

SENQU LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2022

AUDITED

SENQU LOCAL MUNICIPALITY

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SENQU LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Senqu Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM

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

JURISDICTION

The Senqu Local Municipality includes the following areas:

Lady Grey
Barkly East
Sterkspruit
Rhodes
Herschel
Rossouw

MEMBERS OF THE COUNCIL

Position	Councillor	Ward	Additional Portfolio
Executive Mayor	VV Stokhwe	Proportional	Member of Executive Committee
Speaker	NR Gwabeni	Proportional	Member of Executive Committee
Chief Whip	S Mfisa	Ward 10	Portfolio Head: Corporate Service
Ward Councillor	T Mbane	Ward 1	
Ward Councillor	P Mmele	Ward 2	
Ward Councillor	SM Ntlwatini	Ward 3	
Ward Councillor	M Mbijeka	Ward 4	
Ward Councillor	Z Mnisi	Ward 5	
Ward Councillor	M Mbutyu	Ward 6	
Ward Councillor	Z Mangcipu	Ward 7	
Ward Councillor	KS Mpiti-Xhelesha	Ward 8	
Ward Councillor	JD Somsila	Ward 9	
Ward Councillor	T Nonjola	Ward 11	
Ward Councillor	B Duba	Ward 12	
Ward Councillor	M Kafile	Ward 13	
Ward Councillor	TM Dumzela	Ward 14	
Ward Councillor	M Phuza	Ward 15	
Ward Councillor	MA Mshasha	Ward 16	
Ward Councillor	A Mvelase	Ward 17	
PR Councillor	MN Ngendane	Proportional	Portfolio Head: Community Services
PR Councillor	SL Ndakisa	Proportional	Portfolio Head: Technical Services
PR Councillor	B Mbonjwa	Proportional	Portfolio Head: DTSPS
PR Councillor	N Ngendane	Proportional	Portfolio Head: Finance Services
PR Councillor	XG Magcai	Proportional	
PR Councillor	N Nyongwana	Proportional	
PR Councillor	L Nongogo	Proportional	
PR Councillor	MN Mgojo	Proportional	
PR Councillor	NM Phama	Proportional	
PR Councillor	B Lawu	Proportional	
PR Councillor	ZR Mxoli	Proportional	
PR Councillor	TJ Madiene	Proportional	
PR Councillor	BP Ngamlana	Proportional	
PR Councillor	N January	Proportional	
PR Councillor	MJ Moahloi	Proportional	

SENQU LOCAL MUNICIPALITY

GENERAL INFORMATION

MUNICIPAL MANAGER

MM Yawa

CHIEF FINANCIAL OFFICER

K Fourie

REGISTERED OFFICE

Murray Street, Lady Grey, 9755

POSTAL ADDRESS

P.O. Box 18, Lady Grey, 9755

AUDITORS

Auditor-General of South Africa, P.O. Box 13252, East London

PRINCIPLE BANKERS

Standard Bank, Lady Grey

ATTORNEYS

Le Roux Attorneys, 101 Cape Road, Port Elizabeth

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Labour Relation Amendment Act (Act 6 of 2014)
Collective Agreements
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
Municipal Regulation on Standard Chart of Accounts (mSCOA)
Amended Municipal Structures Act No: 3 of 2021

SENQU LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2022, which are set out on pages 1 to 120 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2023 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MM Yawa
Municipal Manager

Date

SENQU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Notes	2022 R (Actual)	2021 R (Restated)
ASSETS			
Current Assets		484 445 476	469 702 057
Cash and Cash Equivalents	2	458 013 043	442 038 950
Receivables from exchange transactions	3	16 650 042	15 507 916
Receivables from non-exchange transactions	4	4 032 529	7 022 743
Taxes	5	4 999 017	3 945 651
Operating Lease Asset	6.1	-	9 351
Inventory	7	750 845	1 177 447
Non-Current Assets		513 251 040	485 526 842
Investment Property	8	46 308 500	45 488 000
Property, Plant and Equipment	9	464 991 131	438 265 950
Intangible Assets	10	128 193	186 478
Capitalised Restoration Cost (PPE)	11	1 823 216	1 586 414
Total Assets		997 696 515	955 228 899
Current Liabilities		58 641 566	63 915 725
Borrowings	12	904 130	886 600
Consumer Deposits	13	1 820 608	1 766 410
Payables from exchange transactions	14	10 295 182	9 926 874
Payables from non-exchange transactions	15	23 654 627	35 013 323
Operating Lease Liability	6.2	4 217	8 271
Current Employee benefits	16	21 962 802	16 314 248
Non-Current Liabilities		35 620 795	32 579 022
Borrowings	12	6 843 614	7 748 035
Employee benefits	17	20 427 000	17 409 000
Non-Current Provisions	18	8 350 181	7 421 987
Total Liabilities		94 262 361	96 494 747
NET ASSETS		903 434 154	858 734 152
COMMUNITY WEALTH			
Revaluation Reserve	19.1	85 610 740	77 324 332
Accumulated Surplus	19.2	817 823 414	781 409 820
		903 434 154	858 734 152

SENQU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

	Notes	2022 R (Actual)	2021 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		221 987 423	228 709 625
Taxation Revenue		15 497 080	12 830 089
Property Rates	20	15 497 080	12 830 089
Transfer Revenue		203 981 049	214 017 964
Transfers and Subsidies - Capital	21	24 571 877	14 802 951
Transfers and Subsidies - Operating	21	179 409 172	199 215 013
Other Revenue		2 509 294	1 861 571
Actuarial Gains	17	11 296	48 156
Fines, Penalties and Forfeits	22	476 365	112 899
Interest Earned - Penalty Interest on Property Rates	26	1 201 133	820 299
Gain on Fair Value Adjustments of Investment Property	8	820 500	868 500
Gain on Disposal of Capitalised Restoration Cost (PPE)	11	-	11 718
REVENUE FROM EXCHANGE TRANSACTIONS		82 635 956	76 320 256
Operating Activities		82 635 956	76 320 256
Service Charges	23	57 104 457	52 932 507
Rental from Fixed Assets	24	1 482 076	560 363
Interest Earned - external investments	25	17 805 824	16 039 660
Interest Earned - Service Debtors	26	3 075 152	3 010 992
Licences and Permits		1 255 686	1 391 935
Agency Services		1 200 192	1 480 744
Sales of Goods and Rendering of Services	27	161 519	255 784
Operational Revenue	28	551 051	648 273
TOTAL REVENUE		304 623 381	305 029 881
EXPENDITURE			
Employee related costs	29	112 975 676	99 859 642
Remuneration of Councillors	30	12 761 110	12 663 025
Debt Impairment	31	12 678 672	11 951 095
Depreciation and Amortisation	32	16 795 065	18 069 922
Impairment Loss	33	288 733	478 089
Actuarial Losses	17	346 880	1 880 314
Finance Charges	34	2 659 883	2 196 693
Bulk Purchases	35	44 034 167	39 533 435
Contracted services	36	30 846 613	21 605 540
Transfers and Subsidies	37	42 055	-
Operating Leases	38	427 768	83 280
Operational Cost	39	33 963 217	29 536 238
Loss on Disposal of Assets	40	389 165	3 042 125
Inventory Loss		783	19 001
TOTAL EXPENDITURE		268 209 787	240 918 400
NET SURPLUS FOR THE YEAR		36 413 594	64 111 481

SENQU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2022

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2020 - Previously Reported	69 064 818	717 757 053	786 821 872
Correction of Error - Refer to note 42.7	-	(458 715)	(458 715)
Balance on 30 June 2020 - Restated	69 064 818	717 298 338	786 363 156
Net Surplus for the year	-	64 111 482	64 111 482
Revaluation on Land and Buildings	8 259 513	-	8 259 513
Balance on 30 June 2021 - Restated	77 324 332	781 409 820	858 734 152
Net Surplus for the year	-	36 413 594	36 413 594
Revaluation on Land and Buildings	8 286 409	-	8 286 409
Balance on 30 June 2022	85 610 740	817 823 414	903 434 154

SENQU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

	Notes	2022 R (Actual)	2021 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		12 445 652	10 150 049
Service charges and interest on outstanding debtors		49 492 788	48 196 155
Other revenue		5 126 888	4 449 997
Government - operating		171 501 200	201 714 100
Government - capital		36 540 800	31 845 900
Interest		17 805 824	16 039 660
Refund on VAT returns - VAT 201s		7 442 994	5 940 301
Payments			
Suppliers and employees		(247 484 365)	(207 254 325)
Finance charges		(545 448)	(594 809)
Transfers and Grants		(42 055)	-
NET CASH FROM OPERATING ACTIVITIES	43	52 284 278	110 487 028
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchase of Property, Plant and Equipment		(35 477 494)	(19 054 879)
Purchase of Intangible Assets		-	(102 717)
NET CASH USED INVESTING ACTIVITIES		(35 477 494)	(19 157 596)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits		54 198	101 023
Payments			
Loans repaid		(886 890)	(870 510)
NET CASH USED FINANCING ACTIVITIES		(832 692)	(769 487)
NET INCREASE IN CASH HELD		15 974 093	90 559 945
Cash and Cash Equivalents at the beginning of the year		442 038 950	351 479 005
Cash and Cash Equivalents at the end of the year		458 013 043	442 038 950

SENQU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
ASSETS					
Current assets					
Cash	4 682 769	34 215 353	(29 532 584)	-86%	Money not yet transferred from Investment account
Call investment deposits	453 330 273	340 267 096	113 063 177	33%	Increased revenue as a result of improved control, under-expenditure of the budget due to unresponsive tenders; money not yet transferred to the Primary bank account
Consumer debtors	19 585 581	20 799 382	(1 213 801)	-6%	Result of the implementation of the Revenue-enhancement programme
Other Receivables	6 096 007	6 673 299	(577 292)	-9%	-
Inventory	750 845	1 177 447	(426 602)	-36%	More inventory utilised before year-end than anticipated
Total current assets	484 445 475	403 132 577	81 312 898		
Non current assets					
Investment property	46 308 500	45 488 000	820 500	2%	-
Property, plant and equipment	464 991 131	501 492 584	(36 501 453)	-7%	Under-expenditure of Capital Budget due to non-responsive tenders
Intangible Assets	128 193	91 590	36 603	40%	Effect of the review of useful lives for the year under review
Capitalised Restoration Cost	1 823 216	-	1 823 216	100%	Included under Property, plant and equipment in the budget
Total non current assets	513 251 040	547 072 174	(33 821 134)		
TOTAL ASSETS	997 696 515	950 204 751	47 491 764		
LIABILITIES					
Current liabilities					
Borrowing	904 130	904 397	(267)	0%	-
Consumer deposits	1 820 608	1 901 215	(80 607)	-4%	-
Trade and other payables	33 954 025	29 783 925	4 170 100	14%	Unspent grants due to delays in projects and non-responsive tenders
Provisions and Employee Benefits	21 962 802	17 773 735	4 189 067	24%	Effect of the performance bonuses which will only be paid later in 2022/23 financial year
Total current liabilities	58 641 566	50 363 272	8 278 293		
Non current liabilities					
Borrowing	6 843 614	6 843 637	(23)	0%	-
Provisions and Employee Benefits	28 777 181	27 889 987	887 194	3%	-
Total non current liabilities	35 620 795	34 733 624	887 171		
TOTAL LIABILITIES	94 262 360	85 096 897	9 165 464		
NET ASSETS	903 434 154	865 107 854	38 326 300		
COMMUNITY WEALTH					
Accumulated Surplus	559 179 407	514 779 760	44 399 646	9%	Effect of under-expenditure of budget
Reserves	344 254 748	350 328 093	(6 073 346)	-2%	Effect of revaluation on Land and Buildings
TOTAL COMMUNITY WEALTH/EQUITY	903 434 154	865 107 854	38 326 301		

SENQU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Approved Budget)	2022 R (Adjustments)	2022 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
ASSETS					
Current assets					
Cash	37 940 113	(3 724 760)	34 215 353	-10%	Effect of the reduction in the MIG amount and result of all other transactions in the budget
Call investment deposits	197 857 999	142 409 097	340 267 096	72%	Increased to a more realistic amount based on the actuals for the previous financial year
Consumer debtors	18 273 423	2 525 959	20 799 382	14%	Increased to a more realistic amount based on the actuals for the previous financial year
Other Receivables	5 378 147	1 295 153	6 673 299	24%	Increased to a more realistic amount based on the actuals for the previous financial year
Inventory	411 147	766 300	1 177 447	186%	Increased to a more realistic amount based on the actuals for the previous financial year
Total current assets	259 860 829	143 271 748	403 132 577		
Non current assets					
Investment property	45 607 000	(119 000)	45 488 000	0%	-
Property, plant and equipment	573 710 725	(72 218 141)	501 492 584	-13%	Decrease in capital budget due to delays in projects
Intangible Assets	126 961	(35 371)	91 590	-28%	Amount decreased as no acquisitions were budgeted for
Total non current assets	619 444 686	(72 372 512)	547 072 174		
TOTAL ASSETS	879 305 514	70 899 236	950 204 751		
LIABILITIES					
Current liabilities					
Borrowing	904 396	2	904 397	0%	-
Consumer deposits	1 901 215	-	1 901 215	0%	-
Trade and other payables	31 219 984	(1 436 059)	29 783 925	-5%	Effect of Unspent grants, Decreased to a more realistic amount based on the actuals for the previous financial year
Provisions and Employee Benefits	16 933 643	840 092	17 773 735	5%	Increased to a more realistic amount based on the actuals for the previous financial year
Total current liabilities	50 959 238	(595 965)	50 363 272		
Non current liabilities					
Borrowing	6 843 661	(24)	6 843 637	0%	-
Provisions and Employee Benefits	25 787 791	2 102 196	27 889 987	8%	Increased to a more realistic amount based on the actuals for the previous financial year
Total non current liabilities	32 631 452	2 102 172	34 733 624		
TOTAL LIABILITIES	83 590 690	1 506 207	85 096 897		
NET ASSETS	795 714 825	69 393 030	865 107 854		
COMMUNITY WEALTH					
Accumulated Surplus	530 937 912	(16 158 152)	514 779 760	-3%	Appropriation to and from Reserves
Reserves	264 776 913	85 551 181	350 328 093	32%	Increased to a more realistic amount based on the actuals for the previous financial year
TOTAL COMMUNITY WEALTH/EQUITY	795 714 825	69 393 029	865 107 854		

SENQU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
REVENUE BY SOURCE					
Property rates	15 497 080	13 509 089	1 987 992	15%	Actual Property Rates billed more than expected
Service charges	57 104 457	69 444 159	(12 339 702)	-18%	Consumption based budget
Rental of facilities and equipment	1 482 076	1 055 101	426 975	40%	Renewal of lease contracts for municipal properties
Interest earned - external investments	17 805 824	17 254 000	551 824	3%	-
Interest earned - outstanding debtors	4 276 285	4 171 112	105 173	3%	-
Fines, penalties and forfeits	476 365	198 461	277 904	140%	Effect of iGRAP 1 on revenue recognition
Licences and permits	1 255 686	1 249 384	6 302	1%	More revenue received than budgeted for
Agency services	1 200 192	2 182 380	(982 188)	-45%	Less revenue received than budgeted for
Transfers and Subsidies - Operating	179 409 172	177 404 950	2 004 222	1%	Effect of VAT portion on Capital grants
Other revenue	1 544 366	1 328 900	215 466	16%	Effect of Gain in Fair Value of Investment Property
TOTAL OPERATING REVENUE	280 051 502	287 797 536	(7 746 033)		
EXPENDITURE BY TYPE					
Employee related costs	112 975 676	111 783 311	1 192 365	1%	Vacant post filled earlier than anticipated
Remuneration of councillors	12 761 110	15 336 178	(2 575 068)	-17%	Effect of no increase in Council Remuneration
Debt impairment	12 678 672	13 391 150	(712 478)	-5%	Result of the implementation of the Revenue-enhancement programme
Depreciation & asset impairment	17 083 798	19 573 811	(2 490 012)	-13%	Result of the under-expenditure of capital budget
Finance charges	2 659 883	2 928 753	(268 871)	-9%	-
Bulk purchases	44 034 167	47 757 775	(3 723 608)	-8%	Demand less than anticipated
Inventory consumed	-	20 299 269	(20 299 269)	-100%	Accounted for under "Other expenditure" in terms of GRAP
Contracted services	30 846 613	45 330 584	(14 483 971)	-32%	Cost containment strategy and the under-expenditure of the budget
Transfers and subsidies	42 055	42 055	(0)	0%	-
Other expenditure	34 737 865	39 018 117	(4 280 251)	-11%	"Other Materials" included in actual expenditure; under-expenditure of the budget
Losses	389 948	2 000 000	(1 610 052)	100%	Less disposals of Infrastructure assets than anticipated
TOTAL OPERATING EXPENDITURE	268 209 787	317 461 002	(49 251 216)		
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR					
	11 841 716	(29 663 467)	41 505 183		
Transfers and Subsidies - Capital	24 571 877	36 037 050	(11 465 173)	-32%	Unspent grants due to delays in projects and non-responsive tenders
NET SURPLUS FOR THE YEAR	36 413 593	6 373 583	30 040 010		

SENQU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R (Approved Budget)	2022 R (Adjustments)	2022 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
REVENUE BY SOURCE					
Property rates	9 602 127	3 906 962	13 509 089	41%	Increased to a more realistic amount based on the actual trends for the first 6 months
Service charges	59 406 805	10 037 354	69 444 159	17%	Increased to a more realistic amount based on the actual trends for the first 6 months
Rental of facilities and equipment	130 884	924 217	1 055 101	706%	Increased to a more realistic amount based on the actual trends for the first 6 months
Interest earned - external investments	19 834 000	(2 580 000)	17 254 000	-13%	Reduced due to lower interest rates for the 2021/22 financial year
Interest earned - outstanding debtors	2 686 112	1 485 000	4 171 112	55%	Increased to a more realistic amount based on the actual trends for the first 6 months
Fines, penalties and forfeits	175 207	23 254	198 461	13%	-
Licences and permits	1 249 384	-	1 249 384	0%	-
Agency services	1 050 427	1 131 953	2 182 380	108%	Increased to a more realistic amount based on the actual trends for the first 6 months
Transfers and Subsidies - Operating	176 704 950	700 000	177 404 950	0%	Effect of additional Greenest municipality grant for the 2021/22 financial year Decreased to a more realistic amount based on the actual trends for the first 6 months
Other revenue	1 951 577	(622 677)	1 328 900	-32%	months
TOTAL OPERATING REVENUE	272 791 473	15 006 063	287 797 536		
EXPENDITURE BY TYPE					
Employee related costs	107 048 638	4 734 673	111 783 311	4%	Increased to a more realistic amount based on the actual trends for the first 6 months
Remuneration of councillors	15 336 178	-	15 336 178	0%	-
Debt impairment	13 391 150	-	13 391 150	0%	-
Depreciation & asset impairment	21 921 967	(2 348 156)	19 573 811	-11%	Decreased as a result of the under-expenditure in the capital budget
Finance charges	3 379 683	(450 930)	2 928 753	-13%	Reduced due to lower interest rates for the 2021/22 financial year
Bulk purchases	47 757 775	-	47 757 775	0%	-
Inventory consumed	18 644 499	1 654 770	20 299 269	9%	Increased to a more realistic amount based on the actual trends for the first 6 months
Contracted services	41 549 843	3 780 741	45 330 584	9%	Increased to a more realistic amount based on the actual trends for the first 6 months
Transfers and subsidies	42 055	-	42 055	0%	-
Other expenditure	39 567 999	(549 883)	39 018 117	-1%	-
Losses	-	2 000 000	2 000 000	100%	-
TOTAL OPERATING EXPENDITURE	308 639 787	8 821 215	317 461 002		
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(35 848 314)	6 184 848	(29 663 467)		
Government Grants and Subsidies - Capital	46 112 050	(10 075 000)	36 037 050	-22%	Reduction in MIG grant by National Treasury
NET SURPLUS FOR THE YEAR	10 263 736	(3 890 152)	6 373 583		

