

ANNEXURE B



City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2023

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	City
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
Executive Mayor	Cllr: S Ngodwana
Speaker	Cllr: N Tshivhenga
Chief Whip	Ald: J Dlabathi
Members of Mayoral Committee	MMC : Finance ;EPMO;and ICT:Cllr N Dunga MMC: Health & Social Development and SHRAC: Cllr B Thusi MMC: City Planning and Economic Development: Ald N Nkosi MMC: Community Safety;EMPD and DEMS : Cllr S Masuku MMC: Corporate and Shared services; Human Resources; Communications and Brand Management; Strategy; Risk; Legal; Internal Audit; CRM and Service Delivery Coordination: Ald ND Xhakaza MMC: Environment and Waste Management Services: Cllr E Matloga MMC : Human Settlements : Ald M Madihlaba MMC : Infrastructure Services and Real Estate: Cllr K Hollo MMC: Transport Planning and Roads and Stormwater : Cllr A Mngwevu MMC : Water, Sanitation and Energy : Cllr L Manamela
Grading of local authority	The City is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers act, 1998.
City Manager	Dr. I Mashazi 011 999 0760 imogen.mashazi@ekurhuleni.gov.za
Group Chief Financial Officer (GCFO)	Mr. K Lerutla 011 999 1310 kagiso.lerutla@ekurhuleni.gov.za
Registered office	Corner of Rose and Cross Streets Germiston 1400
Business address	Corner of Rose and Cross Streets Germiston 1400
Postal address	Private Bag X69 Germiston 1400
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 11
Appropriation Statement	12 - 15
Accounting Policies	16 - 35
Notes to the Consolidated Annual Financial Statements	35 - 110

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the City as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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


The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the City 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 City and all employees are required to maintain the highest ethical standards in ensuring the City's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the City is on identifying, assessing, managing and monitoring all known forms of risk across the City. While operating risk cannot be fully eliminated, the City 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 consolidated 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 City's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the City has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is responsible for the financial affairs of the City, and she is assisted by the City's Senior management team.

The consolidated annual financial statements set out on page 4 to 109 which have been prepared on the going concern basis, were approved by the accounting officer on 29 February 2024 and were signed on its behalf by:



Accounting Officer
Dr. I Mashazi



Group Chief Financial Officer
Mr. K Lerutla

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2023	2022 Restated*	2023	2022 Restated*
Assets					
Current Assets					
Inventories	11	1,925,986,870	1,864,103,049	1,925,986,870	1,864,103,049
Other Investments	8	899,504,856	125,733,184	890,612,075	117,526,829
Current tax receivable		1,658,713	452,662	-	-
Receivables from exchange transactions	12&14	7,307,971,396	7,776,391,997	7,292,298,102	7,803,873,605
Receivables from non-exchange transactions (Statutory)	13&14	2,226,106,610	1,234,252,694	2,226,106,610	1,234,252,694
Cash and cash equivalents	15	1,114,201,149	1,074,499,030	592,053,671	773,143,249
		13,475,429,594	12,075,432,616	12,927,057,328	11,792,899,426
Non-Current Assets					
Investment property	3	701,261,798	707,429,210	474,528,174	481,699,169
Property, plant and equipment	4	63,072,554,534	62,516,502,603	60,943,427,731	60,315,528,580
Intangible assets	5	1,394,736,313	1,442,040,589	1,389,206,428	1,435,480,363
Heritage assets	6	82,007,433	82,007,433	82,007,433	82,007,433
Investments in controlled entities	7	-	-	100	100
Other Investments	8	12,558,161	721,671,676	12,558,161	721,671,676
Long term receivables	10	19,591,646	19,015,154	4,539,425	4,424,487
		65,282,709,885	65,488,666,665	62,906,267,452	63,040,811,808
Total Assets		78,758,139,479	77,564,099,281	75,833,324,780	74,833,711,234
Liabilities					
Current Liabilities					
Short term liabilities	16	1,890,141,724	997,871,702	1,835,759,689	944,845,717
Trade and other payables from exchange transactions	19	10,892,442,307	10,551,389,922	11,037,011,793	10,693,816,115
Deposits	20	1,133,341,947	1,067,131,981	1,133,341,947	1,067,131,981
Retirement benefit obligation	17	125,668,576	135,058,000	122,484,576	132,572,000
Unspent conditional grants and receipts	21	154,050,781	140,925,476	153,404,176	136,697,380
Provisions	18	1,000,365,238	844,693,450	967,638,520	812,488,324
Finance lease obligation		-	305,462	-	-
		15,196,010,573	13,737,375,993	15,249,640,701	13,787,551,517
Non-Current Liabilities					
Long term liabilities	16	8,425,326,426	9,428,448,075	8,190,018,981	9,139,247,419
Retirement benefit obligation	17	2,086,001,470	1,982,974,581	2,026,322,470	1,939,576,581
Deferred tax	9	16,787,891	25,369,497	-	-
Provisions	18	1,110,330,732	1,028,067,701	1,110,330,732	1,028,067,701
		11,638,446,519	12,464,859,854	11,326,672,183	12,106,891,701
Total Liabilities		26,834,457,092	26,202,235,847	26,576,312,884	25,894,443,218
Net Assets		51,923,682,387	51,361,863,434	49,257,011,896	48,939,268,016
Accumulated surplus		51,848,118,278	51,294,016,393	49,257,011,896	48,939,268,016
		51,848,118,278	51,294,016,393	49,257,011,896	48,939,268,016
Non-controlling interest		75,564,109	67,847,041	-	-
Total Net Assets		51,923,682,387	51,361,863,434	49,257,011,896	48,939,268,016

