

# SENQU LOCAL MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

**30 JUNE 2023**

**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	N Sibatana	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**

T Mawonga

### **ACTING CHIEF FINANCIAL OFFICER**

S Skampula

### **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

### **PRINCIPAL BANKERS**

Standard Bank, Lady Grey

### **ATTORNEYS**

Le Roux Attorneys, 101 Cape Road, Gqeberha

MM Baloyi Incorporated, 14th Floor Marble Towers, Cnr Jeppe and Von Wielligh Streets, Johannesburg

Wesley Pretorius & Associates, 24 Tottenham Road, Baysville, East London

### **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 ANNUAL 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 2023, which are set out on pages 1 to 118 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 2024 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 annual 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.

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T Mawonga  
Municipal Manager

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Date

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>526 780 823</b>	<b>484 231 407</b>
Cash and Cash Equivalents	2	497 831 824	458 013 042
Receivables from exchange transactions	3	13 955 160	16 650 042
Receivables from non-exchange transactions	4	7 581 115	4 062 429
Taxes	5	6 804 796	4 755 049
Operating Lease Asset	6.1	359	-
Inventory	7	607 567	750 845
<b>Non-Current Assets</b>		<b>537 673 590</b>	<b>512 361 213</b>
Investment Property	8	47 271 925	46 308 500
Property, Plant and Equipment	9	488 518 280	465 499 923
Intangible Assets	10	329 567	128 193
Capitalised Restoration Cost (PPE)	11	1 553 817	424 597
<b>Total Assets</b>		<b>1 064 454 413</b>	<b>996 592 620</b>
<b>Current Liabilities</b>		<b>68 893 311</b>	<b>56 695 554</b>
Borrowings	12	922 862	904 130
Consumer Deposits	13	1 884 698	1 820 608
Payables from exchange transactions	14	12 009 966	8 501 631
Payables from non-exchange transactions	15	27 074 731	23 502 166
Operating Lease Liability	6.2	-	4 217
Current Employee benefits	16	27 001 053	21 962 802
<b>Non-Current Liabilities</b>		<b>50 640 880</b>	<b>48 418 622</b>
Borrowings	12	5 920 487	6 843 614
Employee benefits	17	19 749 000	20 427 000
Non-Current Provisions	18	24 971 393	21 148 007
<b>Total Liabilities</b>		<b>119 534 192</b>	<b>105 114 176</b>
<b>NET ASSETS</b>		<b>944 920 220</b>	<b>891 478 444</b>
<b>COMMUNITY WEALTH</b>			
Revaluation Reserve	19.1	91 022 401	85 610 740
Accumulated Surplus	19.2	853 897 819	805 867 704
		<b>944 920 220</b>	<b>891 478 444</b>

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>248 818 637</b>	<b>223 928 227</b>
<b>Taxation Revenue</b>		<b>17 330 716</b>	<b>15 497 080</b>
Property Rates	20	17 330 716	15 497 080
<b>Transfer Revenue</b>		<b>223 217 310</b>	<b>204 133 510</b>
Transfers and Subsidies - Capital	21	34 365 765	24 571 877
Transfers and Subsidies - Operating	21	188 851 545	179 561 633
<b>Other Revenue</b>		<b>8 270 612</b>	<b>4 297 636</b>
Actuarial Gains	17	4 671 529	11 296
Fines, Penalties and Forfeits	22	915 394	2 084 302
Interest Earned - Penalty Interest on Property Rates	26	1 720 263	1 201 133
Gain on Fair Value Adjustments of Investment Property	8	963 425	820 500
Gain on Disposal of Capitalised Restoration Cost (PPE)	18	-	180 405
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>95 243 482</b>	<b>82 635 955</b>
<b>Operating Activities</b>		<b>95 243 482</b>	<b>82 635 955</b>
Service Charges	23	53 643 060	57 104 457
Rental from Fixed Assets	24	1 475 736	1 482 076
Interest Earned - external investments	25	32 208 528	17 805 824
Interest Earned - Service Debtors	26	4 751 626	3 075 152
Licences and Permits	27	1 300 733	1 255 686
Agency Services	28	1 204 135	1 200 192
Sales of Goods and Rendering of Services	29	110 377	161 519
Operational Revenue	30	549 287	551 051
<b>TOTAL REVENUE</b>		<b>344 062 120</b>	<b>306 564 182</b>
<b>EXPENDITURE</b>			
Employee related costs	31	124 615 650	112 975 676
Remuneration of Councillors	32	12 975 962	12 761 110
Debt Impairment	33	16 641 103	12 678 672
Depreciation and Amortisation	34	16 992 088	17 181 028
Impairment Loss	35	314 017	-
Actuarial Losses	17	-	346 880
Finance Charges	36	5 397 454	4 365 877
Bulk Purchases	37	45 498 755	44 034 167
Contracted services	38	31 251 097	30 337 821
Transfers and Subsidies	39	42 055	42 055
Operating Leases	40	550 203	447 001
Operational Cost	41	40 917 381	33 937 217
Loss on Disposal of Assets	42	833 099	389 165
Inventory Loss		3 142	783
<b>TOTAL EXPENDITURE</b>		<b>296 032 005</b>	<b>269 497 452</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>48 030 115</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2023

	REVALUATION RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 30 June 2021 - Previously Reported</b>	<b>77 324 332</b>	<b>781 409 820</b>	<b>858 734 152</b>
Correction of Error - Refer to note 44.8	-	(12 608 846)	(12 608 846)
<b>Balance on 30 June 2021 - Restated</b>	<b>77 324 332</b>	<b>768 800 975</b>	<b>846 125 305</b>
Net Surplus for the year	-	37 066 730	37 066 730
Revaluation on Land and Buildings	8 286 409	-	8 286 409
<b>Balance on 30 June 2022 - Restated</b>	<b>85 610 740</b>	<b>805 867 705</b>	<b>891 478 444</b>
Net Surplus for the year	-	48 030 115	48 030 115
Revaluation on Land and Buildings	5 411 661	-	5 411 661
<b>Balance on 30 June 2023</b>	<b>91 022 401</b>	<b>853 897 820</b>	<b>944 920 220</b>



# SENQU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023

	Notes	2023 R (Actual)	2022 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates		13 342 325	12 445 652
Service charges and interest on outstanding debtors		48 290 229	49 492 788
Other revenue		5 605 946	6 829 206
Government - operating		184 102 250	171 501 200
Government - capital		41 915 750	20 663 800
Interest		32 980 402	18 263 177
<b>Payments</b>			
Suppliers and employees		(249 334 198)	(225 815 250)
Finance charges		(610 062)	(545 243)
Transfers and Grants		(42 055)	(42 055)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>45</b>	<b>76 250 588</b>	<b>52 793 274</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(35 317 128)	(35 986 286)
Purchase of Intangible Assets		(262 261)	-
<b>NET CASH USED INVESTING ACTIVITIES</b>		<b>(35 579 389)</b>	<b>(35 986 286)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in Consumer Deposits		64 090	54 198
<b>Payments</b>			
Loans repaid		(916 507)	(887 095)
<b>NET CASH USED FINANCING ACTIVITIES</b>		<b>(852 417)</b>	<b>(832 897)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>39 818 782</b>	<b>15 974 091</b>
Cash and Cash Equivalents at the beginning of the year		458 013 042	442 038 950
Cash and Cash Equivalents at the end of the year		497 831 824	458 013 042

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

<b>ASSETS</b>	<b>2023 R (Actual)</b>	<b>2023 R (Final Budget)</b>	<b>2023 R (Variance)</b>	<b>Explanations for material variances (10% of line-item with a minimum of R1m)</b>
<b>Current assets</b>				
Cash	521 149	5 814 118	(5 292 970)	-91% Money not yet transferred from Investment account; more payments made towards year-end than anticipated.
Call investment deposits	497 310 676	390 971 041	106 339 635	27% Under-expenditure of the budget due to unresponsive, cancelled and delayed tenders; Unspent grants at year end
Consumer debtors	18 136 246	22 521 981	(4 385 735)	-19% Effect of increased debt impairment provision and less Service Charges revenue earned.
Other Receivables	10 205 186	6 096 007	4 109 179	67% Effect of a Debtor that was created to recover an Advance payment from a contractor
Inventory	607 567	550 845	56 722	10% Less inventory utilised before year-end than anticipated
<b>Total current assets</b>	<b>526 780 823</b>	<b>425 953 993</b>	<b>100 826 831</b>	
<b>Non current assets</b>				
Investment property	47 271 925	46 308 500	963 425	2% -
Property, plant and equipment	488 518 280	524 240 572	(35 722 292)	-7% Under-expenditure of Capital Budget due to non-responsive, cancelled and delayed tenders
Intangible Assets	329 567	66 411	263 156	396% Effect of additions to Intangible assets during the financial year, budgeted for under PPE.
Capitalised Restoration Cost	1 553 817	-	1 553 817	100% Included under Property, plant and equipment in the budget
<b>Total non current assets</b>	<b>537 673 590</b>	<b>570 615 483</b>	<b>(32 941 893)</b>	
<b>TOTAL ASSETS</b>	<b>1 064 454 413</b>	<b>996 569 476</b>	<b>67 884 937</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	922 862	923 106	(244)	0% -
Consumer deposits	1 884 698	2 015 288	(130 590)	-6% -
Trade and other payables	39 084 697	29 084 464	10 000 233	34% Unspent grants due to delays in projects and non-responsive tenders
Provisions and Employee Benefits	27 001 053	19 577 635	7 423 418	38% Effect of the performance bonuses not yet paid
<b>Total current liabilities</b>	<b>68 893 311</b>	<b>51 600 492</b>	<b>17 292 818</b>	
<b>Non current liabilities</b>				
Borrowing	5 920 487	5 920 509	(22)	0% -
Provisions and Employee Benefits	44 720 393	32 924 181	11 796 213	36% Result of the restatement of Landfill sites in terms of iGRAP 2 and the latest Guideline on Accounting for Landfill Sites
<b>Total non current liabilities</b>	<b>50 640 880</b>	<b>38 844 690</b>	<b>11 796 190</b>	
<b>TOTAL LIABILITIES</b>	<b>119 534 191</b>	<b>90 445 182</b>	<b>29 089 008</b>	
<b>NET ASSETS</b>	<b>944 920 222</b>	<b>906 124 293</b>	<b>38 795 929</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus	579 266 143	480 368 844	98 897 299	21% Effect of under-expenditure of budget; Less contributions to reserves
Reserves	365 654 077	425 755 450	(60 101 372)	-14% Less contributions to reserves than anticipated
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>944 920 220</b>	<b>906 124 294</b>	<b>38 795 927</b>	

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023**

**ADJUSTMENTS TO APPROVED BUDGET**

	2023 R	2023 R	2023 R		
ASSETS	(Approved Budget)	(Adjustments)	(Final Budget)	Explanations for material variances (10% of line-item with a minimum of R1m)	
<b>Current assets</b>					
Cash	33 386 755	(27 572 637)	5 814 118	-83%	Decreased to a more realistic amount to consider transfer to investments and the result of all other transactions in the budget
Call investment deposits	289 227 031	101 744 010	390 971 041	35%	Increased to a more realistic amount based on the actuals for the previous financial year
Consumer debtors	28 546 638	(6 024 657)	22 521 981	-21%	Decreased to a more realistic amount based on the actuals for the previous financial year
Other Receivables	5 672 304	423 703	6 096 007	7%	Increased to a more realistic amount based on the actuals for the previous financial year
Inventory	977 447	(426 602)	550 845	-44%	Decreased to a more realistic amount based on the actuals for the previous financial year
<b>Total current assets</b>	<b>357 810 175</b>	<b>68 143 817</b>	<b>425 953 993</b>		
<b>Non current assets</b>					
Investment property	45 488 000	820 500	46 308 500	2%	-
Property, plant and equipment	552 954 437	(28 713 865)	524 240 572	-5%	Decrease in capital budget due to delays in projects
Intangible Assets	63 856	2 555	66 411	4%	-
<b>Total non current assets</b>	<b>598 506 293</b>	<b>(27 890 810)</b>	<b>570 615 483</b>		
<b>TOTAL ASSETS</b>	<b>956 316 468</b>	<b>40 253 007</b>	<b>996 569 476</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	923 104	2	923 106	0%	-
Consumer deposits	2 015 288	-	2 015 288	0%	-
Trade and other payables	29 019 660	64 805	29 084 464	0%	-
Provisions and Employee Benefits	19 128 828	448 807	19 577 635	2%	Increased to a more realistic amount based on the actuals for the previous financial year
<b>Total current liabilities</b>	<b>51 086 880</b>	<b>513 613</b>	<b>51 600 492</b>		
<b>Non current liabilities</b>					
Borrowing	5 920 533	(24)	5 920 509	0%	-
Provisions and Employee Benefits	31 404 987	1 519 194	32 924 181	5%	Increased to a more realistic amount based on the actuals for the previous financial year
<b>Total non current liabilities</b>	<b>37 325 520</b>	<b>1 519 170</b>	<b>38 844 690</b>		
<b>TOTAL LIABILITIES</b>	<b>88 412 400</b>	<b>2 032 782</b>	<b>90 445 182</b>		
<b>NET ASSETS</b>	<b>867 904 068</b>	<b>38 220 225</b>	<b>906 124 294</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	501 788 232	(21 419 388)	480 368 844	-4%	Appropriation to and from Reserves
Reserves	366 115 836	59 639 614	425 755 450	16%	Increased to a more realistic amount based on the actuals for the previous financial year
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>867 904 068</b>	<b>38 220 226</b>	<b>906 124 294</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2023 R	2023 R	2023 R		
REVENUE BY SOURCE	(Actual)	(Final Budget)	(Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
Property rates	17 330 716	16 190 081	1 140 635	7%	Actual Property Rates billed more than expected
Service charges	53 643 060	61 579 954	(7 936 894)	-13%	Consumption based budget (effect of loadshedding)
Rental of facilities and equipment	1 475 736	1 813 681	(337 945)	-19%	Lease contracts for municipal properties expired during the financial year
Interest earned - external investments	32 208 528	22 599 080	9 609 448	43%	Effect of higher interest rates for the 2022/23 financial year
Interest earned - outstanding debtors	6 471 889	6 071 378	400 511	7%	-
Fines, penalties and forfeits	915 394	70 368	845 026	1201%	Effect of iGRAP 1 on revenue recognition; recognised penalties and retention forfeits on infrastructure contracts
Licences and permits	1 300 733	1 351 293	(50 560)	-4%	-
Agency services	1 204 135	1 513 323	(309 188)	-20%	Less revenue received than budgeted for; fewer transactions due to loadshedding
Transfers and Subsidies - Operating	188 851 545	191 732 022	(2 880 477)	-2%	Effect of Unspent MIG at year end (VAT portion disclosed as "Operating")
Other revenue	6 294 619	863 632	5 430 987	629%	Effect of Actuarial Gain and the Gain in Fair Value of Investment Property
<b>TOTAL OPERATING REVENUE</b>	<b>309 696 355</b>	<b>303 784 812</b>	<b>5 911 543</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	124 615 650	123 628 858	986 791	1%	Effect of Ex-gratia payments to former Section 56 Managers
Remuneration of councillors	12 975 962	16 196 263	(3 220 301)	-20%	Effect of no increase in Council Remuneration
Debt impairment	16 641 103	14 194 619	2 446 484	17%	Less debt collection than anticipated.
Depreciation & asset impairment	17 306 105	18 112 769	(806 664)	-4%	Result of the under-expenditure of capital budget
Finance charges	5 397 454	3 450 678	1 946 776	56%	Result of the restatement of Landfill sites in terms of iGRAP 2 and the latest Guideline on Accounting for Landfill Sites
Bulk purchases	45 498 755	51 842 521	(6 343 766)	-12%	Demand less than anticipated due to loadshedding
Inventory consumed	-	20 948 374	(20 948 374)	-100%	Accounted for under "Other expenditure" in terms of GRAP
Contracted services	31 251 097	47 171 308	(15 920 211)	-34%	Cost containment strategy and the under-expenditure of the budget due to delayed procurement and implementation.
Transfers and subsidies	42 055	42 055	-	0%	-
Other expenditure	41 467 584	41 372 373	95 211	0%	"Other Materials" included in actual expenditure; under-expenditure of budget
Losses	836 241	2 200 000	(1 363 759)	100%	Less disposals of Infrastructure assets than anticipated
<b>TOTAL OPERATING EXPENDITURE</b>	<b>296 032 005</b>	<b>339 159 818</b>	<b>(43 127 813)</b>		
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>13 664 350</b>	<b>(35 375 006)</b>	<b>49 039 356</b>		
Transfers and Subsidies - Capital	34 365 765	38 065 145	(3 699 380)	-10%	Effect of Unspent MIG due to delays in projects and non-responsive tenders
<b>NET SURPLUS FOR THE YEAR</b>	<b>48 030 114</b>	<b>2 690 139</b>	<b>45 339 975</b>		