SENQU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2022 R (Actual)	2022 R (Final Budget)	2022 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	12 445 652	10 041 271	2 404 381	19%	Actual Property Rates billed more than expected
Service charges	49 492 788	51 617 667	(2 124 879)	-4%	Interest earned on outstanding debtors included under Service charges in the AFS and Other revenue in the budget
Other revenue	5 126 888	8 843 756	(3 716 867)	-72%	Interest earned on outstanding debtors included under Service charges in the AFS and Other revenue in the budget
Government - operating	171 501 200	177 404 950	(5 903 750)	-3%	Effect of VAT portion on Capital grants
Government - capital	36 540 800	36 037 050	503 750	1%	-
Interest	17 805 824	17 254 000	551 824	3%	-
Refund on VAT returns - VAT 201s	7 442 994	-	7 442 994	100%	VAT accounted for in other line items in the budget
Payments					
Suppliers and Employees	(247 484 365)	(283 886 173)	36 401 808	-15%	Improved control and under-expenditure due of the budget
Finance charges	(545 448)	(2 928 753)	2 383 305	-437%	Only finance charges physically paid included in the "actual" amount
Transfers and Grants	(42 055)	(42 055)	0	-100%	-
NET CASH FROM OPERATING ACTIVITIES	52 284 278	14 341 712	37 942 566		
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments					
Capital assets	(35 477 494)	(81 331 605)	45 854 111	-129%	Unspent grants due to delays in projects and non-responsive tenders
NET CASH USED IN INVESTING ACTIVITIES	(35 477 494)	(81 331 605)	45 854 111		
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase in consumer deposits	54 198	134 805	(80 607)	-149%	-
Payments					
Repayment of borrowing	(886 890)	(886 600)	(290)	0%	-
NET CASH USED IN FINANCING ACTIVITIES	(832 692)	(751 795)	(80 897)		
NET INCREASE/(DECREASE) IN CASH HELD	15 974 092	(67 741 687)	83 715 779		
Cash and Cash Equivalents at the beginning of the year	442 038 950	442 224 136	(185 186)	0%	-
Cash and Cash Equivalents at the end of the year	458 013 043	374 482 449	83 530 594	18%	Result of increased revenue, improved control and under-expenditure of the budget due to non-responsive tenders

SENQU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

ADJUSTMENTS TO APPROVED BUDGET

	2022 R	2022 R	2022 R		
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	7 414 329	2 626 942	10 041 271	35%	Increased to a more realistic amount based on the actual trends for the first 6 months
Service charges	45 871 256	5 746 411	51 617 667	13%	Increased to a more realistic amount based on the actual trends for the first 6 months
Other revenue	4 527 658	4 316 098	8 843 756	95%	Interest earned on outstanding debtors included under "Other revenue" in the final budget as per NT schedules
Government - operating	176 704 950	700 000	177 404 950	0%	Effect of additional Greensest municipality grant for the 2021/22 financial year
Government - capital	46 112 050	(10 075 000)	36 037 050	-22%	Reduction in MIG grant by National Treasury
Interest	21 908 095	(4 654 095)	17 254 000	-21%	Interest earned on outstanding debtors included under "Other revenue" in the final budget as per NT schedules
Payments					
Suppliers and Employees	(267 627 491)	(16 258 682)	(283 886 173)	6%	Increased to a more realistic amount based on the actual trends for the first 6 months
Finance charges	(3 379 683)	450 930	(2 928 753)	-13%	Reduced due to lower interest rates for the 2021/22 financial year
Transfers and subsidies	(42 055)	-	(42 055)	0%	-
NET CASH FROM OPERATING ACTIVITIES	31 489 108	(17 147 396)	14 341 712		
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments					
Capital assets	(80 270 255)	(1 061 350)	(81 331 605)	1%	-
NET CASH USED IN INVESTING ACTIVITIES	(80 270 255)	(1 061 350)	(81 331 605)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase in consumer deposits	90 534	44 271	134 805	49%	-
Payments					
Repayment of borrowing	(886 199)	(401)	(886 600)	0%	-
NET CASH USED IN FINANCING ACTIVITIES	(795 665)	43 870	(751 795)		
NET DECREASE IN CASH HELD	(49 576 811)	(18 164 876)	(67 741 687)		
Cash and Cash Equivalents at the beginning of the year	285 374 923	156 849 213	442 224 136	55%	Increased to a more realistic amount based on the actuals for the previous financial year
Cash and Cash Equivalents at the end of the year	235 798 112	138 684 337	374 482 449	59%	Increased to a more realistic amount based on the actuals for the previous financial year

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Items deemed immaterial are also corrected if the value thereof can become material.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policies in the current year.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the Improvements to the Standards of GRAP (2020) which were issued but are not yet effective. The improvements affected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2023
GRAP 13	Leases	1 April 2023
GRAP 16	Investment Property	1 April 2023
GRAP 17	Property Plant and Equipment	1 April 2023
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2023
GRAP 31	Intangible Assets	1 April 2023
GRAP 32	Service Concession Arrangements: Grantor	1 April 2023
GRAP 37	Joint Arrangements	1 April 2023
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2023
Directive 7	The Application of Deemed Cost	1 April 2023
Guideline	Accounting for Landfill Sites	1 April 2023

The Municipality also resolved to early adopt the following Interpretation of the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
iGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

The Municipality further resolved to early adopt the following Amendments to the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (2019)	Presentation of Financial Statements	1 April 2023

The effect of the above-mentioned pronouncements to the Standards of GRAP which were early adopted is considered insignificant. The early adopted pronouncements mainly relate to the clarification of accounting principles.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality further resolved not to early adopt the following Standard of GRAP which was issued but is not yet effective:

1.08.1.1 GRAP 104 (Revised 2019) - Financial Instruments (effective 1 April 2025)

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date for application, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 25 (Revised 2021) - Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align it with IPSAS 39 on Employee Benefits.

Preliminary investigations indicated that, other than additional disclosure, the impact of this Standard on the financial statements will not be significant.

1.08.2.2 GRAP 103 (Revised 2022) - Heritage Assets

The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.

Preliminary investigations indicated that the impact of this Standard on the financial statements will not be significant, as the Municipality does not have any assets that meet the definition of a heritage asset as prescribed per GRAP 103.

1.08.2.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

This Interpretation addresses the following:

- (a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling.
- (b) How a minimum funding requirement might affect the availability of reductions in future contributions.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.09 RESERVES

1.09.1 *Revaluation Reserve*

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The following reserves are ring-fenced in the accumulated surplus and therefore disclosed as part of the accumulated surplus in the statement of financial position:

1.09.2 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

1.09.3 *Employee Benefits Reserve*

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus.

1.09.4 *Valuation Roll Reserve*

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.10 INVESTMENT PROPERTY

1.10.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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 measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

1.10.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises. The fair value of Investment Property reflects market conditions at the reporting date.

1.10.3 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.11 PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

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

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.11.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment, other than Land and Buildings, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.11.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.11.4 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
Infrastructure		Land and Buildings	
Roads and Paving	7 - 115	Buildings and	
Bridges	50 - 80	Improvements	100
Electricity	10 - 70	Land	Indefinite
Storm Water	12 - 85		
Community		Other Assets	
Community Halls	100	Vehicles	5 - 24
Libraries	100	Plant & Equipment	2 - 22
Parks & Gardens	15 - 50	Furniture	5 - 24
Sports facilities	30 - 45	Special Vehicles	10
Cemeteries	10 - 15	Specialised plant and	10 - 19
		Equipment	
Capitalised Restoration Cost		Office Equipment	5 - 21
Landfill Sites	9 - 52	Computer Equipment	3 - 22

1.11.5 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.6 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.12 INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only 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.

Intangible assets are initially recognised at cost on their acquisition date. The cost of an intangible asset 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an intangible asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.12.2 Subsequent Measurement - Cost Model

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

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.12 INTANGIBLE ASSETS (CONTINUED)

1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5 - 21

1.12.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An 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.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.13 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

1.13.1 Recoverable amount of Cash-generating assets

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

The best evidence of 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.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.13.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. 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.

1.13.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.13.4 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 assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.14 INVENTORIES

1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.15 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.15.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.15.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.15 EMPLOYEE BENEFITS (CONTINUED)

1.15.2 Long-term Benefits

1.15.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.15.3 Short-term Benefits

1.15.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.15.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.15.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15.3.4 Other Short-term Employee Benefits

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

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality 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
- (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.16 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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 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 will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

- (b) The Municipality 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.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.17 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.

1.17.1 Municipality as Lessee

1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.17.2 Municipality as Lessor

1.17.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.18 FINANCIAL INSTRUMENTS

1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **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. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.18.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.18.3.2 *Financial assets measured at cost*

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

1.18.4 Derecognition of financial instruments

1.18.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.18.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.18 FINANCIAL INSTRUMENTS (CONTINUED)

1.18.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.19.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.19.2 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 subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. 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 any risks specific to the statutory receivable 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 by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.19.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the cash basis.

1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.25 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.26.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.26 REVENUE (CONTINUED)

1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. In cases where fines and summonses are issued by another government departments, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

1.26.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired

1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related 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.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.26 REVENUE (CONTINUED)

1.26.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

1.26.2.2 Interest earned

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.26.2.3 Rental income

Revenue from the rental of fixed assets is recognised on a straight-line basis over the term of the lease agreement.

1.26.2.4 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.26.2.5 Other Tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.26 REVENUE (CONTINUED)

1.26.2.6 *Sale of goods*

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33 EVENTS AFTER REPORTING DATE

Events after the 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:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.34 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.

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

Management is considered a related party and comprises 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.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship 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 the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.35 ACCOUNTING BY PRINCIPALS AND AGENTS

An agent 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:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) 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 it 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.36 SEGMENT REPORTING

A segment is an activity of the Municipality:

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

Management comprises of 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.

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the Municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis (i.e. departmental charges).

Financial information distributed to management does not include a segment/department analysis of assets and liabilities associated with each segment/department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the Municipality as a whole.

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is reported on per segment.

1.37 SERVICE CONCESSION ARRANGMENTS: ENTITY AS GRANTOR

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator, which in this case will be the Municipality.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.37 SERVICE CONCESSION ARRANGMENTS: ENTITY AS GRANTOR (CONTINUED)

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- (a) is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- (b) is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

The Municipality recognises an asset provided by the operator and an upgrade to an existing asset of the Municipality, as a service concession asset if the Municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the Municipality controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the Municipality recognises a service concession asset, and the asset is not an existing asset of the Municipality (grantor), the Municipality (grantor) also recognises a liability.

The Municipality does not recognise a liability when an existing asset of the Municipality is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

The Municipality initially measures the service concession asset as follows:

- (a) Where the asset is not an existing asset of the Municipality, the asset is measured at its fair value.
- (b) Where the asset is an existing asset of the Municipality and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The Municipality initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the Municipality to the operator, or from the operator to the Municipality.

Where the Municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the Municipality accounts for the liability as a financial liability.

The Municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.37 SERVICE CONCESSION ARRANGMENTS: ENTITY AS GRANTOR (CONTINUED)

Where the asset and service components are not separately identifiable, the service component of payments from the Entity to the operator is determined using estimation techniques.

Where the Municipality does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the Municipality accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the Municipality and the operator.

The Municipality recognises revenue and reduces the liability according to the substance of the service concession arrangement.

If the Municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

The Municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

The Municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

1.38 CONSTRUCTION CONTRACTS

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The Municipality participates as a non-accredited municipality in the National Housing Programme. The Municipality's roles and responsibilities in the housing development process are set out in the binding arrangements entered into with the provincial Department of Human Settlements. The Municipality assesses the terms and conditions of each contract concluded with the provincial Department of Human Settlements to establish whether the contract is a construction contract or not.

The Accounting Standards Board (ASB) issued a *Guideline on accounting for arrangements undertaken in terms of the National Housing Programme*. The guideline makes a distinction between a project manager and a project developer.

Where the Municipality is appointed as the project manager, it will assist with the process of appointing a contractor to construct houses on behalf of the provincial Department of Human Settlements. The responsibility of appointment and payment of the contractors ultimately vest with the provincial Department of Human Settlements.

Where the Municipality is appointed as the project developer, it will take on the responsibility for the construction of the houses. As project developer the Municipality will appoint contractors and will make payments for work completed on meeting milestones agreed between itself and the contractor.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.38 CONSTRUCTION CONTRACTS (CONTINUED)

In general, where the Municipality is appointed as the project manager, it will act as an agent for the provincial Department of Human Settlements. Where the Municipality is appointed as the project developer, it is considered that the Municipality has entered into a construction contract with the provincial Department of Human Settlements.

The binding agreements entered into with the provincial Department of Human Settlements are non-commercial fixed price contracts. The objective of the arrangements is to construct low cost houses for the beneficiaries of the National Housing Programme in return for full reimbursement of costs from the department through a housing grant or subsidy.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for the work performed to date bear to the estimate total contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs shall be recognised as an expense in the period in which they are incurred.

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.39.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2007 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2007 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.39.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.39.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.39.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.39.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.39.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

1.39 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.39.7 Distinguishing between Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

1.39.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.39.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.39.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

1.39.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	2022 R	2021 R
2 CASH AND CASH EQUIVALENTS		
Primary Bank Account	4 682 069	1 771 154
Balance previously reported	-	1 956 340
Prior period adjustment - Note 42.1	-	(185 186)
Call and short-term Investments Deposits	453 330 273	440 267 096
Cash Floats	700	700
Total	458 013 043	442 038 950

Due to the short-term nature of cash deposits, all balances included above is in line with their fair value.

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	23 654 627	35 013 323
Capital Replacement Reserve	214 436 701	208 547 253
Valuation Roll Reserve	1 817 504	1 454 003
Employee Benefit Reserve	42 389 802	33 723 249
Taxes	1 320 143	1 215 653
Working Capital Requirements	174 394 266	162 085 470
	458 013 043	442 038 950

Primary Bank Account

Standard Bank - Lady Grey Branch - Account Number 28 063 130 8

Bank Statement Balance - Opening Balance	1 709 814	3 654 982
Bank Statement Balance - Closing Balance	4 638 487	1 709 814
Cashbook Balance - Opening Balance	1 771 154	3 598 222
Cashbook Balance - Closing Balance	4 682 069	1 771 154

Call and Notice Deposits

Call and Notice Deposits consist out of the following accounts:

Standard Bank 388489162/0	340 338 131	331 104 707
Standard Bank 388489731/0	101 996 723	98 624 324
Standard Bank 388486066/0	10 995 419	10 538 066
	453 330 273	440 267 096

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	69 917 149	57 149 891	12 767 258
Electricity	31 663 228	20 284 438	11 378 790
Refuse	37 379 316	36 469 698	909 618
Housing Rentals	874 605	395 755	478 850
Other Receivables	3 882 784	-	3 882 784
Joe Gqabi District Municipality (WSA)	3 882 784	-	3 882 784
Total	73 799 933	57 149 891	16 650 042

30 JUNE 2021

	Gross Balance R	Allowance for impairment R	Net Receivable R
Service Receivables	60 806 728	49 266 626	11 540 102
Electricity	30 197 292	20 204 724	9 992 567
Refuse	29 716 575	28 636 333	1 080 242
Balance previously reported	29 709 147	28 636 333	1 072 814
Prior period adjustment - Note 42.2	7 428	-	7 428
Housing Rentals	892 862	425 569	467 292
Other Receivables	3 967 814	-	3 967 814
Joe Gqabi District Municipality (WSA)	3 967 814	-	3 967 814
Total	64 774 542	49 266 626	15 507 916

Included in the outstanding balances at 30 June 2022 are consumer debtors to the value of R440 604 who have made arrangements to repay their outstanding debt over a re-negotiated period.

The carrying value of receivables are in line with their fair value. A credit period of 30 days are 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.

Ageing of service and other receivables:	2022 R	2021 R
Electricity Ageing		
Current (0 - 30 days)	3 924 658	3 542 827
Past Due (31 - 60 Days)	1 971 673	1 635 319
Past Due (61 - 90 Days)	1 469 387	1 673 968
Past Due (90 Days +)	24 297 510	23 345 177
Total	31 663 228	30 197 292

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2022	2021
	R	R
Refuse Ageing		
Current (0 - 30 days)	985 228	870 742
Past Due (31 - 60 Days)	890 041	777 511
Past Due (61 - 90 Days)	856 486	740 449
Past Due (90 Days +)	34 647 561	27 327 873
Total	37 379 316	29 716 575
Housing Rentals Ageing		
Current (0 - 30 days)	21 591	41 646
Past Due (31 - 60 Days)	27 395	23 220
Past Due (61 - 90 Days)	23 684	7 141
Past Due (90 Days +)	801 935	820 854
Total	874 605	892 862
Other Receivables Ageing		
Past Due (90 Days +)	3 882 784	3 967 814
Total	3 882 784	3 967 814
Total Service and Other Receivables Ageing		
Current (0 - 30 days)	4 931 477	4 455 215
Past Due (31 - 60 Days)	2 889 109	2 436 050
Past Due (61 - 90 Days)	2 349 557	2 421 559
Past Due (90 Days +)	63 629 790	55 461 717
Total	73 799 933	64 774 541
Reconciliation of Allowance for impairment		
Balance at the beginning of the year	49 266 626	46 626 629
Contribution to the provision	9 459 665	8 855 082
Electricity	1 584 843	1 496 152
Refuse	7 874 429	7 358 929
Housing Rentals	392	-
Bad Debts Written off	(1 576 400)	(6 215 085)
Electricity	(1 505 129)	(166 915)
Refuse	(70 878)	(6 048 170)
Housing Rentals	(392)	-
Balance at the end of the year	57 149 891	49 266 626

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2022

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	23 873 115	20 937 576	2 935 539
Rates	23 873 115	20 937 576	2 935 539
Other Receivables	2 586 090	1 489 100	1 096 990
Traffic fines income due	1 489 100	1 489 100	-
Other Receivables	1 096 990	-	1 096 990
Total	26 459 205	22 426 676	4 032 529

30 JUNE 2021

	Gross Balance	Allowance for impairment	Net Receivable
	R	R	R
Service Receivables	19 694 574	17 526 416	2 168 158
Rates	19 694 574	17 526 416	2 168 158
Other Receivables	5 902 785	1 048 200	4 854 585
Traffic fines income due	1 048 200	1 048 200	-
Other Receivables	4 854 585	-	4 854 585
Balance previously reported	4 207 116	-	4 207 116
Prior period adjustment - Note 42.3	647 469	-	647 469
Total	25 597 359	18 574 616	7 022 743

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.