* See Note 54

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022 Restated*	2023	2022 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	23	29,787,819,610	26,816,087,939	29,793,852,824	26,934,564,790
Rental of facilities and equipment	24	144,954,295	138,731,483	97,911,532	95,559,261
Interest earned on outstanding debtors		1,131,900,996	433,854,228	1,131,900,996	433,854,228
Income from agency services	56	319,731,584	294,477,724	319,731,584	294,477,724
Construction Contract - HSDG	25	30,171,857	132,467,390	30,171,857	113,708,125
Licences and permits		48,983,795	43,261,957	48,983,795	43,261,957
Other income	26	238,590,747	169,908,655	188,269,916	122,787,738
Interest revenue	27	144,968,063	120,116,964	115,038,073	108,478,855
Dividends received		111,753	59,925	-	-
Gains on sale of assets		-	19,143,685	-	19,143,685
Total revenue from exchange transactions		31,847,232,700	28,168,109,950	31,725,860,577	28,165,836,363
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	29	7,841,075,519	7,805,420,006	7,841,075,519	7,805,420,006
Property rates - penalties and collection charges	29	279,449,362	118,606,521	279,449,362	118,606,521
Transfer revenue					
Government grants & subsidies	28	9,490,553,550	8,652,417,704	9,486,868,639	8,644,391,352
Public contributions and donations		179,665,463	127,840,419	179,665,463	127,840,419
Fines		857,009,452	783,575,980	857,009,452	783,575,980
Total revenue from non-exchange transactions		18,647,753,346	17,487,860,630	18,644,068,435	17,479,834,278
Total revenue	22	50,494,986,046	45,655,970,580	50,369,929,012	45,645,670,641
Expenditure					
Employee related costs	30	(9,995,862,772)	(9,686,088,873)	(9,553,363,175)	(9,268,685,162)
Remuneration of councillors	31	(146,095,823)	(145,080,418)	(146,095,823)	(145,080,418)
Depreciation and amortisation	32	(2,793,170,223)	(2,745,699,251)	(2,669,110,395)	(2,633,418,638)
Impairment and derecognition loss	33	(74,368,632)	(42,528,107)	(22,997,709)	(37,574,810)
Finance costs	34	(1,449,487,878)	(1,373,129,250)	(1,412,085,521)	(1,342,741,751)
Debt Impairment	36	(7,599,717,449)	(4,854,125,342)	(7,556,936,407)	(4,819,760,979)
Collection costs		(241,803,580)	(97,283,030)	(241,803,580)	(97,283,030)
Bulk purchases	37	(19,168,207,274)	(18,213,670,162)	(20,214,500,978)	(19,211,895,219)
Contracted services	38	(2,753,049,524)	(2,498,036,683)	(2,753,049,524)	(2,498,036,683)
Grants and subsidies paid	39	(1,220,000,230)	(1,068,675,079)	(1,322,808,630)	(1,231,508,688)
General Expenses	40	(4,497,843,806)	(4,325,883,475)	(4,159,433,389)	(4,128,935,739)
Total expenditure		(49,939,607,191)	(45,050,199,670)	(50,052,185,131)	(45,414,921,117)
Surplus before taxation		555,378,855	605,770,912	317,743,881	230,749,526
Taxation		(6,440,099)	(6,833,658)	-	-
Surplus for the period		561,818,954	612,604,570	317,743,881	230,749,526
Attributable to:					
Owners of the controlling entity		554,101,886	601,226,318	317,743,881	230,749,526
Non-controlling interest		7,717,068	11,378,252	-	-
		561,818,954	612,604,570	317,743,881	230,749,526

* See Note 54

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Figures in Rand				
Economic entity				
Opening balance as previously reported	50,577,308,248	50,577,308,248	56,868,033	50,634,176,281
Adjustments				
Prior year adjustments 54	115,481,827	115,481,827	(399,244)	115,082,583
Balance at 01 July 2021 as restated*	50,692,790,075	50,692,790,075	56,468,789	50,749,258,864
Changes in net assets				
Surplus for the year	601,226,318	601,226,318	11,378,252	612,604,570
Total changes	601,226,318	601,226,318	11,378,252	612,604,570
Restated* Balance at 01 July 2022	51,294,016,393	51,294,016,393	67,847,041	51,361,863,434
Changes in net assets				
Surplus for the year	554,101,885	554,101,885	7,717,068	561,818,953
Total changes	554,101,885	554,101,885	7,717,068	561,818,953
Balance at 30 June 2023	51,848,118,278	51,848,118,278	75,564,109	51,923,682,387
Note(s)				
Controlling entity				
Opening balance as previously reported	48,539,780,520	48,539,780,520	-	48,539,780,520
Adjustments				
Prior year adjustments 54	168,737,970	168,737,970	-	168,737,970
Balance at 01 July 2021 as restated*	48,708,518,490	48,708,518,490	-	48,708,518,490
Changes in net assets				
Surplus for the year	230,749,526	230,749,526	-	230,749,526
Total changes	230,749,526	230,749,526	-	230,749,526
Restated* Balance at 01 July 2022	48,939,268,016	48,939,268,016	-	48,939,268,016
Changes in net assets				
Surplus for the year	317,743,880	317,743,880	-	317,743,880
Total changes	317,743,880	317,743,880	-	317,743,880
Balance at 30 June 2023	49,257,011,896	49,257,011,896	-	49,257,011,896
Note(s)				

