410 522 853)**	**(389 701 255)**	**20 821 598**	
Net cash flows from operating activities	**64 443 275**	**(255 019 148)**	**(190 575 873)**	**43 637 969**	**234 213 842**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(44 105 850)	(9 774 386)	**(53 880 236)**	(51 277 714)	**2 602 522**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(444 517)	**(444 517)**	.
Net increase/(decrease) in cash and cash equivalents	20 337 425	(264 793 534)	**(244 456 109)**	(8 084 262)	**236 371 847**	
Cash and cash equivalents at the beginning of the year	-	-	**-**	16 087 714	**16 087 714**	
Cash and cash equivalents at the end of the year	**20 337 425**	**(264 793 534)**	**(244 456 109)**	**8 003 452**	**252 459 561**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Significant account policies

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

1.1 Basis of preparations

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

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

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 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors i.e. production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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 follow [State key judgements and assumptions made]

Additional information is disclosed in Note .

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 follow [State key judgements and assumptions made]

Additional information is disclosed in Note .

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 55.

Impairment of statutory receivables

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

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 municipality 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 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.

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.

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.

Accounting Policies

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

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

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

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

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	17 - 100
Roads stormwater	Straight-line	7 - 100
Electricity infrastructure	Straight-line	11 - 122
Solid waste infrastructure	Straight-line	8 - 72
Park facilities	Straight-line	24 - 125
Computer equipment - leased	Straight-line	2 - 5
Plant and machinery - leased	Straight-line	3
Motor vehicles - leased	Straight-line	3
Plant and machinery	Straight-line	2 - 23
Motor vehicles	Straight-line	6 - 18
Computer equipment	Straight-line	4 - 18
Furniture and office equipment	Straight-line	4 - 20
Landfill sites	Straight-line	10 - 92

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.

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

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

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

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

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

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

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

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

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.

Accounting Policies

1.9 Intangible assets (continued)

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	3

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

1.10 Heritage assets

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

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

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

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

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

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

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

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

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).

1.10 Heritage assets (continued)

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 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.

Accounting Policies

1.11 Financial instruments (continued)

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 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 amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

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:

Class	Category
Raymond Mhlaba Economic Development Agency	Measured at cost

1.12 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.

1.12 Statutory receivables (continued)

Subsequent measurement

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

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

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.

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, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

Accounting Policies

1.12 Statutory receivables (continued)

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.13 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

Accounting Policies

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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 non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

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.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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 a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

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

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

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

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

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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

1.16 Employee benefits (continued)

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.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects 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 obligation.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity’s own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Accounting Policies

1.16 Employee benefits (continued)

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.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

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

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

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

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

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

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

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

Accounting Policies

1.16 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.

Other post retirement obligations

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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.

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 56.

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

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

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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

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

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

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

1.18 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.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.19 Revenue from exchange transactions

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

1.19 Revenue from exchange transactions (continued)

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

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

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

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

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.20 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.

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.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

Identification

Accounting Policies

1.23 Accounting by principals and agents (continued)

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

Accounting Policies

1.25 Unauthorised expenditure

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 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.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity’s financial statements.

1.29 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.

Accounting Policies

1.29 Budget information (continued)

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

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

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

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

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

1.30 Related parties

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

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

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

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

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

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 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.

Accounting Policies

1.31 Events after reporting date (continued)

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.

1.32 Payables from non-exchange transactions (Principal - Agent)

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

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).

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 the 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.

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 shall re-assess whether they act as a principal or an agent in accordance with this Standard.

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 an entity 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 od 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 an entity is an agent. Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

Where the Municipality acts as an agent, it 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 other Standards of GRAP

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

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

3. Receivables from exchange transactions

	2023	2022
Gross balances		
Electricity	58 622 140	43 685 903
Eskom deposits	14 848 552	14 228 565
Eskom trust account	5 000 000	5 000 000
Accrued interest	232 319	35 501
Refuse	165 311 792	125 860 385
Interest on arreas	160 090 024	151 700 549
Sundry receivables	1 201 188	1 693 625
Other receivables	3 735 102	2 846 053
	409 041 117	**345 050 581**
Less: Allowance for impairment		
Electricity	(9 989 605)	(10 392 923)
Refuse	(114 728 228)	(105 328 700)
Interest on arrears	(100 369 808)	(93 275 121)
Other receivables	(2 351 339)	(2 404 053)
	(227 438 980)	**(211 400 797)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Receivables from exchange transactions (continued)

Net balance		
Electricity	48 632 535	33 292 980
Eskom deposits	14 848 552	14 228 565
Eskom trust account	5 000 000	5 000 000
Accrued interest	232 319	35 501
Refuse	50 583 564	20 531 685
Interest on Arrears	59 720 216	58 425 428
Sundry debtors	1 201 188	1 693 625
Other receivables	1 383 763	442 000
	181 602 137	**133 649 784**

Electricity		
Current (0 -30 days)	5 260 673	4 569 385
31 - 60 days	2 286 381	2 488 366
61 - 90 days	3 031 324	1 916 767
> 90 days	41 002 811	34 711 386
	51 581 189	**43 685 904**

Refuse removal		
Current (0 -30 days)	2 314 462	1 582 161
31 - 60 days	2 174 044	1 439 808
61 - 90 days	2 126 303	1 401 390
> 90 days	113 380 495	105 553 853
	119 995 304	**109 977 212**

Other services		
Current (0 -30 days)	49 636	55 760
31 - 60 days	43 436	24 663
61 - 90 days	17 459	31 122
> 90 days	2 432 620	2 727 870
	2 543 151	**2 839 415**

Interest on arrears		
Current (0 -30 days)	5 940 238	3 473 193
31 - 60 days	3 478 868	2 098 538
61 - 90 days	2 098 538	3 255 222
> 90 days	146 647 620	141 511 519
	158 165 264	**150 338 472**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	9 398 179	2 214 923
31 - 60 days	6 085 006	2 313 766
61 - 90 days	5 706 410	2 310 225
> 90 days	355 765 341	167 524 580
	376 954 936	**174 363 494**
Industrial/ commercial		
Current (0 -30 days)	2 750 991	2 404 952
31 - 60 days	1 372 256	927 592
61 - 90 days	1 363 712	740 744
> 90 days	47 245 433	28 727 822
	52 732 392	**32 801 110**
National and provincial government		
Current (0 -30 days)	5 497 815	2 153 487
31 - 60 days	4 189 567	2 158 740
61 - 90 days	3 836 511	1 881 769
91 - 120 days	3 923 684	48 220 503
	17 447 577	**54 414 499**
Total		
Current (0 -30 days)	17 647 183	9 680 589
31 - 60 days	11 646 830	7 413 452
61 - 90 days	10 906 633	6 604 501
91 - 120 days	10 283 642	4 932 739
121 - 365 days	358 556 829	316 419 300
	409 041 117	345 050 581
Less: Allowance for impairment	(227 438 980)	(211 400 797)
	181 602 137	**133 649 784**
Reconciliation of allowance for impairment		
Balance at beginning of the year	277 810 289	240 406 020
Contributions to allowance	44 515 606	37 404 269
	322 325 895	**277 810 289**

The carrying value of receivables are in line with their fair value. A credit period of 30 days is granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate +1% is charged on overdue accounts.

The Eskom Deposists relates to connection deposits paid by the municipality to Eskom in areas where electricity services are obtained directly from Eskom (ie igh Mast Lights). The Eskom Trust Account relates to funds paid into a trust account of Ntsiki Pakade Attorneys during 2019/20 as bond security for legal matter against Eskom.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from non-exchange transactions

Sundry debtors	3 754 867	3 408 667
Rates	348 159 252	292 911 936
Accrued Interest	1 700	1 700
Allowance for impairement rates	(145 664 791)	(170 691 085)
	206 251 028	**125 631 218**

Ageing by customer type

Consumers		
0-30 days	1 813 808	2 492 650
31-60 days	1 552 368	2 370 274
61-90 days	1 516 752	2 348 717
> 90 days	138 431 186	155 761 054
	143 314 114	**162 972 695**

Industrial/ Commercial		
0-30 days	713 898	402 917
31- 60 days	400 873	190 250
61-90 days	379 040	175 004
>90 days	22 756 620	10 386 346
	24 250 431	**11 154 517**

National and Provincial Government		
0-30 days	2 089 991	845 774
31-60 days	1 784 132	844 870
61-90 days	1 783 554	844 870
> 90 days	170 178 561	117 570 405
	175 836 238	**120 105 919**

Totals		
0-30 days	-	3 741 341
31-60 days	-	3 405 394
61-90 days	-	3 368 591
> 90 days	-	283 717 805
	-	**294 233 131**

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

Opening balance	280 547 458	236 524 413
Provision for impairment	62 527 603	44 023 045
	343 075 061	**280 547 458**

5. VAT receivable

VAT	35 994 415	47 214 507

VAT [MFMA 125 (1)(c)]

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. VAT receivable (continued)

Opening balance	1 997 608	1 371 712
Amounts received during the year	(22 803 543)	(6 709 175)
AMounts claimed - current year	25 149 273	7 335 070
	4 343 338	**1 997 607**

Vat in suspense due to cash basis of accounting	31 711 860	45 216 900

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	926 589	6 920 231
Short-term deposits	7 046 830	9 137 450
	7 973 419	**16 057 681**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral	20 569	-