# SENQU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2023

#### ADJUSTMENTS TO APPROVED BUDGET

	2023 R	2023 R	2023 R		
REVENUE BY SOURCE	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
Property rates	14 319 635	1 870 446	16 190 081	13%	Increased to a more realistic amount based on the actual trends for the first 6 months
Service charges	74 729 954	(13 150 000)	61 579 954	-18%	Decreased to a more realistic amount based on the actual trends for the first 6 months and the effects of loadshedding on Electricity revenue
Rental of facilities and equipment	1 238 407	575 274	1 813 681	46%	Increased as a result of the FNB lease contract
Interest earned - external investments	17 599 080	5 000 000	22 599 080	28%	Increased due to higher interest rates for the 2022/23 financial year
Interest earned - outstanding debtors	4 421 378	1 650 000	6 071 378	37%	Increased to a more realistic amount based on the actual trends for the first 6 months
Fines, penalties and forfeits	210 368	(140 000)	70 368	-67%	Decreased to a more realistic amount based on the actual trends for the first 6 months
Licences and permits	1 253 833	97 460	1 351 293	8%	Increased to a more realistic amount based on the actual trends for the first 6 months
Agency services	2 313 323	(800 000)	1 513 323	-35%	Decreased to a more realistic amount based on the actual trends for the first 6 months and the effects of loadshedding
Transfers and Subsidies - Operating	192 227 174	(495 152)	191 732 022	0%	Decreased as a result of the reduction in the MIG Grant (VAT portion disclosed as "Operating")
Other revenue	1 408 635	(545 003)	863 632	-39%	Decreased to a more realistic amount based on the actual trends for the first 6 months
<b>TOTAL OPERATING REVENUE</b>	<b>309 721 787</b>	<b>(5 936 975)</b>	<b>303 784 812</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	122 866 822	762 036	123 628 858	1%	Increased to a more realistic amount based on the actual trends for the first 6 months
Remuneration of councillors	15 796 263	400 000	16 196 263	3%	-
Debt impairment	14 194 619	-	14 194 619	0%	-
Depreciation & asset impairment	19 661 081	(1 548 312)	18 112 769	-8%	Decreased as a result of the under-expenditure in the capital budget
Finance charges	2 900 086	550 592	3 450 678	19%	Increased due to higher interest rates for the 2022/23 financial year
Bulk purchases	52 342 521	(500 000)	51 842 521	-1%	-
Inventory consumed	24 661 126	(3 712 752)	20 948 374	-15%	Decreased to a more realistic amount based on the actual trends for the first 6 months
Contracted services	50 348 677	(3 177 369)	47 171 308	-6%	Decreased to a more realistic amount based on the actual trends for the first 6 months, effect delayed and cancelled tenders
Transfers and subsidies	42 055	-	42 055	0%	-
Other expenditure	39 860 148	1 512 225	41 372 373	4%	Increased to a more realistic amount based on the actual trends for the first 6 months, increased operational costs such as traveling costs and audit fees.
Losses	2 200 000	-	2 200 000	100%	-
<b>TOTAL OPERATING EXPENDITURE</b>	<b>344 873 399</b>	<b>(5 713 581)</b>	<b>339 159 818</b>		
<b>OPERATING DEFICIT FOR THE YEAR</b>	<b>(35 151 612)</b>	<b>(223 394)</b>	<b>(35 375 006)</b>		
Government Grants and Subsidies - Capital	37 947 826	117 319	38 065 145	0%	Result of the approved MIG rollover beginning of the financial year and the reduction in MIG during the financial year
<b>NET SURPLUS FOR THE YEAR</b>	<b>2 796 214</b>	<b>(106 075)</b>	<b>2 690 139</b>		

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2023 R	2023 R	2023 R		
	(Actual)	(Final Budget)	(Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	13 342 325	12 006 991	1 335 334	10%	Actual Property Rates billed more than expected
Service charges	48 290 229	45 669 317	2 620 912	5%	Interest earned on outstanding debtors included under Service charges in the AFS and Other revenue in the budget
Other revenue	5 605 946	9 646 384	(4 040 438)	-72%	Interest earned on outstanding debtors included under Service charges in the AFS and Other revenue in the budget
Government - operating	184 102 250	189 064 739	(4 962 489)	-3%	Effect of VAT portion on Capital grants forfeited and unspent
Government - capital	41 915 750	30 883 261	11 032 489	26%	Effect of VAT portion on Capital grants; Municipal Disaster Relief Grant received in June 2023
Interest	32 980 402	22 599 080	10 381 322	31%	Effect of higher interest rates for the 2022/23 financial year
<b>Payments</b>					
Suppliers and Employees	(249 334 198)	(289 218 259)	39 884 061	-16%	Under-expenditure of the budget due to unresponsive and delayed tenders
Finance charges	(610 062)	(3 450 678)	2 840 616	-466%	Only finance charges physically paid included in the "actual" amount
Transfers and Grants	(42 055)	(42 055)	-	-100%	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>76 250 588</b>	<b>17 158 779</b>	<b>59 091 808</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Payments</b>					
Capital assets	(35 579 389)	(77 677 212)	42 097 823	-118%	Unspent grants due to delays in projects and non-responsive tenders
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(35 579 389)</b>	<b>(77 677 212)</b>	<b>42 097 823</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	64 090	194 680	(130 590)	-204%	Less consumer deposits during the year than anticipated (effect of loadshedding)
<b>Payments</b>					
Repayment of borrowing	(916 507)	(904 130)	(12 377)	1%	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(852 417)</b>	<b>(709 450)</b>	<b>(142 967)</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>39 818 782</b>	<b>(61 227 882)</b>	<b>101 046 665</b>		
Cash and Cash Equivalents at the beginning of the year	458 013 042	458 013 042	-	0%	-
Cash and Cash Equivalents at the end of the year	497 831 824	396 785 160	101 046 664	20%	Result of under-expenditure of the budget due to non-responsive tenders and effect of unspent grants at year end

**SENQU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2023**

**ADJUSTMENTS TO APPROVED BUDGET**

	2023 R	2023 R	2023 R		
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	11 002 121	1 004 869	12 006 991	9%	Increased to a more realistic amount based on the actual trends for the first 6 months
Service charges	57 416 828	(11 747 511)	45 669 317	-20%	Decreased to a more realistic amount based on the actual trends for the first 6 months; effects of loadshedding
Other revenue	6 137 657	3 508 727	9 646 384	57%	Interest earned on outstanding debtors included under "Other revenue" in the final budget as per NT schedules
Government - operating	192 227 174	(3 162 435)	189 064 739	-2%	Decreased as a result of the reduction in the MIG Grant (VAT portion disclosed as "Operating")
Government - capital	37 947 826	(7 064 565)	30 883 261	-19%	Reduction in MIG grant by National Treasury
Interest	20 996 131	1 602 949	22 599 080	8%	Increased due to higher interest rates for the 2022/23 financial year
<b>Payments</b>					
Suppliers and Employees	(300 568 735)	11 350 476	(289 218 259)	-4%	Decreased to a more realistic amount based on the actual trends for the first 6 months; decrease in budget for operating expenditure
Finance charges	(2 900 086)	(550 592)	(3 450 678)	19%	Increased due to higher interest rates for the 2022/23 financial year
Transfers and subsidies	(42 055)	-	(42 055)	0%	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>22 216 862</b>	<b>(5 058 083)</b>	<b>17 158 779</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Payments</b>					
Capital assets	(73 295 200)	(4 382 012)	(77 677 212)	6%	Effect of the approved MIG rollover beginning of the financial year and the reduction in MIG during the financial year
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(73 295 200)</b>	<b>(4 382 012)</b>	<b>(77 677 212)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	114 073	80 607	194 680	71%	Increased to a more realistic amount based on the actual trends for the first 6 months
<b>Payments</b>					
Repayment of borrowing	(904 397)	267	(904 130)	0%	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(790 324)</b>	<b>80 874</b>	<b>(709 450)</b>		
<b>NET DECREASE IN CASH HELD</b>	<b>(51 868 662)</b>	<b>(9 359 220)</b>	<b>(61 227 882)</b>		
Cash and Cash Equivalents at the beginning of the year	374 482 449	83 530 593	458 013 042	22%	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	322 613 787	74 171 373	396 785 160	23%	Increased to a more realistic amount based on the actuals for the previous financial year

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### **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 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.

#### **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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 not be significant.

#### 1.08.1.2 GRAP 25 (Revised 2021) - Employee Benefits (effective 1 April 2023)

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.

#### 1.08.1.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 April 2023)

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.

### 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 103 (Revised 2022) - Heritage Assets

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

This revised Standard may have a significant impact with regards to heritage assets which have a dual purpose. Even though some heritage assets can have cultural significance while being used in delivering services, the revised Standard will now require that all heritage assets be accounted for using GRAP 103. A consequence of this amendment is that a heritage asset will no longer be depreciated. Instead, a heritage asset should be tested for impairment when an impairment indicator has been triggered.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

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

#### 1.08.2.2 Amendments to GRAP 1 on Presentation of Financial Statements (2022)

Currently, the Municipality is not faced with any going concern issues and therefore these amendments will have no effect on the financial statements.

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### **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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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
<b>Infrastructure</b>		<b>Land and Buildings</b>	
Roads and Paving	7 - 115	Buildings and	
Bridges	50 - 80	Improvements	100
Electricity	10 - 70	Land	Indefinite
Storm Water	14 - 85		
<b>Community</b>		<b>Other Assets</b>	
Community Halls	100	Vehicles	5 - 25
Libraries	100	Plant & Equipment	2 - 24
Parks & Gardens	15 - 50	Furniture	5 - 25
Sports facilities	30 - 45	Special Vehicles	10 - 12
Cemeteries	10 - 15	Specialised plant and	10 - 21
		Equipment	
<b>Capitalised Restoration Cost</b>		Office Equipment	5 - 21
Landfill Sites	9 - 24	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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 is 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 assets.

#### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 annual 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 annual 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.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 annual 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 annual 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 annual 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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 annual 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Primary Bank Account	520 449	4 682 069
Call and short-term Investments Deposits	497 310 676	453 330 273
Cash Floats	700	700
<b>Total</b>	<b>497 831 824</b>	<b>458 013 042</b>

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	27 074 731	23 502 166
Capital Replacement Reserve	225 678 807	214 436 701
Valuation Roll Reserve	2 202 815	1 817 504
Employee Benefit Reserve	46 750 054	42 389 802
Taxes	994 561	1 320 143
Working Capital Requirements	195 130 856	174 546 726
	<b>497 831 824</b>	<b>458 013 042</b>

### Primary Bank Account

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

Bank Statement Balance - Opening Balance	4 638 487	1 709 814
Bank Statement Balance - Closing Balance	452 175	4 638 487
Cashbook Balance - Opening Balance	4 682 069	1 771 154
Cashbook Balance - Closing Balance	520 449	4 682 069

### Call and short-term Deposits

Call and short-term Deposits consist out of the following accounts:

Standard Bank 388489162/0	373 225 933	340 338 131
Standard Bank 388489731/0	112 317 449	101 996 723
Standard Bank 388486066/0	11 767 293	10 995 419
	<b>497 310 676</b>	<b>453 330 273</b>

Interest between 3.37% and 8.45% (2022 - 3.37% and 4.80%) were attracted by these short term deposits at year end.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

#### 30 JUNE 2023

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>78 585 205</b>	<b>68 462 185</b>	<b>10 123 020</b>
Electricity	30 545 086	21 981 114	8 563 971
Refuse	47 191 223	45 956 172	1 235 050
Housing Rentals	848 897	524 899	323 998
<b>Other Receivables</b>	<b>3 832 141</b>	<b>-</b>	<b>3 832 141</b>
Joe Gqabi District Municipality (WSA)	3 832 141	-	3 832 141
<b>Total</b>	<b>82 417 346</b>	<b>68 462 185</b>	<b>13 955 160</b>

#### 30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>69 917 149</b>	<b>57 149 891</b>	<b>12 767 258</b>
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
<b>Other Receivables</b>	<b>3 882 784</b>	<b>-</b>	<b>3 882 784</b>
Joe Gqabi District Municipality (WSA)	3 882 784	-	3 882 784
<b>Total</b>	<b>73 799 933</b>	<b>57 149 891</b>	<b>16 650 042</b>

Included in the outstanding balances at 30 June 2023 are consumer debtors to the value of R422 892 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.

	2023 R	2022 R
<b>Ageing of service and other receivables:</b>		
<b>Electricity Ageing</b>		
Current (0 - 30 days)	3 908 243	3 924 658
Past Due (31 - 60 Days)	1 778 610	1 971 673
Past Due (61 - 90 Days)	1 206 566	1 469 387
Past Due (90 Days +)	23 651 667	24 297 510
<b>Total</b>	<b>30 545 086</b>	<b>31 663 228</b>
<b>Refuse Ageing</b>		
Current (0 - 30 days)	1 199 323	985 228
Past Due (31 - 60 Days)	1 081 727	890 041
Past Due (61 - 90 Days)	1 023 705	856 486
Past Due (90 Days +)	43 886 468	34 647 561
<b>Total</b>	<b>47 191 223</b>	<b>37 379 316</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2023 R	2022 R
<b>Housing Rentals Ageing</b>		
Current (0 - 30 days)	114 218	21 591
Past Due (31 - 60 Days)	22 374	27 395
Past Due (61 - 90 Days)	21 911	23 684
Past Due (90 Days +)	690 394	801 935
<b>Total</b>	<b>848 897</b>	<b>874 605</b>
<b>Other Receivables Ageing</b>		
Past Due (90 Days +)	3 832 141	3 882 784
<b>Total</b>	<b>3 832 141</b>	<b>3 882 784</b>
<b>Total Service and Other Receivables Ageing</b>		
Current (0 - 30 days)	5 221 784	4 931 477
Past Due (31 - 60 Days)	2 882 711	2 889 109
Past Due (61 - 90 Days)	2 252 181	2 349 557
Past Due (90 Days +)	72 060 669	63 629 790
<b>Total</b>	<b>82 417 346</b>	<b>73 799 933</b>
<b>Reconciliation of Allowance for impairment</b>		
Balance at the beginning of the year	57 149 891	49 266 626
Contribution to the provision	12 748 695	9 459 665
Electricity	2 878 018	1 584 843
Refuse	9 741 534	7 874 429
Housing Rentals	129 144	392
Bad Debts Written off	(1 436 401)	(1 576 400)
Electricity	(1 181 342)	(1 505 129)
Refuse	(255 059)	(70 878)
Housing Rentals	-	(392)
Balance at the end of the year	<b>68 462 185</b>	<b>57 149 891</b>

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.

## 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

### 30 JUNE 2023

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>28 873 797</b>	<b>24 692 711</b>	<b>4 181 085</b>
Rates	28 873 797	24 692 711	4 181 085
<b>Other Receivables</b>	<b>5 135 330</b>	<b>1 735 300</b>	<b>3 400 030</b>
Traffic fines income due	1 735 300	1 735 300	-
Other Receivables	3 400 030	-	3 400 030
<b>Total</b>	<b>34 009 127</b>	<b>26 428 011</b>	<b>7 581 115</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2022

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>23 873 115</b>	<b>20 937 576</b>	<b>2 935 539</b>
Rates	23 873 115	20 937 576	2 935 539
<b>Other Receivables</b>	<b>2 615 990</b>	<b>1 489 100</b>	<b>1 126 890</b>
Traffic fines income due	1 489 100	1 489 100	-
Other Receivables	1 126 890	-	1 126 890
Balance previously reported	1 096 990	-	1 096 990
Prior period adjustment - Note 44.1	29 900	-	29 900
<b>Total</b>	<b>26 489 105</b>	<b>22 426 676</b>	<b>4 062 429</b>

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.

<b>Ageing of service receivables:</b>	<b>2023</b> R	<b>2022</b> R
<b>Rates Ageing</b>		
Current (0 - 30 days)	290 557	130 755
Past Due (31 - 60 Days)	667 939	528 265
Past Due (61 - 90 Days)	601 810	446 526
Past Due (90 Days +)	27 313 491	22 767 569
<b>Total</b>	<b>28 873 797</b>	<b>23 873 115</b>

#### Reconciliation of Allowance for impairment

Balance at the beginning of the year	22 426 677	18 574 616
Contribution to the provision	4 709 308	3 926 080
Rates	4 463 108	3 485 180
Fines	246 200	440 900
Bad Debts Written off	(707 973)	(74 020)
Rates	(707 973)	(74 020)
Balance at the end of the year	<b>26 428 012</b>	<b>22 426 677</b>

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

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

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2023</b>			
1 month past due	1 378 467	169 573	1 548 040
2 + months past due	5 097 929	3 908 837	9 006 766
<b>Total</b>	<b>6 476 396</b>	<b>4 078 410</b>	<b>10 554 806</b>
<b>2022</b>			
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
<b>Total</b>	<b>9 094 225</b>	<b>2 932 119</b>	<b>12 026 344</b>

Trade and other receivables impaired:

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2023</b>			
<b>Total</b>	<b>68 462 185</b>	<b>26 428 012</b>	<b>94 890 197</b>
<b>2022</b>			
<b>Total</b>	<b>57 149 891</b>	<b>22 426 677</b>	<b>79 576 567</b>

### 5 TAXES

	<b>2023</b> R	<b>2022</b> R
Vat Receivable/(Payable)	78 559	(1 154 288)
Balance previously reported	-	(910 320)
Prior period adjustment - Note 44.2	-	(243 968)
Vat on Contribution to Provision for Impairment of Trade Receivables from Exchange Transactions	6 726 237	5 909 337
<b>Total</b>	<b>6 804 796</b>	<b>4 755 049</b>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

6	OPERATING LEASES	2023 R	2022 R
	<b>6.1 OPERATING LEASE ASSETS</b>		
	Operating Lease Asset	<u>359</u>	<u>-</u>
	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
	Movement during the year	359	(9 352)
	<b>Balance at the end of the year</b>	<u>359</u>	<u>-</u>
	The municipality will receive the following lease payments from contracts that have defined lease payments and terms:		
	Within 1 Year	883 576	1 015 254
	Between 1 and 5 Years	4 209	887 785
		<u>887 785</u>	<u>1 903 038</u>
	The lease payments are in respect of properties being lease out over a period ranging up to June 2025.		
	<b>6.2 OPERATING LEASE LIABILITIES</b>		
	Operating Lease Liability	<u>-</u>	<u>4 217</u>
	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	4 217	8 271
	Movement during the year	(4 217)	(4 054)
	<b>Balance at the end of the year</b>	<u>-</u>	<u>4 217</u>
	The municipality will incur the following lease expenditure from contracts that have defined lease payments and terms:		
	Within 1 Year	-	30 649
		<u>-</u>	<u>30 649</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	<b>INVENTORY</b>	<b>2023 R</b>	<b>2022 R</b>
	Electricity materials	<u>607 567</u>	<u>750 845</u>
	<b>Total</b>	<u>607 567</u>	<u>750 845</u>

No inventory was pledged as security for liabilities.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

8 INVESTMENT PROPERTY	2023 R	2022 R
Investment Property - Carrying Value	<u>47 271 925</u>	<u>46 308 500</u>

The movement in investment properties is reconciled as follows:

<b>Opening Carrying Value</b>	46 308 500	45 488 000
Fair Value	46 308 500	45 488 000
Fair Value Adjustment	<u>963 425</u>	<u>820 500</u>
<b>Closing Carrying Value</b>	47 271 925	46 308 500
Fair Value	47 271 925	46 308 500