* See Note 54

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2023	2022 Restated*	2023	2022 Restated*
Cash flows from operating activities					
Receipts					
Property rates		7,138,776,530	5,568,103,936	7,138,776,530	5,568,103,936
Income from services rendered		24,389,305,731	23,587,980,666	24,460,363,105	23,565,138,971
Grants - operational		7,303,251,483	6,576,783,525	7,375,455,956	6,714,325,866
Grants - capital		2,200,427,373	2,021,004,749	2,128,119,479	1,874,992,729
Interest income		144,968,063	121,411,910	115,038,073	108,478,855
Other receipts		1,274,441,366	894,382,406	1,176,966,025	944,122,051
		42,451,170,546	38,769,667,192	42,394,719,168	38,775,162,408
Payments					
Employee costs		(10,230,312,156)	(10,158,859,788)	(9,799,986,151)	(9,738,500,077)
Suppliers		(26,139,932,043)	(23,944,202,701)	(26,824,760,250)	(24,576,413,513)
Finance costs		(1,088,651,306)	(1,129,679,916)	(1,056,575,949)	(1,103,959,417)
Other payments		(1,684,162,667)	(1,124,797,005)	(1,786,509,511)	(1,291,065,238)
Taxes on surpluses		(3,347,558)	1,770,209	-	-
		(39,146,405,730)	(36,355,769,201)	(39,467,831,861)	(36,709,938,245)
Net cash flows from operating activities	41	3,304,764,816	2,413,897,991	2,926,887,307	2,065,224,163
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(3,034,685,874)	(3,073,530,106)	(2,936,599,621)	(2,918,025,402)
Proceeds from sale of assets	4	-	19,143,685	-	19,143,685
Purchase of investment property	3	(9,728,702)	(26,994,785)	(4,258,186)	(8,235,520)
Purchase of intangible assets	5	(44,717,942)	(112,338,884)	(44,717,942)	(112,229,634)
(Increase)/ decrease in Investments		(64,658,157)	429,785,555	(63,971,731)	430,038,683
Increase in long term receivables		(114,938)	(645,744)	(114,939)	(17,215)
Decrease in investment in controlled entities		-	-	-	6
Net cash flows from investing activities		(3,153,905,613)	(2,764,580,279)	(3,049,662,419)	(2,589,325,397)
Cash flows from financing activities					
Long-term liabilities raised		741,982,950	1,000,000,000	741,982,950	1,000,000,000
Repayment of liabilities		(851,612,729)	(712,592,751)	(800,297,416)	(661,126,378)
Finance lease payments		(305,462)	(1,147,885)	-	-
Net cash flows from financing activities		(111,157,084)	286,259,364	(58,314,466)	338,873,622
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		1,074,499,030	1,138,921,954	773,143,249	958,370,861
Cash and cash equivalents at the end of the year	15	1,114,201,149	1,074,499,030	592,053,671	773,143,249

* See Note 54

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	29,987,305,554	726,775,269	30,714,080,823	28,293,640,850	(2,420,439,973)	58
Construction contracts	126,235,000	53,150,652	179,385,652	30,171,857	(149,213,795)	58
Rental of facilities and equipment	133,858,854	-	133,858,854	144,954,295	11,095,441	58
Interest received (trading)	325,958,077	716,643,384	1,042,601,461	1,131,900,996	89,299,535	58
Agency services	324,758,486	-	324,758,486	319,731,584	(5,026,902)	58
Licences and permits	46,566,165	(2,608,409)	43,957,756	48,983,795	5,026,039	58
Other income - (rollup)	131,680,969	(36,662,966)	95,018,003	238,590,747	143,572,744	58
Interest received - investment	84,359,825	10,977,840	95,337,665	144,968,063	49,630,398	58
Total revenue from exchange transactions	31,160,722,930	1,468,275,770	32,628,998,700	30,352,942,187	(2,276,056,513)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,567,053,276	651,742,736	8,218,796,012	7,841,075,519	(377,720,493)	58
Property rates - penalties imposed	100,694,118	37,078,776	137,772,894	279,449,362	141,676,468	58
Transfer revenue						
Government grants & subsidies	9,672,610,595	(121,505,392)	9,551,105,203	9,490,553,550	(60,551,653)	58
Public contributions and donations	-	-	-	179,665,463	179,665,463	58
Fines, Penalties and Forfeits	988,983,646	-	988,983,646	857,009,452	(131,974,194)	58
Total revenue from non-exchange transactions	18,329,341,635	567,316,120	18,896,657,755	18,647,753,346	(248,904,409)	
Total revenue	49,490,064,565	2,035,591,890	51,525,656,455	49,000,695,533	(2,524,960,922)	
Expenditure						
Personnel	(10,892,749,821)	(82,609,852)	(10,975,359,673)	(9,995,862,772)	979,496,901	58
Remuneration of councillors	(150,932,652)	77,870	(150,854,782)	(146,095,823)	4,758,959	58
Depreciation and amortisation	(2,842,210,754)	(200,000,000)	(3,042,210,754)	(2,793,170,223)	249,040,531	58
Impairment loss/ Reversal of impairments	-	-	-	(74,368,632)	(74,368,632)	58
Finance costs	(1,489,922,883)	15,000,000	(1,474,922,883)	(1,449,487,878)	25,435,005	58
Debt Impairment	(4,703,734,899)	(1,000,000,000)	(5,703,734,899)	(6,731,717,449)	(1,027,982,550)	58
Collection costs	(116,072,235)	(114,391,862)	(230,464,097)	(241,803,580)	(11,339,483)	58
Bulk purchases	(19,110,215,321)	(594,930,249)	(19,705,145,570)	(19,168,207,274)	536,938,296	58
Contracted Services	(2,567,857,426)	(97,228,322)	(2,665,085,748)	(2,753,049,524)	(87,963,776)	58
Transfers and Subsidies	(964,366,067)	96,064,961	(868,301,106)	(593,821,470)	274,479,636	58
General Expenses	(4,050,140,391)	(114,065,353)	(4,164,205,744)	(4,497,843,806)	(333,638,062)	58
Total expenditure	(46,888,202,449)	(2,092,082,807)	(48,980,285,256)	(48,445,428,431)	534,856,825	
Operating surplus	2,601,862,116	(56,490,917)	2,545,371,199	555,267,102	(1,990,104,097)	
Dividends received	-	-	-	111,753	111,753	58
Surplus before taxation	2,601,862,116	(56,490,917)	2,545,371,199	555,378,855	(1,989,992,344)	
Taxation	-	-	-	(6,440,099)	(6,440,099)	58
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,601,862,116	(56,490,917)	2,545,371,199	561,818,954	(1,983,552,245)	

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Figures in Rand

Reconciliation

Basis difference

Revenue on indigents				1,494,178,760		
Excess consumption and other relate expenses on indigents				(1,494,178,760)		