Account number 62026192336 held with First National Bank has been plaged as security against any amounts owed by the Municipality to the bank. As at 30 June 2023, the municipality owed the bank interest of R237.35 (**2022** : R0.00).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA BANK - Current account - 40 8171 6725	551 685	6 944 944	4 463 411	1 875 528	6 944 944	4 463 411
ABSA BANK - Current account - 23 6000 0012	10 696	69 568	12 896	32 943	69 568	12 896
FIRST NATIONAL BANK - Current account - 620 2619 2336	1 511 893	155 975	31 822	1 514 647	155 975	31 822
FIRST NATIONAL BANK - Current account - 516 4001 1783	902 039	232 728	603 787	904 816	232 728	603 787
ABSA BANK - Call account - 4100 703 849	46 822	45 152	11 518 498	46 822	45 152	11 518 498
ABSA BANK - Call account - 4098 967 806	3 050 438	6 264	-	2 083 750	6 264	-
ABSA BANK - Call account - 4099 150 636	956 611	17 364	-	956 611	17 364	-
ABSA BANK - Call account - 4101 692 679	61 865	3 083 880	-	61 865	3 083 880	-
ABSA BANK - Call account - 4103 567 036	736	5 526 519	-	736	5 526 519	-
ABSA BANK- Call account- 4104615163	495 701	-	-	495 701	-	-
Total	**7 588 486**	**16 082 394**	**16 630 414**	**7 973 419**	**16 082 394**	**16 630 414**

7. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 671 700	-	20 671 700	19 720 850	-	19 720 850

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	19 720 850	(111 300)	1 062 150	20 671 700

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	18 967 871	752 979	19 720 850

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.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Investment property (continued)

There are no work in progress balances to be reported on at the end of the period.

The fair value is based on the market value of the relevant property. The value is guided by the International Valuation Standards Committee in their definition of market value, as revised in 2000. This definition, which has been generally accepted by the South African property valuation profession reads as follows:
- Market value is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller in an arm's lenth transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 862 381	-	74 862 381	74 862 381	-	74 862 381
Buildings	54 245 267	(10 208 905)	44 036 362	54 245 267	(8 526 047)	45 719 220
Plant and machinery	43 889 135	(30 392 319)	13 496 816	41 367 085	(29 403 226)	11 963 859
Motor vehicles	11 384 902	(4 016 519)	7 368 383	9 134 902	(3 477 187)	5 657 715
Office equipment	4 449 052	(3 815 898)	633 154	4 440 452	(3 582 806)	857 646
IT equipment	5 233 835	(3 248 233)	1 985 602	3 798 475	(2 756 128)	1 042 347
Infrastructure	597 324 047	(173 459 508)	423 864 539	596 441 065	(158 187 966)	438 253 099
Community	151 384 361	(35 350 903)	116 033 458	142 227 422	(30 298 148)	111 929 274
Landfill site restoration asset	43 976 214	(19 501 440)	24 474 774	41 468 245	(18 318 404)	23 149 841
Work in progress	70 178 852	-	70 178 852	30 011 039	-	30 011 039
Total	**1 056 928 046**	**(279 993 725)**	**776 934 321**	**997 996 333**	**(254 549 912)**	**743 446 421**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment	Total
Land	74 862 381	-	-	-	-	-	-	74 862 381
Buildings	45 719 220	-	-	-	-	(1 207 263)	(475 595)	44 036 362
Plant and machinery	11 963 859	2 522 050	-	-	-	(989 093)	-	13 496 816
Motor vehicles	5 657 715	2 250 000	-	-	-	(539 332)	-	7 368 383
Office equipment	857 646	8 600	-	-	-	(233 092)	-	633 154
IT equipment	1 042 347	1 463 295	(8 901)	-	-	(511 139)	-	1 985 602
Infrastructure	438 253 099	1 018 099	(49 554)	-	-	(13 947 989)	(1 409 116)	423 864 539
Community	111 929 274	-	-	9 156 939	-	(4 352 962)	(699 793)	116 033 458
Landfill site restoration asset	23 149 841	-	-	-	2 507 969	(1 183 036)	-	24 474 774
Work in progress	30 011 039	49 324 752	-	(9 156 939)	-	-	-	70 178 852
	743 446 421	**56 586 796**	**(58 455)**	**-**	**2 507 969**	**(22 963 906)**	**(2 584 504)**	**776 934 321**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	74 862 381	-	-	-	-	-	74 862 381
Buildings	46 934 721	-	-	-	(1 215 501)	-	45 719 220
Plant and machinery	16 047 773	-	(2 922 265)	-	(1 161 649)	-	11 963 859
Motor vehicles	7 892 381	-	(1 485 620)	-	(749 046)	-	5 657 715
Office equipment	1 132 716	-	(6 191)	-	(268 879)	-	857 646
IT equipment	1 253 914	30 443	(58 057)	-	(183 953)	-	1 042 347
Infrastructure	348 592 719	10 200 063	(2 251 825)	101 560 169	(19 848 027)	-	438 253 099
Community	110 887 875	-	(1 779 131)	7 442 516	(4 621 986)	-	111 929 274
Landfill site restoration asset	24 713 136	-	-	-	(919 395)	(643 900)	23 149 841
Work in progress	93 752 817	45 260 907	-	(109 002 685)	-	-	30 011 039
	726 070 433	**55 491 413**	**(8 503 089)**	**-**	**(28 968 436)**	**(643 900)**	**743 446 421**

Assets subject to finance lease (Net carrying amount)

IT equipment	299 041	1 912 976

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	8 343 868	34 160 944

Notes to the Annual Financial Statements

8. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2023

	Preventative Maintenance	Corrective Maintenance		
	Total	Emergency	Total	Total
Buildings	-	271 415	271 415	271 415
Office equipment	-	31 542	31 542	31 542
Infrastructure	-	8 040 911	8 040 911	8 040 911
	-	**8 343 868**	**8 343 868**	**8 343 868**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Maintenance of property, plant and equipment by condition - 2022

	Preventative Maintenance	Corrective Maintenance		
	Total	Emergency	Total	Total
Buildings	-	1 159 285	1 159 285	1 159 285
Office equipment	-	1 807 272	1 807 272	1 807 272
Infrastructure	-	31 194 387	31 194 387	31 194 387
	-	**34 160 944**	**34 160 944**	**34 160 944**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Property, plant and equipment (continued)

Maintenance of property, plant and equipment by nature and type of expenditure - 2023

	Direct Costs Contracted services
Buildings	271 415
Office equipment	31 542
Infrastructure	8 040 911
	8 343 868

Maintenance of property, plant and equipment by nature and type of expenditure - 2022

	Direct Costs Contracted services
Buildings	1 159 285
Office equipment	1 807 272
Infrastructure	31 194 387
	34 160 944

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.

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 869 022	(1 424 722)	444 300	1 869 022	(907 176)	961 846

Notes to the Annual Financial Statements

9. Intangible assets (continued)

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	961 846	(517 546)	444 300

Notes to the Annual Financial Statements

9. Intangible assets (continued)

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	1 564 029	(602 183)	961 846

Pledged as security

There are no intangible assets pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Notes to the Annual Financial Statements

10. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	70 000	-	70 000	70 000	-	70 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Historical monuments	70 000	70 000

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	70 000	70 000

11. Payables from non-exchange transactions

Designated at fair value		
Department of Roads and Transport - Healdtown	1 672 174	9 294 024

Current liabilities		
Designated at fair value	1 672 174	9 294 024

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Payables from exchange transactions

Trade payables	403 869 183	384 808 251
Payments received in advanced	17 226 956	31 249 747
Retentions	3 619 082	3 838 424
Deposits received	2 971 429	2 862 457
Unallocated deposits	25 878 930	19 034 804
Other creditors	12 814 474	14 297 770
	466 380 054	**456 091 453**

13. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(69 482 599)	(62 854 127)

Current liabitlies		
Leave	18 418 920	16 740 858
Bonus	4 759 679	4 513 269
Long service award	1 297 000	1 293 000
Medical aid	548 000	504 000
	25 023 599	**23 051 127**

Non-current liabilities	(44 459 000)	(39 803 000)
Current liabilities	(25 023 599)	(23 051 127)
	(69 482 599)	**(62 854 127)**

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

Opening balance	32 687 000	25 178 000
Current portion	-	1 441 000
Benefits paid	(301 000)	(498 000)
Acturial loss / (gain)	(3 853 000)	3 970 000
Net expense recognised in the statement of financial performance	6 127 000	2 596 000
	34 660 000	**32 687 000**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Medical Benefits		
Current service cost	2 373 000	-
Interest cost	3 754 000	2 596 000
	6 127 000	**2 596 000**

Long Service Awards		
Opening balance	9 417 000	8 665 000
Benefits paid	(839 000)	(1 168 000)
Acturial loss / (gain)	885 000	(55 000)
Net expense recognised	2 181 000	1 975 000
	11 644 000	**9 417 000**

Net expense recognised in Statement of financial Performance - Long service awards