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	1 425 867	1 425 125
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# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 9 PROPERTY PLANT AND EQUIPMENT

30 June 2023	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
<b>Land and Buildings</b>	<b>143 532 156</b>	<b>7 539 937</b>	-	<b>4 100 405</b>	-	<b>155 172 498</b>	-	<b>1 311 256</b>	<b>(1 311 256)</b>	-	-	-	<b>155 172 498</b>
Land	29 776 275	-	-	408 900	-	30 185 175	-	-	-	-	-	-	30 185 175
Buildings	113 755 881	7 539 937	-	3 691 505	-	124 987 323	-	1 311 256	(1 311 256)	-	-	-	124 987 323
<b>Infrastructure</b>	<b>389 446 362</b>	<b>19 914 423</b>	<b>(248 500)</b>	-	-	<b>409 112 284</b>	<b>138 992 528</b>	<b>10 804 692</b>	<b>(81 912)</b>	-	-	<b>149 715 307</b>	<b>259 396 977</b>
Roads	224 382 726	8 558 015	(16 366)	-	-	232 924 374	108 259 830	6 891 631	(1 229)	-	-	115 150 232	117 774 142
Stormwater	67 154 586	-	-	-	-	67 154 586	17 359 498	1 196 085	-	-	-	18 555 583	48 599 004
Solid Waste	52 997 228	11 226 086	-	-	-	64 223 314	2 921 580	1 070 686	-	-	-	3 992 266	60 231 048
Electricity	32 395 390	130 321	(232 134)	-	-	32 293 578	7 362 131	1 260 194	(80 684)	-	-	8 541 641	23 751 937
Taxi Ranks	12 516 431	-	-	-	-	12 516 431	3 089 489	386 096	-	-	-	3 475 585	9 040 846
<b>Community Assets</b>	<b>59 837 958</b>	<b>5 323 029</b>	<b>(49 448)</b>	-	-	<b>65 111 540</b>	<b>12 605 464</b>	<b>1 849 345</b>	<b>(717)</b>	-	-	<b>14 454 091</b>	<b>50 657 448</b>
Sports Fields	26 131 395	310 448	-	-	-	26 441 844	5 506 354	835 390	-	-	-	6 341 745	20 100 099
Node Development	9 548 529	-	-	-	-	9 548 529	2 455 673	311 243	-	-	-	2 766 916	6 781 613
Parks & Gardens	7 829 419	-	-	-	-	7 829 419	433 792	60 452	-	-	-	494 243	7 335 176
Cemetery	14 912 892	4 815 976	(49 448)	-	-	19 679 420	2 918 574	598 773	(717)	-	-	3 516 631	16 162 790
Other	1 415 723	196 605	-	-	-	1 612 327	1 291 070	43 486	-	-	-	1 334 557	277 771
<b>Other Assets</b>	<b>64 623 671</b>	<b>2 539 739</b>	<b>(1 615 718)</b>	-	-	<b>65 547 691</b>	<b>40 342 231</b>	<b>2 912 047</b>	<b>(997 943)</b>	-	-	<b>42 256 335</b>	<b>23 291 356</b>
Motor Vehicles	13 118 628	646 492	(570 087)	-	-	13 195 034	8 803 380	303 460	(168 749)	-	-	8 938 091	4 256 944
Plant & Equipment	31 812 273	147 243	(679 430)	-	-	31 280 086	15 479 314	1 323 115	(480 295)	-	-	16 322 135	14 957 951
Office Equipment	2 342 888	111 592	(6 391)	-	-	2 448 089	2 249 190	54 647	(6 362)	-	-	2 297 475	150 614
Furniture & Fittings	5 254 798	180 146	(132 569)	-	-	5 302 375	4 284 903	289 254	(118 325)	-	-	4 455 831	846 544
Loose Equipment	525 917	-	(120 621)	-	-	405 296	507 886	9 996	(120 122)	-	-	397 760	7 535
Computer Equipment	7 487 788	1 454 265	(106 619)	-	-	8 835 434	5 970 822	705 770	(104 089)	-	-	6 572 503	2 262 931
Specialised Vehicles	4 081 378	-	-	-	-	4 081 378	3 046 736	225 805	-	-	-	3 272 541	808 837
<b>Total</b>	<b>657 440 146</b>	<b>35 317 128</b>	<b>(1 913 666)</b>	<b>4 100 405</b>	-	<b>694 944 013</b>	<b>191 940 223</b>	<b>16 877 339</b>	<b>(2 391 828)</b>	-	-	<b>206 425 734</b>	<b>488 518 280</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

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
<b>Land and Buildings</b>	<b>134 280 814</b>	<b>2 160 672</b>	-	<b>7 090 670</b>	-	<b>143 532 156</b>	-	<b>1 195 739</b>	<b>(1 195 739)</b>	-	-	-	<b>143 532 156</b>
Land	29 776 275	-	-	-	-	29 776 275	-	-	-	-	-	-	29 776 275
Buildings	104 504 539	2 160 672	-	7 090 670	-	113 755 881	-	1 195 739	(1 195 739)	-	-	-	113 755 881
<b>Infrastructure</b>	<b>366 634 058</b>	<b>23 073 346</b>	<b>(261 043)</b>	-	-	<b>389 446 362</b>	<b>128 470 090</b>	<b>10 593 733</b>	<b>(71 295)</b>	-	-	<b>138 992 528</b>	<b>250 453 834</b>
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
<b>Community Assets</b>	<b>53 950 525</b>	<b>6 070 485</b>	<b>(183 051)</b>	-	-	<b>59 837 958</b>	<b>10 894 571</b>	<b>1 710 892</b>	-	-	-	<b>12 605 464</b>	<b>47 232 495</b>
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
<b>Other Assets</b>	<b>60 388 148</b>	<b>4 681 783</b>	<b>(446 261)</b>	-	-	<b>64 623 671</b>	<b>37 622 934</b>	<b>3 149 192</b>	<b>(429 894)</b>	-	-	<b>40 342 231</b>	<b>24 281 439</b>
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
<b>Total</b>	<b>615 253 545</b>	<b>35 986 286</b>	<b>(890 355)</b>	<b>7 090 670</b>	-	<b>657 440 146</b>	<b>176 987 595</b>	<b>16 649 556</b>	<b>(1 696 928)</b>	-	-	<b>191 940 223</b>	<b>465 499 923</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2022	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
<b>Previously Reported</b>	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
Prior Period Adjustment - Refer to Note 44.3	-	508 792	-	-	-	508 792	-	-	-	-	-	-	508 792
<b>Restated Balance</b>	<b>615 253 545</b>	<b>35 986 286</b>	<b>(890 355)</b>	<b>7 090 670</b>	<b>-</b>	<b>657 440 146</b>	<b>176 987 595</b>	<b>16 649 556</b>	<b>(1 696 928)</b>	<b>-</b>	<b>-</b>	<b>191 940 223</b>	<b>465 499 923</b>

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 43 for the disclosure of repairs and maintenance per asset class as required by GRAP 17.

The municipality have 57 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:

	2023 R	2024 R
Increase / (Decrease) in Depreciation and Amortisation	(1 176 757)	1 176 757
Increase / (Decrease) in Accumulated Surplus	1 176 757	(1 176 757)
Increase / (Decrease) in Property, Plant and Equipment	1 176 757	(1 176 757)

The following project (included in Work in Progress) is taking a significant longer period to complete:

Project	Carrying value	Reason for delays
Lady Grey Solid Waste Site	11 071 169	Contractor was terminated due to malperformance, whereby a new contractor was appointed.

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

	2023 R	2022 R
Buildings	9 983 151	2 905 481
Infrastructure - Roads	9 738 460	4 562 022
Infrastructure - Waste Management	23 733 729	25 711 576
Sports Fields	310 448	-
Community Assets - Other	196 605	-
Cemetery	-	7 236 193
<b>Total Work in Progress (WIP) - Restated 2022</b>	<b>43 962 394</b>	<b>40 415 271</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023 R	2022 R
<b>10 INTANGIBLE ASSETS</b>		
Intangible Assets - Carrying Value	<u>329 567</u>	<u>128 193</u>
The movement in intangible assets is reconciled as follows:		
<b>Opening Carrying Value</b>	128 193	186 478
Cost	986 096	986 096
Accumulated Amortisation	(857 903)	(799 619)
Acquisitions	262 261	-
Disposal	(6)	-
Cost	(17 796)	-
Amortisation	17 790	-
Amortisation for the year	(60 881)	(58 285)
<b>Closing Carrying Value</b>	329 567	128 193
Cost	1 230 561	986 096
Accumulated Amortisation	(900 994)	(857 903)

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.

	2023 R	2022 R
<b>11 CAPITALISED RESTORATION COST (PPE)</b>		
Capitalised Restoration Cost - Carrying Value	<u>1 553 817</u>	<u>424 597</u>
The movement in capitalised restoration cost is reconciled as follows:		
<b>Opening Carrying Value</b>	424 597	2 647 354
Cost	8 618 378	10 367 947
Balance previously reported	-	4 893 116
Prior period adjustment - Note 44.6	-	5 474 831
Accumulated Depreciation	(8 193 781)	(7 720 593)
Balance previously reported	-	(1 901 553)
Prior period adjustment - Note 44.6	-	(5 819 041)
Accumulated Impairments	-	-
Balance previously reported	-	(1 405 149)
Prior period adjustment - Note 44.6	-	1 405 149

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

11	CAPITALISED RESTORATION COST (PPE) (CONTINUED)	2023 R	2022 R
	Additions	1 837 731	-
	Balance previously reported	-	612 759
	Prior period adjustment - Note 44.6	-	(612 759)
	Disposal	(340 625)	(1 749 568)
	Balance previously reported	-	-
	Prior period adjustment - Note 44.6	-	(1 749 568)
	Depreciation for the year	(53 868)	(473 188)
	Balance previously reported	-	(87 225)
	Prior period adjustment - Note 44.6	-	(385 963)
	Impairments for the year	(314 017)	-
	Balance previously reported	-	(288 733)
	Prior period adjustment - Note 44.6	-	288 733
	<b>Closing Carrying Value</b>	<b>1 553 817</b>	<b>424 597</b>
	Cost	10 115 484	8 618 378
	Accumulated Depreciation	(8 247 649)	(8 193 781)
	Accumulated Impairments	(314 017)	-

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.

The Landfill site asset and provision were restated to comply with iGRAP 2 and the latest Guideline on Accounting for Landfill Sites.

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

12	BORROWINGS		
	Annuity Loans	6 843 349	7 747 744
	<b>Sub-Total</b>	<b>6 843 349</b>	<b>7 747 744</b>
	Less: Current portion	922 862	904 130
	Annuity Loans	922 862	904 130
	<b>Total Non-current Borrowings</b>	<b>5 920 487</b>	<b>6 843 614</b>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 12 BORROWINGS (CONTINUED)

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
		<b>2023</b>	<b>2022</b>
		<b>R</b>	<b>R</b>
	Annuity loans are payable as follows:		
	Payable within one year	1 466 362	1 458 090
	Payable within two to five years	5 171 131	5 373 579
	Payable after five years	2 201 527	3 418 392
	<b>Total amount payable</b>	<b>8 839 020</b>	<b>10 250 060</b>
	<b>Less:</b> Outstanding Future Finance Charges	(1 995 671)	(2 502 315)
	<b>Present value of annuity loans</b>	<b>6 843 349</b>	<b>7 747 744</b>

### 13 CONSUMER DEPOSITS

Electricity	1 884 698	1 820 608
<b>Total</b>	<b>1 884 698</b>	<b>1 820 608</b>

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

Trade Payables	6 404 890	2 806 342
Balance previously reported	-	-
Prior period adjustment - Note 44.4	-	2 806 342
Other Payables	454 061	694 583
Balance previously reported	-	2 744 156
Prior period adjustment - Note 44.4	-	(2 049 572)
Deposits: Other	-	-
Balance previously reported	-	380 436
Prior period adjustment - Note 44.4	-	(380 436)
Payments received in advance	489 450	399 566
Retentions	4 510 326	4 462 012
Balance previously reported	-	6 631 897
Prior period adjustment - Note 44.4	-	(2 169 885)
DBSA Interest Accrual	151 239	139 128
<b>Total</b>	<b>12 009 966</b>	<b>8 501 631</b>

Payables are being recognised net of any discounts received.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 14 PAYABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

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	2023 R	2022 R
<b><u>Unspent Conditional Government Grants</u></b>		
National Government	6 960 955	10 293 461
Provincial Government	20 113 776	13 208 705
Balance previously reported	-	13 361 166
Prior period adjustment - Note 44.5	-	(152 461)
<b>Total</b>	<b>27 074 731</b>	<b>23 502 166</b>

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.

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

Post Retirement Medical Benefits - Note 17	307 000	280 000
Long Service Awards - Note 17	414 000	759 000
Bonuses	3 505 416	3 500 159
Performance Bonuses	11 105 426	7 044 679
Compensation for injuries on duty contribution	6 320 833	5 376 486
Staff Leave	5 348 378	5 002 478
<b>Total</b>	<b>27 001 053</b>	<b>21 962 802</b>

The movement in current employee benefits are reconciled as follows:

#### **Bonuses**

Opening Balance	3 500 159	3 027 077
Contribution during the year	6 025 268	6 061 146
Payments made	(6 020 010)	(5 588 065)
<b>Balance at end of year</b>	<b>3 505 416</b>	<b>3 500 159</b>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

16	CURRENT EMPLOYEE BENEFITS (CONTINUED)	2023 R	2022 R
	<b><u>Performance Bonuses</u></b>		
	Opening Balance	7 044 679	3 056 922
	Contribution during the year	4 060 747	3 987 757
	Balance at end of year	<b>11 105 426</b>	<b>7 044 679</b>

Performance bonuses are being paid to Municipal Manager, Directors, Managers and Below-Managers after an evaluation of performance by the Council. The provision includes the Performance bonuses for the 2020/21, 2021/22 and the 2022/23 financial years. The performance Evaluation for 2020/2021 and 2021/2022 were done at the beginning of August 2023 and the item will be sent to Council for approval of their payment in the Ordinary Council meeting of October 2023.

### **Compensation for injuries on duty contribution**

Opening Balance	5 376 486	4 616 931
Contribution during the year	944 347	759 555
Balance at end of year	<b>6 320 833</b>	<b>5 376 486</b>

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.

### **Staff Leave**

Opening Balance	5 002 478	5 096 318
Contribution during the year	3 222 348	2 285 260
Payments made	(2 876 449)	(2 379 100)
Balance at end of year	<b>5 348 378</b>	<b>5 002 478</b>

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	17 231 000	18 052 000
	Long Service Awards	2 518 000	2 375 000
	<b>Total</b>	<b>19 749 000</b>	<b>20 427 000</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 17 EMPLOYEE BENEFITS (CONTINUED)

2023  
R

2022  
R

#### 17.1 POST RETIREMENT MEDICAL BENEFITS

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

Opening Balance	18 332 000	15 147 000
Contribution during the year	3 902 000	3 106 000
Current Service Cost	1 748 000	1 536 000
Interest Cost	2 154 000	1 570 000
Payments made	(288 449)	(267 880)
Actuarial Loss/(Gain)	(4 407 551)	346 880
Total balance at year-end	17 538 000	18 332 000
Less: Current Portion - Note 16	(307 000)	(280 000)
<b>Total</b>	<b>17 231 000</b>	<b>18 052 000</b>

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

	2023	2022
In-service members	202	194
In-service non-members	74	67
Continuation members	3	3
<b>Total</b>	<b>279</b>	<b>264</b>

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

In-service members	13 766 000	14 731 000
In-service non-members	1 490 000	1 300 000
Continuation members	2 282 000	2 301 000
<b>Total Unfunded Liability</b>	<b>17 538 000</b>	<b>18 332 000</b>

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

	2021 R	2020 R	2019 R
In-service members	13 208 000	9 450 000	10 113 774
Continuation members	1 939 000	1 810 000	1 869 858
<b>Total Unfunded Liability</b>	<b>15 147 000</b>	<b>11 260 000</b>	<b>11 983 632</b>

Experience adjustments were calculated as follows:

	2023 R m	2022 R m
Liabilities: (Gain)/Loss	(1.191)	0.208
Assets: Gain/(Loss)	-	-



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 17 EMPLOYEE BENEFITS (CONTINUED)

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

	2021 R m	2020 R m	2019 R m
Liabilities: (Gain)/Loss	0.335	(0.630)	0.636
Assets: Gain/(Loss)	-	-	-

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

Bonitas  
Hosmed  
LA Health  
Munimed  
SAMWU Medical Aid

Key Actuarial Assumptions used are as follows:

Interest Rates	2023	2022
Discount rate	12.59%	11.84%
Health Care Cost Inflation Rate	8.19%	8.45%
Net Effective Discount Rate	4.07%	3.13%

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 2023.