Actual Amount in the Statement of Financial Performance

561,818,954

The revenue on indigent residents relates to the excess consumptions billing to the customers, which the City does not quantify expenses initially as it is unknown at that point, and will be later written-off as expenditure. For budget purposes the revenue and related expenditure thereof are net-off, while on the financial statements, the revenue will be recognised and later be written off as excess consumption or contribution to bad debts.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	30,187,352,268	701,808,584	30,889,160,852	28,299,674,064	(2,589,486,788)	58
Construction contracts - HSDG grant	126,235,000	3,922,556	130,157,556	30,171,857	(99,985,699)	58
Rental of facilities and equipment	82,621,985	4,780,666	87,402,651	97,911,532	10,508,881	58
Interest earned on outstanding debtors	325,958,077	716,643,384	1,042,601,461	1,131,900,996	89,299,535	58
Income from agency services	324,758,486	-	324,758,486	319,731,584	(5,026,902)	58
Licences and permits	46,566,165	(2,608,409)	43,957,756	48,983,795	5,026,039	58
Other income	88,892,593	(34,854,382)	54,038,211	188,269,916	134,231,705	58
Interest revenue	80,064,609	-	80,064,609	115,038,073	34,973,464	58
Total revenue from exchange transactions	31,262,449,183	1,389,692,399	32,652,141,582	30,231,681,817	(2,420,459,765)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,581,352,036	650,000,000	8,231,352,036	7,841,075,519	(390,276,517)	58
Property rates - penalties and collection charges	100,694,118	37,078,776	137,772,894	279,449,362	141,676,468	58
Transfer revenue						
Government grants & subsidies	9,583,202,001	(32,509,234)	9,550,692,767	9,486,868,639	(63,824,128)	58
Public contributions and donations	-	-	-	179,665,463	179,665,463	58
Fines	988,983,646	-	988,983,646	857,009,452	(131,974,194)	58
Total revenue from non-exchange transactions	18,254,231,801	654,569,542	18,908,801,343	18,644,068,435	(264,732,908)	
Total revenue	49,516,680,984	2,044,261,941	51,560,942,925	48,875,750,252	(2,685,192,673)	
Expenditure						
Employee related costs	(10,374,610,339)	(58,834,328)	(10,433,444,667)	(9,553,363,175)	880,081,492	58
Remuneration of councillors	(150,932,652)	77,870	(150,854,782)	(146,095,823)	4,758,959	58
Depreciation and amortisation	(2,731,717,005)	(200,000,000)	(2,931,717,005)	(2,669,110,395)	262,606,610	58
Impairment and derecognition loss	-	-	-	(22,997,709)	(22,997,709)	58
Finance costs	(1,448,133,247)	(64,394)	(1,448,197,641)	(1,412,085,521)	36,112,120	58
Debt Impairment	(4,694,915,545)	(999,473,922)	(5,694,389,467)	(6,688,936,407)	(994,546,940)	58
Collection costs	(116,072,235)	(114,376,862)	(230,449,097)	(241,803,580)	(11,354,483)	58
Bulk purchases	(20,275,233,563)	(610,813,860)	(20,886,047,423)	(20,214,500,978)	671,546,445	58
Contracted Services	(2,491,384,833)	(43,226,695)	(2,534,611,528)	(2,753,049,524)	(218,437,996)	58
Grants and subsidies paid	(982,124,467)	11,014,961	(971,109,506)	(696,629,870)	274,479,636	58
General Expenses	(3,731,008,470)	(124,283,724)	(3,855,292,194)	(4,159,433,389)	(304,141,195)	58
Total expenditure	(46,996,132,356)	(2,139,980,954)	(49,136,113,310)	(48,558,006,371)	578,106,939	
Surplus before taxation	2,520,548,628	(95,719,013)	2,424,829,615	317,743,881	(2,107,085,734)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,520,548,628	(95,719,013)	2,424,829,615	317,743,881	(2,107,085,734)	

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Figures in Rand

Reconciliation

Basis difference

Revenue on indigents				1,494,178,760		
Excess consumption and other relate expenses on indigents				(1,494,178,760)		

Actual Amount in the Statement of Financial Performance

317,743,881

The revenue on indigent residents relates to the excess consumptions billing to the customers, which the City does not quantify expenses initially as it is unknown at that point, and will be later written-off as expenditure. For budget purposes the revenue and related expenditure thereof are net-off, while on the financial statements, the revenue will be recognised and later be written off as excess consumption or contribution to bad debts.

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2023											
Financial Performance											
Property rates	7,667,747,394	688,821,512	8,356,568,906	-		8,356,568,906	8,120,524,881		(236,044,025)	97 %	106 %
Service charges	29,987,305,554	726,775,269	30,714,080,823	-		30,714,080,823	28,293,640,850		(2,420,439,973)	92 %	94 %
Investment revenue	80,064,609	-	80,064,609	-		80,064,609	144,968,063		64,903,454	181 %	181 %
Transfers recognised - operational	7,485,457,953	46,360,431	7,531,818,384	-		7,531,818,384	7,290,126,178		(241,692,206)	97 %	97 %
Other own revenue	1,956,101,413	688,349,849	2,644,451,262	-		2,644,451,262	2,771,454,478		127,003,216	105 %	142 %
Total revenue (excluding capital transfers and contributions)	47,176,676,923	2,150,307,061	49,326,983,984	-		49,326,983,984	46,620,714,450		(2,706,269,534)	95 %	99 %
Employee costs	(10,892,749,821)	(82,609,852)	(10,975,359,673)	-	-	(10,975,359,673)	(9,995,862,772)	-	979,496,901	91 %	92 %
Remuneration of councillors	(150,932,652)	77,870	(150,854,782)	-	-	(150,854,782)	(146,095,823)	-	4,758,959	97 %	97 %
Debt impairment	(4,703,734,899)	(1,000,000,000)	(5,703,734,899)			(5,703,734,899)	(6,731,717,449)	-	(1,027,982,550)	118 %	143 %
Depreciation and asset impairment	(2,842,210,754)	(200,000,000)	(3,042,210,754)			(3,042,210,754)	(2,867,538,855)	-	174,671,899	94 %	101 %
Finance charges	(1,489,922,883)	15,000,000	(1,474,922,883)	-	-	(1,474,922,883)	(1,449,487,878)	-	25,435,005	98 %	97 %
Materials and bulk purchases	(19,110,215,321)	(594,930,249)	(19,705,145,570)	-	-	(19,705,145,570)	(19,168,207,274)	-	536,938,296	97 %	100 %
Transfers and grants	(964,366,067)	97,859,160	(866,506,907)	-	1,794,199	(868,301,106)	(593,821,470)	-	274,479,636	68 %	62 %
Other expenditure	(6,734,070,052)	(327,479,736)	(7,061,549,788)	-	(1,794,199)	(7,059,755,589)	(7,492,696,910)	-	(432,941,321)	106 %	111 %
Total expenditure	(46,888,202,449)	(2,092,082,807)	(48,980,285,256)	-	-	(48,980,285,256)	(48,445,428,431)	-	534,856,825	99 %	103 %
Surplus/(Deficit)	288,474,474	58,224,254	346,698,728	-		346,698,728	(1,824,713,981)		(2,171,412,709)	(526)%	(526)%