Current service cost	1 245 000	1 230 000
Interest cost	936 000	745 000
	2 181 000	**1 975 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rate	11,57 %	10,41 %
Health care cost inflation rate	8,18 %	7,02 %
Net effective discount rate	3,13 %	3,17 %
Maximum subsidy inflation rate	5,76 %	4,89 %
Net of maximum subsidy inflation discount rate	5,49 %	5,26 %

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	2 747 000	3 084 000
Effect on defined benefit obligation	11 036 000	12 306 000

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	34 660 000	32 687 000	25 178 000	22 674 000	16 828 356

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Finance lease obligation

Minimum lease payments due		
- within one year	217 877	522 905
- in second to fifth year inclusive	-	217 877
	217 877	740 782
less: future finance charges	(9 061)	(87 450)
Present value of minimum lease payments	**208 816**	**653 332**

Non-current liabilities	-	208 815
Current liabilities	208 815	444 517
	208 815	**653 332**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Alien Plant Grant	62 820	69 282
Integrated National Electrification Grant	125	-
Housing Disaster Grant	9 474	9 474
Quarry Mining Grant	102 563	102 563
Greening and Beautification Grant	707 664	707 664
Mining Projects Grant	77 000	77 000
Middledrift Spatial Development Grant	147 392	147 392
	1 107 038	**1 113 375**

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

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

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

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

Figures in Rand	2023	2022

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	63 340 707	8 974 939	72 315 646

Reconciliation of provisions - 2022

	Opening Balance	Additions	Interest cost	Total
Environmental rehabilitation	55 144 091	3 868 283	4 328 333	63 340 707

	2023	2022
Non-current liabilities	48 893 073	48 893 073
Current liabilities	23 422 573	14 447 634
	72 315 646	**63 340 707**

Environmental rehabilitation provision

The timing of the outflow of resources relating to this provision is uncertain but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the as indicated below.

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 7.8% (2021 - 3.32%) during the year.

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

The total obligation at period-end can be attributed to the following sites:.

	2023	2022
Alice - expected closure year 2050	30 155 143	25 393 834
Middledrift - expected closure year 2100	21 168 038	6 475 954
Seymour - expected closure year 2028	-	5 474 406
Adelaide - expected closure year 2018	-	14 447 634
Bedford - expected closure year 2031	20 992 466	11 548 880
	72 315 647	**63 340 708**

17. Revenue

	2023	2022
Service charges	114 546 474	111 699 029
Rental of facilities and equipment	806 563	580 288
Interest received (trading)	16 261 520	11 646 351
Licences and permits	709 933	-
Commissions received	4 667 674	4 744 229
Discount received	11 540 891	2 703 701
Other income	1 298 919	8 419 010
Interest received - investment	2 465 640	1 955 766
Property rates	107 715 326	95 847 291
Interest - Property rates	20 815 336	25 901 792
Government grants & subsidies	271 619 803	239 354 285
Public contributions and donations	5 183 885	-
Fines, Penalties and Forfeits	371 570	140 778
	558 003 534	**502 992 520**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	114 546 474	111 699 029
Rental of facilities and equipment	806 563	580 288
Interest received (trading)	16 261 520	11 646 351
Licences and permits	709 933	-
Commissions received	4 667 674	4 744 229
Discount received	11 540 891	2 703 701
Other income	1 298 919	8 419 010
Interest received - investment	2 465 640	1 955 766
	152 297 614	**141 748 374**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	107 715 326	95 847 291
Interest - Property rates	20 815 336	25 901 792
Transfer revenue		
Government grants & subsidies	271 619 803	239 354 285
Public contributions and donations	5 183 885	-
Fines, Penalties and Forfeits	371 570	140 778
	405 705 920	**361 244 146**

18. Service charges

Sale of electricity	74 875 419	72 142 901
Refuse removal	37 981 281	38 076 306
Availability charge	1 689 774	1 479 822
	114 546 474	**111 699 029**

19. Rental of facilities and equipment

Premises		
Venue hire	806 563	580 288

20. Licences and permits

Road and Transport	709 933	-

21. Other revenue

Commissions received	4 667 674	4 744 229
Discount received	11 540 891	2 703 701
Other income	1 298 919	8 419 010
	17 507 484	**15 866 940**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Other income

Collection charges	137 087	2 466 296
Skills development levy refund	459 524	261 972
Clearance fees	20 057	74 669
Incidental cash surplus	-	12 469
Insurance refund	(6 637)	6 637
Building plan fees	420 140	241 052
Cemetary and burial	89 750	102 358
Valuation services	42 573	144 963
Tender fees	120 960	99 078
Sale of goods and services	15 465	-
Unallocated deposits recognised as revenue	-	5 009 516
	1 298 919	**8 419 010**

23. Investment revenue

Interest revenue

Bank	2 465 640	1 955 766

24. Property rates

Rates received

Residential	12 624 175	12 790 768
Commercial	8 689 241	7 221 808
Small holdings and farms	19 229 832	2 636 804
Industrial	291 980	275 966
Multipurpose	89 819 596	82 062 706
Public service infrastructure	25 423	24 158
Vacant land	909 898	862 747
Rebates	(23 874 819)	(10 027 666)
	107 715 326	**95 847 291**

Valuations

Residential	2 946 077 877	2 946 077 877
Commercial	445 845 350	445 845 350
State	784 153 900	784 153 900
Municipal	171 999 300	171 999 300
Public benefit organisations	115 582 700	115 582 700
Agriculture	3 395 220 550	3 395 220 550
Public service infrastructure	66 423 000	66 423 000
Vacant land	149 158 600	149 158 600
Multipurpose	111 219 650	111 219 650
Sectional title	31 888 500	31 888 500
	8 217 569 427	**8 217 569 427**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019.

The first R15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

Figures in Rand	2023	2022

25. Government grants & subsidies

Operating grants		
Equitable share	204 622 000	189 927 000
Finance Management Grant	2 850 000	2 600 000
Municipal Infrastructure Grant	2 045 742	1 972 207
Expanded Public Works Programme Grant	2 838 000	2 900 000
Library Grant	1 650 000	1 650 000
National Treasury Audit Fees Grant 1%	3 842 466	655 346
Municipal Disaster Relief Grant	6 462	288 939
	217 854 670	**199 993 492**
Capital grants		
Municipal Infrastructure Grant	51 937 258	39 360 793
Intergrated National Electrification Programme.	1 827 875	-
	53 765 133	**39 360 793**
	271 619 803	**239 354 285**

Equitable Share

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

Alien Plant Grant

Balance unspent at beginning of year	69 282	162
Current-year receipts	-	20 003 331
Conditions met - transferred to revenue	(6 462)	(19 934 211)
	62 820	**69 282**

Conditions still to be met - remain liabilities (see note 15).

This is a provincial grant received by the municipality to support the eradication of alien vegetation through the use of the expanded public works program.

Municipal Infrastructure Grant

Current-year receipts	54 003 000	-
Conditions met - transferred to revenue	(54 003 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Integrated National Electrification Grant

Current-year receipts	1 828 000	-
Conditions met - transferred to revenue	(1 827 875)	-
	125	**-**

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Government grants & subsidies (continued)

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

Housing Disaster Grant

Balance unspent at beginning of year	9 474	1 508 737
Conditions met - transferred to revenue	-	(1 499 263)
	9 474	**9 474**

Conditions still to be met - remain liabilities (see note 15).

The grant is aimed at providing immediate relief in the event of a disaster.

Quarry Mining Grant

Balance unspent at beginning of year	102 563	102 563

Conditions still to be met - remain liabilities (see note 15).

Greening and Beautification Grant

Balance unspent at beginning of year	707 664	707 664

Conditions still to be met - remain liabilities (see note 15).

Mining Projects Grant

Balance unspent at beginning of year	77 000	77 000

Conditions still to be met - remain liabilities (see note 15).

Middledrift Spatial Development Grant

Balance unspent at beginning of year	147 392	147 392

Conditions still to be met - remain liabilities (see note 15).

26. Public contributions and donations

Public contributions and donations	5 183 885	-

Reconciliation of conditional contributions

DEDEAT	2 250 000	-
GIZ	2 933 885	-
	5 183 885	**-**

The Department of Economic and Environmental Affairs donated a refuse truck to the municipality in the current financial year.

GIZ from Germany has donated Electrical infrastructure asset in the current year.

27. Fines, Penalties and Forfeits

Municipal Traffic Fines	371 570	140 778

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Interest from non-exchange receivables		
Interest - Property rates	20 815 336	25 901 792

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Employee related costs

Basic	141 631 509	137 326 134
Bonus	11 090 111	9 735 028
Medical aid - company contributions	8 285 601	7 740 303
UIF	1 229 158	1 147 914
SDL	1 776 399	1 853 305
Other payroll levies	46 061	54 698
Leave pay provision charge	2 969 085	3 135 286
Pension contributions	19 754 250	19 135 346
Medical benefit - current service cost	2 373 000	1 441 000
Travel, motor car, accommodation, subsistence and other allowances	7 743 973	8 103 742
Overtime payments	6 781 697	8 948 702
Long-service awards	1 245 000	1 230 000
Acting allowances	2 358 589	2 637 609
Housing benefits and allowances	286 576	401 848
Standby allowance	1 094 228	1 163 630
Insurance	283 281	251 671
Cellphone allowance	19 200	24 950
Uniform allowance	-	10 000
	208 967 718	**204 341 166**

Remuneration of the Municipal Manager

Basic salary	1 596 130	1 114 074
Motor vehicle allowance	533 753	663 012
Payments in lieu of leave	-	490 509
UIF	2 125	2 097
	2 132 008	**2 269 692**

Remuneration of Chief Finance Officer

Basic salary	741 938	130 952
UIF	2 125	354
Motor vehicle allowance	515 646	73 386
	1 259 709	**204 692**

The Chief Financial Officer was appointed and started in May 2022.