	2022	2021
	R	R
Ageing of service receivables:		
Rates Ageing		
Current (0 - 30 days)	130 755	91 044
Past Due (31 - 60 Days)	528 265	416 109
Past Due (61 - 90 Days)	446 526	387 524
Past Due (90 Days +)	22 767 569	18 799 897
Total	23 873 115	19 694 574

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	2022	2021
	R	R
Reconciliation of Allowance for impairment		
Balance at the beginning of the year	18 574 616	15 535 375
Contribution to the provision	3 926 080	3 293 327
Rates	3 485 180	3 191 627
Fines	440 900	101 700
Bad Debts Written off	(74 020)	(254 086)
Rates	(74 020)	(254 086)
Balance at the end of the year	22 426 677	18 574 616

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

The ageing of amounts past due but not impaired is as follows:

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2022			
1 month past due	1 720 907	128 209	1 849 115
2 + months past due	7 373 318	2 803 910	10 177 228
Total	9 094 225	2 932 119	12 026 344
2021			
1 month past due	1 293 594	70 550	1 364 144
2 + months past due	6 986 340	2 094 871	9 081 211
Total	8 279 934	2 165 421	10 445 355

Trade and other receivables impaired:

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2022			
Total	57 149 891	22 426 677	79 576 567
2021			
Total	49 266 626	18 574 616	67 841 242

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

5 TAXES	2022 R	2021 R
Vat Receivable/(Payable)	(910 320)	(1 256 612)
Balance previously reported	-	(793 631)
Prior period adjustment - Note 42.4	-	(462 982)
Vat on Contribution to Provision for Impairment of Trade Receivables from Exchange Transactions	5 909 337	5 202 263
Total	4 999 017	3 945 651

VAT is accounted for on the cash basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

6 OPERATING LEASES

6.1 OPERATING LEASE ASSETS

Operating Lease Asset	-	9 351
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The operating lease asset is derived from contracts where the municipality acts as the lessor in the agreement.

Reconciliation of Operating Lease Asset:

Balance at the beginning of the year	9 352	25 004
Movement during the year	(9 352)	(15 652)
Balance at the end of the year	-	9 352

The municipality will receive the following lease payments from contracts that have defined lease payments and terms:

Within 1 Year	-	124 198
	-	124 198

The lease payments are in respect of properties being lease out over a period ranging up to May 2022.

6.2 OPERATING LEASE LIABILITIES

Operating Lease Liability	4 217	8 271
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The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.

Reconciliation of Operating Lease Liability:

Balance at the beginning of the year	8 271	9 088
Movement during the year	(4 054)	(817)
Balance at the end of the year	4 217	8 271

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

6 OPERATING LEASES (CONTINUED)	2022 R	2021 R
The municipality will incur the following lease expenditure from contracts that have defined lease payments and terms:		
Within 1 Year	30 649	43 703
Between 1 and 5 Years	-	30 649
	<u>30 649</u>	<u>74 352</u>

The Municipality entered into a lease agreement to rent the Library building in Lady Grey. The lease agreement was renewed on 1 March 2018 and will run up to 28 February 2023. The initial monthly rental is R3 238 (VAT inclusive) and the lease is subject to an annual increase of 8%.

7 INVENTORY		
Electricity materials	750 845	1 177 447
Total	<u>750 845</u>	<u>1 177 447</u>

No inventory was pledged as security for liabilities.

8 INVESTMENT PROPERTY		
Investment Property - Carrying Value	<u>46 308 500</u>	<u>45 488 000</u>

The movement in investment properties is reconciled as follows:

Opening Carrying Value	45 488 000	46 031 000
Fair Value	45 488 000	46 031 000
Transfers from Property, Plant and equipment - Note 9	-	376 500
Transfers to Property, Plant and equipment - Note 9	-	(1 788 000)
Fair Value Adjustment	820 500	868 500
Closing Carrying Value	46 308 500	45 488 000
Fair Value	46 308 500	45 488 000

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.

The valuations were performed by Umhlaba Valuers and the valuer was Mr Wessel Christiaan van Deventer, a professional valuer with registration number 2816. Properties were valued on the comparative sales method of valuation, based on the active market values in the area.

Rental revenue earned from Investment Properties	1 425 125	515 042
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SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

9 PROPERTY PLANT AND EQUIPMENT

30 June 2022	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Revaluation	Loss on Fair Value Revaluation	Transfers to Cost		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R		R
Land and Buildings	134 280 814	1 651 880	-	7 090 670	-	143 023 364	-	1 195 739	(1 195 739)	-	-	-	143 023 364
Land	29 776 275	-	-	-	-	29 776 275	-	-	-	-	-	-	29 776 275
Buildings	104 504 539	1 651 880	-	7 090 670	-	113 247 089	-	1 195 739	(1 195 739)	-	-	-	113 247 089
Infrastructure	366 634 058	23 073 346	(261 043)	-	-	389 446 362	128 470 090	10 593 733	(71 295)	-	-	138 992 528	250 453 834
Roads	221 115 567	3 267 159	-	-	-	224 382 726	101 180 427	7 079 402	-	-	-	108 259 830	116 122 896
Stormwater	64 994 905	2 159 682	-	-	-	67 154 586	16 102 464	1 257 034	-	-	-	17 359 498	49 795 088
Solid Waste	36 523 973	16 473 255	-	-	-	52 997 228	2 249 878	671 703	-	-	-	2 921 580	50 075 647
Electricity	31 483 182	1 173 251	(261 043)	-	-	32 395 390	6 233 929	1 199 497	(71 295)	-	-	7 362 131	25 033 259
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	2 703 392	386 096	-	-	-	3 089 489	9 426 942
Community Assets	53 950 525	6 070 485	(183 051)	-	-	59 837 958	10 894 571	1 710 892	-	-	-	12 605 464	47 232 495
Sports Fields	26 314 447	-	(183 051)	-	-	26 131 395	4 670 964	835 390	-	-	-	5 506 354	20 625 041
Node Development	9 548 529	-	-	-	-	9 548 529	2 144 430	311 243	-	-	-	2 455 673	7 092 856
Parks & Gardens	7 829 419	-	-	-	-	7 829 419	373 340	60 452	-	-	-	433 792	7 395 627
Cemetery	8 842 407	6 070 485	-	-	-	14 912 892	2 458 253	460 321	-	-	-	2 918 574	11 994 318
Other	1 415 723	-	-	-	-	1 415 723	1 247 584	43 486	-	-	-	1 291 070	124 652
Other Assets	60 388 148	4 681 783	(446 261)	-	-	64 623 671	37 622 934	3 149 192	(429 894)	-	-	40 342 231	24 281 439
Motor Vehicles	13 118 628	-	-	-	-	13 118 628	8 426 288	377 092	-	-	-	8 803 380	4 315 248
Plant & Equipment	27 736 651	4 075 622	-	-	-	31 812 273	14 107 165	1 372 150	-	-	-	15 479 314	16 332 959
Office Equipment	2 406 737	14 000	(77 849)	-	-	2 342 888	2 254 054	70 832	(75 695)	-	-	2 249 190	93 698
Furniture & Fittings	4 980 250	275 854	(1 306)	-	-	5 254 798	3 991 283	294 919	(1 299)	-	-	4 284 903	969 895
Loose Equipment	525 917	-	-	-	-	525 917	497 344	10 543	-	-	-	507 886	18 030
Computer Equipment	7 538 587	316 307	(367 106)	-	-	7 487 788	5 653 013	670 709	(352 900)	-	-	5 970 822	1 516 966
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	2 693 788	352 948	-	-	-	3 046 736	1 034 642
Total	615 253 545	35 477 494	(890 355)	7 090 670	-	656 931 354	176 987 595	16 649 556	(1 696 928)	-	-	191 940 223	464 991 131

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2021	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Revaluation	Loss on Fair Value Revaluation	Transfers to Cost		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R		R
Land and Buildings	124 142 690	1 697 493	-	7 193 164	1 247 466	134 280 814	-	1 082 849	(1 082 849)	164 034	(164 034)	-	134 280 814
Land	28 364 775	-	-	-	1 411 500	29 776 275	-	-	-	-	-	-	29 776 275
Buildings	95 777 915	1 697 493	-	7 193 164	(164 034)	104 504 539	-	1 082 849	(1 082 849)	164 034	(164 034)	-	104 504 539
Infrastructure	358 334 114	13 508 335	(5 208 391)	-	-	366 634 058	119 360 751	11 299 413	(2 190 074)	-	-	128 470 090	238 163 968
Roads	216 522 726	6 184 306	(1 591 465)	-	-	221 115 567	94 317 435	8 361 094	(1 498 102)	-	-	101 180 427	119 935 140
Stormwater	67 338 489	1 199 426	(3 543 011)	-	-	64 994 905	15 554 714	1 218 496	(670 746)	-	-	16 102 464	48 892 441
Solid Waste	32 653 235	3 870 738	-	-	-	36 523 973	1 915 492	334 385	-	-	-	2 249 878	34 274 096
Electricity	29 303 233	2 253 865	(73 916)	-	-	31 483 182	5 255 814	999 340	(21 226)	-	-	6 233 929	25 249 253
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	2 317 296	386 096	-	-	-	2 703 392	9 813 039
Community Assets	51 865 169	2 085 356	-	-	-	53 950 525	8 964 319	1 930 253	-	-	-	10 894 571	43 055 954
Sports Fields	26 314 447	-	-	-	-	26 314 447	3 835 574	835 390	-	-	-	4 670 964	21 643 483
Node Development	9 199 831	348 698	-	-	-	9 548 529	1 849 050	295 379	-	-	-	2 144 430	7 404 099
Parks & Gardens	7 829 419	-	-	-	-	7 829 419	312 889	60 452	-	-	-	373 340	7 456 079
Cemetery	7 105 750	1 736 658	-	-	-	8 842 407	1 998 089	460 164	-	-	-	2 458 253	6 384 154
Other	1 415 723	-	-	-	-	1 415 723	968 717	278 867	-	-	-	1 247 584	168 139
Other Assets	58 814 072	1 763 695	(189 619)	-	-	60 388 148	34 214 162	3 574 583	(165 811)	-	-	37 622 934	22 765 215
Motor Vehicles	12 518 079	770 968	(170 419)	-	-	13 118 628	8 243 399	327 918	(145 029)	-	-	8 426 288	4 692 340
Plant & Equipment	27 718 109	37 743	(19 200)	-	-	27 736 651	12 514 668	1 613 279	(20 782)	-	-	14 107 165	13 629 487
Office Equipment	2 396 567	10 170	-	-	-	2 406 737	2 110 626	143 428	-	-	-	2 254 054	152 683
Furniture & Fittings	4 807 163	173 087	-	-	-	4 980 250	3 645 072	346 211	-	-	-	3 991 283	988 967
Loose Equipment	525 917	-	-	-	-	525 917	477 862	19 482	-	-	-	497 344	28 573
Computer Equipment	6 766 859	771 728	-	-	-	7 538 587	4 881 696	771 317	-	-	-	5 653 013	1 885 574
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	2 340 840	352 948	-	-	-	2 693 788	1 387 590
Total	593 156 046	19 054 879	(5 398 010)	7 193 164	1 247 466	615 253 545	162 539 232	17 887 097	(3 438 734)	164 034	(164 034)	176 987 595	438 265 950

19 157 596

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2021	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Disposals	Gain on Fair Value Revaluation	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Loss on Fair Value Revaluation	Transfers	Closing Balance	
Previously Reported	593 156 046	18 831 688	(5 398 010)	7 193 164	1 247 466	615 030 354	162 539 232	17 876 368	(3 438 734)	164 034	(164 034)	176 976 866	438 053 488
Prior Period Adjustment - Refer to Note 42.6	-	223 191	-	-	-	223 191	-	10 729	-	-	-	10 729	212 462
Restated Balance	593 156 046	19 054 879	(5 398 010)	7 193 164	1 247 466	615 253 545	162 539 232	17 887 097	(3 438 734)	164 034	(164 034)	176 987 595	438 265 950

The valuations of Land and Buildings were performed by Umhlaba Valuers and the valuer was Mr Wessel Christiaan van Deventer, a professional valuer with registration number 2816. Properties were valued on the comparative sales method of valuation, based on the active market values in the area.

No assets were pledged as security for liabilities.

Refer to note 41 for the disclosure of repairs and maintenance per asset class as required by GRAP 17.

The municipality have 55 assets that are fully depreciated which are still in use. These assets are immaterial in value and will be replaced once funding is made available.

Effect of changes in accounting estimates

During the current year the remaining useful lives of Property, Plant and Equipment were reviewed and adjusted accordingly. The effect on the current and future periods are as follow:

	2022 R	2023 R
Increase / (Decrease) in Depreciation and Amortisation	(840 224)	840 224
Increase / (Decrease) in Accumulated Surplus	840 224	(840 224)
Increase / (Decrease) in Property, Plant and Equipment	840 224	(840 224)

The municipality do not have any projects included in Work in Progress that is taking a significant longer period to complete.

The following work in progress balances are included in PPE. No Depreciation charge is recognised against these amounts.

	2022 R	2021 R
Buildings	2 396 689	16 098 399
Infrastructure - Roads	4 562 022	6 078 295
Infrastructure - Waste Management	25 711 576	9 238 321
Sports Fields	-	183 051
Parks & Gardens	-	5 886 332
Cemetery	7 236 193	2 024 723
Total Work in Progress (WIP) - Restated 2021	39 906 480	39 509 122

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

10	INTANGIBLE ASSETS	2022 R	2021 R
	Intangible Assets - Carrying Value	<u>128 193</u>	<u>186 478</u>
	The movement in intangible assets is reconciled as follows:		
	Opening Carrying Value	186 478	174 999
	Cost	986 096	883 379
	Accumulated Amortisation	(799 619)	(708 380)
	Acquisitions	-	102 717
	Amortisation for the year	(58 285)	(91 238)
	Closing Carrying Value	<u>128 193</u>	<u>186 478</u>
	Cost	986 096	986 096
	Accumulated Amortisation	(857 903)	(799 619)

Intangible Assets consist only out of software

No intangible assets were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

11	CAPITALISED RESTORATION COST (PPE)	2022 R	2021 R
	Capitalised Restoration Cost - Carrying Value	<u>1 823 216</u>	<u>1 586 414</u>
	The movement in capitalised restoration cost is reconciled as follows:		
	Opening Carrying Value	1 586 414	1 746 526
	Cost	4 893 116	4 631 086
	Accumulated Depreciation	(1 901 553)	(1 809 966)
	Accumulated Impairments	(1 405 149)	(1 074 594)
	Additions/(Disposal)	612 759	250 312
	Gain on disposal	-	11 718
	Depreciation for the year	(87 225)	(91 587)
	Impairments for the year	(288 733)	(330 555)
	Closing Carrying Value	<u>1 823 216</u>	<u>1 586 414</u>
	Cost	5 505 876	4 893 116
	Accumulated Depreciation	(1 988 777)	(1 901 553)
	Accumulated Impairments	(1 693 883)	(1 405 149)

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

11 CAPITALISED RESTORATION COST (PPE) (CONTINUED)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Senqu Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 18 for more detail relating to this asset financed by way of a provision

12 BORROWINGS

	2022 R	2021 R
Annuity Loans	7 747 744	8 634 635
Sub-Total	7 747 744	8 634 635
Less: Current portion	904 130	886 600
Annuity Loans	904 130	886 600
Total Non-current Borrowings	6 843 614	7 748 035

Borrowings were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

Borrowings consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	Development Bank of Southern Africa (DBSA)	floating	30-Sep-29
2	Development Bank of Southern Africa (DBSA)	6.75%	30-Sep-30

Annuity loans are payable as follows:

Payable within one year	1 458 090	1 474 353
Payable within two to five years	5 373 579	5 576 027
Payable after five years	3 418 392	4 685 868
Total amount payable	10 250 060	11 736 247
Less: Outstanding Future Finance Charges	(2 502 315)	(3 101 613)
Present value of annuity loans	7 747 744	8 634 635

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	2022 R	2021 R
13 CONSUMER DEPOSITS		
Electricity	1 820 608	1 766 410
Total	1 820 608	1 766 410

No guarantees held in lieu of Electricity Deposits

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

Consumer deposits are paid by consumers on application for new and electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

14 PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	2 744 156	5 165 620
Balance previously reported	-	5 036 888
Prior period adjustment - Note 42.5	-	128 732
Deposits: Other	380 436	92 228
Payments received in advance	399 566	492 324
Retentions	6 631 897	4 037 778
DBSA Interest Accrual	139 128	138 923
Total	10 295 182	9 926 874

Payables are being recognised net of any discounts received.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of payables approximates its fair value.

15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Unspent Conditional Government Grants

National Government	10 293 461	23 087 320
Provincial Government	13 361 166	11 926 003
Total	23 654 627	35 013 323

Detail reconciliations of all grants received and grant conditions met are included in note 21. Unspent grant balances are recognised to the extent that conditions are not yet met.

No grants were withheld in the current year.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Due to the short-term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

16 CURRENT EMPLOYEE BENEFITS	2022 R	2021 R
Post Retirement Medical Benefits - Note 17	280 000	221 000
Long Service Awards - Note 17	759 000	296 000
Bonuses	3 500 159	3 027 077
Performance Bonuses	7 044 679	3 056 922
Compensation for injuries on duty contribution	5 376 486	4 616 931
Staff Leave	5 002 478	5 096 318
Total	21 962 802	16 314 248

The movement in current employee benefits are reconciled as follows:

Bonuses

Opening Balance	3 027 077	2 925 634
Contribution during the year	6 061 146	5 286 701
Payments made	(5 588 065)	(5 185 257)
Balance at end of year	3 500 159	3 027 077

Bonuses are paid in November of each year to permanent employees and contract employees structuring the package to provide for 13th cheque.