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,313,387,642	(114,715,171)	2,198,672,471	-		2,198,672,471	2,200,427,372		1,754,901	100 %	95 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	179,665,463		179,665,463	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,601,862,116	(56,490,917)	2,545,371,199	-		2,545,371,199	555,378,854		(1,989,992,345)	22 %	21 %
Taxation	-	-	-	-		-	(6,440,099)		(6,440,099)	DIV/0 %	DIV/0 %
Attributable to minorities	-	-	-	-		-	7,717,068		7,717,068	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	2,601,862,116	(56,490,917)	2,545,371,199	-		2,545,371,199	554,101,885		(1,991,269,314)	22 %	21 %
Capital expenditure and funds sources											
Total capital expenditure	3,230,980,507	(41,731,629)	3,189,248,878	-		3,189,248,878	3,072,493,189		(116,755,689)	96 %	95 %
Cash flows											
Net cash from (used) operating	1,667,341,949	-	1,667,341,949	-		1,667,341,949	3,304,764,816		1,637,422,867	198 %	198 %
Net cash from (used) investing	(2,014,257,735)	-	(2,014,257,735)	-		(2,014,257,735)	(3,153,905,613)		(1,139,647,878)	157 %	157 %
Net cash from (used) financing	691,384,007	-	691,384,007	-		691,384,007	(111,157,084)		(802,541,091)	(16)%	(16)%
Net increase/(decrease) in cash and cash equivalents	344,468,221	-	344,468,221	-		344,468,221	39,702,119		(304,766,102)	12 %	12 %
Cash and cash equivalents at the beginning of the year	1,881,358,960	-	1,881,358,960	-		1,881,358,960	1,074,499,030		(806,859,930)	57 %	57 %
Cash and cash equivalents at year end	2,225,827,181	-	2,225,827,181	-		2,225,827,181	1,114,201,149		(1,111,626,032)	50 %	50 %

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2023											
Financial Performance											
Property rates	7,682,046,154	687,078,776	8,369,124,930	-		8,369,124,930	8,120,524,881		(248,600,049)	97 %	106 %
Service charges	30,187,352,268	701,808,584	30,889,160,852	-		30,889,160,852	28,299,674,064		(2,589,486,788)	92 %	94 %
Investment revenue	80,064,609	-	80,064,609	-		80,064,609	115,038,073		34,973,464	144 %	144 %
Transfers recognised - operational	7,485,457,953	67,132,335	7,552,590,288	-		7,552,590,288	7,358,749,160		(193,841,128)	97 %	98 %
Other own revenue	1,857,780,952	683,961,259	2,541,742,211	-		2,541,742,211	2,673,982,588		132,240,377	105 %	144 %
Total revenue (excluding capital transfers and contributions)	47,292,701,936	2,139,980,954	49,432,682,890	-		49,432,682,890	46,567,968,766		(2,864,714,124)	94 %	98 %
Employee costs	(10,374,610,339)	(58,834,328)	(10,433,444,667)	-	-	(10,433,444,667)	(9,553,363,175)	-	880,081,492	92 %	92 %
Remuneration of councillors	(150,932,652)	77,870	(150,854,782)	-	-	(150,854,782)	(146,095,823)	-	4,758,959	97 %	97 %
Depreciation and asset impairment	(2,731,717,005)	(200,000,000)	(2,931,717,005)			(2,931,717,005)	(2,692,108,104)	-	239,608,901	92 %	99 %
Debt impairment	(4,694,915,545)	(999,473,922)	(5,694,389,467)	-	-	(5,694,389,467)	(6,688,936,407)	-	(994,546,940)	117 %	142 %
Finance charges	(1,448,133,247)	(64,394)	(1,448,197,641)	-	-	(1,448,197,641)	(1,412,085,521)	-	36,112,120	98 %	98 %
Inventory consumed and bulk purchases	(20,275,233,563)	(610,813,860)	(20,886,047,423)	-	-	(20,886,047,423)	(20,214,500,978)	-	671,546,445	97 %	100 %
Transfers and grants	(982,124,467)	12,809,160	(969,315,307)	-	(1,794,199)	(971,109,506)	(696,629,870)	-	274,479,636	72 %	71 %
Other expenditure	(6,338,465,538)	(283,681,480)	(6,622,147,018)	-	1,794,199	(6,620,352,819)	(7,154,286,493)	-	(533,933,674)	108 %	113 %
Total expenditure	(46,996,132,356)	(2,139,980,954)	(49,136,113,310)	-	-	(49,136,113,310)	(48,558,006,371)	-	578,106,939	99 %	103 %
Surplus/(Deficit)	296,569,580	-	296,569,580	-		296,569,580	(1,990,037,605)		(2,286,607,185)	(671)%	(671)%

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital	2,223,979,048	(95,719,013)	2,128,260,035	-		2,128,260,035	2,128,119,479		(140,556)	100 %	96 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	179,665,463		179,665,463	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,520,548,628	(95,719,013)	2,424,829,615	-		2,424,829,615	317,747,337		(2,107,082,278)	13 %	13 %
Surplus/(Deficit) for the year	2,520,548,628	(95,719,013)	2,424,829,615	-		2,424,829,615	317,747,337		(2,107,082,278)	13 %	13 %
Capital expenditure and funds sources											
Total capital expenditure	3,230,980,508	(200,943,658)	3,030,036,850	-		3,030,036,850	2,985,575,749		(44,461,101)	99 %	92 %
Cash flows											
Net cash from (used) operating	1,293,157,495	-	1,293,157,495	-		1,293,157,495	2,926,887,307		1,633,729,812	226 %	226 %
Net cash from (used) investing	(1,917,372,366)	-	(1,917,372,366)	-		(1,917,372,366)	(3,049,662,419)		(1,132,290,053)	159 %	159 %
Net cash from (used) financing	744,233,479	-	744,233,479	-		744,233,479	(58,314,466)		(802,547,945)	(8)%	(8)%
Net increase/(decrease) in cash and cash equivalents	120,018,608	-	120,018,608	-		120,018,608	(181,089,578)		(301,108,186)	(151)%	(151)%
Cash and cash equivalents at the beginning of the year	1,601,123,973	-	1,601,123,973	-		1,601,123,973	773,143,249		(827,980,724)	48 %	48 %
Cash and cash equivalents at year end	1,721,142,581	-	1,721,142,581	-		1,721,142,581	592,053,671		1,129,088,910	34 %	34 %

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

	Economic entity	Controlling entity
--	-----------------	--------------------

1. Presentation of Consolidated Annual Financial Statements

Basis of Preparation

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

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where otherwise specified.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3, interpretation, guidelines and directives issued by the accounting standard board, read with directive 5 (GRAP Reporting Framework).

