



King Sabata Dalindyebo Local Municipality
Annual financial statements
for the year ended 30 June 2024

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Nature of business and principal activities

King Sabata Dalindyebo Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998).

Mayoral committee

Executive Mayor
Speaker
Chief Whip
Members of the Mayoral Committee

Cllr. GN Nelani
Cllr. N Siyo-Sokutu
Cllr. B Mlanjeni
Cllr. MS Dudumayo
Cllr. Z Nokayi
Cllr. YR Gwadiso
Cllr. N Gwebani
Cllr. N Sibeko
Cllr. S Nyengane
Cllr. M Marasha

Councillors

Cllr. Z Gana
Cllr. A Ketse
Cllr. SE Mngeni
Cllr. NG Sidlova
Cllr. MS Ngudle
Cllr. M Majeke
Cllr. N Matyeba
Cllr. N Jubeni
Cllr. SN Majikija
Cllr. N. Nkathu
Cllr. NG Tshaya
Cllr. B Silinga
Cllr. M Makaba
Cllr. CS Tokwana
Cllr. S Ratshalala
Cllr. SC Mshunqane
Cllr. ZL Siziba
Cllr. B Vuma
Cllr. MJ Msakeni
Cllr. S Dalasile
Cllr. S Mdunyelwa
Cllr. S Mhlaba
Cllr. TT Mtshakazana
Cllr. T Badli
Cllr. L Makhenke
Cllr. LC Molakalaka
Cllr. DM Teti
Cllr. B Nxeve
Cllr. TM Gqiba
Cllr. VN Roji
Cllr. N. Mayi
Cllr. LM Luwaca
Cllr. N Matubatuba
Cllr. S Madyum
Cllr. G Ngqola
Cllr. B Ndlobongela

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General Information

	Cllr. FN Mzimane
	Cllr. M Bunzana
	Cllr. R Knock
	Cllr. S Ngomfela
	Cllr. NS Tukayi
	Cllr. MG Mbutye
	Cllr. KL Jozana
	Cllr. MF Nokwali
	Cllr. SA Mthayi
	Cllr. MH Ngxekana
	Cllr. AL Sekese
	Cllr. A Mgquba
	Cllr. N Matiso
	Cllr. D Busakwe
	Cllr. WC Tukwayo
	Cllr. T Malefane
	Cllr. SW Mrawu
	Cllr. M Mpangele
	Cllr. M Gadudu
	Cllr. D Ntlabathi
	Cllr. N Nyoka
	Cllr. J Roeber
	Cllr. Z Madyibi
	Chief IF Siziba
	Chief N Mtirara
Chairpersons of Section 79 Committees	Cllr. M Bango
	Cllr. U Daniso
	Cllr. A Msuthu
	Cllr. B Mbiyo
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Mr E Jiholo
Accounting Officer	Mr N. Pakade
Registered office	Munitata Building Sutherland Street Mthatha 5099
Postal address	Private Bag X5083 Mthatha 5099
Bankers	ABSA FNB
Auditors	Auditor General South Africa Registered Auditors

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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The reports and statements set out below comprise the annual financial statements presented to the council:

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Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax
SARS	South African Revenue Services
PAYE	Pay As You Earn
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
WCA	Workmens Compensation
SDL	Skills Development Levies
PPE	Property, plant and equipment
MPAC	Municipal Public Accounts Committee
AFS	Annual Financial Statements
mSCOA	Municipal Standard Chart of Accounts

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their audit report will be issued by the 30th of November 2024.

The annual financial statements set out on page 5 to 90, which have been prepared on the going concern basis, were noted by council on 31 August 2024 and were approved and signed on behalf of the municipality by the accounting officer.



Mr N. Pakade
Accounting Officer

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	178 501 619	191 474 532
Receivables from exchange transactions	4	169 526 518	102 497 307
Receivables from non-exchange transactions	5	135 104 669	111 109 245
VAT Receivables	6	-	19 462
VAT Accrual	7	6 454 988	20 703 438
Insurance Prepayments	8	2 520 593	1 881 031
Cash and cash equivalents	9	56 461 312	58 306 528
		548 569 699	485 991 543
Non-Current Assets			
Investment property	10	377 948 467	359 749 921
Property, plant and equipment	11	1 911 316 728	2 002 897 531
Intangible assets	12	484 901	588 674
Heritage assets	13	3 201 000	3 201 000
		2 292 951 096	2 366 437 126
Total Assets		2 841 520 795	2 852 428 669
Liabilities			
Current Liabilities			
Other financial liabilities	14	2 135 142	2 135 142
Payables from non exchange transactions	16	24 534 416	21 098 818
Finance lease obligation	15	-	6 407 337
Payables from exchange transactions	17	449 134 115	396 620 380
VAT Payable	6	5 080 017	-
Consumer deposits	18	32 813 366	29 991 715
Employee benefit obligation	20	63 885 704	64 680 735
Unspent conditional grants and receipts	19	23 041 874	22 265 866
Other liabilities	22	303 805	4 852 597
		600 928 439	548 052 590
Non-Current Liabilities			
Other financial liabilities	14	2 135 142	4 270 285
Finance lease obligation	15	-	116 043
Employee benefit obligation	20	20 469 000	21 775 000
Provisions	21	36 285 344	34 393 691
		58 889 486	60 555 019
Total Liabilities		659 817 925	608 607 609
Net Assets		2 181 702 870	2 243 821 060
Reserves			
Revaluation reserve	23	523 461 991	523 461 992
Self-insurance reserve	24	4 202 322	4 041 814
Accumulated surplus		1 654 038 539	1 716 317 254
Total Net Assets		2 181 702 852	2 243 821 060

* See Note 63

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	686 684 730	585 394 681
Rental of facilities and equipment	26	23 087 246	21 993 834
Licences and permits	27	14 226 550	13 865 081
Other income	28	23 075 589	21 596 113
Interest revenue	29	50 361 419	40 065 568
Total revenue from exchange transactions		797 435 534	682 915 277
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	302 522 840	292 368 397
Recoveries	31	4 895 363	394 276
Interest revenue	32	34 902 640	30 414 941
Transfer revenue			
Government grants & subsidies	33	633 904 877	556 594 081
Public contributions and donations	34	-	3 276 132
Fines, Penalties and Forfeits	35	4 155 285	1 697 368
Total revenue from non-exchange transactions		980 381 005	884 745 195
Total revenue	36	1 777 816 539	1 567 660 472
Expenditure			
Employee related costs	37	(590 464 504)	(552 060 714)
Remuneration of councillors	38	(31 600 935)	(29 698 451)
Depreciation and amortisation	39	(242 641 932)	(259 699 426)
Impairment of assets	40	-	(2 444 464)
Loss on disposal of assets	41	(739 845)	(6 777 449)
Finance costs	42	(20 656 309)	(13 583 877)
Lease rentals on operating lease	43	(10 208 684)	(11 900 310)
Debt Impairment	44	(58 578 602)	(21 460 153)
Debtors written off	45	(21 722 134)	-
Bulk purchases	46	(494 974 097)	(398 821 615)
Contracted services	47	(31 313 214)	(25 479 956)
Grants and Subsidies paid	48	(53 568 921)	(64 417 857)
Transfer of Properties/Donations	49	(37 141 286)	(24 918 969)
General Expenses	50	(264 482 329)	(253 891 389)
Total expenditure		(1 858 092 792)	(1 665 154 630)
Deficit for the year from continuing operations		(80 276 253)	(97 494 158)
Fair value adjustment	51	17 997 546	23 535 042
Surplus (deficit) for the period		(62 278 707)	(73 959 116)

* See Note 63

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self Insurance reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported 01 July 2022	527 261 431	3 881 786	531 143 217	1 753 955 982	2 285 099 199
Adjustments					
Correction of errors 63 63	-	-	-	32 520 949	32 520 949
Restated Balance at 01 July 2022	527 261 431	3 881 786	531 143 217	1 786 476 931	2 317 620 148
Changes in net assets					
Surplus for the year	-	-	-	(73 959 116)	(73 959 116)
Movement for the year	-	160 028	160 028	-	160 028
Transfers to surplus/(deficit) relating to revaluation surplus on transferred properties	(3 799 439)	-	(3 799 439)	3 799 439	-
Total changes	(3 799 439)	160 028	(3 639 411)	(70 159 677)	(73 799 088)
Restated Balance at 01 July 2023	523 461 991	4 041 814	527 503 805	1 716 317 246	2 243 821 051
Changes in net assets					
Movement for the year	-	160 508	160 508	-	160 508
Net income (losses) recognised directly in net assets	-	160 508	160 508	-	160 508
Surplus for the year	-	-	-	(62 278 707)	(62 278 707)
Total recognised income and expenses for the year	-	160 508	160 508	(62 278 707)	(62 118 199)
Total changes	-	160 508	160 508	(62 278 707)	(62 118 199)
Balance at 30 June 2024	523 461 991	4 202 322	527 664 313	1 654 038 539	2 181 702 852
Note(s)	23	24			

* See Note 63

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		282 147 311	249 062 659
Receipts from customers		616 341 265	605 667 117
Grants		635 703 609	538 258 648
Interest income		85 264 059	69 740 850
		<u>1 619 456 244</u>	<u>1 462 729 274</u>
Payments			
Employee costs		(626 709 727)	(565 737 225)
Suppliers		(784 267 703)	(691 284 806)
Finance costs		(18 764 656)	(11 790 841)
		<u>(1 429 742 086)</u>	<u>(1 268 812 872)</u>
Net cash flows from operating activities	53	<u>189 714 158</u>	<u>193 916 402</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(178 376 463)	(124 609 554)
Proceeds from sale of property, plant and equipment	11	483 594	1 744 967
Purchase of other intangible assets	12	(459 190)	-
Net cash flows utilised in investing activities		<u>(178 352 059)</u>	<u>(122 864 587)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(2 135 143)	(3 535 718)
Outflow of other liability		(4 548 792)	-
Finance lease payments		(6 523 380)	(25 954 032)
Net cash flows utilised in financing activities		<u>(13 207 315)</u>	<u>(29 489 750)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1 845 216)</u>	<u>41 562 065</u>
Cash and cash equivalents at the beginning of the year		58 306 528	16 744 463
Cash and cash equivalents at the end of the year	9	<u>56 461 312</u>	<u>58 306 528</u>

* See Note 63

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	718 160 608	18 804 527	736 965 135	686 684 730	(50 280 405)	Note 49
Rental of facilities and equipment	20 669 483	7 667 830	28 337 313	23 087 246	(5 250 067)	Note 49
Licences and permits	21 705 411	4 619	21 710 030	14 226 550	(7 483 480)	Note 49
Other income	53 187 410	9 443 639	62 631 049	23 075 589	(39 555 460)	Note 49
Interest revenue	23 281 356	26 678 198	49 959 554	50 361 419	401 865	Note 49
Total revenue from exchange transactions	837 004 268	62 598 813	899 603 081	797 435 534	(102 167 547)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	341 121 951	(36 234 220)	304 887 731	302 522 840	(2 364 891)	Note 49
Recoveries	2 740 924	(1 697 086)	1 043 838	4 895 363	3 851 525	Note 49
Interest revenue	16 960 000	17 668 867	34 628 867	34 902 640	273 773	Note 49

Transfer revenue

Government grants & subsidies	654 563 000	46 139 977	700 702 977	633 904 877	(66 798 100)	Note 49
Fines, Penalties and Forfeits	42 103 832	600 000	42 703 832	4 155 285	(38 548 547)	Note 49

Total revenue from non-exchange transactions	1 057 489 707	26 477 538	1 083 967 245	980 381 005	(103 586 240)	
Total revenue	1 894 493 975	89 076 351	1 983 570 326	1 777 816 539	(205 753 787)	

Expenditure

Employee related costs	(566 820 278)	(20 493 504)	(587 313 782)	(590 464 504)	(3 150 722)	Note 49
Remuneration of councillors	(35 344 962)	3 285 003	(32 059 959)	(31 600 935)	459 024	Note 49
Depreciation and amortisation	(157 347 228)	(109 628 841)	(266 976 069)	(242 641 932)	24 334 137	Note 49
Gains /loss on disposal of PPE	-	(9 371)	(9 371)	(739 845)	(730 474)	Note 49
Finance costs	(16 000 000)	13 132 284	(2 867 716)	(20 656 309)	(17 788 593)	Note 49
Lease rentals on operating lease	(15 822 380)	1 825 394	(13 996 986)	(10 208 684)	3 788 302	Note 49
Debt Impairment	(21 153 025)	(69 397 929)	(90 550 954)	(58 578 602)	31 972 352	Note 49
Bad debts written off	-	-	-	(21 722 134)	(21 722 134)	
Bulk purchases	(479 989 276)	-	(479 989 276)	(494 974 097)	(14 984 821)	Note 49
Contracted services	(21 203 231)	(5 362 089)	(26 565 320)	(31 313 214)	(4 747 894)	Note 49
Grants and subsidies paid	(53 498 500)	(4 703 093)	(58 201 593)	(53 568 921)	4 632 672	Note 49
General Expenses	(245 375 261)	(41 105 620)	(286 480 881)	(264 482 329)	21 998 552	Note 49

Total expenditure	(1 612 554 141)	(232 457 766)	(1 845 011 907)	(1 820 951 506)	24 060 401	
Operating deficit	281 939 834	(143 381 415)	138 558 419	(43 134 967)	(181 693 386)	
Transfer of properties	-	-	-	(37 141 286)	(37 141 286)	Note 49
Deficit before taxation	281 939 834	(143 381 415)	138 558 419	(80 276 253)	(218 834 672)	
Deficit for the year before fair value adjustment	281 939 834	(143 381 415)	138 558 419	(80 276 253)	(218 834 672)	
Fair Vaule Adjustment	-	17 987 497	17 987 497	17 997 546	10 049	

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	281 939 834	(125 393 918)	156 545 916	(62 278 707)	(218 824 623)	

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Presentation of annual financial statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for the foreseeable future.