Performance Bonuses

Opening Balance	3 056 922	3 040 087
Contribution during the year	3 987 757	2 562 724
Payments made	-	(2 545 888)
Balance at end of year	7 044 679	3 056 922

Performance bonuses are being paid to Municipal Manager, Directors, Managers and Below-Managers after an evaluation of performance by the council. Performance bonuses will only be paid later in the 2022/23 financial year.

Compensation for injuries on duty contribution

Opening Balance	4 616 931	3 774 342
Contribution during the year	759 555	842 589
Balance at end of year	5 376 486	4 616 931

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

16	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2022	2021
		R	R
	<u>Staff Leave</u>		
	Opening Balance	5 096 318	4 525 887
	Contribution during the year	2 285 260	3 044 727
	Payments made	(2 379 100)	(2 474 296)
	Balance at end of year	<u>5 002 478</u>	<u>5 096 318</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

17	EMPLOYEE BENEFITS		
	Post Retirement Medical Benefits	18 052 000	14 926 000
	Long Service Awards	2 375 000	2 483 000
	Total	<u>20 427 000</u>	<u>17 409 000</u>

17.1 POST RETIREMENT MEDICAL BENEFITS

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	15 147 000	11 260 000
Contribution during the year	3 106 000	2 262 000
Current Service Cost	1 536 000	1 034 000
Interest Cost	1 570 000	1 228 000
Payments made	(267 880)	(255 314)
Actuarial Loss/(Gain)	346 880	1 880 314
Total balance at year-end	18 332 000	15 147 000
Less: Current Portion - Note 16	(280 000)	(221 000)
Total	<u>18 052 000</u>	<u>14 926 000</u>

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2022	2021
In-service members	194	194
In-service non-members	67	70
Continuation members	3	3
Total	<u>264</u>	<u>267</u>

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17 EMPLOYEE BENEFITS (CONTINUED)

2022
R

2021
R

The liability in respect of past service has been estimated to be as follows:

In-service members	14 731 000	12 346 000
In-service non-members	1 300 000	862 000
Continuation members	2 301 000	1 939 000
Total Unfunded Liability	18 332 000	15 147 000

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2020 R	2019 R	2018 R
In-service members	9 450 000	10 113 774	11 469 723
Continuation members	1 810 000	1 869 858	1 656 532
Total Unfunded Liability	11 260 000	11 983 632	13 126 255

Experience adjustments were calculated as follows:

	2022 R m	2021 R m
Liabilities: (Gain)/Loss	0.208	0.335
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2020 R m	2019 R m	2018 R m
Liabilities: (Gain)/Loss	(0.630)	0.636	(2.684)
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
Hosmed
LA Health
Munimed
SAMWU Medical Aid

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

Interest Rates	2022	2021
Discount rate	11.84%	10.44%
Health Care Cost Inflation Rate	8.45%	7.05%
Net Effective Discount Rate	3.13%	3.17%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal Retirement Age

It has been assumed that in-service members will retire at age 62 for males and 59 for females, which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed in July 2022.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2022	2021
	R	R
The amounts recognised in the Statement of Financial Performance are:		
Employee related costs - Current Service Cost	1 536 000	1 034 000
Finance Charges - Interest Cost	1 570 000	1 228 000
Actuarial Gains	346 880	1 880 314
Net amount charged to Statement of Financial Performance	3 452 880	4 142 314

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Liability at year-end

Assumption	Eligible Employees (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	16.031	2.301	18.332	
Health care inflation rate				
+ 1%	19.549	2.456	22.005	20%
- 1%	13.277	2.160	15.437	-16%
Discount rate				
+ 1%	13.374	2.165	15.539	-15%
- 1%	19.463	2.453	21.916	20%
Post-employment mortality				
+ 1 year	15.611	2.198	17.809	-3%
- 1 year	16.448	2.405	18.853	3%
Average retirement age				
- 1 year	17.851	2.301	20.152	10%
Membership continuation				
- 10%	13.958	2.301	16.259	-11%

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	1 748 000	2 154 000	3 902 000	
Health care inflation rate				
+ 1%	2 154 000	2 589 000	4 743 000	22%
- 1%	1 436 000	1 812 000	3 248 000	-17%
Discount rate				
+ 1%	1 461 000	1 978 000	3 439 000	-12%
- 1%	2 126 000	2 361 000	4 487 000	15%
Post-employment mortality				
+ 1 year	1 704 000	2 093 000	3 797 000	-3%
- 1 year	1 793 000	2 216 000	4 009 000	3%
Average retirement age				
- 1 year	1 962 000	2 370 000	4 332 000	11%
Membership continuation				
- 10%	1 522 000	1 909 000	3 431 000	-12%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17.2 LONG SERVICE AWARDS

The movement in Long Service Awards are reconciled as follows:

Opening Balance	2 779 000	2 564 000
Contribution during the year	618 000	551 000
Current Service Cost	389 000	386 000
Interest Cost	229 000	165 000
Payments made	(251 704)	(287 844)
Actuarial Loss/(Gain)	(11 296)	(48 156)
Total balance at year-end	3 134 000	2 779 000
Less: Current Portion - Note 16	(759 000)	(296 000)
Total	2 375 000	2 483 000

The following members are eligible for long service bonuses:

	2022	2021
In-service members	261	264

The liability in respect of past service has been estimated to be as follows:

In-service members	3 134 000	2 779 000
Total Unfunded Liability	3 134 000	2 779 000

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2020 R	2019 R	2018 R
In-service members	2 564 000	2 147 050	1 725 612
Total Unfunded Liability	2 564 000	2 147 050	1 725 612

Experience adjustments were calculated as follows:

	2022 R	2021 R
Liabilities: (Gain)/Loss	49 704	(56 156)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2020 R	2019 R	2018 R
Liabilities: (Gain)/Loss	84 594	553	54 126
Assets: Gain/(Loss)	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17 EMPLOYEE BENEFITS (CONTINUED)

	2022	2021
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	10.67%	8.70%
General Salary Inflation (long-term)	7.31%	5.64%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.13%	2.90%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed in July 2022.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2022 R	2021 R
The amounts recognised in the Statement of Financial Performance are:		
Employee related costs - Current Service Cost	389 000	386 000
Finance Charges - Interest Cost	229 000	165 000
Actuarial (Gain)/Losses	(11 296)	(48 156)
Net amount charged to Statement of Financial Performance	606 704	502 844

Sensitivity Analysis - Liability at year-end

Assumption	Total liability R	% change
Liability	3 134 000	
General earnings inflation rate		
+ 1%	3 279 000	5%
- 1%	3 000 000	-4%
Discount rate		
+ 1%	2 992 000	-5%
- 1%	3 289 000	5%
Average retirement age		
+ 2 years	3 280 000	5%
- 2 years	3 033 000	-3%
Withdrawal rates		
x 2	2 536 000	-19%
x 0.5	3 527 000	13%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	379 000	295 000	674 000	
General earnings inflation rate				
+ 1%	402 000	311 000	713 000	6%
- 1%	357 000	281 000	638 000	-5%
Discount rate				
+ 1%	360 000	306 000	666 000	-1%
- 1%	399 000	282 000	681 000	1%
Average retirement age				
+ 2 years	396 000	311 000	707 000	5%
- 2 years	367 000	285 000	652 000	-3%
Withdrawal rates				
x 2	284 000	231 000	515 000	-24%
x 0.5	444 000	337 000	781 000	16%

17.3 OTHER PENSION BENEFITS

Defined Benefit Plans

Council contributes to the following defined benefit plans:

Cape Joint Pension Fund	9 604 467	9 315 562
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2021 revealed that the fund is in a sound financial position with a funding level of 100.5%.		
Total	9 604 467	9 315 562

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrators claim that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund and Cape Joint Pension Fund are Multi Employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

17	EMPLOYEE BENEFITS (CONTINUED)	2022	2021
		R	R
	Defined Contribution Plans		
	Council contributes to the following defined contribution plans:		
	SALA Pension Fund	997 125	983 058
	SAMWU National Provident Fund	94 314	90 226
	Total	1 091 439	1 073 283

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

18	NON-CURRENT PROVISIONS		
	Rehabilitation Provision - Landfill Sites	8 350 181	7 421 987
	The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
	Opening Balance	7 421 987	6 962 791
	Contribution during the year	928 194	459 196
	Increase/(Decrease) in estimate	612 759	250 312
	Interest Cost	315 434	208 884
	Total	8 350 181	7 421 987

It is expected that outflows of economic benefits in respect of the provision for rehabilitation of landfill sites will occur beyond the 3-Year Medium Term Revenue and Expenditure Framework period.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

Site	Expected Closure Date		
Barkly East	2034	2 365 691	2 102 724
Lady Grey	2059	2 400 534	2 133 694
Sterkspruit	2033	714 596	635 163
Rhodes	2035	1 649 973	1 466 564
Rossouw	2016	1 219 387	1 083 842
Total		8 350 181	7 421 987

The Rossouw Landfill site reached maximum capacity in 2016 and the provision was made for the cost of the rehabilitation of the Landfill site.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

19	COMMUNITY WEALTH	2022	2021
		R	R
	19.1 RESERVES		
	Revaluations Reserve	85 610 740	77 324 332
	Total	85 610 740	77 324 332

The Revaluation Reserve is treated in accordance with the requirements of GRAP 17. See Statement of Changes in Net Assets for detail on the movement in the Revaluations Reserve.

19.2 ACCUMULATED SURPLUS

The following internal funds and reserves are ring-fenced within the Accumulated Surplus:

Capital Replacement Reserve	214 436 701	208 547 253
Employee Benefits Reserve	42 389 802	33 723 249
Valuation Roll Reserve	1 817 504	1 454 003
Accumulated Surplus due to the results of operations	559 179 407	537 685 315
Total	817 823 414	781 409 820

The Capital Replacement Reserve is created in order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources.

The aim of the Employee Benefits Reserve is to ensure that sufficient cash resources are available for the future payment of employee benefits.

The Valuation Roll Reserve is to ensure that sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

20	PROPERTY RATES		
	Total Property Rates	20 849 235	16 807 884
	Less: Rebates	(5 352 155)	(3 977 795)
	Total	15 497 080	12 830 089

Property rates levied are based on the following rateable valuations:

Residential Property	782 105 500	781 654 500
Commercial Property	421 275 500	412 098 500
Public Benefits Organisations	80 350 000	88 967 000
Public Service Infrastructure	4 727 000	4 727 000
Agricultural Purposes	2 468 923 500	2 469 081 000
State - National / Provincial Services	811 173 000	811 173 000
Municipal Property	388 582 000	383 942 000
Vacant Property	119 053 500	122 005 500
Industrial Property	14 203 000	14 203 000
Total Valuation	5 090 393 000	5 087 851 500

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

20 PROPERTY RATES (CONTINUED)

Valuations on land and buildings are performed every five years. The effective date for the valuation is 1 July 2017.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

	2022	2021
The following rates are applicable to the valuations above:		
Residential	0.7899c/R	0.7452c/R
Commercial	1.0269c/R	0.9687c/R
Public Service Infrastructure	0.0000c/R	0.0000c/R
Agricultural	0.1975c/R	0.1863c/R
State - National / Provincial Services	1.0269c/R	0.9687c/R
Vacant Property	1.1849c/R	1.1178c/R

Rates are levied monthly and payable by the end of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

	2022 R	2021 R
21 TRANSFERS AND SUBSIDIES		
Unconditional Grants - National Government	163 362 000	189 021 000
Equitable Share	163 362 000	189 021 000
Conditional Grants - National Government	34 396 859	23 496 964
Municipal Finance Management	1 650 000	1 700 000
Municipal Infrastructure Grant	30 180 859	17 644 737
EPWP (Expanded Public Works Program)	2 566 000	2 617 000
Integrated National Electrification Grant	-	1 290 857
Municipal Disaster Relief Grant	-	244 370
Conditional Grants - Provincial Government	6 222 190	1 500 000
Libraries	1 500 000	1 500 000
EPWP (Expanded Public Works Program)	4 493 308	-
Greenest Municipality	228 882	-
Total	203 981 049	214 017 964
Disclosed as:		
Transfers and Subsidies - Capital	24 571 877	14 802 951
Transfers and Subsidies - Operating	179 409 172	199 215 013
Total	203 981 049	214 017 964

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2022 R	2021 R
	Grants per Vote (MFMA Sec 123 (c)):		
	Equitable share	163 362 000	189 021 000
	Budget & Treasury	1 650 000	1 700 000
	Planning & Development	10 102 290	3 964 270
	Corporate Services	-	244 370
	Community & Social Services	1 500 000	1 500 000
	Road Transport	27 137 877	16 297 467
	Electricity	-	1 290 858
	Waste Management	228 882	-
	Total	203 981 049	214 017 965

The movements per grant can be summarised as follows:

21.01 Equitable Share

Grants Received	163 362 000	189 021 000
Transferred to Revenue - Operating	(163 362 000)	(189 021 000)
Closing Unspent Balance	-	-

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.

21.02 Financial Management Grant (FMG)

Opening Unspent Balance	-	-
Grants Received	1 650 000	1 700 000
Transferred to Revenue - Operating	(1 650 000)	(1 700 000)
Closing Unspent Balance	-	-

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

21.03 Municipal Infrastructure Grant (MIG)

Opening Unspent Balance	15 877 264	-
Grants Received	38 464 000	33 522 000
Transferred to Revenue - Capital	(24 571 877)	(13 680 467)
Transferred to Revenue - Operating	(5 608 982)	(3 964 270)
Funds returned to NT	(15 877 000)	-
Closing Unspent Balance	8 283 405	15 877 264

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2022 R	2021 R
	21.04 NDPG (Neighbourhood Development Partnership Grant)		
	Opening Unspent Balance	2 010 056	2 010 056
	Closing Unspent Balance	<u>2 010 056</u>	<u>2 010 056</u>
	The NDPG is utilised to attract private and community investment to unlock the social and economic potential within the Senqu area.		
	21.05 EPWP (Expanded Public Works Program) - National		
	Opening Unspent Balance	-	-
	Grants Received	2 566 000	2 617 000
	Transferred to Revenue - Operating	(2 566 000)	(2 617 000)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
	21.06 Integrated National Electrification Grant		
	Opening Unspent Balance	-	1 290 857
	Transferred to Revenue - Capital	-	(1 122 485)
	Transferred to Revenue - Operating	-	(168 373)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The Integrated National Electrification Grant was received from National Treasury to utilised for electrical projects within the Senqu area.		
	21.07 Municipal Disaster Relief Grant		
	Opening Unspent Balance	-	244 370
	Transferred to Revenue - Operating	-	(244 370)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The grant was allocated to the municipality to provide immediate relief to the required needs arising from the COVID 19 pandemic.		
	21.08 Prov Gov - Housing (Hillside)		
	Opening Unspent Balance	232 651	232 651
	Closing Unspent Balance	<u>232 651</u>	<u>232 651</u>
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	21.09 Herschel People's Housing		
	Opening Unspent Balance	11 493 351	11 094 443
	Current year receipts - Interest	457 353	398 908
	Closing Unspent Balance	<u>11 950 704</u>	<u>11 493 351</u>
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		

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21	TRANSFERS AND SUBSIDIES (CONTINUED)	2022 R	2021 R
	21.10 Libraries		
	Opening Unspent Balance	-	-
	Grants Received	1 500 000	1 500 000
	Transferred to Revenue - Operating	(1 500 000)	(1 500 000)
	Closing Unspent Balance	-	-
	The Libraries grant was utilised for the upkeep and operational cost for libraries.		
	21.11 EPWP (Expanded Public Works Program) - Provincial		
	Opening Unspent Balance	5 200 000	-
	Grants Received	-	5 200 000
	Transferred to Revenue - Operating	(4 493 308)	-
	Closing Unspent Balance	706 692	5 200 000
	The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
	21.12 Greenest Municipality		
	Opening Unspent Balance	200 000	200 000
	Grants Received	500 000	-
	Transferred to Revenue - Operating	(228 882)	-
	Closing Unspent Balance	471 118	200 000
	The grant was received for 'greening' the environment as well as proactively preserving it for future generations.		
	21.13 Total Transfers and Subsidies		
	Opening Unspent Balance	35 013 322	15 072 378
	Grants Received	208 042 000	233 560 000
	Current year receipts - Interest	457 353	398 908
	Transferred to Revenue - Capital	(24 571 877)	(14 802 951)
	Transferred to Revenue - Operating	(179 409 172)	(199 215 013)
	Funds returned to NT	(15 877 000)	-
	Closing Unspent Balance	23 654 626	35 013 322
	22 FINES, PENALTIES AND FORFEITS		
	Fines: Pound Fees	33 415	10 699
	Fines: Traffic	442 950	102 200
	Total - Restated 2021	476 365	112 899
	In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.		