#### Actuarial Valuation Method

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

	2023 R	2022 R
<b>The amounts recognised in the Statement of Financial Performance are:</b>		
Employee related costs - Current Service Cost	1 748 000	1 536 000
Finance Charges - Interest Cost	2 154 000	1 570 000
Actuarial Gains	(4 407 551)	346 880
<b>Net amount charged to Statement of Financial Performance</b>	<b>(505 551)</b>	<b>3 452 880</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 17 EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Liability at year-end

Assumption	Eligible Employees (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	15.256	2.282	17.538	
Health care inflation rate				
+ 1%	18.378	2.424	20.802	19%
- 1%	12.784	2.152	14.936	-15%
Discount rate				
+ 1%	12.889	2.158	15.047	-14%
- 1%	18.271	2.420	20.691	18%
Post-employment mortality				
+ 1 year	14.893	2.183	17.076	-3%
- 1 year	15.614	2.382	17.996	3%
Average retirement age				
- 1 year	17.027	2.282	19.309	10%
Membership continuation				
- 10%	13.277	2.282	15.559	-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	1 670 000	2 189 000	3 859 000	
Health care inflation rate				
+ 1%	2 032 000	2 600 000	4 632 000	20%
- 1%	1 388 000	1 862 000	3 250 000	-16%
Discount rate				
+ 1%	1 413 000	2 025 000	3 438 000	-11%
- 1%	2 003 000	2 381 000	4 384 000	14%
Post-employment mortality				
+ 1 year	1 633 000	2 131 000	3 764 000	-2%
- 1 year	1 710 000	2 247 000	3 957 000	3%
Average retirement age				
- 1 year	1 561 000	2 412 000	3 973 000	3%
Membership continuation				
- 10%	1 456 000	1 940 000	3 396 000	-12%

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 17 EMPLOYEE BENEFITS (CONTINUED)

#### 17.2 LONG SERVICE AWARDS

	2023 R	2022 R
The movement in Long Service Awards are reconciled as follows:		
Opening Balance	3 134 000	2 779 000
Contribution during the year	674 000	618 000
Current Service Cost	379 000	389 000
Interest Cost	295 000	229 000
Payments made	(612 022)	(251 704)
Actuarial Loss/(Gain)	(263 978)	(11 296)
Total balance at year-end	<b>2 932 000</b>	<b>3 134 000</b>
Less: Current Portion - Note 16	(414 000)	(759 000)
<b>Total</b>	<b>2 518 000</b>	<b>2 375 000</b>

The following members are eligible for long service bonuses:

	2023	2022
In-service members	276	261

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

In-service members	2 932 000	3 134 000
<b>Total Unfunded Liability</b>	<b>2 932 000</b>	<b>3 134 000</b>

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

	2021 R	2020 R	2019 R
In-service members	2 779 000	2 564 000	2 147 050
<b>Total Unfunded Liability</b>	<b>2 779 000</b>	<b>2 564 000</b>	<b>2 147 050</b>

Experience adjustments were calculated as follows:

	2023 R	2022 R
Liabilities: (Gain)/Loss	(85 978)	49 704
Assets: Gain/(Loss)	-	-

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

	2021 R	2020 R	2019 R
Liabilities: (Gain)/Loss	(56 156)	84 594	553
Assets: Gain/(Loss)	-	-	-

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 17 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

Interest Rates	2023	2022
Discount rate	11.01%	10.67%
General Salary Inflation (long-term)	6.44%	7.31%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	4.29%	3.13%

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 2023.

#### Actuarial Valuation Method

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

	2023 R	2022 R
<b>The amounts recognised in the Statement of Financial Performance are:</b>		
Employee related costs - Current Service Cost	379 000	389 000
Finance Charges - Interest Cost	295 000	229 000
Actuarial (Gain)/Losses	(263 978)	(11 296)
<b>Net amount charged to Statement of Financial Performance</b>	<b>410 022</b>	<b>606 704</b>

#### Sensitivity Analysis - Liability at year-end

Assumption	Total liability R	% change
Liability	2 932 000	
General earnings inflation rate		
+ 1%	3 077 000	5%
- 1%	2 797 000	-5%
Discount rate		
+ 1%	2 793 000	-5%
- 1%	3 084 000	5%
Average retirement age		
+ 2 years	3 059 000	4%
- 2 years	2 831 000	-3%
Withdrawal rates		
x 2	2 350 000	-20%
x 0.5	3 308 000	13%

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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	389 000	301 000	690 000	
General earnings inflation rate				
+ 1%	413 000	317 000	730 000	6%
- 1%	367 000	286 000	653 000	-5%
Discount rate				
+ 1%	370 000	311 000	681 000	-1%
- 1%	410 000	288 000	698 000	1%
Average retirement age				
+ 2 years	405 000	315 000	720 000	4%
- 2 years	372 000	289 000	661 000	-4%
Withdrawal rates				
x 2	292 000	237 000	529 000	-23%
x 0.5	455 000	342 000	797 000	16%

### 17.3 OTHER PENSION BENEFITS

#### Defined Benefit Plans

Council contributes to the following defined benefit plans:

#### Cape Joint Pension Fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund is in a sound financial position with a funding level of 131.6%.

#### Total

**2023**  
R

**2022**  
R

10 443 119

9 604 467

**10 443 119**

**9 604 467**

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

<b>17</b>	<b>EMPLOYEE BENEFITS (CONTINUED)</b>	<b>2023</b>	<b>2022</b>
		<b>R</b>	<b>R</b>
	<b>Defined Contribution Plans</b>		
	Council contributes to the following defined contribution plans:		
	SALA Pension Fund	972 278	997 125
	SAMWU National Provident Fund	92 561	94 314
	<b>Total</b>	<b>1 064 839</b>	<b>1 091 439</b>

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.

<b>18</b>	<b>NON-CURRENT PROVISIONS</b>		
	Rehabilitation Provision - Landfill Sites	<b>24 971 393</b>	<b>21 148 007</b>
	The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
	Opening Balance	21 148 007	21 056 552
	Balance previously reported	-	7 421 987
	Prior period adjustment - Note 44.7	-	13 634 565
	Contribution during the year	3 823 386	91 456
	Increase/(Decrease) in estimate	1 497 105	(1 929 973)
	Balance previously reported	-	612 759
	Prior period adjustment - Note 44.7	-	(2 542 733)
	Interest Cost	2 326 281	2 021 429
	Balance previously reported	-	315 434
	Prior period adjustment - Note 44.7	-	1 705 995
	<b>Total</b>	<b>24 971 393</b>	<b>21 148 007</b>

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:

<b>Site</b>	<b>Expected Closure Date</b>		
Barkly East	2031	6 278 819	5 897 766
Lady Grey	2028	3 853 594	3 536 779
Sterkspruit	2024	4 948 746	3 913 207
Rhodes	2024	7 042 018	5 517 192
Rossouw	2016	2 848 217	2 283 063
<b>Total</b>		<b>24 971 393</b>	<b>21 148 007</b>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

19	COMMUNITY WEALTH	2023	2022
		R	R
	<b>19.1 RESERVES</b>		
	Revaluations Reserve	91 022 401	85 610 740
	<b>Total</b>	<b>91 022 401</b>	<b>85 610 740</b>

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	225 678 807	214 436 701
Employee Benefits Reserve	46 750 054	42 389 802
Valuation Roll Reserve	2 202 815	1 817 504
Accumulated Surplus due to the results of operations	579 266 143	547 223 696
<b>Total</b>	<b>853 897 819</b>	<b>805 867 704</b>

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	25 032 443	20 849 235
	Less: Rebates	(7 701 727)	(5 352 155)
	<b>Total</b>	<b>17 330 716</b>	<b>15 497 080</b>

Property rates levied are based on the following rateable valuations:

Residential Property	782 488 000	782 105 500
Commercial Property	450 245 000	421 275 500
Public Benefits Organisations	79 540 500	80 350 000
Public Service Infrastructure	4 727 000	4 727 000
Agricultural Purposes	2 455 387 000	2 468 923 500
State - National / Provincial Services	767 946 000	811 173 000
Municipal Property	431 744 000	388 582 000
Vacant Property	117 568 500	119 053 500
Industrial Property	14 203 000	14 203 000
<b>Total Valuation</b>	<b>5 103 849 000</b>	<b>5 090 393 000</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 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.

The following rates are applicable to the valuations above:

	2023	2022
Residential	0.8373c/R	0.7899c/R
Commercial	1.0885c/R	1.0269c/R
Public Service Infrastructure	0.0000c/R	0.0000c/R
Agricultural	0.2093c/R	0.1975c/R
State - National / Provincial Services	1.0885c/R	1.0269c/R
Vacant Property	1.2559c/R	1.1849c/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.

### 21 TRANSFERS AND SUBSIDIES

	2023 R	2022 R
<b>Unconditional Grants - National Government</b>	<b>177 125 000</b>	<b>163 362 000</b>
Equitable Share	177 125 000	163 362 000
<b>Conditional Grants - National Government</b>	<b>44 025 506</b>	<b>34 396 859</b>
Municipal Finance Management	1 650 000	1 650 000
Municipal Infrastructure Grant	40 717 506	30 180 859
EPWP (Expanded Public Works Program)	1 658 000	2 566 000
<b>Conditional Grants - Provincial Government</b>	<b>2 066 804</b>	<b>6 374 651</b>
Libraries	1 500 000	1 500 000
EPWP (Expanded Public Works Program)	566 804	4 633 196
Greenest Municipality	-	241 455
<b>Total</b>	<b>223 217 310</b>	<b>204 133 510</b>
Disclosed as:		
Transfers and Subsidies - Capital	34 365 765	24 571 877
Transfers and Subsidies - Operating	188 851 545	179 561 633
<b>Total</b>	<b>223 217 310</b>	<b>204 133 510</b>
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	177 125 000	163 362 000
Budget & Treasury	1 650 000	1 650 000
Planning & Development	6 918 545	10 242 178
Corporate Services	-	-
Community & Social Services	1 500 000	1 500 000
Road Transport	36 023 765	27 137 877
Waste Management	-	241 455
<b>Total</b>	<b>223 217 310</b>	<b>204 133 510</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 21 TRANSFERS AND SUBSIDIES (CONTINUED)

2023  
R

2022  
R

The movements per grant can be summarised as follows:

#### 21.01 Equitable Share

Grants Received	177 125 000	163 362 000
Transferred to Revenue - Operating	(177 125 000)	(163 362 000)
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	1 650 000
Transferred to Revenue - Operating	(1 650 000)	(1 650 000)
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	8 283 405	15 877 264
Grants Received	37 385 000	38 464 000
Transferred to Revenue - Capital	(34 365 765)	(24 571 877)
Transferred to Revenue - Operating	(6 351 741)	(5 608 982)
Funds returned to NT	-	(15 877 000)
Closing Unspent Balance	4 950 899	8 283 405

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

#### 21.04 NDPG (Neighbourhood Development Partnership Grant)

Opening Unspent Balance	2 010 056	2 010 056
Closing Unspent Balance	2 010 056	2 010 056

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	1 658 000	2 566 000
Transferred to Revenue - Operating	(1 658 000)	(2 566 000)
Closing Unspent Balance	-	-

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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2023 R	2022 R
	<b>21.06 Prov Gov - Housing (Hillside)</b>		
	Opening Unspent Balance	232 651	232 651
	Closing Unspent Balance	232 651	232 651
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	<b>21.07 Herschel People's Housing</b>		
	Opening Unspent Balance	11 950 704	11 493 351
	Current year receipts - Interest	771 874	457 353
	Closing Unspent Balance	12 722 578	11 950 704
	The grant was received from Provincial Government to be utilised for housing projects within the Senqu area.		
	<b>21.08 Libraries</b>		
	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.		
	<b>21.09 EPWP (Expanded Public Works Program) - Provincial</b>		
	Opening Unspent Balance	566 804	5 200 000
	Transferred to Revenue - Operating	(566 804)	(4 633 196)
	Closing Unspent Balance - Restated 2022	-	566 804
	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.		
	<b>21.10 Greenest Municipality</b>		
	Opening Unspent Balance	458 545	200 000
	Grants Received	300 000	500 000
	Transferred to Revenue - Operating	-	(241 455)
	Closing Unspent Balance - Restated 2022	758 545	458 545
	The grant was received for 'greening' the environment as well as proactively preserving it for future generations.		
	<b>21.11 Municipal Disaster Relief Grant</b>		
	Grants Received	6 400 000	-
	Closing Unspent Balance	6 400 000	-
	The grant was received from Provincial Government to be utilised for flood intervention measures within the Senqu area.		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

21	TRANSFERS AND SUBSIDIES (CONTINUED)	2023	2022
		R	R
	<b>21.12 Total Transfers and Subsidies</b>		
	Opening Unspent Balance	23 502 166	35 013 322
	Grants Received	226 018 000	208 042 000
	Current year receipts - Interest	771 874	457 353
	Transferred to Revenue - Capital	(34 365 765)	(24 571 877)
	Transferred to Revenue - Operating	(188 851 545)	(179 561 633)
	Funds returned to NT	-	(15 877 000)
	Closing Unspent Balance - Restated 2022	<u>27 074 730</u>	<u>23 502 166</u>
		<u><u>27 074 730</u></u>	<u><u>23 502 166</u></u>
22	<b>FINES, PENALTIES AND FORFEITS</b>		
	Fines: Pound Fees	44 248	33 415
	Fines: Traffic	248 300	442 950
	Penalties	213 900	-
	Forfeits: Retentions	408 946	1 607 937
	<b>Total - Restated 2022</b>	<u>915 394</u>	<u>2 084 302</u>
		<u><u>915 394</u></u>	<u><u>2 084 302</u></u>
	In terms of the requirements of GRAP 23 and IGRAP1, all Traffic fines issued during the year less any cancellations or reductions identified are recognised as revenue.		
	Retentions forfeited are recognised as revenue for the construction contracts that were terminated.		
23	<b>SERVICE CHARGES</b>		
	Electricity Revenue	44 526 191	48 684 014
	Refuse Removal Revenue	9 116 869	8 420 443
	<b>Total</b>	<u>53 643 060</u>	<u>57 104 457</u>
		<u><u>53 643 060</u></u>	<u><u>57 104 457</u></u>
	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	12 002 688	9 244 043
	Bulk Purchases	10 041 229	8 115 781
	Operational Cost	1 961 459	1 128 262
	Cost of Free Basic Services: Refuse	-	13 027
	Operational Cost	-	13 027
	<b>Total</b>	<u>12 002 688</u>	<u>9 257 070</u>
		<u><u>12 002 688</u></u>	<u><u>9 257 070</u></u>
24	<b>RENTAL FROM FIXED ASSETS</b>		
	Investment Property	1 425 867	1 425 125
	Buildings	43 082	54 561
	Machinery and Equipment	6 786	2 389
	<b>Total</b>	<u>1 475 736</u>	<u>1 482 076</u>
		<u><u>1 475 736</u></u>	<u><u>1 482 076</u></u>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023	2022
	R	R
<b>25 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Interest earned on Investment - Standard Bank 388489162/0	24 887 802	14 433 425
Interest earned on Investment - Standard Bank 388489731/0	7 320 726	3 372 399
<b>Total</b>	<b>32 208 528</b>	<b>17 805 824</b>
<b>26 INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Interest Earned - Service Debtors	4 751 626	3 075 152
Interest Earned - Penalty Interest on Property Rates	1 720 263	1 201 133
<b>Total</b>	<b>6 471 889</b>	<b>4 276 285</b>
<b>27 LICENCES AND PERMITS</b>		
Drivers Licence Application	1 058 801	1 055 759
Learner Licence Application	240 138	184 251
Business Licenses	1 794	15 676
<b>Total</b>	<b>1 300 733</b>	<b>1 255 686</b>
<b>28 AGENCY SERVICES</b>		
Vehicle Licencing and Registration	1 204 135	1 200 192
<b>Total</b>	<b>1 204 135</b>	<b>1 200 192</b>
<b>29 SALES OF GOODS AND RENDERING OF SERVICES</b>		
Advertisements	-	3 796
Building Plan Clause Levy	34 694	18 437
Cemetery and Burial	21 351	26 719
Clearance Certificates	24 781	19 095
Entrance Fees	3 014	2 714
Library Fees	5 284	1 159
Photocopies and Faxes	2 607	4 396
Sale of Agricultural Products	14 844	9 174
Tender Documents	-	71 413
Valuation Services	3 803	4 616
<b>Total</b>	<b>110 377</b>	<b>161 519</b>
<b>30 OPERATIONAL REVENUE</b>		
Commission	315 585	372 449
LG Seta	202 211	178 602
Road Worthy Certificate Application	1 304	-
Staff Recoveries	30 187	-
<b>Total</b>	<b>549 287</b>	<b>551 051</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

31	EMPLOYEE RELATED COSTS	2023 R	2022 R
	Basic Salary	88 575 902	79 446 871
	Pension and UIF Contributions	12 445 964	11 297 248
	Medical Aid Contributions	6 568 343	6 461 193
	Bonuses	6 025 268	6 061 146
	Performance Bonus	4 060 747	3 987 757
	Telephone allowance	1 164 877	1 135 200
	Housing Allowances	389 049	341 514
	Other benefits and allowances	36 151	34 485
	Leave Contributions	3 222 348	2 285 260
	Long service awards	379 000	389 000
	Post Retirement Medical Benefits	1 748 000	1 536 002
	<b>Total</b>	<b>124 615 650</b>	<b>112 975 676</b>
	<b>Remuneration of Key Personnel</b>		
	Key management personnel are all appointed on 5-year fixed contracts.		
	<b>Municipal Manager - MM Yawa (Resigned February 2023)</b>		
	Annual Remuneration	1 597 664	2 693 951
	Ex Gracia	3 370 277	-
	Travel Allowance	51 456	-
	Telephone allowance	41 793	66 000
	UIF Contributions	1 417	2 125
	<b>Total</b>	<b>5 062 608</b>	<b>2 762 076</b>
	<b>Director Financial Services - Mr K Fourie (Contract expired April 2023)</b>		
	Annual Remuneration	1 742 467	1 865 599
	Travel Allowance	120 153	144 184
	Telephone allowance	46 068	50 400
	UIF Contributions	1 948	2 125
	<b>Total</b>	<b>1 910 636</b>	<b>2 062 308</b>
	<b>Director Technical Services - R Ruiters</b>		
	Annual Remuneration	1 506 325	1 404 336
	Travel Allowance	336 368	336 368
	Telephone allowance	56 814	50 400
	UIF Contributions	2 125	2 125
	<b>Total</b>	<b>1 901 632</b>	<b>1 793 230</b>
	<b>Director Community and Social Services - N Nyezi</b>		
	Annual Remuneration	1 940 006	1 808 857
	Telephone allowance	56 534	50 400
	UIF Contributions	2 125	2 125
	<b>Total</b>	<b>1 998 666</b>	<b>1 861 382</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