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables and other receivables

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

The impairment for trade receivables, held to maturity investments, loans and receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 Biological assets that form part of an agricultural activity (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Effective interest rate

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

Accounting by principals and agent

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

Additional information is disclosed in Note 67.

Useful lives of Property, plant and equipment, Intangible assets and Investment property and Changes in Accounting Estimates

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

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

1.5 Investment property

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. The cost of self-constructed investment property is the cost at the date of completion.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Building where is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	5-50 years
Plant and machinery	Straight-line	5-10 years
Furniture and fixtures	Straight-line	3-5 years
Office equipment	Straight-line	5-7 years
IT equipment	Straight-line	5-7 years
Computer software	Straight-line	3-5 years
Roads and paving	Straight-line	30 years
Access roads	Straight-line	3-10 years

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1.6 Property, plant and equipment (continued)

Pedestrian malls	Straight-line	30 years
Electricity	Straight-line	10-50 years
Community Buildings	Straight-line	30-50 years
Recreational equipment	Straight-line	20-30 years
Security	Straight-line	5 years
Halls	Straight-line	30 years
Libraries	Straight-line	30-50 years
Parks and gardens	Straight-line	20-30 years
Sports fields	Straight-line	20-30 years
Other property, plant and equipment		
Other vehicles	Straight-line	5 years
Other items of plant and equipment	Straight-line	7-10 years
Landfill sites	Straight-line	4-30 years
Fire engines	Straight-line	10-20 years
Bins and containers	Straight-line	5 years
Other leased assets		
Motor vehicles	Straight-line	5-20 years
Laboratory equipment	Straight-line	5-7 years
Specialised vehicles	Straight-line	10 years
Heritage assets	Straight-line	infinite
Cemetery	Straight-line	25-30 years
Stadium	Straight-line	25-30 years
Bridges	Straight-line	25-100 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

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

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1.7

Intangible assets

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

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1.8 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

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

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

- derivatives
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transaction	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Other Financial Liabilities - Long term	Financial liability measured at amortised cost
Other Financial Liabilities - Short term	Financial liability measured at amortised cost
Finance Lease obligation - Long term	Financial liability measured at amortised cost
Finance Lease obligation - Short term	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

- interest or other charges that may have accrued on the receivable (where applicable);

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Accounting Policies

1.10 Statutory receivables (continued)

- impairment losses; and
- amounts derecognised.

VAT

VAT is a value-added tax that is charged at the applicable rate on the supply of goods or services supplied by the vendor in the course or furtherance of an enterprise.

The Municipality collects VAT on behalf of the South African

Revenue Services (SARS) based on the taxable supplies it provides in meeting its service delivery objectives.

The Municipality is a VAT vendor registered on the payment basis although the accrual basis of accounting is applied by the Municipality in accordance with the principles of GRAP.

The amount receivable from SARS is calculated as the VAT charged by the Municipality on taxable supplies (output VAT), reduced by the VAT input the Municipality is charged by service providers on expenditure incurred in the furtherance of the Municipality's service delivery mandate.

VAT receivable is measured in accordance with the accounting policy on statutory receivables.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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1.12 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories shall be recognised as an asset if and only if;

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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 incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts 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 expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

Inventories encompass goods held for resale including, for example, merchandise purchased by an entity and held for resale, or land and other property held for sale. Inventories also encompass finished goods produced, or work-in progress being produced, by the entity. Inventories also include materials and supplies awaiting use in the production process and goods purchased or produced by an entity, which are for distribution to other parties through a non-exchange transaction.

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Useful life is either:

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

Identification of a potential impairment

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

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

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

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Recognition and measurement of cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-generating assets.

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

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

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

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

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, Royalties and Dividends Received

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method.

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

King Sabata Dalindyebo Local Municipality

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1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

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Accounting Policies

1.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

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Accounting Policies

1.21 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.22 Prepayments

Prepayments relate to the payment of goods or services in advance.

Prepayments are initially measured at the value of the goods or services paid in advance and subsequently measured using the cost method, which changes the initial measurement to reflect any amounts derecognised as a result of having received the goods or services.

To the extent that goods and services are not received and the amount that was paid in advance becomes payable by the supplier to the Municipality.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

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

King Sabata Dalindyebo Local Municipality

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Accounting Policies

1.25 Prepayments (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

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

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

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

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Accounting Policies

1.29 Related parties

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

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

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

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

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

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

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

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

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

1.30 Events after reporting date

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

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

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

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

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Value added tax (VAT)

The Municipality is a VAT vendor registered on the payment basis although the accrual basis of accounting is applied by the Municipality in accordance with the principles of GRAP.

The amount payable to or receivable from SARS is calculated as the VAT charged by the Municipality on taxable supplies (output VAT), reduced by the VAT input the Municipality is charged by service providers on expenditure incurred in the furtherance of the Municipality's service delivery mandate.

VAT receivable / payable

VAT is levied in accordance with the VAT Act.

VAT receivable is recognised using the accrual basis of accounting to the extent that input VAT exceeds output VAT and VAT payables is recognised when Output VAT exceeds input VAT.

VAT receivable / payable is initially measured at the rate applicable to the transaction amount and subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable / payable or amounts derecognised.

There is currently no GRAP standard for statutory payables. The Municipality has therefore applied GRAP 19 – provisions, contingent liabilities and contingent assets, since there is an uncertainty regarding the timing of future cash outflows.

1.32 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to three months consumption of electricity services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposit.

The consumer deposit paid on application for the provision of municipal services must be reviewed annually and may be increased upon written notice to consumers. The deposit will be the equivalent of six month's (July -December) charge for all municipal services supplied where one month with the highest consumption will be taken then less the deposit that was already deposited by the consumer, however this may be increased if it is determined that the consumer is a credit risk.

1.33 Unspent conditional grants

This is represented funds unspent at the end of the financial year on grants received from national and provincial government or any other external party that can only be spent for the condition for which it was received. The amount is recognised as a current liability until the conditions of the grant are met or the money is transferred back to the funder.

The following provision are set for the creation and utilisation of this creditor;

Unspent conditional grants are recognised as a liability when the grant money is received.

When the grant conditions are met, an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none">GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none">iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none">iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none">GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	The impact of the is not material.
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 103 (as revised): Heritage Assets	01 April 2099	Not expected to impact results but may results in additiona disclosure
<ul style="list-style-type: none">iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Not expected to impact results but may results in additiona disclosure
<ul style="list-style-type: none">GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 2023: Improvements to the standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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3. Inventories

Land - Held for transfers	153 627 527	167 369 027
Consumables Stores	4 549 243	3 002 310
Electrical Equipment	20 324 849	21 103 195
	178 501 619	191 474 532

Inventories recognised as an expense during the year	10 090 995	4 592 180
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The municipality does not have any inventory currently pledged as security.

Properties transferred to beneficiaries

Carrying value properties transferred to beneficiaries (Donation /Transfer of assets)	13 741 500	7 460 500
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4. Receivables from exchange transactions

Consumer debtors other	4 138 265	8 703
Consumer debtors - Sundry debtors	-	964 906
Consumer debtors - Electricity	162 463 127	95 114 246
Consumer debtors - Refuse	299 648 843	261 259 251
Consumer debtors - Rentals	185 794 512	160 102 497
Provision for impairment	(482 518 229)	(414 952 296)
	169 526 518	102 497 307

Trade and other receivables pledged as security

The municipality does not have any receivables from exchange transactions that have been pledged as security.

Fair value of trade and other receivables

Trade and other receivables	169 526 518	102 497 307
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The fair value of trade and other receivables from exchange transactions approximates their carrying amount.

Trade and other receivables past due but not impaired

The normal credit term for the municipality is 30 days. At 30 June 2024, receivables of R70 335 232 (2023: R 48 280 491) were past due but not impaired.

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

2 month past due	13 069 018	10 661 179
3 months past due	12 758 438	8 131 426
Over 3 months past due	33 514 258	21 832 611
Penalties and Interest	10 993 518	7 655 275
	70 335 232	48 280 491

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Trade and other receivables impaired

As of 30 June 2024, trade and other receivables of 482 518 229 (2023:414 952 297) were impaired and provided for.

The ageing of these amounts is as follows:

1 to 3 months	96 783 603	63 337 056
3 to 6 months	12 871 305	20 655 504
Over six months	245 487 402	219 362 270
Penalties and Interest	127 375 919	111 597 467
	482 518 229	414 952 297

Included in the above are receivables from exchange transactions as follows:

Electricity - Ageing

Current	48 239 476	41 254 185
31-60 days	50 850 830	13 944 473
61-90 days	12 674 323	10 931 927
91-120 days	12 427 893	8 038 637
>120 days	23 719 891	11 042 638
Penalties and Interest	10 196 237	6 585 268
Add: Debtors with credit balances	4 354 477	3 317 117
	162 463 127	95 114 245

Refuse - Ageing

Current	5 033 109	4 058 774
31-60 days	3 099 246	3 065 668
61-90 days	3 101 491	2 687 942
91-120 days	2 843 512	2 605 427
>120 days	197 044 505	172 955 676
Penalties and Interest	86 914 102	72 843 755
Add: Debtors with credit balances	1 612 878	3 042 009
	299 648 843	261 259 251

Rentals - Ageing

Current	778 312	173 261
31-60 days	1 524 159	1 481 025
61-90 days	84 038	1 354 177
91-120 days	1 952 901	1 915 272
>120 days	107 828 251	94 894 222
Penalties and Interest	73 343 386	59 934 993
Add: Debtors with credit balances	283 465	349 547
	185 794 512	160 102 497

Sundry debtors- Ageing

>120 days	(90 369)	867 247
Add: Debtors with credit balances	90 369	97 659
	-	964 906

Sundry

31 -60 days	4 130 282	-
>120 days	7 563	7 563
Add: debtors with credit balance	420	1 140
	4 138 265	8 703

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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

Summary of debtors by customer classification as at 30 June 2024	Consumers	Industrial/ Commercial	Government	Total
Current	5 089 216	24 353 829	24 607 851	54 050 896
31-60 days	7 374 714	8 351 529	43 878 272	59 604 515
61-90 days	3 267 544	1 634 522	10 957 786	15 859 852
91-120 days	3 671 341	2 308 790	11 244 176	17 224 307
>120 days	263 265 826	46 146 484	19 097 530	328 509 840
Penalties and Interest	137 626 304	26 236 611	6 590 813	170 453 728
	420 294 945	109 031 765	116 376 428	645 703 138
Less: provision for impairment	(403 759 176)	(78 759 053)	-	(482 518 229)
Debtors with credit balances	1 298 748	1 732 726	3 310 136	6 341 610
	17 834 517	32 005 438	119 686 564	169 526 519

Summary of debtors by customer classification as at 30 June 2023	Consumers	Industrial/ Commercial	Government	Total
Current	5 185 279	23 710 417	16 599 118	45 494 814
31-60 days	3 300 459	7 100 506	8 090 201	18 491 166
61-90 days	2 964 876	5 207 578	6 801 732	14 974 186
91-120 days	3 441 486	3 495 209	5 622 640	12 559 335
>120 days	232 421 484	38 103 934	11 748 815	282 274 233
Penalties and Interest	114 186 163	21 726 987	935 247	136 848 397
	361 499 747	99 344 631	49 797 753	510 642 131
Less: provision for impairment	(348 667 510)	(66 284 786)	-	(414 952 296)
Debtors with credit balances	2 375 192	1 916 660	2 515 620	6 807 472
	15 207 429	34 976 505	52 313 373	102 497 307

Reconciliation of provision for impairment of trade and other receivables

Opening balance	414 952 296	403 721 692
Provision for impairment	67 565 933	11 230 604
	482 518 229	414 952 296

5. Receivables from non-exchange transactions

Government grants and subsidies	2 574 740	5 659 079
Consumer debtors old balances	8 674	9 388
Other receivables from non-exchange revenue	3 022 714	1 823 052
Consumer debtors - Rates	425 891 280	404 982 080
Impairment	(296 392 739)	(301 364 354)
	135 104 669	111 109 245

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Taxes	425 891 280	404 982 080
Consumer debtors old balances	8 674	9 388
Grants	2 574 740	5 659 079
Impairment	(296 392 739)	(301 364 354)
	132 081 955	109 286 193

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Other receivables from non-exchange transactions	3 022 714	1 823 052
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Total receivables from non-exchange transactions	135 104 669	111 109 245
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King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

Statutory receivables general information

Transaction(s) arising from statute

Included in Receivables from non-exchange transactions are statutory receivables of 2024: R132 081 955 (2023: R109 286 193) Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

Government grants and subsidies relates to the spending on the Small Town Revitalisation grant. The Small Town Revitalisation relates to the Office of The Premier (OTP) grant and the municipality firstly has to submit an invoice for the work done to Office of The Premier before money can be transferred to the municipality. As at 31 June 2024 the work had been done and the money was only transferred after year end by Office of The Premier and hence the receivables is being raised as at year end for the work done.