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23	SERVICE CHARGES	2022 R	2021 R
	Electricity Revenue	48 684 014	44 114 779
	Refuse Removal Revenue	8 420 443	8 817 728
	Total	57 104 457	52 932 507
	The costs associated with the Free Basic Services provided to indigents are disclosed under operating expenditure projects. It is disclosed in various other expenditure line items as stated below:		
	Cost of Free Basic Services: Electricity	9 244 043	8 167 084
	Bulk Purchases	8 115 781	7 099 907
	Operational Cost	1 128 262	1 067 176
	Cost of Free Basic Services: Refuse	13 027	6 472
	Operational Cost	13 027	6 472
	Total - Restated 2021	9 257 070	8 173 556
24	RENTAL FROM FIXED ASSETS		
	Investment Property	1 425 125	515 042
	Buildings	54 561	40 300
	Machinery and Equipment	2 389	5 021
	Total	1 482 076	560 363
25	INTEREST EARNED - EXTERNAL INVESTMENTS		
	Interest earned on Investment - Standard Bank 388489162/0	14 433 425	11 093 910
	Interest earned on Investment - Standard Bank 388489731/0	3 372 399	4 945 755
	Total	17 805 824	16 039 665
26	INTEREST EARNED - OUTSTANDING DEBTORS		
	Interest Earned - Service Debtors	3 075 152	3 010 992
	Interest Earned - Penalty Interest on Property Rates	1 201 133	820 299
	Total	4 276 285	3 831 291
27	SALES OF GOODS AND RENDERING OF SERVICES		
	Advertisements	3 796	8 312
	Building Plan Clause Levy	18 437	27 240
	Cemetery and Burial	26 719	30 537
	Clearance Certificates	19 095	14 045
	Entrance Fees	2 714	2 666
	Library Fees	1 159	3 380
	Photocopies and Faxes	4 396	1 830
	Sale of Agricultural Products	9 174	36 696
	Tender Documents	71 413	126 000
	Valuation Services	4 616	5 077
	Total	161 519	255 784

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28	OPERATIONAL REVENUE	2022 R	2021 R
	Commission	372 449	404 824
	Grazing Fees	-	226
	LG Seta	178 602	118 685
	Staff Recoveries	-	124 538
	Total - Restated 2021	551 051	648 273
29	EMPLOYEE RELATED COSTS		
	Basic Salary	79 446 871	69 666 949
	Pension and UIF Contributions	11 297 248	10 852 956
	Medical Aid Contributions	6 461 193	6 079 065
	Bonuses	6 061 146	5 286 701
	Performance Bonus	3 987 757	2 562 724
	Telephone allowance	1 135 200	726 900
	Housing Allowances	341 514	186 176
	Other benefits and allowances	34 485	33 444
	Leave Contributions	2 285 260	3 044 727
	Long service awards	389 000	386 000
	Post Retirement Medical Benefits	1 536 002	1 034 000
	Total	112 975 676	99 859 642
	Remuneration of Key Personnel		
	Key management personnel are all appointed on 5-year fixed contracts.		
	Municipal Manager - MM Yawa		
	Annual Remuneration	2 693 951	2 351 571
	Performance Bonus - 2019/20	-	476 762
	Telephone allowance	66 000	38 000
	UIF Contributions	2 125	1 898
	Total	2 762 076	2 868 232
	Director Financial Services - Mr K Fourie		
	Annual Remuneration	1 865 599	1 636 165
	Performance Bonus - 2019/20	-	329 477
	Travel Allowance	144 184	127 133
	Telephone allowance	50 400	24 800
	UIF Contributions	2 125	1 898
	Total	2 062 308	2 119 474
	Director Technical Services - RN Crozier (Contract expired August 2020)		
	Annual Remuneration	-	176 602
	Performance Bonus - 2019/20	-	219 110
	Travel Allowance	-	15 600
	Telephone allowance	-	2 000
	UIF Contributions	-	297
	Total	-	413 610

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

29	EMPLOYEE RELATED COSTS (CONTINUED)	2022 R	2021 R
	<i>Director Technical Services - R Ruiters (Appointed September 2020)</i>		
	Annual Remuneration	1 404 336	1 173 260
	Travel Allowance	336 368	247 473
	Telephone allowance	50 400	22 800
	UIF Contributions	2 125	1 601
	Total	1 793 230	1 445 134
	<i>Director Community and Social Services - CNL Gologolo (Retired Dec 2019)</i>		
	Performance Bonus - 2019/20	-	98 023
	Total	-	98 023
	<i>Acting Director Community and Social Services - U Sobudula (Acting from January 2020)</i>		
	Acting Allowance	-	174 312
	Performance Bonus - 2019/20	-	147 182
	Total	-	321 494
	<i>Director Community and Social Services - N Nyezi (Appointed May 2021)</i>		
	Annual Remuneration	1 808 857	147 239
	Telephone allowance	50 400	8 400
	UIF Contributions	2 125	354
	Total	1 861 382	155 993
	<i>Director Corporate and Support Services - TE Wonga (Contract expired August 2020)</i>		
	Annual Remuneration	-	176 020
	Performance Bonus - 2019/20	-	161 450
	Travel Allowance	-	16 000
	Telephone allowance	-	2 000
	UIF Contributions	-	297
	Total	-	355 768
	<i>Director Corporate and Support Services - Z Koyana (Appointed March 2021)</i>		
	Annual Remuneration	1 912 855	310 090
	Travel Allowance	55 000	-
	Telephone allowance	50 400	16 800
	UIF Contributions	2 125	708
	Total	2 020 380	327 599
	<i>Director Development and Town Planning Services - P Bushula (Contract expired August 2020)</i>		
	Annual Remuneration	-	192 202
	Performance Bonus - 2019/20	-	219 111
	Telephone allowance	-	2 000
	UIF Contributions	-	297
	Total	-	413 611

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

29	EMPLOYEE RELATED COSTS (CONTINUED)	2022	2021
		R	R
	<i>Director Development and Town Planning Services - K Chaphi (Appointed September 2020)</i>		
	Annual Remuneration	1 507 834	1 298 991
	Travel Allowance	232 870	38 812
	Telephone allowance	50 400	22 800
	UIF Contributions	2 125	1 601
	Total	1 793 230	1 362 203
30	REMUNERATION OF COUNCILLORS		
	Mayor	916 824	905 259
	Speaker	720 229	733 088
	Chief Whip	408 965	404 596
	Executive Committee Members	1 761 761	2 022 965
	Councillors	7 773 032	7 446 417
	Other Councillors' contributions and allowances	1 180 300	1 150 700
	Total	12 761 110	12 663 025
	In-kind Benefits		
	The Mayor and Speaker are full-time Councillors and each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor and Speaker may utilise official Council transportation when engaged in official duties. The packages are set out below:		
	<i>Mayor</i>		
	Annual Remuneration	872 424	860 859
	Telephone allowance	44 400	44 400
	Total	916 824	905 259
	<i>Speaker</i>		
	Annual Remuneration	675 829	688 688
	Telephone allowance	44 400	44 400
	Total	720 229	733 088
	<i>Chief Whip</i>		
	Annual Remuneration	364 565	360 196
	Telephone allowance	44 400	44 400
	Total	408 965	404 596
	<i>Executive Committee Members</i>		
	Annual Remuneration	1 569 361	1 800 965
	Telephone allowance	192 400	222 000
	Total	1 761 761	2 022 965
	<i>Councillors (Section 79)</i>		
	Annual Remuneration	1 843 123	1 748 090
	Telephone allowance	237 473	222 000
	Total	2 080 596	1 970 090

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

30	REMUNERATION OF COUNCILLORS (CONTINUED)	2022	2021
		R	R
	<i>Councillors (Ordinary)</i>		
	Annual Remuneration	5 929 908	5 698 327
	Telephone allowance	942 827	928 700
	Total	6 872 736	6 627 027
31	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 3	9 459 665	8 855 082
	Receivables from non-exchange transactions - Note 4	3 926 080	3 293 327
	Total Contribution to Debt Impairment Provision	13 385 745	12 148 408
	Movement in VAT included in debt impairment - Note 5	(707 074)	(197 313)
	Total	12 678 672	11 951 095
	Debt Impairment consists out of the following:		
	Debt Impairment	11 028 252	5 481 924
	Bad Debts Written off	1 650 420	6 469 171
	Total	12 678 672	11 951 095
32	DEPRECIATION AND AMORTISATION		
	Property, Plant and Equipment	16 649 556	17 887 097
	Intangible Assets	58 285	91 238
	Capitalised Restoration Cost (PPE)	87 225	91 587
	Total	16 795 065	18 069 922
33	IMPAIRMENT LOSS		
	Buildings	-	147 534
	Sub-Total	-	147 534
	Capitalised Restoration Cost (PPE)	288 733	330 555
	Total	288 733	478 089
34	FINANCE CHARGES		
	Annuity Loans	545 448	594 809
	Rehabilitation Provision - Landfill Sites	315 434	208 884
	Post Retirement Medical Benefits	1 570 000	1 228 000
	Long Service Awards	229 000	165 000
	Total	2 659 883	2 196 693
35	BULK PURCHASES		
	Electricity	44 034 167	39 533 435
	Total	44 034 167	39 533 435

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

36	CONTRACTED SERVICES	2022 R	2021 R
	Consultants and Professional Services	10 387 764	9 791 113
	Business and Advisory	6 620 314	7 945 390
	Infrastructure and Planning	968 214	275 136
	Legal Cost	2 799 237	1 570 586
	Contractors	8 676 820	5 666 105
	Artists and Performers	18 480	1 900
	Electrical	328 672	364 179
	Fire Services	12 537	-
	Interior Decorator	25 550	36 100
	Maintenance of Buildings and Facilities	2 534 385	1 167 287
	Maintenance of Equipment	1 064 922	734 704
	Maintenance of Unspecified Assets	4 324 946	3 321 818
	Plants, Flowers and Other Decorations	81 448	-
	Transportation	285 881	40 118
	Outsourced Services	11 782 029	6 148 322
	Burial Services	10 100	13 360
	Catering Services	1 103 860	283 800
	Cleaning Services	-	6 500
	Medical Services	1 151	-
	Personnel and Labour	7 681 010	4 329 062
	Security Services	2 985 908	1 515 599
	Total	30 846 613	21 605 540
37	TRANSFERS AND SUBSIDIES		
	Tourism Support	42 055	-
	Total	42 055	-
38	OPERATING LEASES		
	Buildings	152 603	35 165
	Machinery and Equipment	275 165	48 115
	Total	427 768	83 280

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

39	OPERATIONAL COST	2022 R	2021 R
	Advertising, Publicity and Marketing	856 157	722 797
	Assets less than the Capitalisation Threshold	34 130	82 523
	Bank Charges, Facility and Card Fees	288 955	301 559
	Communication	401 837	238 494
	Commission: Prepaid Electricity	631 864	736 674
	Consumables	2 356 275	3 566 246
	Courier and Delivery Services	811	478
	Deeds	9 711	12 183
	Entertainment	31 566	22 899
	External Audit Fees	3 896 326	3 286 557
	External Computer Service	3 698 827	3 012 894
	Fuel and Oil	4 627 714	3 703 082
	Insurance Underwriting	1 972 230	1 494 399
	Learnerships and Internships	315 175	399 672
	Maintenance Materials	3 769 665	2 683 776
	Motor Vehicle Licence and Registrations	266 423	315 588
	Municipal Services	85 029	174 393
	Printing, Publications and Books	55 827	88 434
	Professional Bodies, Membership and Subscription	1 227 715	1 109 970
	Registration Fees	841 185	320 709
	Remuneration to Ward Committees	1 124 000	1 904 000
	Road Worthy Test	-	20 064
	Seating Allowance for Traditional Leaders	83 840	295 000
	Skills Development Fund Levy	999 504	371 158
	Transport Provided as Part of Departmental Activities	1 063 868	450 601
	Travel Agency Fees	74 623	10 042
	Travel and Subsistence	2 439 064	1 538 626
	Uniform and Protective Clothing	2 051 341	1 830 832
	Workmen's Compensation Fund	759 554	842 589
	Total - Restated 2021	33 963 217	29 536 238
		<hr/> <hr/>	<hr/> <hr/>
40	LOSS ON DISPOSAL OF ASSETS		
	Carrying value of Property, Plant and Equipment disposed	389 165	3 042 125
	Total	389 165	3 042 125
		<hr/> <hr/>	<hr/> <hr/>

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

	2022 R	2021 R
41 REPAIRS AND MAINTENANCE		
Repairs and Maintenance is removed as a line item from the Statement of Financial Performance with the implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:		
The following expenditure relating to Repairs and Maintenance projects were identified by the municipality:		
Contracted Services	9 030 293	6 231 167
Contractors - Electrical	328 672	364 179
Contractors - Maintenance of Buildings and Facilities	2 534 385	1 167 287
Contractors - Maintenance of Equipment	1 064 922	734 704
Contractors - Maintenance of Unspecified Assets	4 324 946	3 321 818
Contractors - Transportation	112 781	40 118
Outsourced Services - Personnel and Labour	664 588	603 061
Operational Cost	4 936 311	4 039 961
Assets less than the Capitalisation Threshold	7 501	15 028
Consumables	220 058	250 396
Fuel and Oil	1 843 745	1 149 906
Maintenance Materials	2 802 270	2 527 354
Road Worthy Test	-	20 064
Uniform and Protective Clothing	62 737	77 212
Total	13 966 605	10 271 128
GRAP 17 requires disclosure of repairs and maintenance per asset class:		
Buildings and other structures	3 955 252	2 454 080
Tools and equipment	647 488	507 155
Furniture and office equipment	266 567	210 941
Vehicles and Implements	3 871 990	3 955 774
Roads and stormwater	4 041 268	2 324 334
Electricity Reticulation	464 638	472 351
Streetlights	429 364	191 647
Solid Waste Sites	290 037	154 845
Total	13 966 605	10 271 128

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

42	CORRECTION OF ERROR IN TERMS OF GRAP 3	2021 R
	Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.	
	42.1 CASH AND CASH EQUIVALENTS	
	Balance previously reported	442 224 136
	Correction of Cashbook balance on 1 July 2020 - Note 42.7	51 555
	Correction of Consumer Debtors account for 2020/21 - Note 42.2	(7 428)
	Bank entries not accounted for 2020/2021 - Note 42.3, Note 42.5 and Note 42.8	(53 232)
	Dept of Transport receipts not recognised - 2020/21 - Note 42.5 and Note 42.8	179 176
	Reversal of Unsupported Transactions for 2020/21 - Note 42.3	(260 021)
	Correction of EFT differences for 2020/21 - Note 42.8	(95 236)
	Restated Balance on 30 June 2021	442 038 950
	42.2 RECEIVABLES FROM EXCHANGE TRANSACTIONS	
	Balance previously reported	15 500 488
	Correction of Consumer Debtors account for 2020/21 - Note 42.1	7 428
	Restated Balance on 30 June 2021	15 507 916
	42.3 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	
	Balance previously reported	6 375 274
	Recognise Debtor for Overpayment to Dept of Transport - 2020/21 - Note 42.5	332 539
	Recognise Debtor for Overpayment to Supplier - 2020/21 - Note 42.5	260 944
	Effect on Taxes - Note 42.4	34 036
	Effect on Statement of Financial Performance - Note 42.8	226 908
	Overpayment to Supplier incorrectly accounted for - 2020/21 - Note 42.5	(29 440)
	Bank entries not accounted for 2020/2021 - Note 42.1	(31 550)
	Reversal of Unsupported Transactions for 2020/21 - Note 42.1	260 021
	Dept of Transport payments not recognised - 2020/21 - Note 42.5	(388 449)
	Reversal of Unsupported Balances on 1 July 2020 - Note 42.7	(106 255)
	Correction of VAT on Other Receivables - 2020/21 - Note 42.4	349 658
	Restated Balance on 30 June 2021	7 022 743
	42.4 TAXES	
	Balance previously reported	4 408 632
	Recognise Debtor for Overpayment to Supplier - 2020/21 - Note 42.3	(34 036)
	Correction of Retention balance - 1 July 2020 - Note 42.5	26 683
	Payables incorrectly raised up to 30 June 2021 - Note 42.5	(105 970)
	Correction of VAT on Other Receivables - 2020/21 - Note 42.3	(349 658)
	Restated Balance on 30 June 2021	3 945 651

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

42	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	2021 R
	42.5 PAYABLES FROM EXCHANGE TRANSACTIONS	
	Balance previously reported	9 707 564
	Recognise Debtor for Overpayment to Dept of Transport - 2020/21 - Note 42.3	332 539
	Correction of Retention balance - 1 July 2020	204 569
	Effect on Taxes - Note 42.4	26 683
	Effect on Accumulated Surplus - Note 42.7	177 886
	Overpayment to Supplier incorrectly accounted for - 2020/21 - Note 42.3	(29 440)
	Prodiba card payments previously not recognised - 2020/21 - Note 42.8	202 901
	Bank entries not accounted for 2020/2021 - Note 42.1	(84 588)
	Dept of Transport receipts not recognised - 2020/21 - Note 42.1	153 045
	Payables previously not recognised - 1 July 2020 - Note 42.7	226 130
	Payables previously not recognised at 30 June 2021 - Note 42.8	35 561
	Payables incorrectly raised up to 30 June 2021	(821 407)
	Effect on Taxes - Note 42.4	(105 970)
	Effect on Statement of Financial Performance - Note 42.8	(715 437)
	Restated Balance on 30 June 2021	9 926 874
	42.6 PROPERTY PLANT AND EQUIPMENT	
	Balance previously reported	438 053 489
	Movable asset additions for 2020/21 previously not recognised - Note 42.8	212 462
	Effect on Computer Equipment	199 800
	Effect on Plant & Equipment	23 391
	Effect on Depreciation	(10 729)
	Buildings project reclassified as Work-in-progress - Note 9	-
	Effect on Buildings (Work-in progress)	15 135 642
	Effect on Buildings (Completed)	(15 135 642)
	Restated Balance on 30 June 2021	438 265 951
	42.7 ACCUMULATED SURPLUS	
	Correction of Cashbook balance on 1 July 2020 - Note 42.1	51 555
	Correction of Retention balance - 1 July 2020 - Note 42.5	(177 886)
	Payables previously not recognised - 1 July 2020 - Note 42.5	(226 130)
	Reversal of Unsupported Balances on 1 July 2020 - Note 42.3	(106 255)
	Restated Balance on 30 June 2021	(458 715)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

42	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	2021 R
42.8 STATEMENT OF FINANCIAL PERFORMANCE		
	Balance previously reported	63 652 885
	Movable asset additions for 2020/21 previously not recognised - Note 42.6	212 462
	Effect on Operational Cost	223 191
	Effect on Depreciation	(10 729)
	Reallocation of Agency Services - Note 22	-
	Effect on Agency Services	40 148
	Effect on Fines, Penalties and Forfeits	(40 148)
	Correction of Waste Management Rebate - Notes 23 and 39	-
	Effect on Service Charges	(3 179 434)
	Effect on Operational Cost	3 179 434
	Prodiba card payments previously not recognised - 2020/21 - Note 42.5	(202 901)
	Effect on Operational Revenue	(202 901)
	Payables previously not recognised at 30 June 2021 - Note 42.5	(35 561)
	Effect on Operational Cost	(35 068)
	Effect on Contracted services	(493)
	Payables incorrectly raised up to 30 June 2021 - Note 42.5	715 437
	Effect on Operational Cost	12 399
	Effect on Contracted services	304 805
	Effect on Bulk Purchases	366 932
	Effect on Employee related costs	31 301
	Dept of Transport receipts not recognised - 2020/21 - Note 42.1	26 131
	Effect on Agency Services	25 915
	Effect on Licences and Permits	216
	Dept of Transport payments not recognised - 2020/21 - Note 42.5	(388 449)
	Effect on Agency Services	(72 861)
	Effect on Operational Cost	(315 588)
	Bank entries not accounted for 2020/2021 - Note 42.1	(194)
	Effect on Operational Cost	(194)
	Correction of EFT differences for 2020/21 - Note 42.1	(95 236)
	Effect on Operational Cost	(46 552)
	Effect on Contracted services	(48 684)
	Recognise Debtor for Overpayment to Supplier - 2020/21 - Note 42.3	226 908
	Effect on Operational Cost	226 908
	Restated Balance on 30 June 2021	<u>64 111 482</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