Director Corporate Services

Annual Remuneration	185 691	898 540
Car Allowance	57 980	434 470
Housing allowance	507	-
Contributions to UIF and SDL	5 412	2 097
Medical aid	-	126 736
	249 590	**1 461 843**

Director Community Services

Annual Remuneration	-	732 725
Car Allowance	-	336 997
Leave	-	218 315
Contributions to UIF, Medical and Pension Funds	-	1 743
Housing allowance	-	30 046
Other	-	111

Figures in Rand	2023	2022

29. Employee related costs (continued)

	-	**1 319 937**

Director Technical Services

Annual Remuneration	897 075	993 465
Car Allowance	450 637	452 958
Leave	281 319	-
Contributions to UIF and SDL	17 484	2 097
Medical aid	-	126 736
	1 646 515	**1 575 256**

Director Technical Services was appointed from 01 September 2022 after termination of the old contract on 31 July 2023 due to expiration of the Contract.

Acting Director Community Services

Acting allowance	36 000	6 039

Director Strategic Services

Annual Remuneration	1 207 576	1 033 294
Car Allowance	279 053	423 897
Leave	281 294	-
Contributions to UIF, Medical and Pension Funds	16 194	2 097
	1 784 117	**1 459 288**

30. Remuneration of councillors

Executive Major	813 876	908 801
Mayoral Committee Members	3 893 681	4 259 495
Speaker	753 749	751 024
Councillors	13 380 938	12 392 190
	18 842 244	**18 311 510**

31. Depreciation and amortisation

Property, plant and equipment	22 838 709	29 265 493
Intangible assets	517 546	602 184
	23 356 255	**29 867 677**

32. Finance costs

Post Retirement Medical Benefits	3 754 000	2 596 000
Long Service Awards	936 000	745 000
Trade and other payables	21 397 443	13 300 304
Rehabilitation Provision- Landfill Sites	3 172 274	4 328 333
Fiance Lease Liabilities	78 393	404 113
	29 338 110	**21 373 750**

33. Debt impairment

Contributions to debt impairment provision	(9 363 307)	(97 508 351)

34. Bulk purchases

Electricity - Eskom	78 604 822	81 615 368

Electricity losses

	Number 2023	Number 2022		
Units purchased	51 802 918	58 103 542	78 604 822	81 615 368
Units sold	(42 982 614)	(46 989 317)	(65 242 002)	(74 269 985)
Total loss	**8 820 304**	**11 114 225**	**13 362 820**	**7 345 383**
Percentage Loss:				
Non-technical losses	17 %	9 %	17 %	9 %

35. Contracted services

Outsourced Services		
Burial Services	2 000	25 991
Catering Services	317 806	137 443
Cleaning Services	64 005	-
Litter Picking and Street Cleaning	25 440	275 099
Refuse Removal	2 021 135	2 040 788
Security Services	353 043	1 362 034
Transport Services	295 224	-
Consultants and Professional Services		
Business and Advisory	4 581 868	10 975 939
Infrastructure and Planning	95 525	23 350
Legal Cost	2 950 295	2 338 618
Contractors		
Building	172 108	1 166 634
Employee Wellness	48 168	200 999
Maintenance of Equipment	135 921	1 615 224
Maintenance of Unspecified Assets	5 099 387	34 739 456
	16 161 925	**54 901 575**

36. Transfer and subsidies

Grants paid to ME's		
Raymond Mhlaba Economic Development Agency	2 865 790	2 509 425

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

37. General expenses

Advertising	299 772	326 722
Auditors fees	5 222 966	4 211 709
Bank charges	709 312	477 526
Cleaning	195 772	-
Commission paid	875 661	502 323
Consumables	253 011	1 002 516
Discount allowed	158 437	695 458
Entertainment	8 094	-
Fines and penalties	2 061 179	3 334 866
Gifts	386 424	-
Hire	5 892 434	2 537 452
Insurance	1 734 475	3 075 813
Conferences and seminars	331 714	477 544
IT expenses	685 673	-
Motor vehicle expenses	821 350	538 176
Fuel and oil	2 848 856	2 911 574
Postage and courier	787 791	-
Printing and stationery	1 385 367	31 139
Protective clothing	395 974	538 316
Software expenses	938 289	1 259 422
Subscriptions and membership fees	2 403 533	2 825 302
Telephone and fax	5 799 240	3 143 379
Transport and freight	6 200	-
Travel - local	913 603	819 188
Municipal services	17 448 353	6 953 875
Tourism development	92 500	-
Achievements and awards	45 100	-
Indingent relief	8 319 873	14 725 393
Internships	549 489	1 834 562
Ward committees remuneration	3 485 241	2 893 123
	65 055 683	**55 115 378**

38. Fair value adjustments

Investment property (Fair value model)	1 062 150	752 979

39. Impairment loss

Impairments		
Property, plant and equipment	2 584 505	643 900

40. Auditors fees

Fees	5 222 966	4 211 709

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Cash generated from operations

Surplus	125 369 705	127 257 721
Adjustments for:		
Depreciation and amortisation	23 356 255	29 867 677
Gain on discontinued operations	169 755	2 509 069
Fair value adjustments	(1 062 150)	(752 979)
Finance costs - Finance leases	3 172 274	7 669 333
Impairment deficit	2 584 505	643 900
Debt impairment	(9 363 307)	(97 508 351)
Movements in retirement benefit assets and liabilities	8 974 939	9 564 789
Movement in employee benefits	3 456 198	-
Non-cash donations and other in-kind benefits	375 194	(30 000)
Discounts received	(11 540 891)	(2 703 701)
Donations received	(5 183 885)	-
Changes in working capital:		
Receivables from exchange transactions	(5 274 410)	(8 704 129)
Consumer debtors	(58 716 126)	(54 596 545)
Other receivables from non-exchange transactions	(55 593 516)	(31 796 789)
VAT	11 220 092	(6 025 011)
Taxes and transfers payable (non-exchange)	(7 621 850)	-
Unspent conditional grants and receipts	(6 337)	(15 032 529)
Payables from exchnage transactions	21 829 493	82 281 980
Landfill site adjustment	(2 507 969)	6 597 585
	43 637 969	**49 242 020**

42. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 973 419	7 973 419
Receivables from exchange transactions	181 602 173	181 602 173
	189 575 592	**189 575 592**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	466 846 054	466 846 054
Current portion of long term liabilities	208 815	208 815
	467 054 869	**467 054 869**

2022

Financial assets

	At amortised cost	Total
Cash and cash equivalents	16 057 681	16 057 681
Receivables from exchange transactions	133 649 784	133 649 784
	149 707 465	**149 707 465**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Current portion of long term liabilities	444 517	444 517
Payables from exchange transactions	456 091 462	456 091 462
Long term liabilities	208 815	208 815
	456 744 794	**456 744 794**

43. Commitments

Authorised capital expenditure

	2023	2022
Already contracted for but not provided for		
• Property, plant and equipment	16 747 830	15 361 987

	2023	2022
Total capital commitments		
Already contracted for but not provided for	16 747 830	15 361 987

Total commitments

	2023	2022
Total commitments		
Authorised capital expenditure	16 747 830	15 361 987

This committed expenditure relates to property and will be financed by government conditional grants.

44. 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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and Cash Equivalents		16 087 714	(30 033)	-	16 057 681
Receivables from exchange transactions		51 350 481	82 299 303	-	133 649 784
Receivables from non- exchange transactions		17 096 039	108 535 179	-	125 631 218
VAT		52 083 995	(4 869 488)	-	47 214 507
Investment Property		19 720 850	-	-	19 720 850
Property, Plant and Equipment		738 942 464	(18 645 884)	23 149 841	743 446 421
PPE, Capitalised restoration cost		23 149 841	-	(23 149 841)	-
Heritage Assets		70 000	-	-	70 000
Intangible assets		961 846	-	-	961 846
Current portion of long- term liabilities		(444 517)	-	-	(444 517)
Consumer deposits		(2 862 457)	-	2 862 457	-
Payables from exchange transactions		(447 740 545)	(5 488 451)	(2 862 457)	(456 091 453)
Unspent conditional Government grants		(10 407 400)	-	9 294 024	(1 113 376)
Payables from non exchange transactions		-	-	(9 294 024)	(9 294 024)
Current employee benefits		(23 051 127)	-	-	(23 051 127)
Provisions		(14 447 634)	-	-	(14 447 634)
Long term liabilities		(208 815)	-	-	(208 815)
Employee benefits		(40 307 000)	504 000	-	(39 803 000)
Non Current Provisions		(48 893 073)	-	-	(48 893 073)
Accumulated surplus		(331 100 662)	(162 304 626)	-	(493 405 288)
		-	-	-	-