Receivables from non-exchange transactions	R135 104 669	R111 109 245
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Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R120 786 491 (2023: R93 747 302) were past due but not impaired.

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

1 month past due	2 419 146	1 990 965
2 months past due	1 914 872	1 541 146
3 months past due	87 167 747	69 386 605
Penalties and Interest	29 284 726	20 828 586
	120 786 491	93 747 302

Receivables from non-exchange transactions impaired

As of 30 June 2024, other receivables from non-exchange transactions of R296 392 739 (2023: R301 364 353) were impaired and provided for.

The amount of the provision was (296 392 739) as of 30 June 2024 (2023: (301 364 353)).

The ageing of these receivables is as follows:

1 to 3 months	20 206 117	21 049 264
3 to 6 months	7 381 297	11 737 845
Over 6 months	178 556 781	186 817 224
Penalties and interest	90 248 544	81 760 020
	296 392 739	301 364 353

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

Opening balance	301 364 353	290 948 698
Provision for impairment	(4 971 614)	10 415 655
	296 392 739	301 364 353

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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6. VAT Payable / (Receivable)

Statutory Payable / (Receivable) - SARS	5 080 017	(19 462)
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VAT submissions to SARS are accounted for on a cash basis. The VAT due to SARS relates to amounts that were paid to suppliers that had VAT and amounts received from customers for services rendered. As at 30 June 2024 the VAT was due to SARS but not yet paid. All VAT returns have been submitted throughout the year.

7. VAT Accrual

VAT	6 454 988	20 703 438
Reconciliation		
VAT Provision	(26 502 801)	(8 238 634)
VAT Impairment	32 957 789	28 942 072
	6 454 988	20 703 438

VAT is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. VAT provision / accrual tracks VAT invoiced but not yet received from customers or paid to suppliers.

8. Insurance Prepayments

Opening balance	1 881 031	1 682 813
Payment made during the year	639 562	198 218
	2 520 593	1 881 031

The insurance prepayments is for insurance contract of municipality assets that requires a once off premium in advance for a period of 12 months (01 November 2023 to 31 October 2024).

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 050	1 050
Bank balances	8 198 521	22 567 033
Short-term deposits	5 075 703	4 768 961
Other cash and cash equivalents	43 186 038	30 969 484
	56 461 312	58 306 528

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Excess cash is invested with reputable financial institutions with good credit ratings

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024			2023		
9. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Call Account 62090323636 Electricity	1 319 306	2 979 906	2 062 677	1 319 306	2 979 906	2 062 677
ABSA Call Account 4061496604 Electricity	1 575 552	14 257 917	1 135 287	1 575 552	14 257 917	1 135 287
ABSA Cheques Account 4048218780 General	594 996	434 804	684 092	594 996	434 804	684 092
Self Insurance Reserve (Hollard Insurance Company Account Experience)	4 202 297	4 041 789	3 881 761	4 202 297	4 041 789	3 881 761
ABSA Call Account MTAB 9061932550	55 957	52 201	49 714	55 957	52 201	49 714
Unclaimed Group Life Insurance ABSA 9057846202	1 278	1 797	2 279	1 278	1 797	2 279
ABSA Liquidity Account - Various Accounts	262 634	243 708	231 308	262 634	243 708	231 308
Investec Bank Invest 1100456924	342 117	315 695	295 546	342 117	315 695	295 546
ABSA Call Account KSD Election 9260118662	150 754	140 494	133 627	150 754	140 494	133 627
ABSA Call Account Rural Planning 9260110101	174 679	162 791	154 835	174 679	162 791	154 835
ABSA Call Account Organogram Dev 9260110397	10 423	9 938	9 609	10 423	9 938	9 609
ABSA Call Account Mqanduli Middle Income 9095799392	67 965	63 402	60 382	67 965	63 402	60 382
FNB Cheque 62471836513 Main	3 746 285	4 449 865	3 412 408	3 746 285	4 737 824	3 844 288
FNB Call 62480366345 DOE Electrification	298 050	596 435	64 879	298 050	596 435	64 879
FNB Call 62480370031 FMG	266 120	10 000	423 086	266 120	10 000	423 086
FNB Call Account 62480368838 MIG Account UCCMIP	6 632 241	5 738	130 395	6 632 241	5 738	130 395
FNB Call Account 62480372863 Library	12 031	11 132	10 666	12 031	11 132	10 666
FNB Call Account 62486520151 Infrastructure Skill Dev	126 772	1 011 042	54 843	126 772	1 011 042	54 843
FNB Call Account 62504444639 DOT Taxi Rank	19 596	18 179	17 586	19 596	18 179	17 586
FNB Call Account 62523941070 New Brighton	93 073	86 135	80 919	93 073	86 135	80 919
FNB Call Account 62523942408 Kei Rail	1 087 032	19 232 879	3 245 564	1 087 032	19 232 879	3 245 564
FNB Call Account 62559404092 Asset Financing	267 376	165 972	79 138	267 376	165 873	79 138
FNB Call Account 62709676582 (DOT Payover Account)	766 707	151 138	(19 096)	766 707	151 138	(19 096)
FNB Cheque Account 62810696487 Micros	197 459	7 228	31 842	197 459	7 228	31 842
FNB Cheque Account 62856124161 Disaster Management Grant	28 985 907	5 369 889	22 678	28 985 907	5 369 889	22 678
FNB - Money on call Account 62857329364 Demand Side Management	650 486	4 199 274	55 552	650 486	4 199 274	55 552
KwaNtozonke Market 63043868794	2 364 589	-	-	2 364 589	-	-

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024		2023	
9. Cash and cash equivalents (continued)				
FNB Commercial Call Account -	2 190 410	-	2 190 410	-
63060514544 - MIG Retention				
Total	56 462 092	58 019 348	16 311 577	56 462 092
				58 307 208
				16 743 457

10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	377 948 467	-	377 948 467	359 749 921	-	359 749 921

Reconciliation of investment property - 2024

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	359 749 921	201 000	17 997 546	377 948 467

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	336 204 880	23 545 041	359 749 921

Pledged as security

The municipality does not have any investment property that is pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The effective date of the revaluations was Sunday, 30 June 2024. Revaluations were performed by an independent valuer, Mr Zack van der Merwe, and registered as a professional valuer in terms of the Valuers Act (Registration No 4973/1).

The valuation was based on open market value for existing use.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	6 650 369	6 226 714
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King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	286 558 281	-	286 558 281	286 558 281	-	286 558 281
Buildings	380 813 451	(149 798 893)	231 014 558	380 813 451	(135 347 372)	245 466 079
Infrastructure	3 380 683 053	(2 452 029 850)	928 653 203	3 281 862 169	(2 260 973 158)	1 020 889 011
Community	439 806 545	(162 077 590)	277 728 955	396 631 187	(151 083 584)	245 547 603
Other property, plant and equipment	61 357 906	(34 448 382)	26 909 524	57 921 581	(30 870 018)	27 051 563
Work in progress	129 211 589	-	129 211 589	135 154 279	-	135 154 279
Specialised vehicles	178 605 616	(147 364 998)	31 240 618	180 640 558	(138 409 843)	42 230 715
Total	4 857 036 441	(2 945 719 713)	1 911 316 728	4 719 581 506	(2 716 683 975)	2 002 897 531

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers In /(Out)	Transfers out	Depreciation	Total
Land	286 558 281	-	-	-	-	-	286 558 281
Buildings	245 466 079	-	-	-	-	(14 451 521)	231 014 558
Infrastructure	1 020 889 011	3 422 840	(256 251)	95 774 374	-	(191 176 771)	928 653 203
Community	245 547 603	-	(1 872 732)	49 000 331	-	(14 946 247)	277 728 955
Other property, plant and equipment	27 051 563	4 709 851	(309 245)	251 472	-	(4 794 117)	26 909 524
Work in progress	135 154 279	162 684 271	-	(145 026 177)	(23 600 784)	-	129 211 589
Specialised vehicles	42 230 715	7 559 501	(1 839 285)	-	-	(16 710 313)	31 240 618
	2 002 897 531	178 376 463	(4 277 513)	-	(23 600 784)	(242 078 969)	1 911 316 728

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Transfers out	Derecognition	Depreciation	Impairment loss	Total
Land	286 558 281	-	-	-	-	-	-	-	286 558 281
Buildings	280 859 501	-	(6 239 836)	-	-	-	(29 153 586)	-	245 466 079
Infrastructure	1 116 541 698	-	-	99 279 399	-	(2 070 057)	(190 417 566)	(2 444 463)	1 020 889 011
Community	256 780 067	-	-	3 831 964	-	-	(15 064 428)	-	245 547 603
Other property, plant and equipment	27 432 155	3 457 627	(212 522)	-	-	-	(3 625 697)	-	27 051 563
Work in progress	137 766 046	117 958 045	-	(103 111 363)	(17 458 449)	-	-	-	135 154 279
Specialised vehicles	59 886 307	3 193 882	-	-	-	-	(20 849 474)	-	42 230 715
	2 165 824 055	124 609 554	(6 452 358)	-	(17 458 449)	(2 070 057)	(259 110 751)	(2 444 463)	2 002 897 531

Pledged as security

The municipality has ceded to DBSA all rights, title and interest to residential properties owned by it valued at approximately R12 million in relation to the DBSA loan 13335/201.

Compensation received for losses on property, plant and equipment – included in operating surplus / (deficit).

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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11. Property, plant and equipment (continued)

Revaluations

Land and buildings are re-valued independently every 3-5 years. The last revaluation of assets was June 2022 by an external valuer. These assumptions used were based on current market conditions.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	97 650 731	37 503 586	-	135 154 317
Additions/capital expenditure	125 097 302	37 586 930	-	162 684 232
Transferred out	-	(23 600 734)	-	(23 600 734)
Transferred to completed items	(95 774 374)	(49 000 358)	(251 484)	(145 026 216)
	126 973 659	2 489 424	(251 484)	129 211 599

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	94 411 525	43 354 538	137 766 063
Additions/capital expenditure	102 518 605	15 439 461	117 958 066
Transferred out	-	(17 458 449)	(17 458 449)
Transferred to completed items	(99 279 399)	(3 831 964)	(103 111 363)
	97 650 731	37 503 586	135 154 317

Slow moving / halted projects during the year

Project name	Project Start Date	Project End Date	Reasons for delays	Expenditure to date
Baziya to Sixuluza Access Road / Bridge	01/01/2021	30/09/2021	The first contractor was terminated due to poor performance and delays in material deliveries by suppliers.	14 148 935
Matyeni to Ngcwala Access Road	12/10/2022	22/12/2023	Delays on water use license approval by Environmental Affairs Department.	6 183 106
				20 332 041

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

General expenses	115 721 056	114 853 589
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King Sabata Dalindyebo Local Municipality

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12. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 925 914	(3 441 013)	484 901	3 466 724	(2 878 050)	588 674

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	588 674	459 190	(562 963)	484 901

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	1 177 351	(588 677)	588 674

Pledged as security

The municipality does not have any intangible assets that are pledged as security.