31	EMPLOYEE RELATED COSTS (CONTINUED)	2023	2022
		R	R
	<b><i>Director Corporate and Support Services - Z Koyana</i></b>		
	Annual Remuneration	1 777 289	1 912 855
	Travel Allowance	60 000	55 000
	Telephone allowance	56 534	50 400
	UIF Contributions	2 125	2 125
	<b>Total</b>	<b>1 895 948</b>	<b>2 020 380</b>
	<b><i>Director Development and Town Planning Services - K Chaphi</i></b>		
	Annual Remuneration	1 608 724	1 507 834
	Travel Allowance	232 870	232 870
	Telephone allowance	56 534	50 400
	UIF Contributions	2 125	2 125
	<b>Total</b>	<b>1 900 254</b>	<b>1 793 230</b>
32	REMUNERATION OF COUNCILLORS		
	Mayor	934 685	916 824
	Speaker	756 149	720 229
	Chief Whip	418 999	408 965
	Executive Committee Members	1 671 196	1 761 761
	Councillors	8 019 733	7 773 032
	Other Councillors' contributions and allowances	1 175 200	1 180 300
	<b>Total</b>	<b>12 975 962</b>	<b>12 761 110</b>
	<b>In-kind Benefits</b>		
	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:		
	<b><i>Mayor</i></b>		
	Annual Remuneration	890 885	872 424
	Telephone allowance	43 800	44 400
	<b>Total</b>	<b>934 685</b>	<b>916 824</b>
	<b><i>Speaker</i></b>		
	Annual Remuneration	712 349	675 829
	Telephone allowance	43 800	44 400
	<b>Total</b>	<b>756 149</b>	<b>720 229</b>
	<b><i>Chief Whip</i></b>		
	Annual Remuneration	375 199	364 565
	Telephone allowance	43 800	44 400
	<b>Total</b>	<b>418 999</b>	<b>408 965</b>
	<b><i>Executive Committee Members</i></b>		
	Annual Remuneration	1 495 996	1 569 361
	Telephone allowance	175 200	192 400
	<b>Total</b>	<b>1 671 196</b>	<b>1 761 761</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

32	REMUNERATION OF COUNCILLORS (CONTINUED)	2023	2022
		R	R
	<b><i>Councillors (Section 79)</i></b>		
	Annual Remuneration	1 820 335	1 843 123
	Telephone allowance	219 000	237 473
	<b>Total</b>	<b>2 039 335</b>	<b>2 080 596</b>
	<b><i>Councillors (Ordinary)</i></b>		
	Annual Remuneration	6 199 398	5 929 908
	Telephone allowance	956 200	942 827
	<b>Total</b>	<b>7 155 598</b>	<b>6 872 736</b>
33	<b>DEBT IMPAIRMENT</b>		
	Receivables from exchange transactions - Note 3	12 748 695	9 459 665
	Receivables from non-exchange transactions - Note 4	4 709 308	3 926 080
	<b>Total Contribution to Debt Impairment Provision</b>	<b>17 458 003</b>	<b>13 385 745</b>
	Movement in VAT included in debt impairment - Note 5	(816 900)	(707 074)
	<b>Total</b>	<b>16 641 103</b>	<b>12 678 672</b>
	Debt Impairment consists out of the following:		
	Debt Impairment	14 496 729	11 028 252
	Bad Debts Written off	2 144 374	1 650 420
	<b>Total</b>	<b>16 641 103</b>	<b>12 678 672</b>
34	<b>DEPRECIATION AND AMORTISATION</b>		
	Property, Plant and Equipment	16 877 339	16 649 556
	Intangible Assets	60 881	58 285
	Capitalised Restoration Cost (PPE)	53 868	473 188
	<b>Total - Restated 2022</b>	<b>16 992 088</b>	<b>17 181 028</b>
35	<b>IMPAIRMENT LOSS</b>		
	Capitalised Restoration Cost (PPE)	314 017	-
	<b>Total - Restated 2022</b>	<b>314 017</b>	-
36	<b>FINANCE CHARGES</b>		
	Annuity Loans	598 130	545 448
	Rehabilitation Provision - Landfill Sites	2 326 281	2 021 429
	Post Retirement Medical Benefits	2 154 000	1 570 000
	Long Service Awards	295 000	229 000
	Overdue accounts	24 042	-
	<b>Total - Restated 2022</b>	<b>5 397 454</b>	<b>4 365 877</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

	2023	2022
	R	R
<b>37 BULK PURCHASES</b>		
Electricity	45 498 755	44 034 167
<b>Total</b>	<b>45 498 755</b>	<b>44 034 167</b>
<b>38 CONTRACTED SERVICES</b>		
Consultants and Professional Services	11 012 298	9 878 972
Business and Advisory	7 750 886	6 620 314
Infrastructure and Planning	258 165	459 422
Legal Cost	3 003 247	2 799 237
Contractors	7 886 901	8 676 820
Artists and Performers	-	18 480
Electrical	-	328 672
Employee Wellness	254 400	-
Event Promoters	1 033 287	-
Fire Services	-	12 537
Interior Decorator	4 740	25 550
Maintenance of Buildings and Facilities	1 304 926	2 534 385
Maintenance of Equipment	1 018 991	1 064 922
Maintenance of Unspecified Assets	4 176 073	4 324 946
Pest Control and Fumigation	28 510	-
Plants, Flowers and Other Decorations	-	81 448
Transportation	65 973	285 881
Outsourced Services	12 351 898	11 782 029
Burial Services	28 800	10 100
Catering Services	849 126	1 103 860
Cleaning Services	12 661	-
Medical Services	-	1 151
Personnel and Labour	5 860 437	7 681 010
Project Management	290 000	-
Security Services	5 310 873	2 985 908
<b>Total - Restated 2022</b>	<b>31 251 097</b>	<b>30 337 821</b>
<b>39 TRANSFERS AND SUBSIDIES</b>		
Tourism Support	42 055	42 055
<b>Total</b>	<b>42 055</b>	<b>42 055</b>
<b>40 OPERATING LEASES</b>		
Buildings	268 369	171 836
Machinery and Equipment	204 012	275 165
Transport Assets	77 822	-
<b>Total - Restated 2022</b>	<b>550 203</b>	<b>447 001</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

41	OPERATIONAL COST	2023 R	2022 R
	Advertising, Publicity and Marketing	854 495	856 157
	Assets less than the Capitalisation Threshold	38 228	34 130
	Bank Charges, Facility and Card Fees	319 146	288 955
	Bursaries (Employees)	304 222	-
	Communication	391 476	401 837
	Commission: Prepaid Electricity	439 289	631 864
	Consumables	2 036 742	2 356 275
	Courier and Delivery Services	-	811
	Deeds	14 238	9 711
	Entertainment	66 098	31 566
	External Audit Fees	5 277 163	3 896 326
	External Computer Service	3 409 887	3 698 827
	Fuel and Oil	5 920 938	4 627 714
	Insurance Underwriting	4 219 406	1 972 230
	Learnerships and Internships	335 013	315 175
	Maintenance Materials	2 181 299	3 743 665
	Motor Vehicle Licence and Registrations	297 308	266 423
	Municipal Services	50 644	85 029
	Printing, Publications and Books	23 362	55 827
	Professional Bodies, Membership and Subscription	1 351 205	1 227 715
	Registration Fees	1 288 137	841 185
	Remuneration to Ward Committees	1 953 000	1 124 000
	Seating Allowance for Traditional Leaders	153 800	83 840
	Skills Development Fund Levy	1 063 866	999 504
	Transport Provided as Part of Departmental Activities	972 363	1 063 868
	Travel Agency Fees	297 293	74 623
	Travel and Subsistence	5 278 447	2 439 064
	Uniform and Protective Clothing	1 435 971	2 051 341
	Workmen's Compensation Fund	944 347	759 554
	<b>Total - Restated 2022</b>	<b>40 917 381</b>	<b>33 937 217</b>
42	LOSS ON DISPOSAL OF ASSETS		
	Carrying value of Property, Plant and Equipment disposed	833 093	389 165
	Carrying value of Intangible Assets disposed	6	-
	<b>Total</b>	<b>833 099</b>	<b>389 165</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

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### 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:

	2023 R	2022 R
Contracted Services	7 231 460	9 030 293
Contractors - Electrical	-	328 672
Contractors - Maintenance of Buildings and Facilities	1 304 926	2 534 385
Contractors - Maintenance of Equipment	1 018 991	1 064 922
Contractors - Maintenance of Unspecified Assets	4 176 073	4 324 946
Contractors - Transportation	65 973	112 781
Outsourced Services - Personnel and Labour	665 497	664 588
Operational Cost	4 678 348	5 877 706
Assets less than the Capitalisation Threshold	-	7 501
Consumables	144 011	220 058
Fuel and Oil	2 223 373	1 843 745
Maintenance Materials	2 181 299	3 743 665
Uniform and Protective Clothing	129 665	62 737
<b>Total - Restated 2022</b>	<b>11 909 808</b>	<b>14 907 999</b>
GRAP 17 requires disclosure of repairs and maintenance per asset class:		
Buildings and other structures	2 836 088	4 884 855
Tools and equipment	452 199	676 988
Furniture and office equipment	337 075	266 567
Vehicles and Implements	2 934 176	3 845 990
Roads and stormwater	4 776 974	4 041 268
Electricity Reticulation	85 818	464 638
Streetlights	462 479	429 364
Solid Waste Sites	25 000	298 329
<b>Total</b>	<b>11 909 808</b>	<b>14 907 999</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

<b>44</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	<b>2022</b> <b>R</b>
	Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.	
	<b>44.1 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	
	<b>Balance previously reported</b>	<b>4 032 529</b>
	Inventory Debtor previously not recognised - Notes 44.2 and 44.9	29 900
	<b>Restated Balance on 30 June 2022</b>	<b>4 062 429</b>
	<b>44.2 TAXES</b>	
	<b>Balance previously reported</b>	<b>4 999 017</b>
	Inventory Debtor previously not recognised - Note 44.1	(3 900)
	Recognise Retention forfeits for terminated contracts 2022/23 - Notes 44.4 and 44.9	(240 068)
	<b>Restated Balance on 30 June 2022</b>	<b>4 755 049</b>
	<b>44.3 PROPERTY PLANT AND EQUIPMENT</b>	
	<b>Balance previously reported</b>	<b>464 991 131</b>
	WIP expenditure previously not recognised at 30 June 2022 - Note 44.9	508 792
	<b>Restated Balance on 30 June 2022</b>	<b>465 499 923</b>
	<b>44.4 PAYABLES FROM EXCHANGE TRANSACTIONS</b>	
	<b>Balance previously reported</b>	<b>10 295 182</b>
	Recognise payable at 30 June 2022 - Note 14	-
	Effect on Other Payables	321 880
	Effect on Retentions	(321 880)
	Reclassification of Payables at 30 June 2022 - Note 14	-
	Effect on Trade Payables	2 806 342
	Effect on Other Payables	(2 425 905)
	Effect on Deposits: Other	(380 436)
	Recognise Rental Accrual at 1 July 2021 - Notes 44.8	35 220
	Recognise Rental Accrual at 30 June 2022 - Notes 44.9	19 233
	Recognise Retention forfeits for terminated contracts 2022/23 - Notes 44.2 and 44.9	(1 848 005)
	<b>Restated Balance on 30 June 2022</b>	<b>8 501 631</b>
	<b>44.5 PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>	
	<b>Balance previously reported</b>	<b>23 654 627</b>
	Recognise VAT portion on Grant expenditure - Note 44.9	(152 460)
	<b>Restated Balance on 30 June 2022</b>	<b>23 502 167</b>
	<b>44.6 CAPITALISED RESTORATION COST (PPE)</b>	
	<b>Balance previously reported</b>	<b>1 823 216</b>
	Correction of Carrying value on 1 July 2021 - Note 44.8	1 060 939
	Correction of Landfill site asset - Cost 2021/22 - Note 44.7	(2 362 328)
	Depreciation on Landfill site asset previously not recognised - 2021/22 - Note 44.9	(385 963)
	Derecognise Impairment on Landfill site asset - 2021/22 - Note 44.9	288 733
	<b>Restated Balance on 30 June 2022</b>	<b>424 597</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

<b>44</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)</b>	<b>2022</b>
		<b>R</b>
	<b>44.7 NON-CURRENT PROVISIONS</b>	
	<b>Balance previously reported</b>	<b>8 350 181</b>
	Correction of Landfill site Provision on 1 July 2021 - Note 44.8	13 634 565
	Correction of Landfill site asset - Cost 2021/22 - Note 44.6	(2 362 328)
	Gain on disposal of Landfill site previously not recognised - 2021/22 - Note 44.9	(180 405)
	Interest Cost on Landfill site previously not recognised - 2021/22 - Note 44.9	1 705 995
	<b>Restated Balance on 30 June 2022</b>	<b>21 148 007</b>
	<b>44.8 ACCUMULATED SURPLUS</b>	
	Recognise Rental Accrual at 1 July 2021 - Notes 44.4	(35 220)
	Correction of Carrying value on 1 July 2021 - Note 44.6	1 060 939
	Correction of Landfill site Provision on 1 July 2021 - Note 44.7	(13 634 565)
	<b>Restated Balance on 30 June 2022</b>	<b>(12 608 846)</b>
	<b>44.9 STATEMENT OF FINANCIAL PERFORMANCE</b>	
	<b>Balance previously reported</b>	<b>36 413 594</b>
	Inventory Debtor previously not recognised - Note 44.1	26 000
	Effect on Operational Cost	26 000
	WIP expenditure previously not recognised at 30 June 2022 - Note 44.3	508 792
	Effect on Contracted Services	508 792
	Recognise Rental Accrual at 30 June 2022 - Notes 44.4	(19 233)
	Effect on Operating Leases	(19 233)
	Recognise Retention forfeits for terminated contracts 2022/23 - Notes 44.2 and 44.4	1 607 937
	Effect on Fines, Penalties and Forfeits	1 607 937
	Recognise VAT portion on Grant expenditure - Note 44.5	152 460
	Effect on Transfers and Subsidies - Operating	152 460
	Depreciation on Landfill site asset previously not recognised - 2021/22 - Note 44.6	(385 963)
	Effect on Depreciation and Amortisation	(385 963)
	Derecognise Impairment on Landfill site asset - 2021/22 - Note 44.6	288 733
	Effect on Impairment Loss	288 733
	Gain on disposal of Landfill site previously not recognised - 2021/22 - Note 44.7	180 405
	Effect on Gain on Disposal of Capitalised Restoration Cost (PPE)	180 405
	Interest Cost on Landfill site previously not recognised - 2021/22 - Note 44.7	(1 705 995)
	Effect on Finance Charges	(1 705 995)
	<b>Restated Balance on 30 June 2022</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

45	<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2023</b>	<b>2022</b>
		<b>R</b>	<b>R</b>
	Net Surplus for the year	48 030 115	37 066 730
	Adjusted for:		
	Non-Cash Items	33 923 775	33 404 756
	Debt Impairment	16 641 103	12 678 672
	Depreciation and Amortisation	16 992 088	17 181 028
	Impairments	314 017	-
	Gain on Fair Value Adjustments of Investment Property	(963 425)	(820 500)
	Gain on Disposal of Capitalised Restoration Cost (PPE)	-	(180 405)
	Actuarial Gains	(4 671 529)	(11 296)
	Actuarial Losses	-	346 880
	Finance Charges	4 775 281	3 820 429
	Loss on disposal of PPE	833 099	389 165
	Inventory Loss	3 142	783
	Contributions - Provisions and Employee Benefits	16 379 710	15 018 719
	Post Retirement Medical Benefits	1 748 000	1 536 000
	Long Service Awards	379 000	389 000
	Performance Bonuses	4 060 747	3 987 757
	Bonuses	6 025 268	6 061 146
	Compensation for injuries on duty	944 347	759 555
	Staff Leave	3 222 348	2 285 260
	Expenditure - Provisions and Employee Benefits	(9 796 930)	(8 486 749)
	Post Retirement Medical Benefits	(288 449)	(267 880)
	Long Service Awards	(612 022)	(251 704)
	Performance Bonuses	-	-
	Bonuses	(6 020 010)	(5 588 065)
	Staff Leave	(2 876 449)	(2 379 100)
	Other adjustments	(2 148 950)	(1 645 123)
	Bad Debts Written Off	(2 144 374)	(1 650 420)
	Movement on Operating Lease Asset	(359)	9 352
	Movement on Operating Lease Liability	(4 217)	(4 054)
	Operating Surplus before changes in working capital	86 387 721	75 358 333
	Movement in working capital	(10 137 133)	(22 565 059)
	Receivables from exchange and non-exchange transactions	(15 320 534)	(9 210 065)
	Inventory	140 136	425 819
	Payables from exchange transactions	3 520 447	(1 460 259)
	Payables from non-exchange transactions	3 572 565	(11 511 156)
	Taxes	(2 049 747)	(809 398)
	<b>Cash Flow from Operating Activities</b>	<b>76 250 588</b>	<b>52 793 274</b>
		<hr/>	<hr/>
46	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and Cash Equivalents comprise out of the following:		
	Primary Bank Account	520 449	4 682 069
	Call and short-term Investments Deposits	497 310 676	453 330 273
	Cash Floats	700	700
	<b>Total</b>	<b>497 831 825</b>	<b>458 013 042</b>
		<hr/>	<hr/>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 47 BUDGET COMPARISONS

#### 47.1 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 annual 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.