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these consolidated annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year consolidated annual financial statements, unless, otherwise specified. Details of any changes in the accounting policies are provided in the note "Changes in accounting policy, where applicable".

The amounts presented in the consolidated financial statements are rounded to the nearest rand.

1.1 Consolidation

Basis of consolidation

Consolidated annual financial statements are the of the economic entity presented as those of a single entity.

The incorporate the of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated Statement of Financial Performance as the surplus or deficit on the disposal of the controlled entity.

An investment in the City is accounted for in accordance with the accounting policy on financial instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the accounting policy on financial instruments.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the non-controlling interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Non-controlling interests in the statement of financial performance of the economic entity is separately disclosed.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.1 Consolidation (continued)

The Controlling entities' operations are not the extension of the City's operations but independent operations. The amounts are consolidated in similar items and not aggregated into the Group's transactions.

1.2 Significant judgements and sources of estimation uncertainty

In the process of applying the City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have significant effect on the amounts recognised in the consolidated annual financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively:

• Going Concern

Management considers key financial metrics and approved medium-term budgets, together with the City's dependency on the grants from national and provincial government, to conclude that the going concern assumptions used in the compilation of its consolidated annual financial statements, is appropriate.

• Operating lease commitments - City as lessor or leases

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease.

• Pension and other post – employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further assumptions and estimates are disclosed in note 17 to the consolidated annual financial statements.

• Cash-generating assets

The City is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of the tariff.

As such, management has determined that the City does not control assets that meet the definition of cash-generating assets, and that the GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the City.

• Impairment of receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. The City first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

• Impairment of property, plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

• Residual value of property, plant and equipment

Management has determined that none of its infrastructure assets have an active market value, and the value of the amount at the end of their useful lives would therefore be insignificant.

• Useful lives of property, plant and equipment and investment property held at cost

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management judgements on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

• Significant delays in assets under construction

The City regards delays in assets under construction of more than three years as significant. Further disclosures are made in notes 3 to 5 to the consolidated annual financial statements.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

• Investment accounted using the cost model

The City has accounted for the investment in Rand airport using the cost model, the City has a 20% shareholding. The reason for accounting this under the cost model is due to the fact the City has not exercised significant control, does not participate in operations or management decision nor serve on the board of directors of the entity.

• Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and assets. Provisions are discounted, where the effect of discounting is material, using cost of capital.

• Traffic 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 City.

• Budget information

A difference of 8% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the consolidated annual financial statements.

• Material losses

Material losses are losses that occur due to factors other than normal production and utilisation, and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. The losses disclosed include that of technical losses and non-technical losses related to water and electricity.

Losses that occur due to normal production and utilisation are classified as production costs and factored into the City's tariffs. They, therefore, do not constitute material losses. If actual production and utilisation losses exceed the normal budgeted production and utilisation losses factored into the tariff, this difference is considered material losses.

• Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

• Service provided on a prepaid basis

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

1.3 Presentation currency

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

1.4 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the City measures an investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Investment property (continued)

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The City depreciates separately each part of an item of investment property that has a cost that is significant in relation to the total cost of the item. A significant part of an item of investment property may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
Property - land	Indefinite
Economic - Property - buildings	14 - 82 years
Controlling - Property - buildings	14 - 80 years

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of retirement or disposal.

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

1.5 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the City; and
- the cost or the fair value 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. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. 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. Servitudes that are acquired with the relevant infrastructure items are capitalised with the relating infrastructure asset when it is an integral part of the asset.

Assets under construction represents capital expenditure incurred on projects not yet completed nor ready for use at period end. Assets under construction are carried at cost.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

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

The City maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

The City depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. Depreciation starts when the asset is available for use. Assets under construction are not depreciated.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	14 - 80 years
Infrastructure	Straight-line	
• Roads and storm water		2 - 100 years
• Pedestrian bridges		10 - 60 years
• Electricity		3 - 100 years
• Water		3 - 100 years
• Sewer		3 - 100 years
• Housing		80 years
• Solid Waste		5 - 100 years
• ICT		5 - 50 years
• Waste water purification works		2 - 82 years
Community	Straight-line	
• Buildings		14 - 80 years
• Recreational facilities		10 - 80 years
• Security		5 - 15 years
• Landfill sites		10 - 80 years
Other property, plant and equipment	Straight-line	
• Furniture and fittings		3 - 45 years
• Water craft		15 years
• Office equipment		3 - 35 years
• Specialised plant and equipment		10 - 26 years
• Other items of plant and equipment		2 - 56 years
• Buildings		20 - 80 years
• Specialised vehicles		3 - 20 years
• Other vehicles		3 - 54 years

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of property, plant and equipment are reviewed at least at every reporting date.

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

The City assesses at each reporting date whether there is any indication that the economic entity 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 economic entity 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 the statement of financial performance 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 the statement of financial performance 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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets and obligations.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the City, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated 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.

Intangible assets are de recognised on disposal, or when no future economic benefits are expected from its use or disposal. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation to intangible assets is provided on a straight line basis as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	1 - 23 years
Servitudes	Straight-line	Indefinite

The gain or loss arising from the derecognition of an intangible asset is recognised in the statement of financial performance when the asset is derecognised.

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

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

1.7 Heritage assets

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations.