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

44. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Property rates		(97 168 484)	1 321 193	-	(95 847 291)
Interest on property rates		-	-	(25 901 792)	(25 901 792)
Government grants and subsidies		(261 065 822)	21 449 566	261 972	(239 354 284)
Fines		(140 778)	-	-	(140 778)
Actuarial Gains		(709 991)	-	709 991	-
Fair Value Adjustments		(752 979)	-	-	(752 979)
Service Charges		(89 926 198)	(13 811 455)	(7 961 376)	(111 699 029)
Rental of facilities		(580 288)	-	-	(580 288)
Interest Earned- External investments		(1 955 766)	-	-	(1 955 766)
Interest earned - outstanding debtors		(37 548 143)	-	25 901 792	(11 646 351)
Licences and Permits		(4 744 713)	-	4 744 713	-
Other income		(10 952 177)	(6 637)	2 539 804	(8 419 010)
Commissions received		-	-	(4 744 232)	(4 744 232)
Discount recived		-	-	(2 703 701)	(2 703 701)
Employee related costs		204 341 165	-	-	204 341 165
Remuneration of councillors		18 311 510	-	-	18 311 510
Debt Impairment		78 757 514	(176 265 865)	-	(97 508 351)
Depreciation and Amortisation		29 867 677	-	-	29 867 677
Impairments		643 900	-	-	643 900
Actuarial losses		4 021 302	(503 999)	(709 991)	2 807 312
Finance charges		21 373 751	-	-	21 373 751
Bulk purchases		81 615 368	-	-	81 615 368
Contracted services		-	-	54 901 575	54 901 575
Transfers and Grants		9 371 999	-	(6 862 574)	2 509 425
Other expenditure		89 778 992	5 512 564	(40 176 181)	55 115 375
Loss on sale of fixed assets		2 509 069	-	-	2 509 069
Surplus for the year		**35 046 908**	**(162 304 633)**	**-**	**(127 257 725)**

Errors

44. Prior-year adjustments (continued)

Property Plant and Equipment
1. The municipality erroneously recognized as Work in Progress under Property Plant and Equipment, capital expenditure on an asset belonging to the department of Roads that the municipality is constructing on behalf of the department. The error has been corrected in the prior year comparative figure.
2. Completed projects in the prior years were not capitalized into PPE from Work in Propgress, the error has been corrected in the prior year comparative figures.
3. Property plant and equipment - capitalized restoration cost has been reclassified into PPE

Receivables from exchange and non exchange transactions
1. There were customers that were not billed property rates and refuse removal in error, the prior year comparatives have been restated to correct the billing.
2. There was an error in the calculation of debt impairment. The assessment of impairment was not done at individual account level but rather all debtor accounts were grouped by AFS classification and government debtors were also impaired even though the full government debt is recoverable. This has been corrected in the prior year comparatives.

Payables from exchange and non exchange transactions
1. The following reclassifications were made into / and out ofpayables from exchange transactions:
Consumer debtors were reclassified into payables
Human Settlements was reclassified out of payables from exchange due to the nature of the contract with the municipality.

Statement of Financial Performance
The chnages in the prior year figures in the abovementioned statement are as a result of the changes made to the Statement of FInancial Position as detailed above.

Reclassifications

1. Consumer deposits have been reclassified from Payables from Exchange transactions and the prior year comparatives have been adjusted.

2. Property, Plant and Equipment - Capitalised Restoration Cost has been reclassified to Property plant and equipment and the prior year comparative figure has been adjusted.

3. Contracted services have been reclassified from General Expenditure and the prior year comparative figure has been adjusted.

The following reclassifications adjustment occurred:

45. Comparative figures

Certain comparative figures have been reclassified.

46. Risk management

Financial risk management

46. Risk management (continued)

Liquidity risk

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.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

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

The following balances are exposed to liqduity risk:

31 June 2023	Payable within 1 Year	Payable within 2 - 5 years	Total
Finance lease liabilities	208 815	-	208 815
Payables from exchange transactions	466 846 054	-	466 846 054
	467 054 869	**-**	**467 054 869**

30 June 2022	Payable within 1 Year	Payable with 2 - 5 years	Total
Finance lease liabilities	444 517	217 877	662 394
Payables from exchange transactions	456 091 453	-	456 091 453
	456 535 970	**217 877**	**456 753 847**

46. Risk management (continued)

Credit risk

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.

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

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

Financial instrument	2023	2022
Cash and cash equivalents	7 973 428	16 087 714
Receivables from exchange transactions	181 602 137	133 643 146

Cash and cash equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

Receivables from exchange transactions

Receivables comprise of a large number of users, dispersed accross different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to consumers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due. Refer to Note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be past due.

No receivables were pledged as security for liabilities and collateral is held from any consumers (other than consumer deposits).

Market risk

Interest rate risk

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.

The following balances are exposed to interest rate fluctuattions:

Financial instrument		
Cash and cash equivalents (excluding cash on hand)	7 973 428	16 087 714
Long term liabilities (including current portion)	(208 815)	(632 332)
	7 764 613	**15 455 382**

Management does not forsee significant interest rate movements in the next 12 months.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

46. Risk management (continued)

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.

The municipality recognised the following financial instruments (all balances are recognised at amortised cost):

Financial assets		
Cash and cash equivalents	7 973 428	16 087 714
Receivables from exchange transactions	181 602 137	133 643 146
	189 575 565	**149 730 860**

FInancial liabilities		
Current portion of long term liabilities	208 815	444 517
Payables from exchange transactions	466 846 054	456 091 462
Long term liabilities	-	208 815
	467 054 869	**456 744 794**

47. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 618 774 994 and that the municipality's total assets exceed its liabilities by R 618 774 994.

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.

Figures in Rand	2023	2022

47. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial indicators

The current liabilities at period end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that the municipality's current assets are in excess of its current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that leads to an increase in current liabilities.

The municipality is experiencing very low payment percentages from consumers which is very indicative of the economic environment in the municipal area.

Other indicators

The municipality has incurred unauthorised, irregular and fruitless and wasteful expenditure as shown in the notes above.

There are material contingent liabilities on each respective reporting period. Refer to note 56 below.

Assessment

The financial results may indicate that the going concern assumption of the municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that the municipality can render and it may well raise doubt about the future financial sustainability of the municipality and may cause serious financial health and other risks regarding services delivery to the communities within the jurisdiction of this municiplity.

48. Events after the reporting date

There were no events after reporting period.t

49. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	3 194 991	234 108 580
Add: Unauthorised expenditure - current	-	3 194 991
Less: Amount written off - current	(3 194 991)	(234 108 580)
Closing balance	**-**	**3 194 991**

Unauthorised expenditure: Budget overspending – per municipal department:

Community services	-	3 194 991

Recoverability steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.

Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.

Recoverability of unauthorised expenditure

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

50. Irregular expenditure

Opening balance as previously reported	50 579 907	358 022 607
Add: Irregular expenditure - current	40 817 493	51 660 649
Add: Irregular expenditure - prior period	-	40 151 565
Less: Amount written off - current	(78 003 780)	(399 254 914)
Closing balance	**13 393 620**	**50 579 907**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

50. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non compliance with regards to quotations	None taken	-	74 650
Bidding process not followed	None taken	10 333 775	1 194 002
Rates clearance not obtained	None taken	-	5 778 386
SCM process not followed	None taken	490 000	32 020 786
Non compliance with Section 112(1)(e) of the MFMA (Act 56 of 2003)	None taken	27 998 358	45 336 645
CIDB regulations not adhered to	None taken	757 022	3 785 110
Non compliance with regards to panel appointments	None taken	599 797	1 048 818
Non compliance with Section 29(5)(a) of the SCm regulations	None taken	-	847 136
Non compliance with Government gazzette 46062 Remuneration of Upper Limits remuneration of Municipal Managers and Managers directly accountable to the Municipal Manager (Upper limits exceeded)	None taken	638 541	270 725
Unauthorised debit orders	None taken	-	1 187 015
Payments made on contracts where the contract amount was exceeded	None taken	-	268 942
		40 817 493	**91 812 215**

Amount written-off

The Irregular expenditure was investigated by the MPAC and a recommendation was mad to Council on completion of the said investigations.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Fruitless and wasteful expenditure

Opening balance as previously reported	5 751 908	102 808 416
Add: Fruitless and wasteful expenditure identified - current	23 065 148	16 635 170
Add: Fruitless and wasteful expenditure identified - prior period	280 722	-
Less: Amount written off - current	(16 753 432)	(113 691 678)
Closing balance	**12 344 346**	**5 751 908**

The Irregular expenditure was investigated by the MPAC and a recommendation was mad to Council on completion of the said investigations.T

Notes to the Annual Financial Statements

Figures in Rand		2023	2022

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
SARS -PAYE, UIF and SDL	None taken	1 861 715	3 931 108
Eskom	None taken	19 624 471	11 626 714
Auditor General	None taken	1 485 389	1 066 409
Other	None taken	374 296	10 939
		23 345 871	**16 635 170**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

51. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 16 753 432 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Condoned by (Condoning authority)		
Penalties and Interest - PAYE, UIF and SDL	1 841 097	2 652 461
Penalties and Interest - VAT	8 614	-
Interest on ESKOM Arrear Accounts	13 756 393	7 894 286
Interest on AGSA Arrear Account	1 147 328	563 460
	16 753 432	**11 110 207**

Recoverability steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.ditional text

Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were instituted.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