King Sabata Dalindyebo Local Municipality

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13. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Recreational parks	3 201 000	-	3 201 000	3 201 000	-	3 201 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Recreational parks	3 201 000	3 201 000

Reconciliation of heritage assets 2023

	Opening balance	Total
Recreational parks	3 201 000	3 201 000

14. Other financial liabilities

At amortised cost

Annuity Loan DBSA

DBSA loan 61001048 is redeemable in 2026 and a borrowing rate is 6.75%

4 270 284 6 405 427

Non-current liabilities

Designated at amortised cost

2 135 142 4 270 285

Current liabilities

Designated at amortised cost

2 135 142 2 135 142

King Sabata Dalindyebo Local Municipality

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15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	6 572 316
- in second to fifth year inclusive	-	116 804
	-	6 689 120
less: future finance charges	-	(165 952)
Present value of minimum lease payments	-	6 523 168
Present value of minimum lease payments due		
- within one year	-	6 407 124
- in second to fifth year inclusive	-	116 043
	-	6 523 167
Non-current liabilities	-	116 043
Current liabilities	-	6 407 337
	-	6 523 380

The Wesbank/FNB motor vehicle finance lease contract was entered into during 2018 financial year. The finance lease periods for 5 years and each vehicle's period of lease begins on the delivery date and expires after 5 years. The finance lease balance is R0 (2023: R6 523 380) and attracts an average interest rate of 10.850% (2023: 10.850%) per annum.

The above was a facility of R120 million.

Finance lease obligation was fully paid during the current financial year.

16. Payables from non exchange transactions

Debtors with credit balances	24 534 416	21 098 818
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17. Payables from exchange transactions

Trade payables	353 103 032	299 556 216
Whirlprops Creditors	6 322 554	6 909 644
Operating lease smoothing	-	21 571
Deferred interest	-	20 615
Income Received In Advance	3 519 037	3 387 944
Salary payovers	12 424 551	14 812 673
Retentions	33 675 686	31 436 731
Unknown Deposits	4 368 214	3 401 009
Insurance Claims	-	2 500
Other payables	22 191 958	22 009 145
Deposits received	2 940 089	2 343 547
Accrued expense	8 209 754	10 339 545
Unclaimed Group Life	2 014 240	2 014 240
Vendor deposits	365 000	365 000
	449 134 115	396 620 380

18. Consumer deposits

Electricity	32 813 366	29 991 715
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King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
19. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Infrastructure Skills Development	-	61 047
Human Settlement Projects	367 661	15 657 559
Energy Efficiency and Demand-Side Management (EEDSM)	-	1 116 341
Municipal Disaster Response Grant	72 285	5 360 000
Human Settlement graduates grant	-	70 920
Municipal Disaster Recovery grant	22 601 928	-
	23 041 874	22 265 867
Movement during the year		
Balance at the beginning of the year	22 265 866	1 698 057
Additions during the year	202 372 874	168 671 019
Income recognition during the year	(199 048 488)	(153 762 288)
Balance transferred to Receivables	(1 370 990)	5 659 078
Rollover not applied for and taken against equitable share	(1 177 388)	-
	23 041 874	22 265 866

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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20. Employee benefit obligations

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

Carrying value		
Staff allowances	(5 349 177)	(6 365 332)
Bonus and leave pay accrual	(52 142 527)	(54 482 403)
Long service award	(26 863 000)	(25 608 000)
	(84 354 704)	(86 455 735)
Non-current liabilities	(20 469 000)	(21 775 000)
Current liabilities	(63 885 704)	(64 680 735)
	(84 354 704)	(86 455 735)

Provision for long service awards

Service cost increased the liability by R3 271 000. Interest cost over the valuation period resulted in an increase in liability by R2 672 000. Some of the employees attained milestones during the valuation period and this resulted in expected benefits of R3 833 000 which reduced the accrued liability by the same margin.

The average liability has increased by 5% since the last valuation due to:

- An increase in the average earnings and an increase in the average past service,
- These impacts were partially offset by an increase in the net discount rate.

The total liability has increased by 5% (or R 1,255 000) due to the above, and because there was virtually no change to the number of eligible employees since last valuation.

Provision for Long service award

Opening net Liability	25 608 000	23 459 000
Service cost	3 271 000	3 062 000
Interest cost	2 672 000	2 437 000
Actual gain / (loss)	(855 000)	(978 000)
Expected benefits vesting	(3 833 000)	(2 372 000)
	26 863 000	25 608 000

Reconciliation of employee benefits - 2024

	Opening balance	Movement during the year	Total
Staff allowances	6 365 332	(1 016 155)	5 349 177
Bonus and leave pay accrual	54 482 403	(2 339 876)	52 142 527
Long service awards	25 608 000	1 255 000	26 863 000
Subtotal	86 455 735	(2 101 031)	84 354 704
	86 455 735	(2 101 031)	84 354 704

Reconciliation of employee benefits - 2023

	Opening balance	Movement during the year	Total
Staff allowances	7 397 124	(1 031 792)	6 365 332
Bonus and leave pay accrual	50 659 924	3 822 479	54 482 403
Long service awards	23 459 000	2 149 000	25 608 000
Subtotal	81 516 048	4 939 687	86 455 735
	81 516 048	4 939 687	86 455 735

King Sabata Dalindyebo Local Municipality

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21. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions / (Reduction)	Total
Environmental rehabilitation	34 393 691	1 891 653	36 285 344

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	32 600 655	1 793 036	34 393 691

Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The municipality has two landfill sites (Mthatha and Mqanduli landfill site). At the current valuation date, 30 June 2024, the expected life of the Mthatha and Mqanduli landfill sites is projected to be +/- 1 and +/- 1 years respectively.

The Landfill Rehabilitation Provision was calculated by external valuer Enzokuhle Enterprise.

22. Other liabilities

Principal Liability Human Settlement	303 805	4 852 597
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The municipality received funding from the Eastern Cape Department of Human Settlement to build houses on their behalf and thus the municipality is acting as an agent on behalf of the Department.

Reconciliation Principal Liability Human Settlement:

Opening Balance	4 852 597	9 731 633
Receipts	5 948 051	9 956 659
Expenditure	(10 496 843)	(14 835 695)
	303 805	4 852 597

23. Revaluation reserve

Opening balance	523 461 992	527 261 431
Change during the year	-	(3 799 439)
	523 461 992	523 461 992

The revaluation reserve arises out of revaluation of land and buildings.

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
24. Self-insurance reserve		
The self-insurance reserve is established to cater for declined or disputed insurance claims		
Opening Balance	4 041 814	3 881 786
Movement in self insurance reserve	160 508	160 028
	4 202 322	4 041 814
25. Service charges		
Sale of electricity	620 840 734	523 942 710
Refuse removal	65 843 996	61 451 971
	686 684 730	585 394 681
26. Rental of facilities and equipment		
Premises		
Premises	20 174 999	19 514 284
Rental of facilities	696 145	513 926
Rental of Equipment	2 216 102	1 965 624
	23 087 246	21 993 834
27. Licences and permits		
Permits - Vending and Hawking	67 406	53 942
Motor vehicle registration fees	9 029 933	9 319 063
Licence fees - Drivers Licence	3 696 498	3 493 773
Licence fees - Business	1 142 737	765 924
Vehicle Examination R/Worthy Fees	289 976	232 379
	14 226 550	13 865 081
28. Other income		
Library fees	35 043	25 295
Insurance Claims	443 185	167 888
Call out revenue	266 069	255 573
Meter testing	2 091 609	2 264 762
Disconnection fees	1 786 219	3 398 410
Building plan approvals	4 356 003	2 156 073
Department of Transport SLA - Roads	11 157	2 354 885
Fire levy and other fees earned	10 401 429	9 688 397
Sundry income	2 540 323	1 284 830
Payables exchange transactions written off	1 144 552	-
	23 075 589	21 596 113
29. Interest revenue		
Interest revenue		
Interest in short term investments	4 787 926	4 305 484
Interest charged on receivables from exchange transactions	45 573 493	35 760 084
	50 361 419	40 065 568

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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30. Property rates

Rates received

Residential	76 175 020	78 768 230
Commercial	120 634 582	113 639 854
State	105 467 741	99 723 642
Municipal	245 497	236 671
	302 522 840	292 368 397

Valuations

Residential	8 608 902 241	8 423 401 056
Commercial	6 878 313 861	6 869 120 282
State	3 738 681 831	3 581 926 000
Municipal	2 227 553 697	2 444 076 591
Small holdings and farms	9 160 000	9 160 000
Places of public worship	168 980 000	168 980 000
Vacant Land	391 523 306	402 359 841
Public Benefit Organisation	268 920 000	262 530 000
	!2 292 034 936	!2 161 553 770

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2026.

31. Recoveries

Recoveries	4 895 363	394 276
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Recoveries relate to refunds from SARS interest & penalties that the municipality received a waiver from.

32. Interest revenue

Interest charged on receivables from non- exchange transactions	34 902 640	30 414 941
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King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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33. Government grants & subsidies

Operating grants

Equitable share	434 856 388	404 115 000
Infrastructure Skills Development	5 420 000	5 438 954
Expanded Public Works Program Grant	4 001 000	4 191 000
Library Grant	-	1 750 000
SETA Grant	1 122 022	795 090
MIG	4 630 375	2 951 225
FMG	2 850 000	2 850 000
Electricity Demand Side Management	1 000 000	2 883 659
Human Settlement Graduates	237 654	200 778
	454 117 439	425 175 706

Capital grants

Human Settlement	23 294 838	10 117 627
MIG	91 731 625	95 839 775
INEP	-	3 195 000
Small Town Revitalisation	31 922 525	20 552 621
Municipal Disaster Response	5 287 715	-
KwaNtozonke Market	9 937 663	1 713 352
Municipal Disaster Recovery	17 613 072	-
	179 787 438	131 418 375
	633 904 877	556 594 081

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received

Various conditional grants received	167 125 964	131 926 460
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Unconditional grants received

Equitable share	434 856 388	404 115 000
Small Town revitalisation	31 922 525	20 552 621
	633 904 877	556 594 081

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services and functions allocated to it.

Municipal Infrastructure Grant (MIG)

Current-year receipts	96 362 000	98 791 000
Conditions met - transferred to revenue	(96 362 000)	(98 791 000)
	-	-

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure for poor households, micro enterprise and social institutions servicing poor communities.

Finance Management Grant (FMG)

Current-year receipts	2 850 000	2 850 000
Conditions met - transferred to revenue	(2 850 000)	(2 850 000)
	-	-

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2024	2023
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33. VAT Accrual (continued)

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for asset management and financial system enhancements and training.

Infrastructure Skills Development Grant (ISDG)

Balance unspent at beginning of year	61 047	-
Current-year receipts	5 420 000	5 500 000
Conditions met - transferred to revenue	(5 420 000)	(5 438 953)
Rollover not applied for and taken against equitable share	(61 047)	-
	<u>-</u>	<u>61 047</u>

This grant is utilised for Technical department graduates, training, working tools and salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements.

Human Settlement Projects

Balance unspent at beginning of year	15 657 559	1 698 057
Current-year receipts	8 004 940	24 077 128
Conditions met - transferred to revenue	(23 294 838)	(10 117 626)
	<u>367 661</u>	<u>15 657 559</u>

Conditions still to be met - remain liabilities (see note 19).

King Sabata Dalindyebo Local Municipality entered into an agreement with the Eastern Cape Department of Human Settlements for the construction of Mthatha Housing Programme.

The municipality acts as an implementing agent for procurement of Professional Service Providers to undertake the planning design and construction of the houses and monitoring of the Mthatha Housing Programme in this arrangement it receives money from the department which it then uses to pay the Service Providers.

All funds received from the Eastern Cape Department Human Settlement Grant are subjected to conditions as stipulated in the contract. No commission is earned by the Municipality on implementation of this programme.