43	NET CASH FROM OPERATING ACTIVITIES	2022	2021
		R	R
	Net Surplus for the year	36 413 594	64 111 482
	Adjusted for:		
	Non-Cash Items	31 781 154	36 095 056
	Debt Impairment	12 678 672	11 951 095
	Depreciation and Amortisation	16 795 065	18 069 922
	Impairments	288 733	478 089
	Gain on Fair Value Adjustments of Investment Property	(820 500)	(868 500)
	Gain on Disposal of Capitalised Restoration Cost (PPE)	-	(11 718)
	Actuarial Gains	(11 296)	(48 156)
	Actuarial Losses	346 880	1 880 314
	Finance Charges	2 114 434	1 601 884
	Loss on disposal of PPE	389 165	3 042 125
	Contributions - Provisions and Employee Benefits	15 018 719	13 156 740
	Post Retirement Medical Benefits	1 536 000	1 034 000
	Long Service Awards	389 000	386 000
	Performance Bonuses	3 987 757	2 562 724
	Bonuses	6 061 146	5 286 701
	Compensation for injuries on duty	759 555	842 589
	Staff Leave	2 285 260	3 044 727
	Expenditure - Provisions and Employee Benefits	(8 486 749)	(10 748 599)
	Post Retirement Medical Benefits	(267 880)	(255 314)
	Long Service Awards	(251 704)	(287 844)
	Performance Bonuses	-	(2 545 888)
	Bonuses	(5 588 065)	(5 185 257)
	Staff Leave	(2 379 100)	(2 474 296)
	Other adjustments	(1 645 123)	(6 454 336)
	Bad Debts Written Off	(1 650 420)	(6 469 171)
	Movement on Operating Lease Asset	9 352	15 652
	Movement on Operating Lease Liability	(4 054)	(817)
	Operating Surplus before changes in working capital	73 081 595	96 160 343
	Movement in working capital	(20 797 317)	14 326 685
	Receivables from exchange and non-exchange transactions	(9 180 165)	(8 473 756)
	Inventory	426 602	(56 387)
	Payables from exchange transactions	368 308	(3 045 650)
	Payables from non-exchange transactions	(11 358 696)	19 940 943
	Taxes	(1 053 366)	5 961 535
	Cash Flow from Operating Activities	52 284 278	110 487 028

44 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

Primary Bank Account	4 682 069	1 771 154
Call and short-term Investments Deposits	453 330 273	440 267 096
Cash Floats	700	700
Total	458 013 042	442 038 950

Refer to note 2 for more details relating to cash and cash equivalents.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

45 BUDGET COMPARISONS

45.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consists of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Payables from non-exchange transactions (Unspent grants) and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements do not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consists out of the following line items - Actuarial Gains, Insurance Receipts, Gain on Fair Value Adjustments of Investment Property, Gain on Disposal of Capitalised Restoration Cost (PPE), Sales of Goods and Rendering of Services and Operational Revenue.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements do not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Actuarial Losses, Operating Leases and Operational Cost. Other materials are also included under Operational cost in the financial statements and not as a separate item on the Statement of financial performance as per the budget schedules. The reason for this is that the current detail provided in mSCOA does not provide the nature of the expense which could be problematic from a GRAP point of view.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

45.2 MATERIAL VARIANCES

Refer to the Statements of comparison of budget and actual amounts in pages 8 to 13 of this document.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

46

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

46.1 UNAUTHORISED EXPENDITURE

No over-expenditure on votes for the two reporting periods in the financial statements.

	2022 (Actual) R	2022 (Final Budget) R	2022 (Unauthorised) R
Unauthorised expenditure - Operating			
Executive & Council	27 796 592	33 497 732	-
Planning & Development	22 353 829	25 409 225	-
Corporate Services	30 408 566	39 718 282	-
Budget & Treasury	38 851 651	45 513 825	-
Road Transport	29 279 579	32 022 250	-
Waste Water Management	5 549 424	7 126 185	-
Community & Social Services	17 965 847	19 096 659	-
Sport & Recreation	1 657 872	1 870 421	-
Public Safety	259 119	532 633	-
Electricity	62 643 553	71 457 439	-
Waste Management	31 443 754	41 216 350	-
Total	268 209 787	317 461 002	-
Unauthorised expenditure - Capital			
Executive & Council	19 540	1 221 117	-
Corporate Services	3 965 529	6 271 992	-
Budget & Treasury	639 767	2 488 314	-
Road Transport	5 440 841	19 723 800	-
Waste Water Management	-	1 617 482	-
Community & Social Services	7 504 417	22 521 270	-
Sport & Recreation	-	1 000 000	-
Electricity	1 201 368	1 401 728	-
Waste Management	16 706 032	25 085 901	-
Total	35 477 494	81 331 605	-

46.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

	2022 R	2021 R
Opening balance	134 906	80 026
Fruitless and wasteful expenditure incurred	25 648	54 880
Council write-offs	-	-
Fruitless and wasteful expenditure awaiting Council consideration	160 553	134 906

Details of Fruitless and wasteful expenditure incurred:

	2022 R	2021 R
Penalties paid to Department of Transport	25 648	50 342
Interest paid to Eskom	-	4 538
Total	25 648	54 880

The Fruitless and Wasteful expenditure for the year under review relates to overdue roadworthy certificates and licences as well as interest on Eskom invoices (for the 2020/21 financial year). The Council has referred the amounts disclosed above to MPAC for investigation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)	2022 R	2021 R
46.3 IRREGULAR EXPENDITURE		
Irregular expenditure consist out of the following:		
Opening balance	26 703 301	21 915 776
Irregular expenditure incurred	6 546 101	4 787 524
Council write-offs	-	-
Irregular expenditure awaiting Council consideration	33 249 401	26 703 301
Details of Irregular expenditure incurred :		
Deviations from Supply Chain Regulations and Policies	6 546 101	4 787 524
Total	6 546 101	4 787 524
<u>Breakdown of Irregular expenditure incurred:</u>		
1. Payments beyond the contract period for cash collection services	-	180 150
2. Incorrect procurement threshold followed	1 751	256 018
3. No prior approval of expenditure relating to additional Covid-19 compliance requirements	-	53 720
4. Highest quote selected without prior approval	-	8 348
5. Expenditure incurred without following SCM prescripts	118 238	-
6. Deviation in terms of regulation 36 (1)(a)(v) of the Municipal Supply Chain Management Regulations	6 426 111	4 289 288
Total	6 546 101	4 787 524
<u>Number of incidents:</u>	2022	2021
1. Payments beyond the contract period for cash collection services	-	6
2. Incorrect procurement threshold followed	1	1
3. No prior approval of expenditure relating to additional Covid-19 compliance requirements	-	1
4. Highest quote selected without prior approval	-	1
5. Expenditure incurred without following SCM prescripts	3	-
6. Deviation in terms of regulation 36 (1)(a)(v) of the Municipal Supply Chain Management Regulations	2	2
Total	6	11

The amount R4 787 524 for 2020/21 and R6 546 101 for 2021/22 identified as Deviations from Supply Chain Regulations and Policies, relates to procurement that did not follow the supply chain prescripts, but was detected via the municipal internal control system.

Included in the 2020/21 opening balance is an amount of R21 780 755 which was identified as non-compliance with the BBEEE Act. This relates to an award that was made to a contractor that was not in compliance with the BBEEE act, read with the Preferential Procurement Regulations. The irregular expenditure was identified in October 2019 and the total amount of R21 780 755 represents the expenditure up to the date the irregularity was identified. No further payments were done after the identification of the irregularity. The project was halted pending legal action.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

The classification, validation and recoverability of all irregular expenditure will be determined by Council in terms of section 32 of MFMA and section 14 of the PPPFA 2017.

The Council has referred the amounts disclosed above to MPAC for investigation.

46.4 MATERIAL LOSSES	2022	2021
Electricity distribution losses		
- Units purchased (Kwh)	26 120 058	26 976 525
- Units sold (Kwh)	20 776 957	22 044 178
- Units lost during distribution (Kwh)	5 343 101	4 932 347
- Units cost (Kwh)	1.4862	1.2509
- Percentage lost during distribution	20.46%	18.28%
- Units lost considered material losses above a 10% norm	2 731 095	2 234 695
- Cost of units lost considered as material losses	4 058 835	2 795 446

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2022 R	2021 R
47.1 Salga Contributions [MFMA 125 (1)(b)]		
Opening balance	-	-
Expenditure incurred	1 218 620	1 104 970
Payments	(1 218 620)	(1 104 970)
Outstanding Balance	<u>-</u>	<u>-</u>
47.2 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	4 709	-
Expenditure incurred	4 480 775	3 779 540
External Audit - Auditor-General	<u>4 480 775</u>	<u>3 779 540</u>
Payments	(4 485 484)	(3 774 831)
Outstanding Balance	<u>-</u>	<u>4 709</u>
47.3 VAT [MFMA 125 (1)(c)]		
Opening balance	10 682 142	9 936 918
Amounts received - previous year	(2 153 265)	(1 630 771)
Amounts received - current year	(5 289 729)	(4 309 530)
Amounts claimed - current year (payable)	6 101 475	6 685 525
Vat Receivable - Restated 2021	<u>9 340 623</u>	<u>10 682 142</u>
Vat in suspense due to cash basis of accounting	<u>(8 544 443)</u>	<u>(7 528 880)</u>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

47	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)	2022 R	2021 R
	47.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
	Payments due to SARS	19 724 562	16 591 118
	Payments	(19 724 562)	(16 591 118)
	Outstanding Balance	-	-
	47.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
	Payments due to pension fund and medical aid	27 811 673	26 690 136
	Payments	(27 811 673)	(26 690 136)
	Outstanding Balance	-	-
	47.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]		
	No Councillors had arrear accounts outstanding for more than 90 days at year end.		
	47.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM		
	During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted, approved by the Municipal Manager.		
	Approved deviations from Supply Chain Management Regulations were identified on the following categories:		
	Emergencies	608 716	4 623
	Goods and services are available from a Single provider only	18 576	22 071
	Other exceptional cases where it is impractical or impossible to follow the official procurement processes.	2 580 362	539 083
	Total	3 207 654	565 778
	Deviations per vote:		
	Executive & Council	119 876	73 254
	Planning & Development	-	169 844
	Corporate Services	582 306	137 069
	Budget & Treasury	2 124 413	156 228
	Community & Social Services	199 065	29 382
	Electricity	181 994	-
	Total	3 207 654	565 778
	47.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]		
	No non-compliance in terms of Regulation 9(1) of the Preferential Procurement Regulations were identified. This Regulation relates to the awarding of bids with reference to local production and content.		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

47	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)	2022 R	2021 R
	AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN SERVICE OF 47.9 THE STATE		
	During the year under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45). These transactions were at arms-length, interests were declared and employees played no part in procurement.		
	<u>Staff Member</u>		<u>Entity</u>
	M A Theron	456 383	36 685
	M A Theron	56 238	117 926
	IL Mangali RS Bhunguzana	41 500	22 700
	Z. Koyana	-	87 448
	N T Nkopane	-	4 124 818
	SS Theron	-	68 694
	Total - Restated 2021	554 122	4 458 272
48	CAPITAL COMMITMENTS	2022 R	2021 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	45 849 325	46 544 530
	Land & Buildings	6 551 583	7 950 825
	Infrastructure	32 571 704	30 543 510
	Community	6 726 038	8 050 195
	Total	45 849 325	46 544 530
	This expenditure will be financed from:		
	Capital Replacement Reserve	19 887 882	21 391 812
	Government Grants - MIG	25 961 443	25 152 718
	Total	45 849 325	46 544 530

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

49 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

49.1 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.

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	458 013 043	442 038 950
Receivables from exchange transactions	16 650 042	15 507 916
Total	474 663 085	457 546 866

Cash and Cash Equivalents

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

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across 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 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 customers 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.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

49	FINANCIAL RISK MANAGEMENT (CONTINUED)	2022	2021
		R	R
	The following service receivables are past due, but not impaired:		
	Electricity	7 943 284	6 984 934
	Refuse	691 528	864 290
	Other Services	459 413	430 711
	Total	9 094 225	8 279 934
	These receivables can be aged as follows:		
	1 Month past due	1 720 907	1 293 594
	2 Month past due	1 163 740	1 128 012
	3 Month past due	824 789	447 610
	> 3 Months past due	5 384 788	5 410 718
	Total	9 094 225	8 279 934

49.2 Currency risk (Market Risk)

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

The financial instruments of the municipality is not directly exposed to any currency risk.

49.3 Interest rate risk (Market 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 fluctuations:

Cash and Cash Equivalents (Excluding Cash on Hand)	458 012 342	442 038 250
Borrowings (Including Current Portion)	(7 747 744)	(8 634 635)
Net balance exposed	450 264 598	433 403 616

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

1% (2020 - 1%) increase in interest rates	4 502 646	4 334 036
0% (2020 - 0%) decrease in interest rates	-	-

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

49	FINANCIAL RISK MANAGEMENT (CONTINUED)	2022	2021
		R	R

49.4 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 following balances are exposed to liquidity risk:

30 JUNE 2022	Within 1 Year	PAYABLE Two to five years	After five years
Annuity Loans	1 458 090	5 373 579	3 418 392
Rehabilitation Provision	1 219 387	-	7 130 793
Payables from exchange transactions	9 895 616	-	-
Total	12 573 093	5 373 579	10 549 185

30 JUNE 2021	Within 1 Year	PAYABLE Two to five years	After five years
Annuity Loans	1 474 353	5 576 027	4 685 868
Rehabilitation Provision	1 083 842	-	6 338 145
Payables from exchange transactions	9 434 549	-	-
Total	11 992 744	5 576 027	11 024 013

Although the rehabilitation provision is not defined as a financial instrument (due to the absence of a contracted counterparty for the balance), the potential outflow of cash resulting from these balances are included for the benefit of the user of the financial statements.

49.5 Other price risk (Market 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 is not exposed to any other price risk.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

50	FINANCIAL INSTRUMENTS	2022	2021
		R	R
	The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)		
	<u>Financial Assets</u>		
	Cash and Cash Equivalents	458 013 043	442 038 950
	Receivables from exchange transactions	16 250 476	15 008 163
	Total	474 263 519	457 047 113
	<u>Financial Liabilities</u>		
	Current Portion of Borrowings	904 130	886 600
	Payables from exchange transactions	9 895 616	9 434 549
	Borrowings	6 843 614	7 748 035
	Total	17 643 361	18 069 184

51 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from Non-Exchange Transactions

Rates	23 873 115	19 694 574
Fines	1 489 100	1 048 200
Total	25 362 215	20 742 774

Refer to note 4 for more detail relating to the fines and rates receivables, including any provision for impairment raised against the gross amounts disclosed above

52 PRINCIPAL-AGENT ARRANGEMENTS

The Municipality has assessed that the following significant principal-agent arrangements exists:

52.01 Department of Transport and Public Works

The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle licences for a commission.

The following transactions were undertaken as part of the principal-agent arrangement:

Collections payable to the Department at the beginning of year	-	-
Revenue collected from third parties	9 850 110	10 388 177
Commission earned on collections	(3 567 856)	(3 734 021)
Collections paid over to The Department	(6 282 254)	(6 654 155)
Collections payable to the Department at year-end	-	-

Minimal risk was transferred from the Department of Transport, as the principal, to Senqu Municipality, as the agent, beyond the cash collected on behalf of the principal.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

53 EVENTS AFTER REPORTING DATE

None

54 IN-KIND DONATIONS AND ASSISTANCE

None

55 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

56 CONTINGENT LIABILITIES

2022
R

2021
R

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

56.01 Ex-gratia payment

Upon termination of the Municipal Manager's contract, an ex-gratia amount of 1.25 x his gross annual salary will be paid to him.

3 370 277

3 305 646

The Community Services and the Technical Services Directors' employment contracts were terminated by the Council on 19 December 2018. The aforesaid termination was subject to further litigation during 2019/20. Refer to note 56.02 below for the detail of the further litigation.

-

56.02 Termination of the Directors' Employment Contracts

The claimants have applied to the high court to have the decision reviewed and set aside.

The MEC for local government launched a counter application to have the renewal of the claimants' contracts set aside.

2 459 500

300 000

The counter application was successful and the employment contracts have been reviewed and set aside by the high court on 19 September 2019. The Municipality has been ordered to pay the costs of the parties as its Council took the decision to renew the contracts.

The claimants have launched proceedings in the SALGBC for unlawful dismissal following a decision by the Council to rescind the decision to renew their employment contracts on 18 December 2018. The Municipality's jurisdictional defences have been rejected by the arbitrator.

If successful, the claimants will most likely be entitled to be compensated for the value of the contracts that were rescinded less any amounts paid during the period when they acted post the decision of the Council.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

56	CONTINGENT LIABILITIES (CONTINUED)	2022 R	2021 R
	56.03 <u>Dibanani Consulting CC</u>		
	<p>The CC has instituted action in the High Court, Grahamstown during December 2019 for the recovery of professional consulting engineering fees for road construction projects in Tienbank and Herschel. The Municipality has defended the action and filed an exception to the particulars of claim inter alia based on the fact that the claims are based on variation orders of the original contract that did not comply with the regulatory framework. The exception was dismissed with costs. The litigation was not advanced and it is unlikely that the risk will materialise.</p>	640 369	640 369
	56.04 <u>RT Civils CC ("The contractor")</u>		
	<p>The contractor has submitted a claim for the unlawful termination of the contract for Bid number: 03/2018, the Upgrading of the Lady Grey Solid Waste Site.</p> <p>The Municipality's position is that the contractor abandoned the works and that the termination was lawful.</p> <p>The contractor has demanded payment of R8 141 903.40 on 20 April 2020 but no statement of claim has been submitted.</p> <p>The dispute was referred to arbitration in terms of clause 10.7.1 of the GCC and an arbitrator was nominated who subsequently withdrew. The arbitration did not advance until recently when a new arbitrator was nominated.</p>	8 141 903	8 141 903
	56.05 <u>Mr D Tsembeyi</u>		
	<p>Mr Tsembeyi instituted action in the High Court, Mthatha during March 2020 for the market value of the top structures of houses that he allegedly constructed on municipal land. The Municipality has defended the action and filed an exception to particulars of claim based inter alia on the court not having jurisdiction and the failure to comply with the rules for pleading. Mr Tsembeyi has applied to amend the particulars of claim and the Municipality has objected to the amendment and filed an opposing affidavit on 09 October 2020.</p> <p>Mr Tsembeyi's attorney requested on 08 July 2021 that the Municipality considers allowing the amendment to be effected and to plead to the amended claim. Mr Tsembeyi's attorney served a notice of bar and we filed a notice of an irregular step thereafter. The notice of bar was withdrawn on 10 November 2021 but the litigation has not advanced.</p>	700 000	700 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

56	CONTINGENT LIABILITIES (CONTINUED)	2022	2021
		R	R
	56.06 <u>Mr P Oliphant</u>		
	Mr Oliphant has instituted a claim in the Labour Court for the recovery of monies alleged to be due to him and payment of refund for a bursary that was awarded to him when he was in the employ of the Municipality. The Municipality has filed its replying affidavit and the plaintiff has filed a replying affidavit. The applicant filed a replying affidavit and the municipality has filed its heads of arguments. The set down date was 29 June 2022 and the matter was resolved in favour of the Municipality.	-	158 822
	56.07 <u>Landfill Sites</u>		
	The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	-	-
	56.08 <u>Land Invasion</u>		
	The municipality is currently engaged in litigation in respect of various land invasion cases in the Senqu Municipal Area.	-	-

57 RELATED PARTIES

Related parties are defined in note 1.34

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

Remuneration of related parties are disclosed in notes 29 and 30

All rates, service charges 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.