The City 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 City, and the cost or fair value of the asset can be measured reliably.

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. The cost of a purchased heritage asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Heritage assets (continued)

Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no definite limit to the period over which a heritage asset is expected to be held by the City. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.

The City de-recognises 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 recognised in the statement of financial performance when the asset is derecognised.

1.8 Investments in controlled entities

Municipal controlled entities are those entities which the City owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the controlling entity's annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments

Financial Instruments

A financial instrument is recognised if the City becomes a party to the contractual provisions of the instrument.

Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with the Standards of GRAP 104 the financial assets of the City are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset.

The City has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Type of financial assets	Classifications
Other investments	Amortised cost
Receivables from exchange	Amortised cost
Cash and cash equivalents	Amortised cost
Long-term receivables	Amortised cost
Other investments (unlisted shares)	Cost
Other investments	Fair value

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measure:

- Financial liabilities measured at amortised cost.

The City has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Type of financial liability	Classifications
Long-term liabilities	Amortised cost
Trade and other-payables from exchange transactions	Amortised cost
Consumer deposits	Amortised cost

Initial recognition

The City recognises a financial asset or a financial liability in its statement of financial position when the City becomes a party to the contractual provisions of the instrument.

The City recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The City measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The City measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost; and
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review at each reporting period.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in the statement of financial performance.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in the statement of financial performance when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The City assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

a) Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly through the use of an allowance account. The amount of the loss is recognised in the statement of financial performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the statement of financial performance.

b) Financial assets measured at cost:

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

Derecognition

a) Financial assets

The City derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the City has transferred all of the significant risks and rewards of ownership using trade date accounting.

On de recognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in the statement of financial performance.

b) Financial liabilities

The City removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of financial performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Gains and losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the City currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the City does not offset the transferred asset and the associated liability.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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. Statutory receivables consists of property rates and traffic fines.

An entity shall recognise statutory receivables as follows:

- (a) if the transaction is an exchange transaction;
- (b) if the transaction is a non-exchange transaction; or
- (c) if the transaction is not within the scope of the Standards of GRAP listed in (a) or (b) 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.

Statutory receivables that meets the definition of an asset shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the fair value of the asset can be measured reliably.

Statutory receivables are included as part of the non-exchange receivables on the face of the Statement of Financial Position in accordance to GRAP 1 Presentation of Financial Statements.

An entity shall derecognise a statutory receivable, or a part thereof, when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived; or
- (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable.

An entity shall measure 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:

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

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

Interest on statutory receivables shall be recognised as revenue.

Statutory receivables are tested for impairment on an annual basis and results thereof will be recognised.

No discounting to the transactions is applied.

If there is objective evidence that there is an impairment loss on statutory receivables, the amount of the loss is measured by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly by adjusting an allowance account. The reversal does not result in a carrying amount of the statutory receivable would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the statement of financial performance.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Inventories

Inventories are assets:

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

Inventories 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 City; and
- the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. The cost of inventory shall comprise of all costs, costs of conversion and other costs, incurred to bringing the inventories to their present location and condition.

Where inventory is acquired by the City for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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

Inventories held for consumption, distribution, consumables stores, raw materials, finished goods and unsold properties, are valued at lower of cost and net replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at weighted average cost at the reporting date based on the water volume in the network on hand.

Redundant and slow-moving inventories are identified and written down to the estimated net realisable value, and are recognised as an expense in the period in which the write-down or loss occurs. Inventories identified for write-down/write-off, but for which a council resolution, to authorise the write-down/write-off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Tax

Current tax assets and liabilities

Controlling entity

The City is exempt from tax in terms of section 10(1)(c)B(i)(ff) of the Income Tax Act.

Economic entity

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Tax (continued)

Tax expenses

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.13 Provisions and contingencies

A provision is recognised when the City has a present obligation (legal or constructive) as a result of a past event and 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 amount of the obligation.

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

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 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.

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.

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

a) COID provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 5.4% (2022: 4.9%) per annum over members' expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.89% (2022: 10.75%).

b) Landfill rehabilitation provision

The landfill rehabilitation provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the statement of financial position date at the cost of capital (time value of money), which is currently 10.89% (2022: 10.75%).

The City has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which the City incurs as a consequence of having used the property during a particular period for landfill purposes. The City estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

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

- a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance; and
- c) if the adjustment results in an addition to the cost of an asset, the City considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If such an indication exists, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in the statement of financial performance.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in the statement of financial performance as they occur.

The periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Construction contracts and receivables

Revenue from the construction contracts arise from grants received on the Human Settlements Development Grants (HSDG) received from the Gauteng Department of Human Settlement for the development and construction of housing units on behalf of the department. The accounting treatment of the grant as a construction revenue is in accordance with the ASB Guide for Housing Arrangements, where the City is responsible for the appointment of contractors (service provide for the construction of these units). Grants funds received will initially be recognised as a grant liability, and realised when the contractor bills the progress payment.

Construction revenue will be realized based on the progress billing by the Contractor (service Provider) for work done to date as certified by the City.

Any unspent funds will remain as part of the unspent grant liability subject to a rollover request from the Gauteng Department of Human Settlement.

No Construction receivable is recognized as funds are received in advance.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

1.15 Impairment of cash-generating assets

The City does not have any cash generating assets, as its primary objective is service delivery, nor can any of its assets be associated with the purpose of making a commercial return.

1.16 Impairment of non-cash-generating assets

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The present value of the remaining service potential of a non-cash-generating asset is determined using the most appropriate of the following approaches depending on the impairment event:

- Depreciated replacement cost approach; or
- Restoration cost approach; or
- Service units approach.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The City assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Designation

At initial recognition, the City designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a City's objective of using the asset.

The City designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

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

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the City expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the City designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

1.17 Employee benefits

The City provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or in the case of non-accumulating absences when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate can be made at the reporting date.

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end, any unused leave days are forfeited six months after the end of leave cycle.

Long services awards

The City offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

Retirement funds

The City contributes to defined contribution and defined benefit funds. These funds are multi-employer funds.

Defined contribution plans

A defined contribution plan is a plan under which the City pays fixed contributions into a separate entity. The City has no legal or constructive obligation to pay further contributions, should the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The City's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees.