Library Grant

Current-year receipts	-	1 750 000
Conditions met - transferred to revenue	-	(1 750 000)
	<u>-</u>	<u>-</u>

Expanded Public Works Programme

Current-year receipts	4 001 000	4 191 000
Conditions met - transferred to revenue	(4 001 000)	(4 191 000)
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

King Sabata Dalindyebo Local Municipality

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33. VAT Accrual (continued)

Energy Efficiency and Demand-Side Management

Balance unspent at beginning of year	1 116 341	-
Current-year receipts	1 000 000	4 000 000
Conditions met - transferred to revenue	(1 000 000)	(2 883 659)
Rollover not applied for and taken against equitable share	(1 116 341)	-
	-	1 116 341

The Energy Efficiency and Demand Side Management grants is for maintenance and emergency work on the overhead and underground electrical network at various location with King Sabata Dalindyebo Local municipality.

Small Town Revitalisation

Balance unspent at beginning of year	(3 945 730)	(2 078 301)
Current-year receipts	33 293 516	18 685 192
Conditions met - transferred to revenue	(31 922 525)	(20 552 621)
Reclassification to receivables from non-exchange transaction	2 574 739	3 945 730
	-	-

Small Town Revitalisation grants is for the uplifting of Mqanduli Internal roads and Mqanduli DLTC.

Municipal Disaster Response Grant

Balance unspent at beginning of year	5 360 000	-
Current-year receipts	-	5 360 000
Conditions met - transferred to revenue	(5 287 715)	-
	72 285	5 360 000

Conditions still to be met - remain liabilities (see note 19).

The Municipal Disaster Response grant is for reconstruction and rehabilitation of damaged municipal infrastructure assets due to 2023 floods.

Integrated National Electrification Programme (INEP)

Current-year receipts	-	3 195 000
Conditions met - transferred to revenue	-	(3 195 000)
	-	-

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

Human Settlement Graduates grant

Balance unspent at beginning of year	70 920	-
Current-year receipts	166 724	271 698
Conditions met - transferred to revenue	(237 644)	(200 778)
	-	70 920

This grant is utilised for Human Settlement department interns salaries to advance the implementation of the MFMA.

King Sabata Dalindyebo Local Municipality

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33. VAT Accrual (continued)

KwaNtozonke Market

Balance unspent at beginning of year	(1 713 350)	-
Current-year receipts	11 651 013	-
Conditions met - transferred to revenue	(9 937 663)	(1 713 350)
Reclassification to receivables from non-exchange transaction	-	1 713 350
	<u>-</u>	<u>-</u>

The purpose of the grant is to support the municipality with the upliftment of KwaNtozonke Market

Municipal Disaster Recovery Grant

Current-year receipts	40 215 000	-
Conditions met - transferred to revenue	(17 613 072)	-
	<u>22 601 928</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

The Municipal Disaster Recovery Grant (MDRG) is for reconstruction and rehabilitation of damaged municipal infrastructure due to 2023 floods..

34. Public contributions and donations

Public contributions and donations	<u>-</u>	<u>3 276 132</u>
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The 2023 donations received were assets donated by Groen Mintirho and Department of Forestry, Fisheries and the Environment to the Municipality.

35. Fines, Penalties and Forfeits

Service Provider Traffic Fines	18 300	31 900
Municipal Traffic Fines	3 581 600	1 539 768
Penalties - Contractors	63 765	118 000
Penalties Mikros - Traffic Fines	491 620	7 700
	<u>4 155 285</u>	<u>1 697 368</u>

All outstanding traffic fines have been impaired due to uncertainty of recovery, these debts by their nature can be contested in the courts or through application of fine relief.

King Sabata Dalindyebo Local Municipality

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36. Revenue

Service charges	686 684 730	585 394 681
Rental of facilities and equipment	23 087 246	21 993 834
Licences and permits	14 226 550	13 865 081
Other income	23 075 589	21 596 113
Interest revenue - exchange transactions	50 361 419	40 065 568
Property rates	302 522 840	292 368 397
Recoveries	4 895 363	394 276
Interest revenue - Non exchange transactions	34 902 640	30 414 941
Government grants & subsidies	633 904 877	556 594 081
Public contributions and donations	-	3 276 132
Fines, Penalties and Forfeits	4 155 285	1 697 368
	1 777 816 539	1 567 660 472

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

Service charges	686 684 730	585 394 681
Rental of facilities and equipment	23 087 246	21 993 834
Licences and permits	14 226 550	13 865 081
Other income	23 075 589	21 596 113
Interest received	50 361 419	40 065 568
	797 435 534	682 915 277

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

Taxation revenue

Property rates	302 522 840	292 368 397
Recoveries	4 895 363	394 276
Interest revenue - Non exchange transaction	34 902 640	30 414 941

Transfer revenue

Government grants & subsidies	633 904 877	556 594 081
Public contributions and donations	-	3 276 132
Fines, Penalties and Forfeits	4 155 285	1 697 368
	980 381 005	884 745 195

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2024	2023
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37. Employee related costs

Basic	357 723 463	339 463 450
Medical aid - company contributions	31 975 805	28 825 897
UIF	2 985 100	2 931 324
WCA	3 303 203	2 997 569
SDL	6 118 117	5 557 580
Termination benefits	2 781 086	1 358 029
Leave pay provision charge	(1 007 039)	6 424 286
Pension and provident fund contributions	54 597 987	51 787 396
Travel, motor car, accommodation, subsistence and other allowances	39 886 126	28 984 451
Overtime payments	26 928 381	24 305 782
Long-service awards	7 445 172	8 528 308
Bonuses - Annual Leave	26 738 664	25 051 259
Acting allowances	2 003 173	1 882 488
Danger Allowance	2 101 789	-
Housing benefits and allowances	26 883 477	23 962 895
	590 464 504	552 060 714

Remuneration of municipal manager - Mr N Pakade

Annual Remuneration	948 670	843 568
Backpay	-	77 750
Contributions to UIF, Medical and Pension Funds	81 181	79 830
Accrual (Backpay)	72 508	66 823
Other allowances	572 736	670 290
	1 675 095	1 738 261

Remuneration of chief finance officer - Mr EF Jiholo

Annual Remuneration	893 230	862 899
Bonus	74 617	72 444
Back pay	-	32 118
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Accrual (Backpay)	69 587	63 806
Other allowances	571 139	545 963
	1 610 698	1 579 355

The contract of the CFO expired 30th June 2024

Remuneration of Director: Community Services - Mr LP Maka

Car Allowance	-	21 412
Contributions to UIF, Medical and Pension Funds	-	354
Other allowances	-	175 177
	-	196 943

Mr Maka contract ended on the 30th June 2022.

Remuneration of Director: Corporate Services - Mr S Nodo

Annual Remuneration	791 220	764 354
Back pay	66 095	28 450
Acting Allowance	-	580
Contributions to UIF, Medical and Pension Funds	244 959	236 714
Accrual (backpay)	63 752	58 842
Other allowances	230 477	316 186

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2024	2023
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37. Employee related costs (continued)

	1 396 503	1 405 126
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Contract of Director Corporate Services expired 30th June 2024

Remuneration of Director : Local Economic Development - Mr AO Pantshwa

Car Allowance	-	23 529
Contributions to UIF, Medical and Pension Funds	-	354
Other allowances	-	180 941
	-	204 824

Mr Pantshwa contract ended on the 30th June 2022.

Remuneration of Director : Human Settlements - Miss GR Tobia

Annual Remuneration	-	503 108
Acting Allowance	-	4 528
Backpay	-	25 659
Contributions to UIF, Medical and Pension Funds	-	1 062
Accrual (backpay)	-	23 568
Other Allowances	-	80 843
	-	638 768

Resigned on the 30th November 2022.

Remuneration of Director: Infrastructure - Mr U Mnqokoyi

Annual Remuneration	1 139 723	721 650
Back pay	-	25 289
Acting Allowance	-	3 068
Contributions to UIF, Medical and Pension Funds	2 125	80 029
Accrual (backpay)	63 737	43 742
Other Allowances	188 733	241 515
	1 394 318	1 115 293

Contract expired 30 September 2022. Re-appointed 01 February 2023 as Director Infrastructure

Remuneration of Director : Public Safety - Mr D Kettledas

Annual Remuneration	223 946	1 250 579
Back pay	-	27 929
Acting Allowance	-	813
Contributions to UIF, Medical and Pension Funds	531	2 125
Accrual (backpay)	11 410	58 137
Other Allowances	103 480	35 365
	339 367	1 374 948

Mr D Kettledas contract expired on the 03 September 2023.

Remuneration of Chief Operating Officer - GR Tobia

Annual Remuneration	1 311 873	744 778
Backpay	-	34 208
Acting Allowance	-	995
Contributions to UIF, Medical and Pension Funds	2 125	1 240
Accrual (Backpay)	63 737	34 208

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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37. Employee related costs (continued)

Other Allowances	17 297	11 356
	1 395 032	826 785

Appointed on the 1st December 2022.

Remuneration of Director: Local and Economic Development - Mr M Mandla

Annual Remuneration	786 416	475 697
Bonus	65 694	-
Contributions to UIF, Medical and Pension Funds	149 767	73 085
Accrual (backpay)	63 712	34 208
Other Allowances	368 360	179 948
	1 433 949	762 938

Appointed on the 1st December 2022.

Remuneration of Director : Community Services - F Guleni

Annual Remuneration	896 426	308 606
Acting Allowance	-	13 862
Backpay	-	19 548
Contributions to UIF, Medical and Pension Funds	2 125	708
Bonus	60 249	-
Other Allowances	375 054	108 588
Backpay (Accrual)	63 178	-
	1 397 032	451 312

Acting as Director Community from 01/07/2022 to 28/02/2023. Appointed 01 March 2023 as Director Community Services

Remuneration of Acting Director Infrastructure - B Gwadiso

Acting Allowance	-	6 785
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Remuneration of Director : Human Settlement - Z Ndzelu

Annual Remuneration	893 848	-
Contributions to UIF, Medical and Pension funds	1 948	-
Other Allowances	48 100	-
Backpay (Accrual)	47 280	-
	991 176	-

Ms Z Ndzelu was appointed as Director Human Settlement from the 15 August 2023.

Remuneration of Director: Public Safety - Mr F Ndinisa

Annual Remuneration	169 476	-
Backpay (Accrual)	8 983	-
Other Allowances	6 941	-
	185 400	-

Mr F Ndinisa was appointed as a Director Public Safety as from 1st May 2024.

Remuneration of Head Protection Services - Mr KK Timakwe

Acting Allowance	10 859	-
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King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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37. Employee related costs (continued)

Mr KK Timakhwe was appointed as Acting Director Public Safety for the following period during the current financial year.
03 September 2023 - 29 February 2024

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
38. Remuneration of councillors		
Executive Mayor - GN Nelani	1 040 254	968 656
Speaker - Siyo-Sokutu	842 114	783 250
Speaker - TG Maqoko (Former)	-	1 280
Chief Whip - Mr B Mlanjeni	792 277	737 528
Chief Whip - Mr M Nyoka (Former)	-	1 280
Executive Committees	8 225 351	8 009 738
Other Councillors	20 700 940	19 196 719
	31 600 936	29 698 451
Executive Mayor - Mr Nelani		
Basic	946 902	920 656
Backpay paid and also due at year end	43 744	3 600
Cellphone	45 600	40 800
Data card	4 008	3 600
	1 040 254	968 656
Speaker - Mrs N Siyo-Sokutu		
Basic	757 521	736 530
Backpay paid and also due at year end	34 985	2 320
Cellphone	45 600	40 800
Data card	4 008	3 600
	842 114	783 250
Speaker (Outgoing) - Miss TG Maqoko		
Backpay paid and also due at year end	-	1 280
Chief Whip - Mr B Mlanjeni		
Basic	710 256	690 808
Backpay paid	32 413	2 320
Cellphone	45 600	40 800
Data card	4 008	3 600
	792 277	737 528
Chief Whip (outgoing) - Mr M Nyoka		
Backpay paid and also due at year end	-	1 280
Executive Councillors		
Basic	7 051 078	7 212 266
Backpay basic	325 569	-
Cellphone	592 600	530 400
Data card	52 104	34 960
Travelling	204 000	204 000
Subsistence allowance	-	28 112
	8 225 351	8 009 738
Other Councillors		
Basic	15 542 926	14 936 941
Backpay	781 002	221 345
Cellphone	2 592 387	2 298 400
Data card	229 078	214 623
Travelling Allowance	1 555 548	1 512 348
Subsistence allowance	-	13 062
	20 700 941	19 196 719