#### 47.2 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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

48

### UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 48.1 UNAUTHORISED EXPENDITURE

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

	2023 (Actual) R	2023 (Final Budget) R	2023 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>			
Executive & Council	34 243 866	37 227 445	-
Planning & Development	21 238 611	23 438 456	-
Corporate Services	36 707 277	43 814 342	-
Budget & Treasury	41 044 833	49 495 202	-
Road Transport	30 999 496	36 462 988	-
Waste Water Management	7 353 654	7 479 195	-
Community & Social Services	19 143 989	19 411 185	-
Sport & Recreation	1 462 430	1 717 476	-
Public Safety	207 424	1 196 338	-
Electricity	66 635 848	78 573 099	-
Waste Management	36 994 577	40 344 092	-
<b>Total</b>	<b>296 032 005</b>	<b>339 159 818</b>	<b>-</b>

#### Unauthorised expenditure - Capital

Executive & Council	775 813	1 600 000	-
Corporate Services	1 033 879	9 833 309	-
Budget & Treasury	1 307 331	1 575 000	-
Road Transport	10 649 082	24 427 838	-
Waste Water Management	770 989	3 640 000	-
Community & Social Services	9 031 589	16 536 998	-
Sport & Recreation	310 448	357 016	-
Public Safety	196 605	1 070 000	-
Electricity	130 321	2 257 284	-
Waste Management	11 373 329	16 379 767	-
<b>Total</b>	<b>35 579 388</b>	<b>77 677 212</b>	<b>-</b>

#### 48.2 FRUITLESS AND WASTEFUL EXPENDITURE

	2023 R	2022 R
Fruitless and wasteful expenditure consist of the following:		
Opening balance	160 553	134 906
Fruitless and wasteful expenditure incurred	1 863 127	25 648
<b>Fruitless and wasteful expenditure awaiting Council consideration</b>	<b>2 023 681</b>	<b>160 553</b>

Details of Fruitless and wasteful expenditure incurred:

Penalties paid to Department of Transport	23 665	25 648
Interest paid to SARS	15 420	-
Interest paid to SALA Pension Fund	24 042	-
Advance payment to contractor	1 800 000	-
<b>Total</b>	<b>1 863 127</b>	<b>25 648</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

48

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

The Fruitless and Wasteful expenditure for the year under review relates to overdue roadworthy certificates and licences, interest charged on employment taxes (SARS) as well as interest charged on employer's pension contribution.

An Advance payment was made to a contractor, but the contract was terminated before the work was completed.

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

#### 48.3 IRREGULAR EXPENDITURE

	2023 R	2022 R
Irregular expenditure consist of the following:		
Opening balance	38 239 511	30 708 796
Irregular expenditure incurred - current	21 012 942	7 530 716
Irregular expenditure incurred - prior period	298 403	
Council write-offs	-	-
<b>Irregular expenditure awaiting Council consideration</b>	<b>59 550 856</b>	<b>38 239 511</b>

Details of Irregular expenditure incurred :

Deviations from Supply Chain Regulations and Policies	21 311 345	7 530 716
<b>Total</b>	<b>21 311 345</b>	<b>7 530 716</b>

Breakdown of Irregular expenditure incurred:

1. Incorrect procurement threshold followed	-	2 014
2. Expenditure incurred without following SCM prescripts	1 516 274	138 674
3. Deviation in terms of regulation 36 (1)(a)(v) of the Municipal Supply Chain Management Regulations	5 872 318	7 390 028
4. Non-compliance with Section 217 of the RSA Constitution and Regulation 20 of the Municipal Supply Chain Management Regulations.	6 584 199	-
5. Non-compliance with MFMA Circular No. 62 and the Supply Chain Management Policy	298 403	-
6. Non-compliance with SCM regulation 13( c )	7 040 151	-
<b>Total</b>	<b>21 311 345</b>	<b>7 530 716</b>

Number of incidents:

	2023	2022
1. Incorrect procurement threshold followed	-	1
2. Expenditure incurred without following SCM prescripts	7	3
3. Deviation in terms of regulation 36 (1)(a)(v) of the Municipal Supply Chain Management Regulations	2	2
4. Non-compliance with Section 217 of the RSA Constitution and Regulation 20 of the Municipal Supply Chain Management Regulations.	4	-
5. Non-compliance with MFMA Circular No. 62 and the Supply Chain Management Policy	1	-
6. Non-compliance with SCM regulation 13( c )	1	-
<b>Total</b>	<b>15</b>	<b>6</b>



# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

48

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

Irregular expenditure for 30 June 2022 was restated from R33 249 401 to R38 236 811 to disclose the amounts inclusive of VAT in terms of the updated MFMA Circular 68, whereas previously it was presented exclusive of VAT.

The amounts R4 932 682 for 2020/21, R7 390 028 for 2021/22 and R5 872 318 for 2022/23 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 2021/22 opening balance is an amount of R25 047 868 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 R25 047 868 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.

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.

#### 48.4 MATERIAL LOSSES

##### Electricity distribution losses

	2023	2022
- Units purchased (Kwh)	22 142 594	26 120 058
- Units sold (Kwh)	18 002 192	20 776 957
- Units lost during distribution (Kwh)	4 140 402	5 343 101
- Units cost (Kwh)	1.7359	1.4862
- Percentage lost during distribution	18.70%	20.46%
- Units lost considered material losses above a 10% norm	1 926 143	2 731 095
- Cost of units lost considered as material losses	3 343 602	4 058 835

#### ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

49

##### 49.1 Salga Contributions [MFMA 125 (1)(b)]

	2023 R	2022 R
Opening balance	-	-
Expenditure incurred	1 328 399	1 218 620
Payments	(1 328 399)	(1 218 620)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

49	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)	2023 R	2022 R
	<b>49.2 Audit Fees [MFMA 125 (1)(c)]</b>		
	Opening balance	-	4 709
	Expenditure incurred	6 068 738	4 480 775
	External Audit - Auditor-General	6 068 738	4 480 775
	Payments	(6 061 391)	(4 485 484)
	<b>Outstanding Balance</b>	7 346	-
	<b>49.3 VAT [MFMA 125 (1)(c)]</b>		
	Opening balance	9 340 623	10 682 142
	Amounts received - previous year	(1 723 630)	(2 153 265)
	Amounts received - current year	(6 440 855)	(5 289 729)
	Amounts claimed - current year (payable)	9 113 031	6 101 475
	<b>Vat Receivable</b>	10 289 170	9 340 623
	<b>Vat in suspense due to cash basis of accounting</b>	(6 956 338)	(6 921 921)
	<p>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.</p>		
	<b>49.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]</b>		
	Payments due to SARS	23 036 949	19 724 562
	Payments	(23 036 949)	(19 724 562)
	<b>Outstanding Balance</b>	-	-
	<b>49.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]</b>		
	Payments due to pension fund and medical aid	29 548 086	27 811 673
	Payments	(29 548 086)	(27 811 673)
	<b>Outstanding Balance</b>	-	-
	<b>49.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]</b>		
	<p>No Councillors had arrear accounts outstanding for more than 90 days at year end.</p>		

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

49	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)	2023 R	2022 R
<b>49.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM</b>			
<p>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.</p> <p>Approved deviations from Supply Chain Management Regulations were identified on the following categories:</p>			
	Emergencies	-	608 716
	Goods and services are available from a Single provider only	6 500	18 576
	Other exceptional cases where it is impractical or impossible to follow the official procurement processes.	1 464 825	2 580 362
	<b>Total</b>	<b>1 471 325</b>	<b>3 207 654</b>
Deviations per vote:			
	Executive & Council	423 416	119 876
	Corporate Services	361 909	582 306
	Budget & Treasury	686 000	2 124 413
	Community & Social Services	-	199 065
	Electricity	-	181 994
	<b>Total</b>	<b>1 471 325</b>	<b>3 207 654</b>
<b>49.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]</b>			
<p>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.</p>			
<b>AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN SERVICE OF</b>			
<b>49.9 THE STATE</b>			
<p>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.</p>			
	<u>Entity</u>	<u>Staff Member</u>	
	Lady Grey Joinery and Construction	M A Theron	43 525
	Copper Leaf Trading CC (Spouse is Director)	M A Theron	12 837
	Kwa Jola & Trading (Mangali - Sister is	IL Mangali	22 454
	Work Dynamics (Sister is Director)	Z. Koyana	7 287
	<b>Total</b>		<b>86 104</b>
			<b>554 122</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

50	CAPITAL COMMITMENTS	2023	2022
		R	R
	<b>Commitments in respect of capital expenditure:</b>		
	Approved and contracted for:	63 087 748	47 034 764
	Land & Buildings	47 245 281	12 766 226
	Infrastructure	14 867 167	26 567 200
	Community	975 300	7 701 338
	<b>Total - Restated 2022</b>	<b>63 087 748</b>	<b>47 034 764</b>
	 This expenditure will be financed from:		
	Capital Replacement Reserve	6 267 975	21 073 321
	Government Grants - MIG	56 819 773	25 961 443
	<b>Total</b>	<b>63 087 748</b>	<b>47 034 764</b>

The Capital Commitments balance for 30 June 2022 was restated from R45 849 325 to R47 034 764 due to a contract termination that was previously not recognised, as well as expenditure for 2021/22 that was previously not included.

## 51 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

### 51.1 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	497 831 824	458 013 042
Receivables from exchange transactions	13 955 160	16 650 042
<b>Total</b>	<b>511 786 985</b>	<b>474 663 084</b>

#### 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 51 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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).

	2023	2022
	R	R
The following service receivables are past due, but not impaired:		
Electricity	5 260 372	7 943 284
Refuse	984 006	691 528
Other Services	232 017	459 413
<b>Total</b>	<b>6 476 396</b>	<b>9 094 225</b>

These receivables can be aged as follows:

1 Month past due	1 378 467	1 720 907
2 Month past due	778 163	1 163 740
3 Month past due	460 702	824 789
> 3 Months past due	3 859 064	5 384 788
<b>Total</b>	<b>6 476 396</b>	<b>9 094 225</b>

#### 51.2 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

<b>51</b>	<b>FINANCIAL RISK MANAGEMENT (CONTINUED)</b>	<b>2023</b>	<b>2022</b>
		R	R
	<b>51.3 Interest rate risk (Market Risk)</b>		
	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)	497 831 125	458 012 342
	Borrowings (Including Current Portion)	(6 843 349)	(7 747 744)
	<b>Net balance exposed</b>	<b>490 987 776</b>	<b>450 264 598</b>
	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 annual financial statements.		
	Potential effect of changes in interest rates on surplus and deficit for the year:		
	1% (2020 - 1%) increase in interest rates	4 909 878	4 502 646
	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.

### 51.4 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:

<b>30 JUNE 2023</b>	<b>Within 1 Year</b>	<b>PAYABLE Two to five years</b>	<b>After five years</b>
Annuity Loans	1 466 362	5 171 131	2 201 527
Payables from exchange transactions	11 520 517	-	-
<b>Total</b>	<b>12 986 879</b>	<b>5 171 131</b>	<b>2 201 527</b>
<b>30 JUNE 2022</b>	<b>Within 1 Year</b>	<b>PAYABLE Two to five years</b>	<b>After five years</b>
Annuity Loans	1 458 090	5 373 579	3 418 392
Payables from exchange transactions	8 102 065	-	-
<b>Total - Restated</b>	<b>9 560 154</b>	<b>5 373 579</b>	<b>3 418 392</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 51 FINANCIAL RISK MANAGEMENT (CONTINUED)

The rehabilitation provision does not meet the definition of a financial instrument (due to the absence of a contracted counterparty for the balance) and it was incorrectly disclosed in the 30 June 2022 balance

#### 51.5 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.

### 52 FINANCIAL INSTRUMENTS

2023

2022

R

R

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

#### Financial Assets

Cash and Cash Equivalents	497 831 824	458 013 042
Receivables from exchange transactions	13 465 711	16 250 476
<b>Total</b>	<b>511 297 535</b>	<b>474 263 518</b>

#### Financial Liabilities

Current Portion of Borrowings	922 862	904 130
Payables from exchange transactions	11 520 517	8 102 065
Borrowings	5 920 487	6 843 614
<b>Total</b>	<b>18 363 865</b>	<b>15 849 809</b>

### 53 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	28 873 797	23 873 115
Fines	1 735 300	1 489 100
<b>Total</b>	<b>30 609 097</b>	<b>25 362 215</b>

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

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 54 PRINCIPAL-AGENT ARRANGEMENTS

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

#### 54.01 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	6 272 331	9 850 110
Commission earned on collections	(2 053 287)	(3 567 856)
Collections paid over to The Department	(4 219 045)	(6 282 254)
	<hr/>	<hr/>
Collections payable to the Department at year-end	-	-
	<hr/>	<hr/>

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.

### 55 EVENTS AFTER REPORTING DATE

None

### 56 IN-KIND DONATIONS AND ASSISTANCE

None

### 57 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

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

	2023	2022
	R	R

### 58 CONTINGENT LIABILITIES

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:

#### 58.01 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. The amount was paid to the former MM in July 2022.

-	3 370 277
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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.

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# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

58	CONTINGENT LIABILITIES (CONTINUED)	2023 R	2022 R
	<b><u>58.02 Termination of the Directors' Employment Contracts</u></b>		
	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
	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.		
	The claimants were successful and they were 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.		
	<b><u>58.03 Dibanani Consulting CC</u></b>		
	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. Whilst the matter is active, the litigation has not advanced.	640 369	640 369
	<b><u>58.04 RT Civils CC ("The contractor")</u></b>		
	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.		
	The Municipality's position is that the contractor abandoned the works and that the termination was lawful. The contractor has demanded payment of R8 141 903.40 on 20 April 2020 but no statement of claim has been submitted.		
	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 has been set down for hearing on 21 to 23 August 2023. It is likely that the claim will be dismissed with costs and that the counter claim will succeed.	8 141 903	8 141 903

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

58	CONTINGENT LIABILITIES (CONTINUED)	2023 R	2022 R
	<b>58.05 <u>Mr D Tsembeyi</u></b>		
	<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>	700 000	700 000
	<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>		
	<b>58.06 <u>DCB van Zyl N.O. &amp; 4 Others</u></b>		
	<p>The plaintiffs have issued summons in the Barkly East Magistrate's Court for the recovery of the costs of erecting a boundary fence in the amount of R166 538.56.</p>		
	<p>The Municipality has filed a special plea that the plaintiffs have not complied with the Fencing Act. It is likely that the claim will be dismissed with costs if the special plea succeeds.</p>	166 539	-
	<b>58.07 <u>Mvenya Auto &amp; Towing Services (Pty) Ltd</u></b>		
	<p>Court for damages of R150 431.61 as a result of damages to the plaintiff's vehicle due to a pothole near Botha and Murray Street, Lady Grey.</p>		
	<p>The investigation by the Municipality has shown that there was no pothole at the time and it is likely that the claim will be dismissed with costs.</p>	150 432	-
	<b>58.08 <u>Landfill Sites</u></b>		
	<p>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.</p>	-	-
	<b>58.09 <u>Land Invasion</u></b>		
	<p>The municipality is currently engaged in litigation in respect of various land invasion cases in the Senqu Municipal Area.</p>	-	-

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 59 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 31 and 32

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.

Year ended 30 June 2023	Rates - Levied 1 Jul 22 - 30 June 23	Service Charges - Levied 1 Jul 22 - 30 June 23
<b>Councillors</b>	<b>5 254</b>	<b>21 980</b>
LN Mgojo	1 474	10 258
MA Mshasha	3 324	2 344
NC Stokwe	-	2 344
NL Dumzela	138	2 344
DM Matsaba	318	2 344
SN Mfisa	-	2 344
B Mbonjwa	4 312	4 689
<b>Municipal Manager and Section 56 Employees</b>	<b>-</b>	<b>12 592</b>
MM Yawa (1 July 2022 - 28 Feb. 2023)	-	12 592
AK Fourie (1 July 2022 - 30 April 2023)	175	1 954

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

### 60 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.

### 61 SEGMENT REPORTING

#### 61.01 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 61 SEGMENT REPORTING (CONTINUED)

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

  

No	Non-Reportable Segment	Goods and/or services delivered
1	Other	Supply of overall Governance and Internal Audit function; Administrative, Corporate and Finance services to the segments above; Tourism, Markets, Licensing and Regulation

The Non-Reportable Segment is added to reconcile back to the Statement of Financial Position and the Statement of Financial Performance as required by GRAP 18.

#### 61.02 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.

#### 61.03 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.

#### 61.04 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.

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 61 SEGMENT REPORTING (CONTINUED)

	Non-Reportable Segments	Reportable Segments							Total
	Other	Community Services	Public safety	Planning and development	Roads	Electricity	Waste water management	Waste management	
<b>2023</b>									
<b>REVENUE</b>									
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>199 622 286</b>	<b>1 500 000</b>	<b>290 448</b>	<b>6 351 741</b>	<b>36 023 765</b>	<b>4 407 551</b>	<b>-</b>	<b>622 846</b>	<b>248 818 637</b>
Property Rates	17 330 716	-	-	-	-	-	-	-	17 330 716
Government Grants and subsidies	179 341 804	1 500 000	-	6 351 741	36 023 765	-	-	-	223 217 310
Actuarial Gains	263 978	-	-	-	-	4 407 551	-	-	4 671 529
Fines, Penalties and Forfeits	2 100	-	290 448	-	-	-	-	622 846	915 394
Interest Earned - Penalty Interest on Property Rates	1 720 263	-	-	-	-	-	-	-	1 720 263
Gain on Fair Value Adjustments of Investment Property	963 425	-	-	-	-	-	-	-	963 425
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>33 943 769</b>	<b>68 479</b>	<b>2 829 389</b>	<b>34 694</b>	<b>6 786</b>	<b>45 705 938</b>	<b>-</b>	<b>12 654 428</b>	<b>95 243 482</b>
Service Charges	-	-	-	-	-	44 526 191	-	9 116 869	53 643 060
Rental from Fixed Assets	1 425 957	36 223	-	-	6 786	-	-	6 769	1 475 736
Interest Earned - external investments	32 208 528	-	-	-	-	-	-	-	32 208 528
Interest Earned - Service Debtors	41 089	-	-	-	-	1 179 747	-	3 530 789	4 751 626
Licences and Permits	1 794	-	1 298 939	-	-	-	-	-	1 300 733
Agency Services	-	-	1 204 135	-	-	-	-	-	1 204 135
Sales of Goods and Rendering of Services	28 584	32 255	14 844	34 694	-	-	-	-	110 377
Operational Revenue	237 816	-	311 471	-	-	-	-	-	549 287
<b>TOTAL REVENUE</b>	<b>233 566 056</b>	<b>1 568 479</b>	<b>3 119 837</b>	<b>6 386 435</b>	<b>36 030 551</b>	<b>50 113 489</b>	<b>-</b>	<b>13 277 274</b>	<b>344 062 119</b>
<b>EXPENDITURE</b>									
Employee related costs	50 541 235	14 342 332	5 108 265	16 251 491	9 163 954	7 287 619	5 945 341	15 975 414	124 615 650
Remuneration of Councillors	12 975 962	-	-	-	-	-	-	-	12 975 962
Debt Impairment	4 592 252	-	246 200	-	-	2 878 018	-	8 924 633	16 641 103
Depreciation and Amortisation	2 654 954	2 013 126	43 394	107 306	7 775 195	1 747 596	1 196 085	1 454 433	16 992 088
Impairment Loss	-	-	-	-	-	-	-	314 017	314 017
Actuarial Losses	-	-	-	-	-	-	-	-	-
Finance Charges	722 941	-	-	-	-	2 348 232	-	2 326 281	5 397 454
Bulk Purchases	-	-	-	-	-	45 498 755	-	-	45 498 755
Contracted services	18 941 767	1 523 270	166 412	1 366 638	3 083 792	718 341	184 140	5 266 737	31 251 097
Transfers and Subsidies	42 055	-	-	-	-	-	-	-	42 055
Operating Leases	309 330	36 861	-	-	-	-	-	204 012	550 203
Operational Cost	23 940 798	2 195 414	1 269 165	1 280 135	3 668 908	6 005 824	28 089	2 529 049	40 917 381
Loss on Disposal of Assets	-	-	-	-	681 635	151 464	-	-	833 099
Inventory Loss	3 142	-	-	-	-	-	-	-	3 142
<b>TOTAL EXPENDITURE</b>	<b>114 724 434</b>	<b>20 111 003</b>	<b>6 833 437</b>				<b>7 353 654</b>	<b>36 994 577</b>	<b>296 032 005</b>
<b>SURPLUS FOR THE YEAR</b>	<b>118 841 621</b>	<b>(18 542 524)</b>	<b>(3 713 599)</b>				<b>(7 353 654)</b>	<b>(23 717 303)</b>	<b>48 030 114</b>
<b>CAPITAL EXPENDITURE</b>	<b>3 117 023</b>	<b>9 342 038</b>	<b>3 058 661</b>	<b>-</b>	<b>7 787 026</b>	<b>130 321</b>	<b>770 989</b>	<b>11 373 329</b>	<b>35 579 388</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 61 SEGMENT REPORTING (CONTINUED)