	Rates - Levied 1 Jul 21 - 30 June 22	Service Charges - Levied 1 Jul 21 - 30 June 22
Year ended 30 June 2022		
Councillors	6 641	23 773
N Mposelwa (Jul 2021 - Nov 2021)	1 564	922
PM Mnisi (Jul 2021 - Nov 2021)	-	922
N Lose (Jul 2021 - Nov 2021)	120	922
M.N Mgojo	1 390	9 950
MA Mshasha	3 136	2 212
NC Stokwe	-	2 212
NL Dumzela	130	2 212
M Phuza	300	2 212
ND Mfisa	-	2 212
Municipal Manager and Section 56 Employees	-	17 361
MM Yawa	-	17 361
AK Fourie	182	2 212

The Municipal Manager is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

58 B-BBEE PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Information.

59 SEGMENT REPORTING

59.01 General Information

The segments were organised based on the type and nature of service 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.

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Community Services	Community Halls, Cemeteries, Libraries, Parks and Sports fields
2	Public safety	Traffic control, Animal pounds, Public Nuisances, Fencing, Licensing and Control of Animals
3	Planning and development	Town Planning, Economic Development, Corporate Planning, Billboards and Project Management Unit
4	Roads	Construction and maintenance of Roads, Taxi Ranks, Road and Traffic Regulation
5	Electricity	Electricity related services
6	Waste water management	Storm Water Management and Public Toilets
7	Waste management	Solid Waste Removal, Landfill Sites, Recycling and Street Cleaning
8	Other	Supply of overall Governance and Internal Audit function; Administrative, Corporate and Finance services to the segments above; Tourism, Markets, Licensing and Regulation

59.02 Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

59.03 Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout 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.

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

59 SEGMENT REPORTING (CONTINUED)

59.04 Measurement of specific segment information

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

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed on the following page.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

59 SEGMENT REPORTING (CONTINUED)

	Community Services	Public safety	Planning and development	Roads	Electricity	Waste water management	Waste management	Other	Total
2022									
REVENUE									
REVENUE FROM NON-EXCHANGE TRANSACTIONS	1 500 000	475 615	5 608 982	27 137 877	-	-	228 882	187 036 068	221 987 423
Property Rates	-	-	-	-	-	-	-	15 497 080	15 497 080
Government Grants and subsidies	1 500 000	-	5 608 982	27 137 877	-	-	228 882	169 505 308	203 981 049
Actuarial Gains	-	-	-	-	-	-	-	11 296	11 296
Fines, Penalties and Forfeits	-	475 615	-	-	-	-	-	750	476 365
Interest Earned - Penalty Interest on Property Rates	-	-	-	-	-	-	-	1 201 133	1 201 133
Gain on Fair Value Adjustments of Investment Property	-	-	-	-	-	-	-	820 500	820 500
REVENUE FROM EXCHANGE TRANSACTIONS	78 059	2 815 853	22 233	2 389	49 579 720	-	10 570 591	19 567 111	82 635 956
Service Charges	-	-	-	-	48 684 014	-	8 420 443	-	57 104 457
Rental from Fixed Assets	43 071	-	-	2 389	-	-	6 615	1 430 000	1 482 076
Interest Earned - external investments	-	-	-	-	-	-	-	17 805 824	17 805 824
Interest Earned - Service Debtors	-	-	-	-	895 706	-	2 143 533	35 913	3 075 152
Licences and Permits	-	1 240 009	-	-	-	-	-	15 676	1 255 686
Agency Services	-	1 200 192	-	-	-	-	-	-	1 200 192
Sales of Goods and Rendering of Services	34 988	9 174	22 233	-	-	-	-	95 124	161 519
Operational Revenue	-	366 478	-	-	-	-	-	184 573	551 051
TOTAL REVENUE	1 578 059	3 291 468	5 631 215	27 140 266	49 579 720	-	10 799 473	206 603 179	304 623 380
EXPENDITURE									
Employee related costs	13 186 755	4 851 244	14 204 832	8 911 600	6 538 767	3 854 924	14 589 777	46 837 778	112 975 676
Remuneration of Councillors	-	-	-	-	-	-	-	12 761 110	12 761 110
Debt Impairment	-	440 900	-	-	1 584 843	-	7 167 748	3 485 180	12 678 672
Depreciation and Amortisation	1 820 358	43 719	111 469	8 019 229	1 720 196	1 257 034	1 290 368	2 532 692	16 795 065
Impairment Loss	-	-	-	-	-	-	288 733	-	288 733
Actuarial Losses	-	-	-	-	346 880	-	-	-	346 880
Finance Charges	-	-	-	-	1 781 805	-	315 434	562 643	2 659 883
Bulk Purchases	-	-	-	-	44 034 167	-	-	-	44 034 167
Contracted services	1 969 104	902 006	1 057 229	2 115 307	1 673 077	395 753	5 030 286	17 703 852	30 846 613
Transfers and Subsidies	-	-	-	-	-	-	-	42 055	42 055
Operating Leases	28 929	-	-	-	-	-	275 165	123 674	427 768
Operational Cost	2 155 841	705 960	1 177 731	3 548 735	4 574 653	41 713	2 486 241	19 272 343	33 963 217
Loss on Disposal of Assets	-	-	-	-	389 165	-	-	-	389 165
Inventory Loss	-	-	-	-	-	-	-	783	783
TOTAL EXPENDITURE	19 160 987	6 943 829				5 549 424	31 443 754	103 322 109	268 209 787
SURPLUS FOR THE YEAR	(17 582 928)	(3 652 361)				(5 549 424)	(20 644 280)	103 281 069	36 413 593
CAPITAL EXPENDITURE	7 504 417	330 130	-	5 110 711	1 201 368	-	16 706 032	4 624 836	35 477 494

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

59 SEGMENT REPORTING (CONTINUED)

	Community Services	Public safety	Planning and development	Roads	Electricity	Waste water management	Waste management	Other	Total
2021									
REVENUE									
REVENUE FROM NON-EXCHANGE TRANSACTIONS	1 500 000	112 899	3 964 270	16 297 467	1 290 858	-	11 718	205 532 414	228 709 625
Property Rates	-	-	-	-	-	-	-	12 830 089	12 830 089
Government Grants and subsidies	1 500 000	-	3 964 270	16 297 467	1 290 858	-	-	190 965 370	214 017 965
Actuarial Gains	-	-	-	-	-	-	-	48 156	48 156
Fines, Penalties and Forfeits	-	112 899	-	-	-	-	-	-	112 899
Interest Earned - Penalty Interest on Property Rates	-	-	-	-	-	-	-	820 299	820 299
Gain on Fair Value Adjustments of Investment Property	-	-	-	-	-	-	-	868 500	868 500
Gain on Disposal of Capitalised Restoration Cost (PPE)	-	-	-	-	-	-	11 718	-	11 718
REVENUE FROM EXCHANGE TRANSACTIONS	68 127	3 087 951	35 551	5 021	45 186 005	-	11 244 694	16 692 909	76 320 257
Service Charges	-	-	-	-	44 114 779	-	8 817 728	-	52 932 507
Rental from Fixed Assets	29 713	-	-	5 021	-	-	515 042	10 587	560 363
Interest Earned - external investments	-	-	-	-	-	-	-	16 039 660	16 039 660
Interest Earned - Service Debtors	-	-	-	-	1 071 226	-	1 911 698	28 068	3 010 992
Licences and Permits	-	1 390 410	-	-	-	-	-	1 525	1 391 935
Agency Services	-	1 480 744	-	-	-	-	-	-	1 480 744
Sales of Goods and Rendering of Services	38 414	36 696	35 551	-	-	-	-	145 123	255 784
Operational Revenue	-	180 101	-	-	-	-	226	467 945	648 273
TOTAL REVENUE	1 568 127	3 200 850	3 999 821	16 302 487	46 476 863	-	11 256 412	222 225 322	305 029 882
EXPENDITURE									
Employee related costs	7 917 307	4 329 498	12 583 166	7 367 818	7 552 042	2 646 565	16 712 235	40 751 009	99 859 642
Remuneration of Councillors	-	-	-	-	-	-	-	12 663 025	12 663 025
Debt Impairment	-	101 700	-	-	1 298 839	-	7 358 929	3 191 627	11 951 095
Depreciation and Amortisation	1 789 280	46 167	371 624	9 251 671	1 572 713	1 218 496	1 007 184	2 812 787	18 069 922
Impairment Loss	-	-	-	-	-	-	330 555	147 534	478 089
Actuarial Losses	-	-	-	-	1 880 314	-	-	-	1 880 314
Finance Charges	-	-	-	-	1 456 462	-	208 884	531 347	2 196 693
Bulk Purchases	-	-	-	-	39 533 435	-	-	-	39 533 435
Contracted services	1 417 330	217 813	3 181 388	1 204 879	1 871 626	288 573	4 245 343	9 178 588	21 605 540
Operating Leases	35 165	-	-	-	-	-	48 115	-	83 280
Operational Cost	1 594 077	518 782	1 008 674	2 459 515	6 443 038	12 842	2 092 080	15 407 230	29 536 238
Loss on Disposal of Assets	-	-	-	2 965 627	76 498	-	-	-	3 042 125
Inventory Loss	-	-	-	-	-	-	-	19 001	19 001
TOTAL EXPENDITURE	12 753 160	5 213 960	17 144 851	23 249 511	61 684 967	4 166 477	32 003 326	84 702 148	240 918 400
SURPLUS FOR THE YEAR	(11 185 032)	(2 013 110)	(13 145 030)	(6 947 024)	(15 208 104)	(4 166 477)	(20 746 914)	137 523 174	64 111 483
CAPITAL EXPENDITURE	1 869 498	-	-	7 732 430	2 647 117	-	4 286 197	2 622 355	19 157 596

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

60 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
Financial Performance						
Property rates	9 602 127	3 906 962	13 509 089	15 497 080	1 987 992	12 830 089
Service charges	59 406 805	10 037 354	69 444 159	57 104 457	(12 339 702)	52 932 507
Investment revenue	22 520 112	(1 095 000)	21 425 112	22 082 109	656 997	19 870 951
Transfers recognised - operational	176 704 950	700 000	177 404 950	179 409 172	2 004 222	199 215 013
Other own revenue	4 557 479	1 456 747	6 014 226	5 958 684	(55 542)	5 378 371
Total Operating Revenue	272 791 473	15 006 063	287 797 536	280 051 502	(7 746 033)	290 226 930
Employee costs	107 048 638	4 734 673	111 783 311	112 975 676	1 192 365	99 859 642
Remuneration of councillors	15 336 178	-	15 336 178	12 761 110	(2 575 068)	12 663 025
Debt impairment	13 391 150	-	13 391 150	12 678 672	(712 478)	11 951 095
Depreciation & asset impairment	21 921 967	(2 348 156)	19 573 811	17 083 798	(2 490 012)	18 069 922
Finance charges	3 379 683	(450 930)	2 928 753	2 659 883	(268 871)	2 196 693
Materials and bulk purchases	66 402 274	1 654 770	68 057 044	44 034 167	(24 022 877)	39 533 435
Contracted services	41 549 843	3 780 741	45 330 584	30 846 613	(14 483 971)	21 605 540
Transfers and grants	42 055	-	42 055	42 055	(0)	-
Other expenditure	39 567 999	(549 883)	39 018 117	34 737 865	(4 280 251)	31 977 922
Losses	-	2 000 000	2 000 000	389 948	(1 610 052)	3 061 126
Total Expenditure	308 639 787	8 821 215	317 461 002	268 209 787	(49 251 216)	240 918 400
Surplus/(Deficit)	(35 848 314)	6 184 848	(29 663 467)	11 841 716	41 505 183	49 308 531
Transfers recognised - capital	46 112 050	(10 075 000)	36 037 050	24 571 877	(11 465 173)	14 802 951
Surplus/(Deficit) for the year	10 263 736	(3 890 152)	6 373 583	36 413 593	30 040 010	64 111 482

SENQU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

60 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
Capital expenditure & funds sources						
Capital expenditure	80 270 255	1 061 350	81 331 605	35 477 494	(45 854 111)	19 157 596
Transfers recognised - capital	46 112 050	(10 075 000)	36 037 050	24 571 877	(11 465 173)	14 802 951
Internally generated funds	34 158 205	11 136 350	45 294 555	10 905 617	(34 388 938)	4 354 645
Total sources of capital funds	80 270 255	1 061 350	81 331 605	35 477 494	(45 854 111)	19 157 596
Cash flows						
Net cash from (used) operating	31 489 108	(17 147 396)	14 341 712	52 284 278	37 942 566	110 487 028
Net cash from (used) investing	(80 270 255)	(1 061 350)	(81 331 605)	(35 477 494)	45 854 111	(19 157 596)
Net cash from (used) financing	(795 665)	43 870	(751 795)	(832 692)	(80 897)	(769 487)
Net Cash Movement for the year	(49 576 811)	(18 164 876)	(67 741 687)	15 974 092	83 715 779	90 559 945
Cash/cash equivalents at beginning of year	285 374 923	156 849 213	442 224 136	442 038 950	(185 186)	351 479 005
Cash/cash equivalents at the year end	235 798 112	138 684 337	374 482 449	458 013 042	83 530 593	442 038 950

Refer to Appendix F for more detail relating to the National Treasury Appropriation Statements

SENQU LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2022

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2021 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2022 R
<u>ANNUITY LOANS</u>						
DBSA loan	103126/1	Floating	2029	5 370 811	631 860	4 738 951
DBSA loan	103126/2	Fixed	2030	3 263 823	255 030	3 008 793
Total Annuity Loans				8 634 635	886 890	7 747 744
Total Borrowings				8 634 635	886 890	7 747 744

SENQU LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2022

	Cost/Revaluation					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions (Includes WIP) R	Total Revaluation R	Disposals R	Closing Balance R	Opening Balance R	Additions R	(Disposals)/ Revaluation R	Closing Balance R	
Executive & Council	5 071 394	50 898	-	(21 200)	5 101 093	3 633 460	162 020	(20 822)	3 774 658	1 326 435
Planning & Development	4 031 729	16 620	-	(1 451)	4 046 898	3 360 748	124 978	(1 447)	3 484 278	562 620
Corporate Services	155 422 492	5 290 032	6 981 429	(67 015)	167 626 938	2 263 577	1 056 327	(66 681)	3 253 223	164 373 715
Budget & Treasury	23 157 218	265 005	-	(316 974)	23 105 250	16 456 758	1 300 836	(302 967)	17 454 627	5 650 623
Road Transport	311 831 383	5 775 901	-	(16 374)	317 590 910	125 555 086	9 284 268	(15 049)	134 824 305	182 766 605
Community & Social Services	53 492 534	6 249 105	2 074 124	-	61 815 763	6 751 215	1 353 258	-	8 104 472	53 711 291
Sport & Recreation	15 807 196	-	51 356	(183 051)	15 675 500	2 238 406	467 100	-	2 705 506	12 969 994
Public Safety	6 687 411	-	-	-	6 687 411	266 091	35 714	-	301 805	6 385 606
Electricity	42 898 620	1 199 891	-	(277 958)	43 820 553	10 727 994	1 720 196	(88 080)	12 360 111	31 460 442
Waste Management	43 327 664	16 630 042	-	(6 333)	59 951 373	6 533 879	1 203 143	(6 143)	7 730 878	52 220 495
Total	661 727 642	35 477 494	9 106 909	(890 355)	705 421 690	177 787 214	16 707 840	(501 189)	193 993 865	511 427 825

SENQU LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2022

VOTE	30 JUNE 2022			30 JUNE 2021		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Executive & Council	106 656 296	27 796 592	78 859 704	48 156	26 093 966	(26 045 810)
Planning & Development	10 120 727	22 353 829	(12 233 103)	3 991 510	18 497 556	(14 506 047)
Corporate Services	2 468 812	30 408 566	(27 939 755)	1 374 991	24 159 088	(22 784 098)
Budget & Treasury	92 972 883	38 851 651	54 121 231	220 808 962	32 647 065	188 161 897
Road Transport	30 389 146	29 279 579	1 109 567	19 455 943	28 418 222	(8 962 279)
Waste Water Management	-	5 549 424	(5 549 424)	-	4 166 477	(4 166 477)
Community & Social Services	1 591 942	17 965 847	(16 373 905)	1 567 535	11 856 316	(10 288 781)
Sport & Recreation	1 793	1 657 872	(1 656 079)	2 117	1 346 167	(1 344 049)
Public Safety	42 589	259 119	(216 530)	47 394	45 250	2 144
Electricity	49 579 720	62 643 553	(13 063 833)	46 476 863	61 684 967	(15 208 104)
Waste Management	10 799 473	31 443 754	(20 644 280)	11 256 412	32 003 326	(20 746 914)
Total	304 623 380	268 209 787	36 413 593	305 029 882	240 918 400	64 111 483

SENQU LOCAL MUNICIPALITY

APPENDIX D (UNAUDITED)

ACTUAL VERSUS BUDGET- CAPITAL AND OPERATING EXPENDITURE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2022

Refer to Note 46.1 for disclosure of Unauthorised expenditure

	ACTUAL R	BUDGET R	VARIANCE R
OPERATING EXPENDITURE			
Executive & Council	27 796 592	33 497 732	(5 701 140)
Planning & Development	22 353 829	25 409 225	(3 055 396)
Corporate Services	30 408 566	39 718 282	(9 309 716)
Budget & Treasury	38 851 651	45 513 825	(6 662 174)
Road Transport	29 279 579	32 022 250	(2 742 671)
Waste Water Management	5 549 424	7 126 185	(1 576 761)
Community & Social Services	17 965 847	19 096 659	(1 130 812)
Sport & Recreation	1 657 872	1 870 421	(212 550)
Public Safety	259 119	532 633	(273 514)
Electricity	62 643 553	71 457 439	(8 813 885)
Waste Management	31 443 754	41 216 350	(9 772 596)
Total	268 209 787	317 461 002	(49 251 216)
CAPITAL EXPENDITURE			
Executive & Council	19 540	1 221 117	(1 201 577)
Corporate Services	3 965 529	6 271 992	(2 306 463)
Budget & Treasury	639 767	2 488 314	(1 848 547)
Road Transport	5 440 841	19 723 800	(14 282 960)
Waste Water Management	-	1 617 482	(1 617 482)
Community & Social Services	7 504 417	22 521 270	(15 016 853)
Sport & Recreation	-	1 000 000	(1 000 000)
Electricity	1 201 368	1 401 728	(200 360)
Waste Management	16 706 032	25 085 901	(8 379 869)
Total	35 477 494	81 331 605	(45 854 111)