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
38. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and Speaker of the Council have the use of separate Council owned vehicles for official duties.		
39. Depreciation and amortisation		
Property, plant and equipment	242 078 969	259 110 751
Intangible assets	562 963	588 675
	242 641 932	259 699 426
40. Impairment loss		
41. Loss on disposal of assets		
Loss on disposal of assets	739 845	6 777 449
42. Finance costs		
Borrowings	1 548 327	3 554 808
Interest on overdue accounts trade and other payables	17 216 329	8 236 033
Interest on provision for landfill site	1 891 653	1 793 036
	20 656 309	13 583 877
43. Lease rentals on operating lease		
Premises		
Contractual amounts	892 845	1 142 775
Motor vehicles		
Contractual amounts	5 379 872	6 223 641
Equipment and other		
Contractual amounts	3 935 967	4 533 894
	10 208 684	11 900 310
44. Debt impairment		
Debt impairment	58 578 602	21 460 153
45. Debtors written off		
Consumer debt written off	21 722 134	-
The debtor written off relates to an amount that was approved by the Council.		
46. Bulk purchases		
Electricity - Eskom	494 974 097	398 821 615

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
47. Contracted services		
Presented previously		
Information technology services	3 367 536	6 310 846
Specialist Services	6 017 161	4 651 359
Other Contractors	21 928 517	14 517 751
	31 313 214	25 479 956
48. Grants and Subsidies paid		
Other subsidies		
Council ward committees	10 647 500	10 530 000
Ward based budgeting	4 283 360	3 335 525
Other grants	-	29 400
Finance Management Grant	2 218 084	2 563 677
Community participation	4 854 116	4 689 801
Public expense	1 334 047	1 853 420
Expanded Public works program	7 167 412	6 249 029
Ward based budgeting	-	4 135
Indigent Subsidy	21 932 000	32 453 291
Electricity Demand Side	880 917	2 508 801
Grant Expenditure - Human Settlements	251 485	200 778
	53 568 921	64 417 857
49. Transfer of properties/Donation		
Transfer of properties	37 141 286	24 918 969

The transfer of properties relates to properties that have been transferred to beneficiaries for properties that were under the municipal name and for RDP houses.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
50. General expenses		
Advertising	1 482 205	1 071 840
Audit committee expenses	318 628	370 790
Auditors remuneration	9 604 227	11 652 756
Bank charges	1 010 453	1 239 426
Cleaning	5 867 420	6 043 580
Commission paid	2 462 306	2 266 560
Consulting and professional fees	6 385 071	2 722 639
Community cleaning project	8 694 457	4 648 129
Debtors adjustments	3 974 198	5 695 515
Entertainment	1 008 134	978 115
Erven Cleaning Fees	423 969	159 084
Incentive - Prompt Payment	3 806 793	2 954 617
Insurance	7 851 787	5 981 689
Community development and training	6 627 656	2 075 143
Conferences and seminars	2 144 054	2 893 455
Legal fees	11 040 148	16 196 126
Levies	6 363 592	6 148 315
Magazines, books and periodicals	17 789	21 001
Material & Stores	10 090 995	5 095 653
Motor vehicle expenses	1 239 182	1 220 630
Municipal Service Charges	13 322 795	9 673 797
Fuel and oil	11 831 991	16 620 609
Printing and stationery	1 441 390	1 218 445
Promotions and Sponsorships	-	214 850
Repairs and maintenance	117 325 869	114 853 589
Royalties and license fees	6 609 454	2 758 923
Recruitment Expenses	218 755	71 155
Rehabilitation of Tip Sites	-	187 910
Strategic Planning	811 472	646 895
Staff welfare	79 156	78 924
Subscriptions and membership fees	8 567	5 526
Telephone and fax	2 710 208	8 797 048
Training and Accommodation	2 223 805	2 133 797
Tourism Development	132 794	235 861
Subsistence & Travelling	7 434 341	9 844 732
Uniforms	3 971 994	3 387 315
Valuation Roll Expenses	379 820	244 270
Other Expense	5 566 854	3 482 680
	264 482 329	253 891 389
51. Fair value adjustment		
Investment property (Fair value model)	17 997 546	23 535 042
52. Auditors' remuneration		
Fees	9 604 227	11 652 756

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
53. Cash generated from operations		
Deficit	(62 278 707)	(73 959 116)
Adjustments for:		
Depreciation and amortisation	242 641 932	259 699 426
Fair Value adjustments	(17 997 546)	(23 535 042)
Donations/Transfers of properties	37 141 286	-
Finance costs - interest on landfill site (non-cash item)	1 891 653	1 793 036
Impairment loss	-	2 444 464
Debt impairment	58 578 602	21 460 153
Bad debts written off	21 722 134	-
Grants and subsidies received (non-cash item)	-	3 945 726
Loss on disposal of assets	739 845	6 777 449
Employee Cost Non cash item	-	11 174 319
Recoveries	(4 895 353)	-
Items disclosed in other sections	-	774 526
Other non-cash items	-	133 967
Public Contributions and other non cash items	(86 605)	(3 276 132)
Changes in working capital:		
Inventories	768 587	2 987 287
Receivables from exchange transactions	(67 029 211)	(39 842 094)
Movement in provision for debt impairment- receivables from exchange transactions	(67 565 933)	(11 230 604)
Receivables from non-exchange transactions	(27 079 763)	(35 925 758)
Movement in provision for debt impairment - Receivables from non-exchange transactions	4 971 615	(10 434 925)
Insurance Prepayments	(639 562)	(198 218)
Grants included in receivables from non-exchange transactions	-	1 867 428
Payables from non exchange transactions	3 435 598	-
Reclassification of unspent grants	2 574 740	5 695 513
Payables from exchange transactions	52 513 735	56 650 925
VAT Payable	18 264 167	(4 388 461)
Income received from principal agent	(5 080 017)	9 956 659
Unspent conditional grants and receipts	(776 008)	(20 567 810)
Consumer deposits	-	4 685 687
Employee Benefits obligations	(2 101 031)	2 149 000
Donations/Transfers of properties	-	24 918 969
Movement in self insurance reserves	-	160 028
	189 714 158	193 916 402

54. Budget differences

Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and have been explained below.

Service charges:

This is due to Eskom Load shedding resulting to communities and businesses using less units of energy and the possible theft and illegal connections.

Rental of facilities and equipment:

This is due to overbudgeting and challenges tracing customers.

Licence and permits:

Regular loadshedding result to DLTC takes less candidate per session. Also budgtd for Mqanduli DLTC however not yet operating.

Other income:

Due to less receipt received on Department of transport than projected.

Recoveries:

This is due to over collection on insurance recoveries.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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54. Budget differences (continued)

Government Grants and Subsidies:

This is due to human settlement grant not fully spent and Disaster management received towards the end of the financial year.

Fines, Penalties and Forfeits:

This is due to termination of contract which was for traffic management system.

Fair value adjustment:

This is due to fair value adjustment not budgeted for.

Gains/(loss) on disposal of PPE:

This is due to under budgeting for gains on disposal of property, plant and equipment.

Finance costs:

Due to under budgeting for finance costs and interest charged on overdue accounts that was not budgeted for.

Bulk purchases:

The variance is due to a substantial increases in the Municipal Distribution losses resulting from illegal connections and a higher tariff billing applied by Eskom in the winter months..

Contracted services:

Due to under budgeting for contracted services and increase in security services.

Lease rentals on operating lease:

Due to over budgeting on lease rentals with significant savings on leases of printing machinery and Motor vehicle leasing and implementation of the municipal cost containment policy.

Debt impairment:

The variance is due to an implementation of the Municipal debt collection or Revenue Recovery plan that has been fully effective during the current year and disconnections that were conducted by the Municipality.

General expenses:

The variance is due to an increase in the Consumer debt incentive and repairs and maintenance of roads and electricity during the current year.

55. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	141 868 105	170 873 179
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Total capital commitments

Already contracted for but not provided for	141 868 105	170 873 179
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Total commitments

Total commitments

Authorised capital expenditure	141 868 105	170 873 179
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This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
56. Contingencies		
At year end the municipality had the following contingent liabilities.		
Pending litigations and claims		
Disclosure :		
- any any contingent liabilities that the venturer has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other ventures.		
- its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and		
- those contingent liabilities that arise because the venturers is contingently liable for the liabilities of the other venturers of a joint venture.		
Cases		
Claims for damages related to motor vehicles.	1 350 000	2 020 000
Claims for damages arising out of the electrocution, Claims for damages for emotional shock and trauma, funeral expenses, claims for assault, and other claims for damages.	66 976 359	65 408 134
Claims related to unlawful arrests and detentions.	17 527 446	7 245 000
Consolidated container/ caravans matters that were impounded when the Municipality embarked on a clean up campaign.	7 330 000	8 053 446
Labour matters: claims for acting allowance, claims for overtime, labour matters emanating from termination of contracts, alleged unfair dismissal	9 192 004	12 131 500
Land Matters: Land Claims, Eviction proceedings, Demolishing of structures	14 992 000	18 932 000
Tender claims: Contractual: Damages for alleged breach of a contract. Claim for Commission due, owing and payable allegedly flowing from an agreement to reconcile VAT and claim what is due to K.S.D.	3 810 000	1 330 000
Claims made against the municipality: Refusal to access information, Settlement of outstanding Bill , Incorrect Sale of Property, Spoliation applicatons, searching and seizing, no complaine with the court order.	3 766 667	-
Other: Appeals, Awaiting outcomes of the court	7 270 000	-
	132 214 476	115 120 080

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2024	2023
57. Related parties		
Members of key management (Please refer to note 33 for details on members of key management)	N Pakade (Municipal Manager) EF Jiholo (Chief Financial Officer) (Contract expired 30 June 2024) F Guleni (Director Community Services) M Mandla (Director RED) U Mnqokoyi (Director: Technical)Services) SM Nodo (Director Corporate Services)(Contract expired 30 June 2024) Z Ndzelu(Director Human Settlement) F Ndinisa (Director Pubic Safety) GR Tobia (Chief Operating Officer) D Kettledas (Director Public Safety) (Contract expired September 2023)	
Executive Mayor	Cllr. GN Nelani Cllr. N Siyo-Sokutu Cllr. B. Mlanjeni Cllr. M.S Dudumayo Cllr. Z.Nokayi Cllr. Y.R Gwadiso Cllr. N Gwebani Cllr. A Ketse Cllr. N. Sibeko Cllr. S. Nyengane Cllr. M. Marasha Cllr. Z. Gana Cllr. U. Daniso Cllr. A. Msuthu Cllr. B. Mbiyo Cllr. M. Bango Cllr. S.E Mngeni Cllr. N.G Sidlova Cllr. M.S Ngudle Cllr. S. Madyum Cllr. M. Majeke Cllr. N. Matyeba Cllr. N. Jubeni Cllr. S.N Majikija Cllr. N.Nkathu Cllr. N.G Tshaya Cllr. B.Silinga Cllr. M.Makaba Cllr. C.S Tokwana Cllr. S.C Mshunqane Cllr. S. Ratshalala Cllr. J. Roeber Cllr. N. Matubatuba Cllr. Z.L Siziba Cllr. B.Vuma Cllr. M.J Msakeni Cllr. S.Dalasile Cllr. S. Mdunyelwa Cllr. S. Mhlaba Cllr. T.T Mtshakazana Cllr. T.Badli Cllr. L.C Molakalaka Cllr. D.M Teti Cllr. B.Nxeve	
Councillors:		

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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57. Related parties (continued)

Cllr. T.M Gqiba
 Cllr. L. Makhenke
 Cllr. N.V Roji
 Cllr. B. Ndlobongela
 Cllr. F.N Mzimane
 Cllr. M.Bunzana
 Cllr. R. Knock
 Cllr. S. Ngomfela
 Cllr. N.S Tukayi
 Cllr. L.M. Luwaca
 Cllr. M.G Mbutye
 Cllr. K.L. Jozana
 Cllr. M.F Nokwali
 Cllr. S.A Mthayi
 Cllr. M.H Ngxekana
 Cllr. D. Busakwe
 Cllr. A.L Sekese
 Cllr. A. Mgquba
 Cllr. N. Nyoka
 Cllr. N. Matiso
 Cllr. G. Ngqola
 Cllr. D. Ntlabathi
 Cllr. W.C Tukwayo
 Cllr. T. Malefane
 Cllr. S.W Mrawu
 Cllr. M. Mpangele
 Cllr. M. Gadudu
 Cllr. Z. Madyibi
 Cllr. N.Mayi
 Chief I.F Siziba
 Chief N. Mtirara

58. Unauthorised expenditure

Opening balance as previously reported	233 675 396	165 521 158
Add: Unauthorised operating expenditure - current	39 307 623	197 723 397
Less: Unauthorised expenditure - Write off during the year	(197 723 395)	(129 569 159)
Closing balance	75 259 624	233 675 396

Unauthorised expenditure: Budget overspending – per municipal department:

Operating expenditure	Reasons	Total
Corporate Services	Corporate Services: Insurance - Group Life	4 743 664
Budget and Treasury Office	Write off - Kei Fresh Produce, Early Settlement Discount and Municipal Service Charges	29 676 522
Public Safety	Agency Services -Security budget exceeded.	4 887 437
		39 307 623

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
59. Fruitless and wasteful expenditure		
Opening balance as previously reported	8 236 033	4 601 253
Add: Fruitless and wasteful expenditure identified - current	17 216 329	8 236 033
Less: Amount recovered - prior period OCM296/10/22	-	(4 601 253)
Less: Amount written off - current : OCM819/06/24	(8 111 677)	-
Less: Amount written off - OCM780/04/24	(58 115)	-
Less: Amount written off - SCM 880/08/24	(55 959)	-
Less: Amount written off - SCM 880/08/24	(10 280 045)	-
Closing balance	6 946 566	8 236 033

Fruitless and wasteful expenditure was incurred as a result of interest and penalties charged on late payments, the delays in payments due to cashflow challenges currently being experienced by the municipality.