	Non-Reportable Segments	Reportable Segments							Total
	Other	Community Services	Public safety	Planning and development	Roads	Electricity	Waste water management	Waste management	
<b>2022</b>									
<b>REVENUE</b>									
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>187 175 956</b>	<b>1 500 000</b>	<b>475 615</b>	<b>5 608 982</b>	<b>27 137 877</b>	<b>-</b>	<b>-</b>	<b>2 029 797</b>	<b>223 928 226</b>
Property Rates	15 497 080	-	-	-	-	-	-	-	15 497 080
Government Grants and subsidies	169 645 196	1 500 000	-	5 608 982	27 137 877	-	-	241 455	204 133 510
Actuarial Gains	11 296	-	-	-	-	-	-	-	11 296
Fines, Penalties and Forfeits	750	-	475 615	-	-	-	-	1 607 937	2 084 302
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
Gain on Disposal of Capitalised Restoration Cost (PPE)	-	-	-	-	-	-	-	180 405	180 405
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>19 567 111</b>	<b>78 059</b>	<b>2 815 853</b>	<b>22 233</b>	<b>2 389</b>	<b>49 579 720</b>	<b>-</b>	<b>10 570 591</b>	<b>82 635 956</b>
Service Charges	-	-	-	-	-	48 684 014	-	8 420 443	57 104 457
Rental from Fixed Assets	1 430 000	43 071	-	-	2 389	-	-	6 615	1 482 076
Interest Earned - external investments	17 805 824	-	-	-	-	-	-	-	17 805 824
Interest Earned - Service Debtors	35 913	-	-	-	-	895 706	-	2 143 533	3 075 152
Licences and Permits	15 676	-	1 240 009	-	-	-	-	-	1 255 686
Agency Services	-	-	1 200 192	-	-	-	-	-	1 200 192
Sales of Goods and Rendering of Services	95 124	34 988	9 174	22 233	-	-	-	-	161 519
Operational Revenue	184 573	-	366 478	-	-	-	-	-	551 051
<b>TOTAL REVENUE</b>	<b>206 743 066</b>	<b>1 578 059</b>	<b>3 291 468</b>	<b>5 631 215</b>	<b>27 140 266</b>	<b>49 579 720</b>	<b>-</b>	<b>12 600 388</b>	<b>306 564 182</b>
<b>EXPENDITURE</b>									
Employee related costs	46 837 778	13 186 755	4 851 244	14 204 832	8 911 600	6 538 767	3 854 924	14 589 777	112 975 676
Remuneration of Councillors	12 761 110	-	-	-	-	-	-	-	12 761 110
Debt Impairment	3 485 180	-	440 900	-	-	1 584 843	-	7 167 748	12 678 672
Depreciation and Amortisation	2 532 692	1 820 358	43 719	111 469	8 019 229	1 720 196	1 257 034	1 676 331	17 181 028
Impairment Loss	-	-	-	-	-	-	-	-	-
Actuarial Losses	-	-	-	-	-	346 880	-	-	346 880
Finance Charges	562 643	-	-	-	-	1 781 805	-	2 021 429	4 365 877
Bulk Purchases	-	-	-	-	-	44 034 167	-	-	44 034 167
Contracted services	17 703 852	1 969 104	393 214	1 057 229	2 115 307	1 673 077	395 753	5 030 286	30 337 821
Transfers and Subsidies	42 055	-	-	-	-	-	-	-	42 055
Operating Leases	123 674	48 162	-	-	-	-	-	275 165	447 001
Operational Cost	19 272 343	2 155 841	705 960	1 177 731	3 548 735	4 548 653	41 713	2 486 241	33 937 217
Loss on Disposal of Assets	-	-	-	-	-	389 165	-	-	389 165
Inventory Loss	783	-	-	-	-	-	-	-	783
<b>TOTAL EXPENDITURE</b>	<b>103 322 109</b>	<b>19 180 220</b>	<b>6 435 037</b>	<b>16 551 261</b>	<b>22 594 870</b>	<b>62 617 553</b>	<b>5 549 424</b>	<b>33 246 978</b>	<b>269 497 452</b>
<b>SURPLUS FOR THE YEAR</b>	<b>103 420 957</b>	<b>(17 602 161)</b>	<b>(3 143 569)</b>	<b>(10 920 047)</b>	<b>4 545 397</b>	<b>(13 037 833)</b>	<b>(5 549 424)</b>	<b>(20 646 590)</b>	<b>37 066 730</b>
<b>CAPITAL EXPENDITURE</b>	<b>4 624 836</b>	<b>7 504 417</b>	<b>838 922</b>	<b>-</b>	<b>5 110 711</b>	<b>1 201 368</b>	<b>-</b>	<b>16 706 032</b>	<b>35 986 286</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 62 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
<b>Financial Performance</b>						
Property rates	14 319 635	1 870 446	16 190 081	17 330 716	1 140 635	15 497 080
Service charges	74 729 954	(13 150 000)	61 579 954	53 643 060	(7 936 894)	57 104 457
Investment revenue	22 020 458	6 650 000	28 670 458	38 680 417	10 009 959	22 082 109
Transfers recognised - operational	192 227 174	(495 152)	191 732 022	188 851 545	(2 880 477)	179 561 633
Other own revenue	6 424 566	(812 269)	5 612 297	11 190 616	5 578 319	7 747 026
<b>Total Operating Revenue</b>	<b>309 721 787</b>	<b>(5 936 975)</b>	<b>303 784 812</b>	<b>309 696 355</b>	<b>5 911 543</b>	<b>281 992 305</b>
Employee costs	122 866 822	762 036	123 628 858	124 615 650	986 791	112 975 676
Remuneration of councillors	15 796 263	400 000	16 196 263	12 975 962	(3 220 301)	12 761 110
Debt impairment	14 194 619	-	14 194 619	16 641 103	2 446 484	12 678 672
Depreciation & asset impairment	19 661 081	(1 548 312)	18 112 769	17 306 105	(806 664)	17 181 028
Finance charges	2 900 086	550 592	3 450 678	5 397 454	1 946 776	4 365 877
Materials and bulk purchases	77 003 647	(4 212 752)	72 790 895	45 498 755	(27 292 140)	44 034 167
Contracted services	50 348 677	(3 177 369)	47 171 308	31 251 097	(15 920 211)	30 337 821
Transfers and grants	42 055	-	42 055	42 055	-	42 055
Other expenditure	39 860 148	1 512 225	41 372 373	41 467 584	95 211	34 731 098
Losses	2 200 000	-	2 200 000	836 241	(1 363 759)	389 948
<b>Total Expenditure</b>	<b>344 873 399</b>	<b>(5 713 581)</b>	<b>339 159 818</b>	<b>296 032 005</b>	<b>(43 127 813)</b>	<b>269 497 452</b>
<b>Surplus/(Deficit)</b>	<b>(35 151 612)</b>	<b>(223 394)</b>	<b>(35 375 006)</b>	<b>13 664 350</b>	<b>49 039 356</b>	<b>12 494 853</b>
Transfers recognised - capital	37 947 826	117 319	38 065 145	34 365 765	(3 699 380)	24 571 877
<b>Surplus/(Deficit) for the year</b>	<b>2 796 214</b>	<b>(106 075)</b>	<b>2 690 139</b>	<b>48 030 114</b>	<b>45 339 975</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

### 62 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	73 295 200	4 382 012	77 677 212	35 579 389	(42 097 823)	35 986 286
Transfers recognised - capital	37 947 826	117 319	38 065 145	34 365 765	(3 699 380)	24 571 877
Internally generated funds	35 347 374	4 264 693	39 612 067	1 213 624	(38 398 443)	11 414 409
<b>Total sources of capital funds</b>	73 295 200	4 382 012	77 677 212	35 579 389	(42 097 823)	35 986 286
<b>Cash flows</b>						
Net cash from (used) operating	22 216 862	(5 058 083)	17 158 779	76 250 588	59 091 808	52 793 274
Net cash from (used) investing	(73 295 200)	(4 382 012)	(77 677 212)	(35 579 389)	42 097 823	(35 986 286)
Net cash from (used) financing	(790 324)	80 874	(709 450)	(852 417)	(142 967)	(832 897)
Net Cash Movement for the year	(51 868 662)	(9 359 220)	(61 227 882)	39 818 782	101 046 665	15 974 091
Cash/cash equivalents at beginning of year	374 482 449	83 530 593	458 013 042	458 013 042	-	442 038 950
<b>Cash/cash equivalents at the year end</b>	<b>322 613 787</b>	<b>74 171 373</b>	<b>396 785 160</b>	<b>497 831 824</b>	<b>101 046 665</b>	<b>458 013 042</b>

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 2023

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2022 R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2023 R
<b><u>ANNUITY LOANS</u></b>						
DBSA loan	103126/1	Floating	2029	4 738 951	631 860	4 107 091
DBSA loan	103126/2	Fixed	2030	3 008 793	272 535	2 736 258
<b>Total Annuity Loans</b>				<b>7 747 744</b>	<b>904 395</b>	<b>6 843 349</b>
<b>Total Borrowings</b>				<b>7 747 744</b>	<b>904 395</b>	<b>6 843 349</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2023

	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	5 101 093	839 359	-	(605 777)	5 334 675	3 774 658	157 149	(201 582)	3 730 225	1 604 450
Planning & Development	4 046 898	220 534	-	-	4 267 432	3 484 278	116 285	-	3 600 564	666 868
Corporate Services	166 718 603	3 628 268	4 650 164	(7 153)	174 989 882	2 344 888	1 377 894	(6 826)	3 715 956	171 273 926
Budget & Treasury	23 090 825	1 325 354	-	(728 600)	23 687 579	17 440 415	1 110 931	(530 042)	18 021 304	5 666 275
Road Transport	318 099 701	13 174 282	-	(43 460)	331 230 523	134 824 305	8 979 198	(26 865)	143 776 638	187 453 885
Community & Social Services	61 535 716	4 919 121	1 682 962	(144 689)	67 993 109	7 824 425	1 545 500	(88 677)	9 281 247	58 711 862
Sport & Recreation	15 668 145	-	41 960	-	15 710 105	2 698 150	467 627	-	3 165 777	12 544 328
Public Safety	6 687 411	-	-	(849)	6 686 562	301 805	35 475	(844)	336 436	6 350 126
Electricity	43 834 978	131 121	-	(250 472)	43 715 627	12 374 323	1 747 596	(95 561)	14 026 357	29 689 269
Waste Management	59 951 373	11 341 349	-	(150 461)	71 142 261	7 730 878	1 400 565	(147 965)	8 983 479	62 158 783
<b>Total</b>	<b>704 734 742</b>	<b>35 579 389</b>	<b>6 375 086</b>	<b>(1 931 462)</b>	<b>744 757 756</b>	<b>192 798 126</b>	<b>16 938 220</b>	<b>(1 098 363)</b>	<b>208 637 983</b>	<b>536 119 772</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2023

VOTE	30 JUNE 2023			30 JUNE 2022		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Executive & Council	263 978	34 243 866	(33 979 888)	106 656 296	27 796 592	78 859 704
Planning & Development	6 953 238	21 238 611	(14 285 373)	10 260 615	22 353 829	(12 093 215)
Corporate Services	2 662 870	36 707 277	(34 044 407)	2 468 812	30 408 566	(27 939 755)
Budget & Treasury	230 070 610	41 044 833	189 025 777	92 972 883	38 851 651	54 121 231
Road Transport	39 091 295	30 999 496	8 091 799	30 389 146	28 770 787	1 618 358
Waste Water Management	-	7 353 654	(7 353 654)	-	5 549 424	(5 549 424)
Community & Social Services	1 569 222	19 143 989	(17 574 767)	1 591 942	17 985 080	(16 393 138)
Sport & Recreation	1 050	1 462 430	(1 461 380)	1 793	1 657 872	(1 656 079)
Public Safety	59 093	207 424	(148 331)	42 589	259 119	(216 530)
Electricity	50 113 489	66 635 848	(16 522 359)	49 579 720	62 617 553	(13 037 833)
Waste Management	13 277 274	36 994 577	(23 717 303)	12 600 388	33 246 978	(20 646 590)
<b>Total</b>	<b>344 062 119</b>	<b>296 032 005</b>	<b>48 030 114</b>	<b>306 564 182</b>	<b>269 497 452</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### ACTUAL VERSUS BUDGET- CAPITAL AND OPERATING EXPENDITURE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2023

Refer to Note 48.1 for disclosure of Unauthorised expenditure

	ACTUAL R	BUDGET R	VARIANCE R
<b>OPERATING EXPENDITURE</b>			
Executive & Council	34 243 866	37 227 445	(2 983 579)
Planning & Development	21 238 611	23 438 456	(2 199 845)
Corporate Services	36 707 277	43 814 342	(7 107 066)
Budget & Treasury	41 044 833	49 495 202	(8 450 368)
Road Transport	30 999 496	36 462 988	(5 463 492)
Waste Water Management	7 353 654	7 479 195	(125 541)
Community & Social Services	19 143 989	19 411 185	(267 196)
Sport & Recreation	1 462 430	1 717 476	(255 046)
Public Safety	207 424	1 196 338	(988 914)
Electricity	66 635 848	78 573 099	(11 937 251)
Waste Management	36 994 577	40 344 092	(3 349 516)
<b>Total</b>	<b>296 032 005</b>	<b>339 159 818</b>	<b>(43 127 813)</b>
<b>CAPITAL EXPENDITURE</b>			
Executive & Council	775 813	1 600 000	(824 187)
Corporate Services	1 033 879	9 833 309	(8 799 430)
Budget & Treasury	1 307 331	1 575 000	(267 669)
Road Transport	10 649 082	24 427 838	(13 778 756)
Waste Water Management	770 989	3 640 000	(2 869 011)
Community & Social Services	9 031 589	16 536 998	(7 505 409)
Sport & Recreation	310 448	357 016	(46 567)
Electricity	130 321	2 257 284	(2 126 963)
Waste Management	11 373 329	16 379 767	(5 006 437)
<b>Total</b>	<b>35 579 388</b>	<b>77 677 212</b>	<b>(42 097 824)</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX E (UNAUDITED)

### DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2023

	OPENING BALANCE (RESTATED)	GRANTS RECEIVED	INTEREST ON INVESTMENTS	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	CLOSING BALANCE
	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-	177 125 000	-	177 125 000	-	-
Municipal Finance Management Grant	-	1 650 000	-	1 650 000	-	-
Municipal Infrastructure Grant	8 283 405	37 385 000	-	6 351 741	34 365 765	4 950 899 *
NDPG (Neighbourhood Development Partnership Grant)	2 010 056	-	-	-	-	2 010 056
EPWP (Expanded Public Works Program)	-	1 658 000	-	1 658 000	-	-
<b>Total</b>	<b>10 293 461</b>	<b>217 818 000</b>	<b>-</b>	<b>186 784 741</b>	<b>34 365 765</b>	<b>6 960 955</b>
<b>PROVINCIAL GOVERNMENT</b>						
Prov Gov - Housing (Hillside)	232 652	-	-	-	-	232 652
Herschel People's Housing	11 950 705	-	771 874	-	-	12 722 579
Libraries	-	1 500 000	-	1 500 000	-	-
EPWP (Expanded Public Works Program)	566 804	-	-	566 804	-	-
Greenest Municipality	458 545	300 000	-	-	-	758 545
Municipal Disaster Relief Grant	-	6 400 000	-	-	-	6 400 000
<b>Total</b>	<b>13 208 706</b>	<b>8 200 000</b>	<b>771 874</b>	<b>2 066 804</b>	<b>-</b>	<b>20 113 776</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>23 502 167</b>	<b>226 018 000</b>	<b>771 874</b>	<b>188 851 545</b>	<b>34 365 765</b>	<b>27 074 731</b>

\* The Municipal Infrastructure Grant rollover application for R8 259 167 was approved by National Treasury.  
The initial Municipal Infrastructure Grant allocation was reduced with R6 255 000 for the 2022/23 financial year