SENQU LOCAL MUNICIPALITY

APPENDIX E (UNAUDITED)

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

	OPENING BALANCE	GRANTS RECEIVED	INTEREST ON INVESTMENTS	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	FUNDS RETURNED TO NT	CLOSING BALANCE
	R	R	R	R	R	R	R
NATIONAL GOVERNMENT							
Equitable Share	-	163 362 000	-	163 362 000	-	-	-
Municipal Finance Management Grant	-	1 650 000	-	1 650 000	-	-	-
Municipal Infrastructure Grant	15 877 264	38 464 000	-	5 608 982	24 571 877	15 877 000	8 283 405 *
NDPG (Neighbourhood Development Partnership Grant)	2 010 056	-	-	-	-	-	2 010 056
EPWP (Expanded Public Works Program)	-	2 566 000	-	2 566 000	-	-	-
Total	17 887 320	206 042 000	-	173 186 982	24 571 877	15 877 000	10 293 461
PROVINCIAL GOVERNMENT							
Prov Gov - Housing (Hillside)	232 652	-	-	-	-	-	232 652
Herschel People's Housing	11 493 351	-	457 353	-	-	-	11 950 705
Libraries	-	1 500 000	-	1 500 000	-	-	-
EPWP (Expanded Public Works Program)	5 200 000	-	-	4 493 308	-	-	706 692
Greenest Municipality	200 000	500 000	-	228 882	-	-	471 118
Total	17 126 004	2 000 000	457 353	6 222 190	-	-	13 361 167
ALL SPHERES GOVERNMENT	35 013 323	208 042 000	457 353	179 409 172	24 571 877	15 877 000	23 654 627

* The Municipal Infrastructure Grant rollover application for the unspent portion of R15 877 000 was declined by National Treasury and the amount had to be returned. The initial Municipal Infrastructure Grant allocation was reduced with R10 075 000 for the 2021/22 financial year

SENQU LOCAL MUNICIPALITY

APPENDIX F (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
REVENUE						
Governance and administration	132 632 502	2 443 120	135 075 622	202 094 194	67 018 571	222 223 797
Executive and council	6 269 293	-	6 269 293	106 656 296	100 387 003	48 156
Finance and administration	126 363 209	2 443 120	128 806 330	95 437 898	(33 368 432)	222 175 641
Community and public safety	4 437 168	2 053 672	6 490 840	1 620 647	(4 870 193)	2 126 841
Community and social services	1 652 286	562 288	2 214 574	1 576 266	(638 308)	1 566 010
Sport and recreation	9 528	(7 557)	1 971	1 793	(178)	2 117
Public safety	2 775 354	1 498 942	4 274 296	42 589	(4 231 707)	558 713
Economic and environmental services	51 286 270	(10 139 926)	41 146 344	36 020 361	(5 125 983)	23 455 764
Planning and development	2 606 327	(65 388)	2 540 939	5 631 215	3 090 276	3 999 821
Road transport	48 679 943	(10 074 538)	38 605 405	30 389 146	(8 216 259)	19 455 943
Trading services	125 344 513	10 574 196	135 918 709	60 379 193	(75 539 516)	57 221 955
Energy sources	81 415 308	9 937 354	91 352 663	49 579 720	(41 772 942)	46 476 863
Waste management	43 929 204	636 842	44 566 047	10 799 473	(33 766 573)	10 745 093
Other	5 203 070	-	5 203 070	4 508 985	(694 085)	1 525
Total Revenue - Standard	318 903 523	4 931 063	323 834 586	304 623 380	(19 211 206)	305 029 882

SENQU LOCAL MUNICIPALITY

APPENDIX F (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATE D OUTCOME 2021 R
EXPENDITURE						
Governance and administration	115 197 462	3 499 788	118 697 250	97 702 270	(20 994 980)	83 672 827
Executive and council	28 531 551	1 289 846	29 821 397	25 145 512	(4 675 885)	23 719 272
Finance and administration	83 905 994	2 011 590	85 917 584	69 905 679	(16 011 905)	57 578 861
Internal audit	2 759 917	198 352	2 958 269	2 651 080	(307 189)	2 374 695
Community and public safety	19 712 629	7 576 140	27 288 769	19 379 610	(7 909 159)	12 781 093
Community and social services	11 869 938	6 668 301	18 538 239	17 462 619	(1 075 620)	11 389 676
Sport and recreation	2 929 120	(1 058 699)	1 870 421	1 657 872	(212 550)	1 346 167
Public safety	4 913 571	1 966 539	6 880 109	259 119	(6 620 990)	45 250
Economic and environmental services	46 717 203	(1 731 559)	44 985 644	45 871 337	885 693	45 580 389
Planning and development	20 563 435	(1 282 169)	19 281 266	16 551 261	(2 730 004)	17 144 851
Road transport	25 962 582	(287 808)	25 674 774	29 279 579	3 604 805	28 418 222
Environmental protection	191 186	(161 582)	29 604	40 496	10 892	17 316
Trading services	119 993 414	(193 440)	119 799 974	99 636 731	(20 163 243)	97 854 769
Energy sources	70 400 085	1 057 354	71 457 439	62 643 553	(8 813 885)	61 684 967
Waste water management	5 093 549	2 032 636	7 126 185	5 549 424	(1 576 761)	4 166 477
Waste management	44 499 780	(3 283 431)	41 216 350	31 443 754	(9 772 596)	32 003 326
Other	7 019 079	(329 714)	6 689 365	5 619 839	(1 069 526)	1 029 321
Total Expenditure - Standard	308 639 787	8 821 215	317 461 002	268 209 787	(49 251 216)	240 918 400
Surplus/(Deficit) for the year	10 263 736	(3 890 152)	6 373 583	36 413 593	30 040 010	64 111 483

SENQU LOCAL MUNICIPALITY

APPENDIX F (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATE D OUTCOME 2021 R
REVENUE						
Executive & Council	6 269 293	-	6 269 293	106 656 296	100 387 003	48 156
Planning & Development	7 689 551	(7 000)	7 682 551	10 120 727	2 438 176	3 991 510
Corporate Services	192 871	507 771	700 642	2 468 812	1 768 170	1 374 991
Budget & Treasury	126 287 114	1 876 962	128 164 076	92 972 883	(35 191 194)	220 808 962
Road Transport	51 362 579	(8 553 157)	42 809 423	30 389 146	(12 420 277)	19 455 943
Community & Social Services	1 655 356	562 288	2 217 644	1 591 942	(625 702)	1 567 535
Sport & Recreation	9 528	(7 557)	1 971	1 793	(178)	2 117
Public Safety	92 718	(22 440)	70 278	42 589	(27 689)	47 394
Electricity	81 415 308	9 937 354	91 352 663	49 579 720	(41 772 942)	46 476 863
Waste Management	43 929 204	636 842	44 566 047	10 799 473	(33 766 573)	11 256 412
Total Revenue by Vote	318 903 523	4 931 063	323 834 586	304 623 380	(19 211 206)	305 029 882

SENQU LOCAL MUNICIPALITY

APPENDIX F (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
EXPENDITURE						
Executive & Council	32 770 566	727 166	33 497 732	27 796 592	(5 701 140)	26 093 966
Planning & Development	26 704 764	(1 295 539)	25 409 225	22 353 829	(3 055 396)	18 497 556
Corporate Services	44 745 787	(5 027 505)	39 718 282	30 408 566	(9 309 716)	24 159 088
Budget & Treasury	37 920 175	7 593 650	45 513 825	38 851 651	(6 662 174)	32 647 065
Road Transport	29 687 221	2 335 029	32 022 250	29 279 579	(2 742 671)	28 418 222
Waste Water Management	5 093 549	2 032 636	7 126 185	5 549 424	(1 576 761)	4 166 477
Community & Social Services	12 699 807	6 396 852	19 096 659	17 965 847	(1 130 812)	11 856 316
Sport & Recreation	2 929 120	(1 058 699)	1 870 421	1 657 872	(212 550)	1 346 167
Public Safety	1 188 932	(656 298)	532 633	259 119	(273 514)	45 250
Electricity	70 400 085	1 057 354	71 457 439	62 643 553	(8 813 885)	61 684 967
Waste Management	44 499 780	(3 283 431)	41 216 350	31 443 754	(9 772 596)	32 003 326
Total Expenditure by Vote	308 639 787	8 821 215	317 461 002	268 209 787	(49 251 216)	240 918 400
Surplus/(Deficit) for the year	10 263 736	(3 890 152)	6 373 583	36 413 593	30 040 010	64 111 483

SENQU LOCAL MUNICIPALITY

APPENDIX F (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATE D OUTCOME 2021 R
REVENUE BY SOURCE						
Property rates	9 602 127	3 906 962	13 509 089	15 497 080	1 987 992	12 830 089
Service charges	59 406 805	10 037 354	69 444 159	57 104 457	(12 339 702)	52 932 507
Rental of facilities and equipment	130 884	924 217	1 055 101	1 482 076	426 975	560 363
Interest earned - external investments	19 834 000	(2 580 000)	17 254 000	17 805 824	551 824	16 039 660
Interest earned - outstanding debtors	2 686 112	1 485 000	4 171 112	4 276 285	105 173	3 831 291
Fines, penalties and forfeits	175 207	23 254	198 461	476 365	277 904	112 899
Licences and permits	1 249 384	-	1 249 384	1 255 686	6 302	1 391 935
Agency services	1 050 427	1 131 953	2 182 380	1 200 192	(982 188)	1 480 744
Transfers and Subsidies - Operating	176 704 950	700 000	177 404 950	179 409 172	2 004 222	199 215 013
Other revenue	1 951 577	(622 677)	1 328 900	1 544 366	215 466	1 832 430
Total Revenue (excluding capital transfers and contributions)	272 791 473	15 006 063	287 797 536	280 051 502	(7 746 033)	290 226 930

SENQU LOCAL MUNICIPALITY

APPENDIX F (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATE D OUTCOME 2021 R
EXPENDITURE BY TYPE						
Employee related costs	107 048 638	4 734 673	111 783 311	112 975 676	1 192 365	99 859 642
Remuneration of councillors	15 336 178	-	15 336 178	12 761 110	(2 575 068)	12 663 025
Debt impairment	13 391 150	-	13 391 150	12 678 672	(712 478)	11 951 095
Depreciation & asset impairment	21 921 967	(2 348 156)	19 573 811	17 083 798	(2 490 012)	18 069 922
Finance charges	3 379 683	(450 930)	2 928 753	2 659 883	(268 871)	2 196 693
Bulk purchases	47 757 775	-	47 757 775	44 034 167	(3 723 608)	39 533 435
Inventory consumed	18 644 499	1 654 770	20 299 269	-	(20 299 269)	-
Contracted services	41 549 843	3 780 741	45 330 584	30 846 613	(14 483 971)	21 605 540
Transfers and subsidies	42 055	-	42 055	42 055	(0)	-
Other expenditure	39 567 999	(549 883)	39 018 117	34 737 865	(4 280 251)	31 977 922
Losses	-	2 000 000	2 000 000	389 948	(1 610 052)	3 061 126
Total Expenditure	308 639 787	8 821 215	317 461 002	268 209 787	(49 251 216)	240 918 400
Surplus/(Deficit)	(35 848 314)	6 184 848	(29 663 467)	11 841 716	41 505 183	49 308 531
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	46 112 050	(10 075 000)	36 037 050	24 571 877	(11 465 173)	14 802 951
Surplus/(Deficit) for the year	10 263 736	(3 890 152)	6 373 583	36 413 593	30 040 010	64 111 482

SENQU LOCAL MUNICIPALITY

APPENDIX F (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATE D OUTCOME 2021 R
CAPITAL EXPENDITURE (VOTE)						
Multi-year expenditure						
Corporate Services	674 797	(0)	674 797	217 948	(456 849)	1 564 653
Road Transport	22 276 824	(3 753 024)	18 523 800	4 947 052	(13 576 749)	7 496 197
Waste water management	3 217 482	(1 600 000)	1 617 482	-	(1 617 482)	-
Community & Social Services	13 012 910	7 365 480	20 378 390	6 645 402	(13 732 988)	1 869 498
Sport & Recreation	-	1 000 000	1 000 000	-	(1 000 000)	-
Electricity	1 699 189	(500 000)	1 199 189	-	(1 199 189)	2 040 809
Waste Management	23 379 801	1 200 002	24 579 803	16 473 255	(8 106 548)	3 870 739
Total Multi-year expenditure	64 261 004	3 712 458	67 973 461	28 283 656	(39 689 805)	16 841 895
Single-year expenditure						
Executive & Council	-	1 221 117	1 221 117	19 540	(1 201 577)	24 339
Corporate Services	3 348 273	2 248 922	5 597 195	3 747 581	(1 849 614)	173 087
Budget & Treasury	2 108 741	379 573	2 488 314	639 767	(1 848 547)	860 276
Road Transport	-	1 200 000	1 200 000	493 789	(706 211)	236 233
Community & Social Services	2 001 856	141 024	2 142 880	859 015	(1 283 865)	-
Sport & Recreation	8 000 000	(8 000 000)	-	-	-	-
Electricity	44 284	158 256	202 539	1 201 368	998 829	606 308
Waste Management	506 098	0	506 098	232 777	(273 321)	415 459
Total Single-year expenditure	16 009 251	(2 651 108)	13 358 143	7 193 838	(6 164 306)	2 315 701
Total Capital Expenditure by Vote	80 270 255	1 061 350	81 331 605	35 477 494	(45 854 111)	19 157 596

SENQU LOCAL MUNICIPALITY

APPENDIX F (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration	6 131 811	3 849 612	9 981 423	4 624 836	(5 356 587)	2 622 355
Executive and council	-	1 221 117	1 221 117	19 540	(1 201 577)	24 339
Finance and administration	6 131 811	2 628 495	8 760 306	4 605 296	(4 155 010)	2 598 016
Community and public safety	29 142 311	(2 542 940)	26 599 371	7 504 417	(19 094 954)	1 869 498
Community and social services	15 014 766	7 506 504	22 521 270	7 504 417	(15 016 853)	1 869 498
Sport and recreation	8 000 000	(7 000 000)	1 000 000	-	(1 000 000)	-
Public safety	6 127 545	(3 049 444)	3 078 101	-	(3 078 101)	-
Economic and environmental services	16 149 279	496 420	16 645 699	5 440 841	(11 204 859)	7 732 430
Road transport	16 149 279	496 420	16 645 699	5 440 841	(11 204 859)	7 732 430
Trading services	28 846 854	(741 742)	28 105 111	17 907 400	(10 197 711)	6 933 314
Energy sources	1 743 472	(341 744)	1 401 728	1 201 368	(200 360)	2 647 117
Waste water management	3 217 482	(1 600 000)	1 617 482	-	(1 617 482)	-
Waste management	23 885 899	1 200 002	25 085 901	16 706 032	(8 379 869)	4 286 197
Total Capital Expenditure - Standard	80 270 255	1 061 350	81 331 605	35 477 494	(45 854 111)	19 157 596

SENQU LOCAL MUNICIPALITY

APPENDIX F (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
CAPITAL EXPENDITURE (FUNDING SOURCES)						
National Government	46 112 050	(10 075 000)	36 037 050	24 571 877	(11 465 173)	13 582 900
Transfers recognised - capital	46 112 050	(10 075 000)	36 037 050	24 571 877	(11 465 173)	13 582 900
Internally generated funds	34 158 205	11 136 350	45 294 555	10 905 617	(34 388 938)	5 574 697
Total Capital Funding	80 270 255	1 061 350	81 331 605	35 477 494	(45 854 111)	19 157 596

SENQU LOCAL MUNICIPALITY

APPENDIX F (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

CASH FLOWS

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates	7 414 329	2 626 942	10 041 271	12 445 652	2 404 381	10 150 049
Service charges	45 871 256	5 746 411	51 617 667	49 492 788	(2 124 879)	48 196 155
Other revenue	4 527 658	4 316 098	8 843 756	5 126 888	(3 716 867)	4 449 997
Government - operating	176 704 950	700 000	177 404 950	171 501 200	(5 903 750)	201 714 100
Government - capital	46 112 050	(10 075 000)	36 037 050	36 540 800	503 750	31 845 900
Interest	21 908 095	(4 654 095)	17 254 000	17 805 824	551 824	16 039 660
Refund on VAT returns - VAT 201s				7 442 994	7 442 994	5 940 301
Payments						
Suppliers and employees	(267 627 491)	(16 258 682)	(283 886 173)	(247 484 365)	36 401 808	(207 254 325)
Finance charges	(3 379 683)	450 930	(2 928 753)	(545 448)	2 383 305	(594 809)
Transfers and Grants	(42 055)	-	(42 055)	(42 055)	0	-
NET CASH FROM OPERATING ACTIVITIES	31 489 108	(17 147 396)	14 341 712	52 284 278	37 942 566	110 487 028
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Capital assets	(80 270 255)	(1 061 350)	(81 331 605)	(35 477 494)	45 854 111	(19 157 596)
NET CASH USED IN INVESTING ACTIVITIES	(80 270 255)	(1 061 350)	(81 331 605)	(35 477 494)	45 854 111	(19 157 596)

SENQU LOCAL MUNICIPALITY

APPENDIX F (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2022

CASH FLOWS

	ORIGINAL BUDGET 2022 R	BUDGET ADJUSTMENTS 2022 R	FINAL BUDGET 2022 R	ACTUAL OUTCOME 2022 R	BUDGET VARIANCE 2022 R	RESTATED OUTCOME 2021 R
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Increase (decrease) in consumer deposits	90 534	44 271	134 805	54 198	(80 607)	101 023
Payments						
Repayment of borrowing	(886 199)	(401)	(886 600)	(886 890)	(290)	(870 510)
NET CASH FROM FINANCING ACTIVITIES	(795 665)	43 870	(751 795)	(832 692)	(80 897)	(769 487)
NET INCREASE/ (DECREASE) IN CASH HELD	(49 576 811)	(18 164 876)	(67 741 687)	15 974 092	83 715 779	90 559 945
Cash/cash equivalents at the year begin:	285 374 923	156 849 213	442 224 136	442 038 950	(185 186)	351 479 005
Cash/cash equivalents at the year end:	235 798 112	138 684 337	374 482 449	458 013 043	83 530 594	442 038 950