The Fruitless and wasteful expenditure has been referred to the Municipal Council to be written off in accordance with Section 32(2)(b) of the MFMA.

60. Irregular expenditure

Opening balance as previously reported	16 130 131	345 738 989
Add: Irregular expenditure - prior year	25 404 036	8 867 830
Less: Amount written off - current	(7 476 728)	(100 784 882)
Less: Amount written off - prior period	-	(237 691 806)
Closing balance	34 057 439	16 130 131

Details of irregular expenditure - current year

No specification Committee	25 404 036	7 476 728
SCM process not followed	-	1 391 102
	25 404 036	8 867 830

There was no irregular expenditure incurred from awards made in the current year and the irregular expenditure incurred in the current year is as a result of historic contracts which are as follows:

No Specification committee in place (This is recurring and is as a result of the Stedone contract which was awarded in 2010) - R25 404 036.00.

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	6 308 255	6 131 255
Amount paid - current year	(6 308 255)	(6 131 255)
	-	-

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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61. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution losses

During the 2024 financial year the Municipality incurred distribution losses relating to electricity of 15.02% (2023: 15.47%).

Electricity distribution losses in units

Purchases	241 466 731	253 693 042
Own use	(3 441 782)	(3 424 240)
Pre-paid consumer electricity sold	(81 642 426)	(83 840 198)
Conventional consumer billed	(120 116 645)	(127 189 650)
	36 265 878	39 238 954

Units purchased during the year	241 466 731	253 693 042
Units sold during the year	(205 200 853)	(214 454 088)
	36 265 878	39 238 954

Rand per unit	3,33	2.56
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Cost in rands	120 923 876	100 377 462
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Losses are due to the following:

Own consumption

This is the unbilled energy consumed by the municipality in day-to-day operations (areas like offices, depots, workshops) without which the municipality cannot function.

Public lights

KSDM provides its citizens public lighting through streetlights and High mast lights as part of the constitutional mandate of a safe environment.

Traffic signals

The traffic signals are vital for traffic management and pedestrian safety and these dedicated servants need to operate 24/7 and to operate the consume energy.

Defective meters and administrative errors

Some of the meters were installed a long time ago and are thus providing erratic readings. Meter readings and capturing are done manually wherein the possibility of human error is inevitable. Efforts are being made to audit the work and to monitor consumer complaints.

Electricity Theft and illegal connections

There is growing pattern of electricity theft through illegal connections and unauthorised re-connections. This often poses an unsafe environment and increases the load on the network causing power failures.

Meter tempering

Some residents have tempered with their electricity meters resulting to free consumption and or reduced electricity consumption. Others opted to remove the KSDM prescribed meter and install a foreign meter (in KSDM network supply area) which allows the consumer to buy electricity at the reduced rate.

Audit fees

Opening balance	34 101	376 844
Current year subscription / fee	11 044 861	13 400 669
Amount paid - current year	(11 035 114)	(13 743 412)
	43 848	34 101

King Sabata Dalindyebo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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61. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, SDL and UIF

Opening balance	(7 490 929)	(7 473 149)
Current year subscription / fee	95 388 424	84 801 839
Amount paid - current year	(94 271 433)	(84 819 616)
	(6 373 938)	(7 490 926)

Pension and Medical Aid Deductions

Opening balance	9 569 895	4 973 859
Current year subscription / fee	120 993 636	112 641 255
Amount paid - current year	(120 142 784)	(108 045 219)
	10 420 747	9 569 895

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2024 and MFMA S124(1)(b) requires them to be disclosed:

30 June 2023	Outstanding more than 90 days	Total
CLLr Nombulelo Sibeko	4 833	4 833
CLLr Raymond Knock	67	67
	4 900	4 900

62. Deviation from supply chain management regulations

The expenses incurred below are instances of Supply Chain Management deviations reported to the council.

Incidents

Impractical to follow SCM Processes/ Three quotations not obtained	2 530 293	746 903
Sole supplier	2 464 805	5 587 962
	4 995 098	6 334 865

63. Prior period errors

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

King Sabata Dalindyebo Local Municipality

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Figures in Rand	2024	2023	
Statement of financial position - 2023			
	As previously reported	Correction of error	Restated
Receivables from non exchange transactions	109 395 895	1 713 351	111 109 246
VAT Receivable	-	19 462	19 462
VAT Accrual	-	20 703 438	20 703 438
Payables from exchange transactions	(468 921 578)	72 301 198	(396 620 380)
Employee benefit obligation - current liability	-	(64 680 735)	(64 680 735)
Payables from non - exchange transactions	-	(21 098 818)	(21 098 818)
VAT payable	(8 411 498)	8 411 498	-
Unspent conditional grants and receipts	(30 881 023)	8 615 157	(22 265 866)
Provision - current liability	(3 833 000)	3 833 000	-
Employee benefit obligations - non current liability	-	(21 775 000)	(21 775 000)
Provisions - non current liability	(56 168 691)	21 775 000	(34 393 691)
Accumulated surplus	(1 686 499 697)	(29 817 551)	(1 716 317 254)
	(2 145 319 592)	-	(2 145 319 598)
Statement of financial performance - 2023			
	As previously reported	Correction of error	Restated
Government Grants & Subsidies	554 880 729	1 713 351	556 594 080
Employee Related Cost	(547 213 093)	(4 847 621)	552 060 714
Debt impairment	(21 665 529)	205 376	(21 460 153)
General expenses	(254 116 890)	225 501	(253 891 389)
	(268 114 783)	(2 703 393)	833 303 252
Reconciliation of Accumulated Surplus Restated			2022
Unspent conditional grant			8 615 157
VAT Accrual (2022 Debt impairment adjustment)			28 736 697
Payables from Exchange Transactions (2022 Group Life Expenditure not recorded)			(4 684 722)
Payables from Exchange Transactions (2022 Legal Fees Expenditure not recorded)			(146 183)
Total Restated for 01 July 2022			32 520 949

The followings errors adjustments occurred:

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STATEMENT OF FINANCIAL POSITION

Receivables from non exchange transactions

The changes or adjustments made are due to conditional grants expenditure that was paid using municipal own funds but not yet transferred to the municipal by the funder.

VAT Receivable

The VAT was incorrectly offset VAT accruals (related to customers and suppliers) against the VAT control account (payable/receivable from SARS), instead of separately presenting the VAT amounts governed by different standards.

VAT Accrual

The VAT accruals is related to customers and suppliers VAT previously impaired, instead of separately presenting the VAT amounts and the Impaired.

Payables from exchange transactions

The changes or adjustments made are due to legal fees that were received and paid for in the current year relating to previous years and Group Life Insurance that relates to prior years but were however paid in the current year.

Payables from non exchange transactions

The changes or adjustments made are due debtors with credit balances from non exchange transaction that were re allocation from payables from exchange transactions.

VAT

The changes or adjustments made are due to legal fees that were received and paid for in the current year relating to previous years and furthermore VAT was incorrectly offset VAT accruals (related to customers and suppliers) against the VAT control account (payable/receivable from SARS), instead of separately presenting the VAT amounts governed by different standards.

Unspent conditional grants and receipts

The changes are due to grants that were recognised as conditional grants initially in 2012 and 2014 but there was no specific agreements that the funds should be returned to the funder if funds have not been utilised and these have been disclosed under unspent conditional grants since 2012 and 2014 with no movements.

Employee benefits obligations - current liability

The changes are due to a presentation issue of employee benefits such as leave and bonus provision that were previously disclosed under payables from exchange transactions and long term service award that was previously disclosed under provisions in past financial years.

Employee benefits obligations - non current liability

The changes are due to a presentation issue of employee benefits such as leave and bonus provision that were previously disclosed under payables from exchange transactions and long term service award that was previously disclosed under provisions in past financial years.

Provisions - current liability

The changes are due to a presentation issue of long term service award that was previously disclosed under provisions in past financial years.

Provisions - non current liability

The changes are due to a presentation issue of long term service award that was previously disclosed under provisions in past financial years.

Accumulated Surplus

The change in the accumulated surplus is due to all of the changes or movement in prior year as least above in the Statement of Financial Position and the below changes in the Statement of Financial Performance.

STATEMENT OF FINANCIAL PERFORMANCE

Government Grant & Subsidies

The changes or adjustments made are due to conditional grants expenditure that was paid using municipal own funds but not yet transferred to the municipal by the funder, however also recognition of grant income needed to be adjusted for.

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Employee Related Costs

The changes or adjustments made are due to Skill Development Levies that were previously disclosed under General Expenditure and reallocated to Employee Related Costs.

Debt Impairment

The changes or adjustments made are due to the impairment of VAT.

General expenses

The changes or adjustments made are due to legal fees that were received and paid for in the current year relating to previous years and also Skill Development Levies that were previously disclosed under General Expenditure and reallocated to Employee Related Costs.

Statement of Financial Performance

Total revenue	1 565 947 120	-
Total expenditure	(1 665 360 006)	-
Fair value adjustment	23 535 042	-
	(75 877 844)	-

Statement of Financial Performance

Total revenue	1 589 482 162	-
Total expenditure	(1 660 737 886)	-
	(71 255 724)	-

The change was to separate the fair value adjustments from revenue from exchange transactions as it was previously disclosed in the financial statements in order to present the fair value adjustment separately in statement of financial performance to provide users with a clear understanding of the entity's operations. This was to ensure that this is disclosed below the surplus or deficit from operations.

Contributions to organised local government 2023 Restated

Current year subscription / fee	6 308 255	6 131 255
Amount paid - current year	(6 308 255)	(6 131 255)
	-	-

Contributions to organised local government 2023 Previously Reported

Opening balance	5 461 334	5 461 334
Current year subscription / fee	6 131 255	5 423 084
Amount paid - current year	(6 131 255)	(5 423 084)
	5 461 334	5 461 334

The above restatement is due to the fact that the municipality has no outstanding amount owed to Salga, as in the prior years the disclosed balance was never updated correctly after full payment was made.

64. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer and council. The municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's various departments. The accounting officer and council provides written principles for overall risk management, as well as written policies covering specific areas.

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64. Risk management (continued)

Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the effect of discounting is not significant.

At 30 June 2024	Within 1 year	Above 1 to 5 years	Over 5 years	
Trade and other payables	436 709 564	-	-	-
Other financial liabilities	2 135 142	2 135 142	-	-
At 30 June 2023	Within 1 year	Above 1 to 5 years	Over 5 years	
Trade and other payables	381 807 707	-	-	-
Other financial liabilities	2 135 142	4 270 285	-	-
Finance Lease Obligation	6 407 337	116 043	-	-

Liquidity risk is mainly concentrated on the Trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the municipality's investments, loans, receivables, and cash and cash equivalents.

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and limits exposure to any one counter-party in accordance with Council's approved investment policy.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Sales to retail customers are settled in cash or using major credit cards.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

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

Financial instrument	2024	2023
Cash and cash equivalents	56 461 312	58 306 528
Receivables from exchange transactions	169 526 518	102 497 307
Receivables from non exchange transactions	3 022 714	1 823 052

The municipality does not hold any collateral in relation to the financial assets above.