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>REVENUE</b>						
<b>Governance and administration</b>	<b>144 828 577</b>	<b>8 128 720</b>	<b>152 957 297</b>	<b>232 997 458</b>	<b>80 040 161</b>	<b>202 094 194</b>
Executive and council	6 797 471	-	6 797 471	263 978	(6 533 493)	106 656 296
Finance and administration	138 031 106	8 128 720	146 159 826	232 733 480	86 573 654	95 437 898
<b>Community and public safety</b>	<b>6 719 777</b>	<b>(1 596 001)</b>	<b>5 123 776</b>	<b>1 627 931</b>	<b>(3 495 845)</b>	<b>1 620 647</b>
Community and social services	2 257 448	(606 000)	1 651 448	1 567 429	(84 019)	1 576 266
Sport and recreation	2 089	-	2 089	1 050	(1 039)	1 793
Public safety	4 460 240	(990 001)	3 470 239	59 452	(3 410 787)	42 589
<b>Economic and environmental services</b>	<b>49 313 324</b>	<b>(352 833)</b>	<b>48 960 491</b>	<b>45 477 730</b>	<b>(3 482 761)</b>	<b>36 020 361</b>
Planning and development	9 705 002	(477 152)	9 227 850	6 386 435	(2 841 415)	5 631 215
Road transport	39 608 322	124 319	39 732 641	39 091 295	(641 346)	30 389 146
<b>Trading services</b>	<b>146 474 681</b>	<b>(11 997 002)</b>	<b>134 477 679</b>	<b>63 390 403</b>	<b>(71 087 276)</b>	<b>62 180 108</b>
Energy sources	98 714 819	(11 450 000)	87 264 819	50 113 489	(37 151 330)	49 579 720
Waste management	47 759 862	(547 002)	47 212 860	13 276 914	(33 935 946)	12 600 388
<b>Other</b>	<b>333 254</b>	<b>(2 540)</b>	<b>330 714</b>	<b>568 597</b>	<b>237 883</b>	<b>4 648 873</b>
<b>Total Revenue - Standard</b>	<b>347 669 613</b>	<b>(5 819 656)</b>	<b>341 849 957</b>	<b>344 062 119</b>	<b>2 212 162</b>	<b>306 564 182</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
<b>EXPENDITURE</b>						
<b>Governance and administration</b>	<b>128 471 266</b>	<b>2 030 620</b>	<b>130 501 887</b>	<b>112 717 796</b>	<b>(17 784 091)</b>	<b>97 702 270</b>
Executive and council	31 349 385	1 823 652	33 173 036	31 003 297	(2 169 739)	25 145 512
Finance and administration	93 070 829	964 330	94 035 159	78 473 930	(15 561 230)	69 905 679
Internal audit	4 051 053	(757 362)	3 293 691	3 240 569	(53 122)	2 651 080
<b>Community and public safety</b>	<b>28 465 925</b>	<b>(27 085)</b>	<b>28 438 841</b>	<b>20 265 262</b>	<b>(8 173 578)</b>	<b>19 398 843</b>
Community and social services	18 676 740	71 936	18 748 675	18 595 408	(153 267)	17 481 852
Sport and recreation	1 971 400	(253 924)	1 717 476	1 462 430	(255 046)	1 657 872
Public safety	7 817 786	154 903	7 972 689	207 424	(7 765 265)	259 119
<b>Economic and environmental services</b>	<b>56 102 763</b>	<b>(4 335 978)</b>	<b>51 766 785</b>	<b>50 058 229</b>	<b>(1 708 556)</b>	<b>45 362 545</b>
Planning and development	24 056 054	(2 008 360)	22 047 694	19 005 569	(3 042 125)	16 551 261
Road transport	32 015 684	(2 329 047)	29 686 637	30 999 496	1 312 859	28 770 787
Environmental protection	31 026	1 429	32 455	53 165	20 710	40 496
<b>Trading services</b>	<b>128 813 571</b>	<b>(2 417 185)</b>	<b>126 396 386</b>	<b>110 984 079</b>	<b>(15 412 307)</b>	<b>101 413 955</b>
Energy sources	78 550 068	23 031	78 573 099	66 635 848	(11 937 251)	62 617 553
Waste water management	7 212 261	266 934	7 479 195	7 353 654	(125 541)	5 549 424
Waste management	43 051 242	(2 707 150)	40 344 092	36 994 577	(3 349 516)	33 246 978
<b>Other</b>	<b>3 019 873</b>	<b>(963 953)</b>	<b>2 055 920</b>	<b>2 006 639</b>	<b>(49 281)</b>	<b>5 619 839</b>
<b>Total Expenditure - Standard</b>	<b>344 873 399</b>	<b>(5 713 581)</b>	<b>339 159 818</b>	<b>296 032 005</b>	<b>(43 127 813)</b>	<b>269 497 452</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 796 214</b>	<b>(106 075)</b>	<b>2 690 139</b>	<b>48 030 114</b>	<b>45 339 975</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>REVENUE</b>						
Executive & Council	6 797 471	-	6 797 471	263 978	(6 533 493)	106 656 296
Planning & Development	9 973 111	(427 152)	9 545 959	6 953 238	(2 592 720)	10 260 615
Corporate Services	742 680	1 175 274	1 917 954	2 662 870	744 916	2 468 812
Budget & Treasury	137 350 317	6 903 446	144 253 763	230 070 610	85 816 847	92 972 883
Road Transport	43 994 068	(865 681)	43 128 387	39 091 295	(4 037 092)	30 389 146
Community & Social Services	2 260 702	(608 540)	1 652 162	1 569 222	(82 940)	1 591 942
Sport & Recreation	2 089	-	2 089	1 050	(1 039)	1 793
Public Safety	74 494	(1)	74 493	59 093	(15 400)	42 589
Electricity	98 714 819	(11 450 000)	87 264 819	50 113 489	(37 151 330)	49 579 720
Waste Management	47 759 862	(547 002)	47 212 860	13 277 274	(33 935 586)	12 600 388
<b>Total Revenue by Vote</b>	<b>347 669 613</b>	<b>(5 819 656)</b>	<b>341 849 957</b>	<b>344 062 119</b>	<b>2 212 162</b>	<b>306 564 182</b>



# SENQU LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>EXPENDITURE</b>						
Executive & Council	36 261 456	965 990	37 227 445	34 243 866	(2 983 579)	27 796 592
Planning & Development	26 388 026	(2 949 570)	23 438 456	21 238 611	(2 199 845)	22 353 829
Corporate Services	44 303 230	(488 888)	43 814 342	36 707 277	(7 107 066)	30 408 566
Budget & Treasury	47 940 734	1 554 468	49 495 202	41 044 833	(8 450 368)	38 851 651
Road Transport	38 646 055	(2 183 066)	36 462 988	30 999 496	(5 463 492)	28 770 787
Waste Water Management	7 212 261	266 934	7 479 195	7 353 654	(125 541)	5 549 424
Community & Social Services	19 361 512	49 672	19 411 185	19 143 989	(267 196)	17 985 080
Sport & Recreation	1 971 400	(253 924)	1 717 476	1 462 430	(255 046)	1 657 872
Public Safety	1 187 415	8 923	1 196 338	207 424	(988 914)	259 119
Electricity	78 550 068	23 031	78 573 099	66 635 848	(11 937 251)	62 617 553
Waste Management	43 051 242	(2 707 150)	40 344 092	36 994 577	(3 349 516)	33 246 978
<b>Total Expenditure by Vote</b>	<b>344 873 399</b>	<b>(5 713 581)</b>	<b>339 159 818</b>	<b>296 032 005</b>	<b>(43 127 813)</b>	<b>269 497 452</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 796 214</b>	<b>(106 075)</b>	<b>2 690 139</b>	<b>48 030 114</b>	<b>45 339 975</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>REVENUE BY SOURCE</b>						
Property rates	14 319 635	1 870 446	16 190 081	17 330 716	1 140 635	15 497 080
Service charges	74 729 954	(13 150 000)	61 579 954	53 643 060	(7 936 894)	57 104 457
Rental of facilities and equipment	1 238 407	575 274	1 813 681	1 475 736	(337 945)	1 482 076
Interest earned - external investments	17 599 080	5 000 000	22 599 080	32 208 528	9 609 448	17 805 824
Interest earned - outstanding debtors	4 421 378	1 650 000	6 071 378	6 471 889	400 511	4 276 285
Fines, penalties and forfeits	210 368	(140 000)	70 368	915 394	845 026	2 084 302
Licences and permits	1 253 833	97 460	1 351 293	1 300 733	(50 560)	1 255 686
Agency services	2 313 323	(800 000)	1 513 323	1 204 135	(309 188)	1 200 192
Transfers and Subsidies - Operating	192 227 174	(495 152)	191 732 022	188 851 545	(2 880 477)	179 561 633
Other revenue	1 408 635	(545 003)	863 632	6 294 619	5 430 987	1 724 771
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>309 721 787</b>	<b>(5 936 975)</b>	<b>303 784 812</b>	<b>309 696 355</b>	<b>5 911 543</b>	<b>281 992 305</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	122 866 822	762 036	123 628 858	124 615 650	986 791	112 975 676
Remuneration of councillors	15 796 263	400 000	16 196 263	12 975 962	(3 220 301)	12 761 110
Debt impairment	14 194 619	-	14 194 619	16 641 103	2 446 484	12 678 672
Depreciation & asset impairment	19 661 081	(1 548 312)	18 112 769	17 306 105	(806 664)	17 181 028
Finance charges	2 900 086	550 592	3 450 678	5 397 454	1 946 776	4 365 877
Bulk purchases	52 342 521	(500 000)	51 842 521	45 498 755	(6 343 766)	44 034 167
Inventory consumed	24 661 126	(3 712 752)	20 948 374	-	(20 948 374)	-
Contracted services	50 348 677	(3 177 369)	47 171 308	31 251 097	(15 920 211)	30 337 821
Transfers and subsidies	42 055	-	42 055	42 055	-	42 055
Other expenditure	39 860 148	1 512 225	41 372 373	41 467 584	95 211	34 731 098
Losses	2 200 000	-	2 200 000	836 241	(1 363 759)	389 948
<b>Total Expenditure</b>	<b>344 873 399</b>	<b>(5 713 581)</b>	<b>339 159 818</b>	<b>296 032 005</b>	<b>(43 127 813)</b>	<b>269 497 452</b>
<b>Surplus/(Deficit)</b>	<b>(35 151 612)</b>	<b>(223 394)</b>	<b>(35 375 006)</b>	<b>13 664 350</b>	<b>49 039 356</b>	<b>12 494 853</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	37 947 826	117 319	38 065 145	34 365 765	(3 699 380)	24 571 877
<b>Surplus/(Deficit) for the year</b>	<b>2 796 214</b>	<b>(106 075)</b>	<b>2 690 139</b>	<b>48 030 114</b>	<b>45 339 975</b>	<b>37 066 730</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>CAPITAL EXPENDITURE (VOTE)</b>						
<b>Multi-year expenditure</b>						
Corporate Services	634 309	(400 000)	234 309	-	(234 309)	217 948
Road Transport	23 500 000	252 838	23 752 838	10 649 082	(13 103 756)	5 455 844
Waste water management	5 640 000	(2 000 000)	3 640 000	770 989	(2 869 011)	-
Community & Social Services	15 387 178	649 821	16 036 998	9 031 589	(7 005 409)	6 645 402
Sport & Recreation	2 500 000	(2 142 984)	357 016	310 448	(46 567)	-
Public safety	-	-	-	196 605	196 605	-
Electricity	-	-	-	-	-	-
Waste Management	17 340 030	(1 422 663)	15 917 368	11 226 086	(4 691 282)	16 473 255
<b>Total Multi-year expenditure</b>	<b>65 001 517</b>	<b>(5 062 988)</b>	<b>59 938 529</b>	<b>32 184 800</b>	<b>(27 753 729)</b>	<b>28 792 448</b>
<b>Single-year expenditure</b>						
Executive & Council	1 600 000	-	1 600 000	775 813	(824 187)	19 540
Corporate Services	1 719 000	7 880 000	9 599 000	1 033 879	(8 565 121)	3 747 581
Budget & Treasury	1 275 000	300 000	1 575 000	1 307 331	(267 669)	639 767
Road Transport	463 000	212 000	675 000	-	(675 000)	493 789
Community & Social Services	500 000	-	500 000	-	(500 000)	859 015
Sport & Recreation	-	-	-	-	-	-
Public safety	350 000	720 000	1 070 000	-	(1 070 000)	-
Electricity	1 924 284	333 000	2 257 284	130 321	(2 126 963)	1 201 368
Waste Management	462 399	-	462 399	147 243	(315 156)	232 777
<b>Total Single-year expenditure</b>	<b>8 293 683</b>	<b>9 445 000</b>	<b>17 738 683</b>	<b>3 394 588</b>	<b>(14 344 095)</b>	<b>7 193 838</b>
<b>Total Capital Expenditure by Vote</b>	<b>73 295 200</b>	<b>4 382 012</b>	<b>77 677 212</b>	<b>35 579 388</b>	<b>(42 097 824)</b>	<b>35 986 286</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>	<b>5 228 309</b>	<b>7 780 000</b>	<b>13 008 309</b>	<b>3 117 023</b>	<b>(9 891 286)</b>	<b>4 624 836</b>
Executive and council	1 600 000	-	1 600 000	775 813	(824 187)	19 540
Finance and administration	3 628 309	7 780 000	11 408 309	2 341 210	(9 067 099)	4 605 296
<b>Community and public safety</b>	<b>25 117 178</b>	<b>(957 180)</b>	<b>24 159 998</b>	<b>9 538 642</b>	<b>(14 621 355)</b>	<b>7 504 417</b>
Community and social services	15 687 178	649 821	16 336 998	9 031 589	(7 305 409)	7 504 417
Sport and recreation	2 500 000	(2 142 984)	357 016	310 448	(46 567)	-
Public safety	6 930 000	535 984	7 465 984	196 605	(7 269 379)	-
<b>Economic and environmental services</b>	<b>17 383 000</b>	<b>648 854</b>	<b>18 031 854</b>	<b>10 649 082</b>	<b>(7 382 772)</b>	<b>5 949 633</b>
Road transport	17 383 000	648 854	18 031 854	10 649 082	(7 382 772)	5 949 633
<b>Trading services</b>	<b>25 366 713</b>	<b>(3 089 663)</b>	<b>22 277 051</b>	<b>12 274 640</b>	<b>(10 002 410)</b>	<b>17 907 400</b>
Energy sources	1 924 284	333 000	2 257 284	130 321	(2 126 963)	1 201 368
Waste water management	5 640 000	(2 000 000)	3 640 000	770 989	(2 869 011)	-
Waste management	17 802 429	(1 422 663)	16 379 767	11 373 329	(5 006 437)	16 706 032
<b>Other</b>	<b>200 000</b>	<b>-</b>	<b>200 000</b>	<b>-</b>	<b>(200 000)</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>73 295 200</b>	<b>4 382 012</b>	<b>77 677 212</b>	<b>35 579 388</b>	<b>(42 097 824)</b>	<b>35 986 286</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATE D OUTCOME 2022 R
<b>CAPITAL EXPENDITURE (FUNDING SOURCES)</b>						
National Government	37 947 826	117 319	38 065 145	29 883 274	(8 181 871)	24 571 877
<b>Transfers recognised - capital</b>	<b>37 947 826</b>	<b>117 319</b>	<b>38 065 145</b>	<b>29 883 274</b>	<b>(8 181 871)</b>	<b>24 571 877</b>
Internally generated funds	35 347 374	4 264 693	39 612 067	5 696 114	(33 915 953)	11 414 409
<b>Total Capital Funding</b>	<b>73 295 200</b>	<b>4 382 012</b>	<b>77 677 212</b>	<b>35 579 388</b>	<b>(42 097 824)</b>	<b>35 986 286</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### CASH FLOWS

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates	11 002 121	1 004 869	12 006 991	13 342 325	1 335 334	12 445 652
Service charges	57 416 828	(11 747 511)	45 669 317	48 290 229	2 620 912	49 492 788
Other revenue	6 137 657	3 508 727	9 646 384	5 605 946	(4 040 438)	6 829 206
Government - operating	192 227 174	(3 162 435)	189 064 739	184 102 250	(4 962 489)	171 501 200
Government - capital	37 947 826	(7 064 565)	30 883 261	41 915 750	11 032 489	20 663 800
Interest	20 996 131	1 602 949	22 599 080	32 980 402	10 381 322	18 263 177
Refund on VAT returns - VAT 201s	-	-	-	-	-	-
<b>Payments</b>						
Suppliers and employees	(300 568 735)	11 350 476	(289 218 259)	(249 334 198)	39 884 061	(225 815 250)
Finance charges	(2 900 086)	(550 592)	(3 450 678)	(610 062)	2 840 616	(545 243)
Transfers and Grants	(42 055)	-	(42 055)	(42 055)	-	(42 055)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>22 216 862</b>	<b>(5 058 083)</b>	<b>17 158 779</b>	<b>76 250 588</b>	<b>59 091 808</b>	<b>52 793 274</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Capital assets	(73 295 200)	(4 382 012)	(77 677 212)	(35 579 389)	42 097 823	(35 986 286)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(73 295 200)</b>	<b>(4 382 012)</b>	<b>(77 677 212)</b>	<b>(35 579 389)</b>	<b>42 097 823</b>	<b>(35 986 286)</b>

# SENQU LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2023

#### CASH FLOWS

	ORIGINAL BUDGET 2023 R	BUDGET ADJUSTMENTS 2023 R	FINAL BUDGET 2023 R	ACTUAL OUTCOME 2023 R	BUDGET VARIANCE 2023 R	RESTATED OUTCOME 2022 R
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Increase (decrease) in consumer deposits	114 073	80 607	194 680	64 090	(130 590)	54 198
<b>Payments</b>						
Repayment of borrowing	(904 397)	267	(904 130)	(916 507)	(12 377)	(887 095)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	(790 324)	80 874	(709 450)	(852 417)	(142 967)	(832 897)
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	(51 868 662)	(9 359 220)	(61 227 882)	39 818 782	101 046 665	15 974 091
Cash/cash equivalents at the year begin:	374 482 449	83 530 593	458 013 042	458 013 042	-	442 038 950
Cash/cash equivalents at the year end:	322 613 787	74 171 373	396 785 160	497 831 824	101 046 664	458 013 042