52. Deviation from supply chain management regulations

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

Deviations from the Supply Chain Management Regulations per Directorate:

	2023	2022
Accounting Officer	-	91 009
Corporate Services	1 516 128	150 501
Technical Services	3 031 898	1 023 092
Community Services	188 876	35 396
	4 736 902	**1 299 998**

The reasons for the deviations can be summarised as follows:

	Emergency	Impractical	Sole Supplier	Total
Community services	188 876	-	-	188 876
Corporate services	-	353 963	1 162 166	1 516 129
Engineering services	2 916 323	-	115 575	3 031 898
	3 105 199	**353 963**	**1 277 741**	**4 736 903**

Deviations from the Supply Chain Management Regulations per Supplier:

Supplier	Emergency	Impractical	Sole Supplier	Total
Actom	302 910	-	115 575	418 485
ADC Energy	200 606	-	-	200 606
AM George T/A Akhona George & Associates	-	63 202	-	63 202
Andy Banz Trading (Pty) LTD	-	15 004	-	15 004
Bate Chubb & Associates Inc.	-	4 667	-	4 667
CFAO Motors	-	-	56 606	56 606
CONLOG	545 507	-	-	545 507
Duduzayo Investments	50 075	-	-	50 075
Eyabantu East London	89 310	-	-	89 310
Knicklebein Contractors	5 200	-	-	5 200
Landis and GYR	683 307	-	-	683 307
Lionel Mark Trichardt	-	75 000	-	75 000
M E Sulter and Son	28 900	-	-	28 900
Magula Erasmus Consulting Services	21 758	-	-	21 758
Malcom's Auto Engineering	-	11 131	-	11 131
Microsoft	-	-	1 085 596	1 085 596
Nutitype	988 750	-	-	988 750
Ondondela Trading Enterprise	64 000	-	-	64 000
Rob Pollock Photography & Framing	-	18 255	-	18 255
Tanci General Dealer	124 876	-	-	124 876
TFM Manufacturing	-	-	19 964	19 964
Wesley Pretorious Attorneys	-	166 704	-	166 704
	3 105 199	**353 963**	**1 277 741**	**4 736 903**

53. Trading with employees in service of the State

During the period under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45):

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

53. Trading with employees in service of the State (continued)

N Tom - Siduli & Jama (Aunt)	-	78 450

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	11 681 128	9 404 408
Current year subscription / fee	2 248 759	2 276 720
	13 929 887	**11 681 128**

Audit fees

Opening balance	17 551 626	12 713 273
Current year subscription / fee	7 491 800	6 058 027
Amount paid - current year	(10 510 337)	(1 552 014)
National Treasury Grant	(3 842 466)	(655 346)
RMDA Grant	1 365 790	987 686
	12 056 413	**17 551 626**

PAYE and UIF

Opening balance	7 705 194	7 483 294
Payments due to SARS	32 430 432	32 756 727
Interest and penalties	1 853 101	3 931 096
Amount paid - previous years	(39 696 826)	(36 465 923)
	2 291 901	**7 705 194**

Pension and Medical Aid Deductions

Opening balance	38 542	-
Payments due to pension fund and medical aid	44 186 152	43 122 333
Amount paid - current year	(44 224 694)	(43 083 791)
	-	**38 542**

VAT

VAT payable	(22 076 659)	(38 510 378)

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

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

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N N Yanta	1 283	49 262	50 545
Councillor P Ntengu	1 026	22 649	23 675
Councillor M Mahleza	1 450	33 240	34 690
Councillor CA Auld	1 776	9 265	11 041
	5 535	**114 416**	**119 951**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor CA Auld	-	4 385	4 385
Councillor NS Sango	-	13 936	13 936
Councillor M Mahleza	-	29 825	29 825
Councillor S Mjakuca	-	29 767	29 767
Councillor E Lombard	-	1 690	1 690
Councillor YN Nomacwerha	-	47 403	47 403
Councillor P Ntengu	-	20 306	20 306
	-	**147 312**	**147 312**

55. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement.

55. Accounting by principals and agents (continued)

Details of the arrangment are as follows:Details of the arrangment are as follows:

Department of Transport

The municipality is the agent for the Department of Transport.

1. Motor Vehicle Registration

The Municipality undertakes to handle Motor Vehicle licence issuing on behalf of the Department of Transport and collects a commission of 19% p;us VAT. The municipality collects motor registration fees on behalf of Provincial Administration. Payments are made mnthly based on the eNatis reports. Agency fees to the value of 19% plus VAT is withheld from the payment to the Province.

2. Drivers Licence Applications

The municipality undertakes to handle Drivers licence applications on behalf of the Department of Transport. The value of application fees is determined by the Provincial administration. The municipality recognise all fees collected as agency fees.

3. Drivers Licence cards.

The municipality undertakes to issue Drivers licence cards on behalf of the Department of Transport. The municipality collect all application fees on behalf of Provincial Administration behalf of the Department of and recognise the revenue as agency fees. The cost for the production of a drivers licence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company).

Provincial Department of Human Settlements

Administration of the upgrading of informal settlements.

The Human settlements Department has an agreement with the municipality to administer the process for building of houses for third parties in terms of Chapter 3 of the National Housing Code. For the year under review Raymond Mhlaba Municipality was the Agent for the following housing projects: UPGRADING OF INFORMAL SETTLEMENT IN RAYMOND MHLABA MUNICIPALITY.

Raymond Mhlaba Municipality does not have the power to determine the significant terms and conditions of the transactions, Department of Human Settlements is responsible for the construction of houses and is responsible for preparing contracts and project agreements and Appointing contractors for housing development.

Raymond Mhlaba Municipality, is only the fund administrator, therefore Raymond Mhlaba Municipality does not have the ability to use resources from the transactions substantially for its own benefit.

Department of Human Settlement is responsible for fulfilling the rights and obligations under the contractual arrangement entered into with contractors and/or other service providers. Thus, Raymond Mhlaba Municipality is not exposed to variability in the result of the transactions

Provincial Department of Roads.

Paving of Healdtown Access Road

The municipality is acting as an implementing agent for the construction of Healdtown Access Road for the Department of Roads. The municipality does not earn any commission from the implementing the abovementioned contract. No Commision is recieved by the municipality from this arrangement

Figures in Rand	2023	2022

55. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R5 377 607 (2022: R4 744 229).

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R 4 143 727(2022: 53 167) that is still owed by the municipality and will be paid over to the Department of Transport in the new finanacial year.

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Categories	**Additional details**
Provincial Department of Human Settlements	R 125 245 971
Provincial Department of Roads	-
Provincial Department of Transport	R 15 550 692

Amount of revenue received on behalf of the principal during the reporting period

Provincial Department of Human Settlements	125 245 971	1 579 860
Provincial Department of Roads	-	16 000 000
Provincial Department of Transport	15 550 692	9 636 951
	140 796 663	**27 216 811**

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

Reconciliation of the carrying amount of payables

Provincial Department of Roads		
Opening balance	53 167	-
Revenue collected on behalf of the Department	15 550 692	9 636 951
Commisions earned on collections	(5 367 825)	(5 738 779)
Amounts transferred to the principal	(6 092 307)	(3 845 005)
	4 143 727	**53 167**

The municipality is acting as a collecting agent licensing of motor vehicles for the Department of Roads. The municipality earns a commission of 19% on monies collected.

Provincial Department of Roads		
Opening balance	9 294 024	14 743 590
Expenses incurred on behalf of the principal	-	16 000 000
Cash paid on behalf of the principal	(7 621 850)	(21 449 566)
	1 672 174	**9 294 024**

The municipality is acting as an implementing agent for the construction of Healdtown Access Road for the Department of Roads. The municipality does not earn any commission from the implementing the abovementioned contract. No Commision is recieved by the municipality from this arrangement.

Human Settlement		
Expenses incurred on behalf of the principal	125 245 971	1 579 860

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

55. Accounting by principals and agents (continued)

Cash paid on behalf of the principal	(125 245 971)	(1 579 860)
	-	-

In March 2021 the department of Human Settlements entered into service level agreement with the Raymond Mhlaba Municipality wehre the municipality would be implemementing agents of the department for the purpose of unblocking historically blocked projects within the Raymond Mhlaba Local Municipality. No Commision is recieved by the municipality from this arrangement.

All categories

Opening balance	9 347 191	14 743 590
Expenses incurred on behalf of the principal	140 796 663	27 216 811
Cash paid on behalf of the principal	(138 235 646)	(28 768 205)
Amounts transferred to the principal	(6 092 307)	(3 845 005)
	5 815 901	**9 347 191**

Figures in Rand	2023	2022

56. Contingencies

The municipality were exposed to the following contingent liabilities at year end:

Contingent Liabilities		
Coega Packaging / Raymond Mhlaba Local Municipality	4 800 000	4 000 000
IMATU obo Nomnqa / Raymond Mhlaba Local Municipality	606 485	-
Wayne Channon / Raymond Mhlaba Local Municipality	5 444 764	-
Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality	5 700 000	-
Nqagwana Trading (Pty) LTD / Raymond Mhlaba Local municipality	731 739	-
Peugair Border CC / Raymond Mhlaba Local Municipality	483 626	-
	17 766 614	**4 000 000**

Peugair Border CC / Raymond Mhlaba Local Municipality

This is a matter whereby the plaintiff claims that payments of an amount R483 626.09 in respect of repairs to municipality vehicles.