Market risk

Market risk is the risk of change in market prices, such as foreign exchange rates and interest rates, affecting the municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

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64. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from the long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

65. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	169 526 518	169 526 518
Receivables from non exchange transactions	3 022 714	3 022 714
Cash and cash equivalents	56 461 312	56 461 312
	229 010 544	229 010 544

Financial liabilities

	At amortised cost	Total
Other financial liabilities	4 270 284	4 270 284
Trade and other payables from exchange transactions	436 709 564	436 709 564
Trade and other payables from non exchange transactions	24 534 416	24 534 416
	465 514 264	465 514 264

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	102 497 307	102 497 307
Receivables from non-exchange transactions	1 823 052	1 823 052
Cash and cash equivalents	58 306 528	58 306 528
	162 626 887	162 626 887

Financial liabilities

	At amortised cost	Total
Other financial liabilities	6 405 427	6 405 427
Trade and other payables from exchange transactions	381 807 707	381 807 707
Finance Lease obligation	6 523 380	6 523 380
Trade and other payables from non exchange transactions	21 098 818	21 098 818
	415 835 332	415 835 332

66. Events after the reporting date

The municipality is not aware of any events after 30 June 2024 that may have an impact on the financial statements or require disclosure.

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67. Accounting by principals and agents

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

Details of the arrangement are as follows:

The municipality acts as an agent for the Department of Transport whereby it administers the provisioning of motor vehicle licences and registrations as well as driver's licences. It receives compensation for these services based on binding arrangement with the department.

The municipality received funding from the Eastern Cape Department of Human Settlement to build houses on their behalf and thus the municipality is acting as an agent on behalf of the Department

The municipality is the principal or agent. Refer to note 1.21 for significant judgements applied in making this assessment.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 9 029 933 (2023:R 9 319 063).

Additional information

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

Reconciliation of the carrying amount of payables

Category 1 - Motor Vehicle Licences and Registrations

Opening balance	4 894 809	2 194 961
Amounts received on behalf of the principal	54 115 073	57 378 544
Commission received	(9 029 933)	(9 319 063)
Amounts transferred to the principal	(45 548 566)	(45 359 633)
	4 431 383	4 894 809

Category 2 - Principal liability (Human Settlement housing projects)

Opening balance	4 852 597	9 731 633
Fund received from principal	5 948 051	9 956 659
Funds paid on behalf of principal	(10 496 843)	(14 835 695)
	303 805	4 852 597

All categories

Opening balance	9 747 406	11 926 594
Expenses incurred on behalf of the principal	60 063 124	67 335 203
Cash paid on behalf of the principal	(9 029 933)	(9 319 063)
Amounts transferred to the principal	(56 045 409)	(60 195 328)
	4 735 188	9 747 406

Entity as principal (Electricity Vendor system)

Municipality acting as the Principal

The municipality utilises the services of an agent for provision of supply, delivery, installation and commissioning of an online hosted prepayment electricity vending and revenue management system for the King Sabata Dalindyebo (being the principal). These are specialists which are used due to the capacitation of the municipality and it is more cost effective which provide customers easy access to prepaid electricity.

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67. Accounting by principals and agents (continued)

There is a binding arrangement with various vendors getting a 2% commission and the main being Contour Technology (Pty) Ltd getting a 3.5% whereby they act on behalf of the municipality and all terms and conditions are as per the contract and no changes occurred during the period, The total revenue amount collected by the Agents on behalf of the municipality is R171 980 013 (2023:R177 852 780).

Fee paid

Fee paid as compensation to the agent	6 019 300	6 308 812
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68. Going concern

Total assets amounting to R2.8 billion exceed total liabilities balance amounting to R659 million by R2.1 billion the municipality is in a net asset situation. Accumulated surplus for the period is R1.6 billion.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Events, conditions and circumstances that indicate going concern uncertainty:

The current liabilities exceeds the current assets, and the current ratio is 0.91 less than the 1 which is the required norm. The creditors payment period is 164 days exceeding the required norm of 30 days. The net debtor's days is 278 days exceeding the required norm of 60 days. The repairs and maintenance of assets is sitting at 5% which is below the norm of 8%. The electricity distribution losses are sitting at 15.02% which is above the norm of 10%.

The municipality's statement of financial performance indicates a deficit; however, it is noted that there is a decline from R73 million in the previous year to R62 million in the current year.

Based on the above thus, there is a material uncertainty related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Measures taken to warrant going concern

The gross debtors for receivables from non-exchange transactions are sitting at R431 million while gross debtors for receivables from exchange transactions are sitting at R652 million and in total combined are sitting at R1 billion which is almost two times the total current liabilities. The municipality has appointed a debt collector to assist in collecting these debtors and as such this will assist the municipality in future to reduce the current liabilities.

The total assets exceed the total liabilities by R2.1 billion, the municipality is in a net asset situation. In addition, the current liabilities that require settlement amounts to R600 million. The municipality will receive equitable share amounting to R 460 million and R101 million for MIG in terms of the DORA allocation as gazetted in the 2024/25 financial year Division of Revenue Act. Municipality has collected 94% on billed income and 100% on billed electricity.

The municipality will increase efforts to recover the substantial arrears via the tools provided within the municipality's credit policy. The municipality has other potential revenue collection strategies such as allocation of current receipting against historical debt, limited amnesty.

Collections of other service debts via the prepaid system, door to door campaign and debt collection agents. A debt collector was appointed to collect revenue on difficult to collect debtors. The municipality has further procured appointment of three additional disconnection companies, this will assist in reducing R1 billion debtors' balance. Furthermore, the municipality have appointed two meter inspection service providers to curb the high illegal connections, and also considering appointment of additional debt collectors in the current financial year.

The municipality has a number of contingencies listed within the Annual Financial Statements. A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Should a contingent liability translate into an actual liability, the municipality will, if required revisit its current budgets to ensure that the liability is settled as required.

In addition to the above, the municipality plans to finance this shortfall through the following measures:

- Cut backs on discretionary spending

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

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69. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five major service areas: electricity, refuse services, fines and penalties, licence services and rental of facilities and equipment. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were separated for reporting purposes and not aggregated. Other functions are non-segment as they are support services.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

Segments identified above have not been aggregated.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Electrical Services
Segment 2	Refuse (Solid Waste)
Segment 3	Fines and penalties
Segment 4	Licence services
Segment 5	Rentals of facilities and equipment

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69. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Electrical Services	Refuse (Solid Waste)	Non-Segment	Rental of facilities and equipment	Fines and penalties	Community services - Licence and permits services	Total
Revenue							
Revenue from exchange transactions	627 384 736	65 843 997	79 703 824	10 276 426	-	14 226 551	797 435 534
Revenue from non-exchanges transactions	-	-	976 990 358	-	3 390 647	-	980 381 005
Total segment revenue	627 384 736	65 843 997	1 056 694 182	10 276 426	3 390 647	14 226 551	1 777 816 539
Entity's revenue							1 777 816 539
Expenditure							
Employee related costs	34 769 502	27 277 755	485 309 527	10 212 830	18 467 791	14 427 099	590 464 504
Councillors remuneration	-	-	31 600 935	-	-	-	31 600 935
Bulk purchases	494 974 097	-	-	-	-	-	494 974 097
Contracted Services	-	-	31 313 214	-	-	-	31 313 214
Depreciation and Amortisation	-	14 946 247	227 695 685	-	-	-	242 641 932
Finance costs	-	1 891 653	18 764 656	-	-	-	20 656 309
Lease rentals on operating lease	745 002	4 410	9 459 272	-	-	-	10 208 684
Grants and Subsidies paid	-	-	53 568 921	-	-	-	53 568 921
Debt impairment	-	-	58 578 602	-	-	-	58 578 602
General expenses	69 598 747	10 750 747	182 922 170	55 974	530 598	624 093	264 482 329
(Gain)/Loss on disposal	-	-	739 845	-	-	-	739 845
Transfer of properties	-	-	37 141 286	-	-	-	37 141 286
Debtors write off	-	-	21 722 134	-	-	-	21 722 134
Total segment expenditure	600 087 348	54 870 812	1 158 816 247	10 268 804	18 998 389	15 051 192	1 858 092 792
Fair Value Adjustment	-	-	(17 997 546)	-	-	-	(17 997 546)
Total segmental surplus/(deficit)	27 297 388	10 973 185	(84 124 519)	7 622	(15 607 742)	(824 641)	(62 278 707)

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	Electrical Services	Refuse (Solid Waste)	Non-Segment	Rental of facilities and equipment	Fines and penalties	Community services - Licence and permits services	Total
69. Segment information (continued)							-
Assets							
Current asset	-	-	548 569 699	-	-	-	548 569 699
Non-current assets	463 952 600	-	1 828 998 496	-	-	-	2 292 951 096
Total segment assets	463 952 600		2 377 568 195	-	-	-	2 841 520 795
Total assets as per Statement of financial Position							2 841 520 795
Liabilities							
Current liabilities	-	-	(600 928 439)	-	-	-	(600 928 439)
Non-current liabilities	-	-	(58 889 486)	-	-	-	(58 889 486)
Total segment liabilities	-	-	(659 817 925)	-	-	-	(659 817 925)
Total liabilities as per Statement of financial Position							(659 817 925)
2023							
	Electrical Services	Refuse (Solid Waste)	Non-Segment	Rental of facilities and equipment	Fines and penalties	Community Services - Licence and permits services	Total
Revenue							
Revenue from exchange transactions	531 988 026	61 451 970	66 230 395	9 379 805	-	13 865 081	682 915 277
Revenue from non-exchange transactions	-	-	883 165 827	-	1 579 368	-	884 745 195
Total segment revenue	531 988 026	61 451 970	949 396 222	9 379 805	1 579 368	13 865 081	1 567 660 472
Entity's revenue							1 567 660 472

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69. Segment information (continued)

Expenditure

Employee related Cost	36 312 344	26 151 009	449 339 938	8 575 761	17 998 846	13 682 816	552 060 714
Councillors remuneration	-	-	29 698 451	-	-	-	29 698 451
Bulk purchases	398 821 615	-	-	-	-	-	398 821 615
Contracted Services	-	-	25 479 956	-	-	-	25 479 956
Depreciation and Amortisation	-	-	259 699 426	-	-	-	259 699 426
Finance costs	-	1 793 036	11 790 841	-	-	-	13 583 877
Debt Impairment	-	-	21 460 153	-	-	-	21 460 153
Lease rentals on operating lease	686 584	34 500	10 581 787	3 000	-	594 439	11 900 310
General expenses	112 800 091	11 496 181	127 813 094	225 734	896 608	659 681	253 891 389
Grants and Subsidies paid	-	-	64 417 857	-	-	-	64 417 857
Loss on disposal	-	-	6 777 449	-	-	-	6 777 449
Transfer of properties/ donations	-	-	24 918 969	-	-	-	24 918 969
Impairment loss	-	-	2 444 464	-	-	-	2 444 464
Total segment expenditure	548 620 634	39 474 726	1 034 422 385	8 804 495	18 895 454	14 936 936	1 665 154 630
Fair value adjustment	-	-	(23 535 042)	-	-	-	(23 535 042)
Total segmental surplus/(deficit)	(16 632 608)	21 977 244	(61 491 121)	575 310	(17 316 086)	(1 071 855)	(73 959 116)

Assets

Current assets	-	-	485 991 543	-	-	-	485 991 543
Non-current assets	447 189 489	-	1 919 247 639	-	-	-	2 366 437 128
Total segment assets	447 189 489	-	2 405 239 182	-	-	-	2 852 428 671

Total assets as per Statement of financial Position

2 852 428 671

Liabilities

Current Liabilities	-	-	(548 052 590)	-	-	-	(548 052 590)
Non-current Liabilities	-	-	(60 555 019)	-	-	-	(60 555 019)
Total segment liabilities	-	-	(608 607 609)	-	-	-	(608 607 609)

Total liabilities as per Statement of financial Position

(608 607 609)

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

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69. Segment information (continued)

Measurement of Specific segment information

The accounting policies of the respective segments are same as those in the summary of significant accounting policies and therefore the basis of measurement between the segments reporting and the annual financial statements are consistent.

The municipality has no changes to the structure of its internal organisation in a manner that causes the composition of its reportable segments to change from the prior year.

Basis of accounting for transactions between reportable segments

The non-segment included above is the reconciling between the totals of segment revenues, reported segment surplus or deficit, segment assets segment liabilities to the corresponding municipality amounts as per the statement of financial performance and statement of financial position.

Geographic Segment Reporting

Although the municipality operates in a number of geographic areas (i.e. wards) in and around the Mthatha and Mqanduli area, the geographic 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 geographic area.

70. Change in estimate

Property, plant and equipment

In the current period management have revised the estimated useful life of Special Vehicles, Movables Assets, Buildings and Community Assets The effect of this revision has decreased the depreciation charges for the current and future periods by R19 272 865.62 -