Contingent liability is estimated at R483 626.09 and estimated legal costs are R150 000.00

Nqagwana Trading (Pty) LTD / Raymond Mhlaba Local Municipality, Grahamstown High Court Case No.4541 / 2016

This is a matter whereby the Plaintiff's claim an amount of R731 739.00 against the municipality in respect of a service level agreement.

Estimated contingent liability is R731 739.00 and legal fees are estimated at R200 000.00

Inzalo Enterprise / Raymond Mhlaba Local Municipality

This is a tender dispute which is ongoing. The likely financial impact cannot be determined at this and the legal fees are estimated at R50 000.00.

Coega Packaging / Raymond Mhlaba Local Municipality

Coega packing approached the court for a claim of R4,8 million for a land invaded by the residents of Newtown and used for burial and the applicant obtained a default judgement. An application for the rescission of the judgment was proceeded with, unsuccesfully and the rescission was appealed against.

The appeal was argued on 18 July 2023 and judgment awaited.

IMATU obo Nomnqa / Raymond Mhlaba Local Municipality

IMATU obo Nomnqa / Raymond Mhlaba Local Municipality - Labour Court Case. The municipality launched an application to review and set aside the arbitration award.

Wayne Channon / Raymind Mhlaba Local Municipality

Wayne Channon / Raymond Mhlaba Local Municipality - Labour court case. The applicant referred a claim for damages to the Labour Court for unfair discrimination.

Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality

Vivienne Buyiswa obo Vuyisa Mhlana / Raymond Mhlaba Local Municipality - High COurt Case. The plaintiff instituted an action against the municipality on behalf of her minor child for damages resulting from the electrocution of the minor child from an open electricity transformer.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

57. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management	Ms U Malinzi (Municipal Manager)
	Mr M Ngxowa (Chief FInancial Officer)
	Mr D Mlenzana (Director Technical Services)
	Dr L Hanabe (Director Strategic Services)

All rates, services and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge has been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related parties. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 28 and 29.

Raymond Mhlaba Economic Development Agency

The municipality owns a 100% stake in the Raymond Mhlaba Economic Development Agency. The municipality provides grants to the agency to assist with the operations of the entity as well as to settle the audit fees payable to the Auditor General.

The municipality owns the buildings which are occupied and utilised by the entity at no consideration.

Related party balances

Amounts included in Trade Payable regarding related parties		
Raymond Mhlaba Economic Development Agency	53 772	-

There were no guarantees given in relation to the above balance.

Related party transactions

Purchases from related parties		
Raymond Mhlaba Economic Development Agency	53 772	-

In the current financial year, the municipality bought consumables (building blocks) from REMDA to use in a project. The consumables were bought at cost price to REMDA.

58. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of services delivered by the municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. 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.

58. Segment information (continued)

Aggregated segments

Although the Municipality operates in a number of geographical areas (i.e towns), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community througout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area..

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Public safety	Traffic control and law enforcement
Waste management	Refuse removal and landfill sites
Energy sources	Electricity services

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
Revenue					
Service charges	59 582 175	37 981 281	-	16 983 018	114 546 474
Rental of facilities	-	-	-	806 563	806 563
Interest received - receivables from exchange transactions	4 699 646	11 561 874	-	-	16 261 520
Licences and permits	-	-	709 933	-	709 933
Commisions received	-	-	4 667 674	-	4 667 674
Discount received	-	-	-	11 540 891	11 540 891
Other income	-	-	137 087	1 161 832	1 298 919
Interest earned - external investments	-	-	-	2 465 640	2 465 640
Property rates	-	-	-	107 715 326	107 715 326
Government grants and subsidies	1 827 875	-	-	269 791 928	271 619 803
Public contributions and donations	2 933 885	2 250 000	-	-	5 183 885
Fines, poenalties and forfeits	-	-	371 570	-	371 570
Interest from property rates	-	-	-	20 815 336	20 815 336
Total segment revenue	**69 043 581**	**51 793 155**	**5 886 264**	**431 280 534**	**558 003 534**
Entity's revenue					**558 003 534**

Notes to the Annual Financial Statements

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58. Segment information (continued)

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
Expenditure					
Employee related costs	(10 408 839)	(19 624 559)	(44 887 608)	(134 046 711)	(208 967 717)
Remuneration of councillors	-	-	-	(18 842 243)	(18 842 243)
Depreciation and amortisation	(3 563 174)	(1 201 462)	-	(18 591 619)	(23 356 255)
Finance costs	(19 624 471)	(3 754 000)	-	(5 959 639)	(29 338 110)
Debt Impairment	-	9 111 552	-	251 755	9 363 307
Bulk purchases	(78 604 822)	-	-	-	(78 604 822)
Contracted services	(3 654 202)	(2 164 525)	-	(10 343 199)	(16 161 926)
Transfers and Subsidies	-	-	-	(2 865 790)	(2 865 790)
General Expenses	(9 772 665)	(611 578)	(1 574 066)	(53 097 369)	(65 055 678)
Fair value adjustments	-	-	-	1 062 150	1 062 150
Acturial loss	-	-	-	2 887 521	2 887 521
Impairment loss	-	-	-	(2 584 505)	(2 584 505)
Loss on disposal of assets	-	-	-	(169 755)	(169 755)
Total segment expenditure	**125 628 173**	**18 244 572**	**46 461 674**	**242 299 404**	**432 633 823**
Total segmental surplus/(deficit)	**(56 584 592)**	**33 548 583**	**(40 575 410)**	**188 981 130**	**125 369 711**
Assets					
Cash and cash equivalents	-	-	-	7 973 419	7 973 419
Receivables from exchange transactions	68 481 087	210 673 589	-	(97 552 538)	181 602 138
Receivables from non exchange transactions	-	346 200	-	205 904 828	206 251 028
VAT receivable	(5 003 970)	1 997 608	-	39 000 777	35 994 415
Investment properties	-	-	-	20 671 700	20 671 700
Property plant and equipment	88 019 527	24 543 491	-	664 371 303	776 934 321
Intangible assets	-	-	-	444 300	444 300
Heritage assets	-	-	-	70 000	70 000
Total segment assets	**151 496 644**	**237 560 888**	**-**	**840 883 789**	**1 229 941 321**
Total assets as per Statement of financial Position					**1 229 941 321**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
Liabilities					
Payables from non exchange transactions	-	-	-	(1 672 174)	(1 672 174)
Payables from exchange transactions	(318 135 509)	(30 686 952)	(2 834 134)	(114 723 461)	(466 380 056)
Financial liabilities	-	-	-	(208 815)	(208 815)
Unspent conditional grants	(125)	-	-	(1 106 913)	(1 107 038)
Current liabilties - Employee benefit obligation	(1 284 835)	(1 839 770)	(5 448 881)	(16 450 113)	(25 023 599)
Current liabilities - Provisions	-	(23 422 573)	-	-	(23 422 573)
Non current liabilities - employee benefits	-	-	-	(44 459 000)	(44 459 000)
Non current liabilities - Provisions	-	(48 893 073)	-	-	(48 893 073)
Total segment liabilities	**(319 420 469)**	**(104 842 368)**	**(8 283 015)**	**(178 620 476)**	**(611 166 328)**
Total liabilities as per Statement of financial Position					**(611 166 328)**

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

2022

Energy sources	Solid waste removal	Law enforcement	Eliminations	Total

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

Revenue					
Service charges	73 622 723	38 076 306	-	-	111 699 029
Rental of facilities and equipment	-	-	-	580 288	580 288
Interest received - receivables from exchange transactions	3 577 525	8 068 826	-	-	11 646 351
Commissions received	-	-	4 744 229	-	4 744 229
Discount received	-	-	-	2 703 701	2 703 701
Other income	-	-	2 466 296	5 952 715	8 419 011
Interest received - investment	-	-	-	1 955 766	1 955 766
Government grants and subsidies	-	-	-	239 354 284	239 354 284
Property rates	-	-	-	95 847 291	95 847 291
Fines, penalties and forfeits	-	-	140 778	-	140 778
Interest received - Property rates	-	-	-	25 901 792	25 901 792
Total segment revenue	**77 200 248**	**46 145 132**	**7 351 303**	**372 295 837**	**502 992 520**
Entity's revenue					**502 992 520**
Expenditure					
Employee related costs	(10 293 813)	(20 546 583)	(43 684 082)	(129 816 687)	(204 341 165)
Remuneration of councillors	-	-	-	(18 311 510)	(18 311 510)
Depreciation and amortization	(3 661 297)	(1 077 898)	-	(25 128 482)	(29 867 677)
Finance costs	(11 626 714)	(2 596 000)	-	(7 151 036)	(21 373 750)
Debt impairment	(2 314 691)	165 821 665	-	(65 998 622)	97 508 352
Bulk purchases	(81 615 368)	-	-	-	(81 615 368)
Contracted services	(34 603 647)	(2 093 990)	-	(18 203 937)	(54 901 574)
Transfers and subsidies	-	-	-	(2 509 425)	(2 509 425)
General expenditure	(9 133 229)	(2 138 619)	(467 078)	(43 376 452)	(55 115 378)
Fair value adjustments	-	-	-	752 979	752 979
Acturial gains / (losses)	-	-	-	(2 807 311)	(2 807 311)
Impairment loss	-	-	-	(643 900)	(643 900)
Loss on sale of assets	-	-	-	(2 509 069)	(2 509 069)
Total segment expenditure	**153 248 759**	**(137 368 575)**	**44 151 160**	**315 703 452**	**375 734 796**
Total segmental surplus/(deficit)	**(76 048 511)**	**183 513 707**	**(36 799 857)**	**56 592 385**	**127 257 724**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

	Energy sources	Solid waste removal	Law enforcement	Eliminations	Total
Assets					
Cash and cash equivalents	-	-	-	16 057 681	16 057 681
Receivables from exchange transactions	52 521 544	78 957 113	-	2 171 125	133 649 782
Receivables from non exchange transactions	-	-	-	125 631 218	125 631 218
Vat	1 012 850	1 997 608	-	44 204 051	47 214 509
Investment property	-	-	-	19 720 850	19 720 850
Property plant and equipment	89 648 933	23 274 406	-	630 523 082	743 446 421
Intangible assets	-	-	-	961 846	961 846
Heritage assets	-	-	-	70 000	70 000
Total segment assets	**143 183 327**	**104 229 127**	**-**	**839 339 853**	**1 086 752 307**
Total assets as per Statement of financial Position					**1 086 752 307**
Liabilities					
Payables from non exchange transactions	-	-	-	9 294 024	9 294 024
Payables from exchange transactions	260 971 644	30 686 952	-	164 432 856	456 091 452
Current liabilities - Employee benefits	946 582	1 767 234	5 013 221	15 324 091	23 051 128
Current liabilities - Finance lease obligation	-	-	-	444 517	444 517
Unspent conditional Grants	-	-	-	1 113 375	1 113 375
Current liabilities - provisions	-	14 447 634	-	-	14 447 634
Non current liabilities - Employee benefit obligations	-	-	-	39 803 000	39 803 000
Non current liabilities - Finance lease	-	-	-	208 815	208 815
Non current liabilities - Provisions	-	-	-	48 893 073	48 893 073
Total segment liabilities	**261 918 226**	**46 901 820**	**5 013 221**	**279 513 751**	**593 347 018**
Total liabilities as per Statement of financial Position					**593 347 018**

Notes to the Annual Financial Statements

Figures in Rand

58. Segment information (continued)

	Energy sources	Solid waste removal	Law enforcement	Community and social services	Road transport	Sport and recreation	Energy sources	Waste management
Other information								
Capital expenditure (excluding additions to financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts)	3 306 055	1 481	2 068	609 732	49 961 956	112 296	18 488 136	8 613 429

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

Measurement of segment surplus or deficit, assets and liabilities

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, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

59. Budget differences

Material differences between budget and actual amounts

Budget variances are considered significant when they are above 15% of the budget amount. Below are explanations for the material variances:

Statement of Financial Position

Inventories

No Inventory was held by the municipality.

Recievables from Exchange

Recievables are higher than budget due to change of calculating impairment, the impairment has now decreased.

Notes to the Annual Financial Statements

59. Budget differences (continued)

VAT Recievable

VAT Recievable is more than the budget as vat claims were lesser than anticipated due to lower expenditure amounts.

Receivables from Non-Exchange

Recievables are higher than budget due to change of calculating impairment, the impairment has now decreased.

Cash and Cash Equivalents

A decrease in cash due to more payments being made to arrear debts and current creditors.

Investment Properties

Difference is due to Fair values attached to these assets as these cannot be known before hand.

Property Plant and Equipment

Movement due to asset additions and depreciation which is difficult to estimate.

Intangibe Assets

Difference is due to no additional Intangibles purchased and the only movement relates to amortization.

Finance Lease Obligation

No additional lease were undertan in the current year.

Payables from Exchange

Amount exceeds budget due to the increase in Eskom debt resulting from interest charges.

VAT Payable

Vat has been explained above.

Consumer Deposits

Consumer deposits has been recorded under payables from exchange

Employee Benefit Obligation

Not budgeted due to the municipality not fully budgeting for balance sheet budget.

Unspent Conditional Grants

Varaince normal as there were no unspent National Grants.

Provisions

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59. Budget differences (continued)

Budget was based on prior year AFS and the difference is therefore acceptable.

Statement of Financial Performance

Services Charges

There were new refuse accounts that were picked up and billed in the current year that were not previously billed and budgeted.

Rental of Facilities

More revenue was generated as a result of increased in rentals of municipal properties.

Interest received

variance considered as reasonable

Licence and Permits

The Agency amount as well as licence and fees revenue were budgeted undeer one budget in the MTREF hence the under collection under licence and permits and over collection under commision received below.

Commision received

This line item was budgeted under licences and permits see explanation above.

Discount Received

Discount received relates to ADM accounts that have been written off/discounted by ADM.

Sale of Goods and rendering of Services

This line item transactions have been recorded under Other Income

Other Income

The overbudget is due to the VAT refunds being budgeted under this line in the MTREF budget.

Interest Investment

variance considered as reasonable

Propert Rates

variance considered as reasonable

Government grants

Difference immaterial and is due to the Provincial grants not being fully spent as planned and budgeted for.

Public Contributions and donations

These were donated assets from other organs of state that were not planned and therefore not budgeted for.

Fines

Amount exceeds the budget due to more operations being held by law enforcement.

Employee related Costs

59. Budget differences (continued)

Amount underbudgeted due to not aligning the employee costs budget to the mSCOA budgeting (nature of expenditure)

Remuneration of Councillors

Amount considered reasonable and due to changes in councillors due to District deployment of other councliors.

Depreciation and Amortization

Budget was based on prior year audited figures, however impairent of assets and most additions being still under WIP resulted in the lower spending.

Impairment Loss

Impairment Loss was not budgeted as it was not incurred in the prior year.

Finance Costs

More finance costs were incurred due to the growing Eskom debt and not arrangement being inplace currently.

Debt Impairment

Lessere debt impairment was calculated due to change in the accouting policy being used for calculation of debt impairment.

Bulk purchases

Lesser amount incurred due to ongoing electricity cuts

Contracted Services

Lesser amount incured in current year due to cost containment measures and prioritization of old debt settlement.

Transfer and Subsidy

Difference considered reasonable and based on operational needs of the Agency (RMEDA)

General Expenses

The overspending due to reclassification of expenditures between other exopenditure line items, for which the budged was appropriated.

Fair value adjusment

The Fair value adjustment was budgeted under other income.

Actuarial gains/losses

Budgeted under other income

Loss on sale of assets

Not budgeted as the sale was not planned.

Statement of Cash Flows

Taxation (Rates)

Higher than budgeted due to Government departments making payments towards current and arrear debts.

Sale of Goods and services

Figures in Rand	2023	2022

59. Budget differences (continued)

Lesser amount collected due to low collection rates on Refuse than expected.

Grants

Amount budgeted was lower than the actual grants payments due to incorrect budgeting.

Interest Income

Interest was not budgeted for as all revenue was budgeted under sale of other reciepts

Other Reciepts

Amount collected exceeded the budget as other line items are reported under this line item.

Employee Costs and Payments to Suppliers

Differences are due to savings realised from some of the expenditre line items.

Finance Costs

Savings due to lower paid interest for late payments.

Transfer and Subsidies

Amount transferred was lower than budgeted due to limited activity at the Development Agency.

Property Plant and Equipment

Varaince Immaterail as additions are funded by Grants

Finance Lease Payments

Payments are budgeted for under payments to suppliers.

RAYMOND MHLABA LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2022

	OPENING BALANCE	APPROVED ROLL-OVER	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R		R	R	R	R
NATIONAL GOVERNMENT						
Equitable Share	-		204 622 000,00	204 622 000,00		-
Municipal Finance Management Grant	-		2 850 000,00	2 850 000,00		-
Municipal Infrastructure Grant	-		54 003 000,00	2 045 741,79	51 957 258,21	-
Expanded Public Works Program	-		2 838 000,00	2 838 000,00		-
Integrated National Electrification Programme (INEP)		-	1 828 000,00	-	1 827 875,46	124,54
LG-SETA	-		225 269,80	225 269,80		-
National Treasury Audit Fees Grant	-		3 842 466,37	3 842 466,37		-
Total National Government Grants	**-**	**-**	**270 208 736,17**	**216 423 477,96**	**53 785 133,67**	**124,54**
PROVINCIAL GOVERNMENT						
Housing Disaster Grant	9 474,00		-			9 474,00
Library Grant	-		1 650 000,00	1 650 000,00		-
OTP Alice Revitalisation	162,00		-			162,00
DDEAT - Mining Projects	77 000,00		-			77 000,00
ECDLGTA - Greening and Beautification	707 664,00		-			707 664,00
LSDF - Middledrift Spatial Development	147 392,00		-			147 392,00
Allien plant removal - EPWP	69 120,00			6 461,84		62 658,16
Quarry Mining Grant	102 563,00		-			102 563,00
Total Provincial Government Grants	**1 113 375**	**-**	**1 650 000**	**1 656 462**	**-**	**1 106 913**
ALL SPHERES GOVERNMENT	**1 113 375**		**271 858 736**	**218 079 940**	**53 785 134**	**1 107 038**