Accounting Policies

1.17 Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate.

Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The City recognises all liabilities and all gains and losses.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the City is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

The City does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved.

To the extent that a surplus or deficit in the plan, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the City will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the City is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the City for the remaining portion.

Multi-Employer Benefits Plans

The City participates in a multi-employer benefits plan for the purpose of providing retirement benefits for its employees. The City's accounting treatment of multi-employer benefits plans as defined contribution plans as there is no sufficient information for their treatment as defined benefit plans, and the City's risk is not exposed on any shortfall liability thereof.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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 City 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.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Revenue from exchange transactions (continued)

The City recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the City and when specific criteria have been met for each of the City's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The City bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and are recognised as revenue when billed. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Services provided on prepaid

Various services are provided on a prepaid services in which case there is no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Sale of goods

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

- the City has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the City 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 City;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income from agency services, where the entity acts as an agent, is recognised monthly once the income collected on behalf of principals is earned. The income is recognised in terms of the agency agreement.

Interest

Interest earned on investments is recognised in the statement of financial performance on a time-proportionate basis, which takes into account the effective yield on the investment.

Revenue Recognition of Unclaimed Deposits – exchange revenue

Unclaimed deposits older than one (1) year are recognised as revenue.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the City received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates and Taxes – non-exchange revenue

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

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the City is expected to enforce.

Subsequent to initial recognition and measurement, the City assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and Contributions

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

Transfers and subsidies

Unconditional Grants

Equitable share allocations are recognised in revenue when they are appropriated and received by the City.

Conditional Grants

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

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the City's interest it is recognised as interest earned in the Statement of Financial Performance.

Services Received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Unspent conditional grants and receipts

Amounts received before the related work is performed are included in the statement of financial position as a liability, as unspent conditional grants and receipts.

1.20 Grant-in-aid (expense)

The City annually awards grants to individuals and organisations based on merit. When making these transfers, the City does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the consolidated annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the City. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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.

Finance leases - lessor

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.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by the City in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Accounting by principals and agents

Identification

When an entity is party to a principal-agent arrangement, it shall assess 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 an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

Where an entity 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 in paragraph .25(a) to conclude that it is an agent. Entities shall apply judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal. An entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

1.24 Value Added Tax

The City accounts for value-added tax (VAT) on the payment basis.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, City or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for 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 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 City's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Internal reserves

Included in the accumulated surplus are internal reserves, no separate line items are presented, in accordance with the GRAP reporting framework, but provision is made in the budget process for funding of these reserve. The amounts set aside for these reserves are invested in accordance with the investment policy of the City. The following internal reserves are maintained:

Capital replacement reserve (CRR)

The reserve is created for the replacement of service delivery assets when they reach the end of their economic lives to ensure continue of provision of such services, and to minimise the impact of raising external funding or over reliance on grant funds.

Self-insurance reserve

A self-insurance reserve was established for a self-insurance purpose and to minimize the external insurance costs. The reserve is based on recognised insurance industry principles to complement the external cover provided by insurance companies.

Sinking funds reserve

The reserve is created for the provision of repayments of long-term borrowing raised to funds capital projects, and to meet repayment conditions on such borrowings.

1.29 Segment information

An entity shall report separately information about each segment that has been identified or results from aggregating two or more of those segments.

The segments of the City has been identified as those activities of the City that generate economic benefits or service potential whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing it's performance and for which separate financial information is available.

The City has aggregated some segments in accordance with GRAP 18.

These conditions are required to be met for aggregation of the City's segments:

Share nature of goods and services delivered;
Share class of customer or consumer;
Share methods used to distribute the services or goods;
Share nature of regulatory environment.

Or

May aggregate individually insignificant segments where practical limit of 10 segments has been reached;
The City shall disclose the segment information in the financial statements in accordance with the standard;
The City shall disclose the reportable segments, segment specific disclosures and geographic disclosures as prescribed by the standard.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 Budget information

The approved budget is prepared in accordance with GRAP standards on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of the consolidated annual financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the consolidated annual financial statements.

1.31 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, City Manager, Head of departments and all other managers reporting directly to the City Manager or as designated by the City Manager.

1.32 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).

Reporting date means the date of the last day of the reporting period to which the consolidated annual financial statements relate. The City adjusts the amounts recognised in its consolidated annual financial statements to reflect adjusting events after the reporting date. The City does not adjust the amounts recognised in its consolidated annual financial statements to reflect non-adjusting events after the reporting date.

1.33 Commitments

The City discloses capital expenditure as approved in the budget for each class of capital assets (PPE, investment properties, intangible assets and heritage assets) and as well as future minimum lease payments under non-cancellable operating leases. No commitments are disclosed for operating expenditure as the nature of the contracts "As and when required".

1.34 Going concern

This consolidated annual financial statements have been prepared based on the expectation that the City will continue to operate as a going concern for at least the next 12 months. The City's budget for the next financial year as approved by Council is fully funded.

1.35 Comparative figures

When the presentation or classification of items in the consolidated annual financial statements is amended due to better presentation and/or better understand ability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated*	2023	2022 Restated*

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

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	Unlikely there will be a material impact

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 103 (as revised): Heritage Assets	Not yet set	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet set	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• Improvements to the standards of GRAP (Year 2020)	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity

2023			2022		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
900,324,699	(199,062,901)	701,261,798	890,595,998	(183,166,788)	707,429,210

Investment property

Controlling entity

2023			2022		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
629,664,584	(155,136,410)	474,528,174	625,406,398	(143,707,229)	481,699,169

Investment property

Reconciliation of investment property - Economic entity - 2023

Opening balance	Additions	Transfers from assets under construction	Transfers out of assets under construction	Depreciation	Total
707,429,210	9,728,702	4,258,186	(4,258,186)	(15,896,114)	701,261,798

Investment property

Reconciliation of investment property - Economic entity - 2022

Opening balance	Additions	Transfers from assets under construction	Transfers out of assets under construction	Other changes, movements	Depreciation	Total
696,887,679	26,994,785	8,235,520	(8,235,520)	(264,358)	(16,188,896)	707,429,210

Investment property

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2023

	Opening balance	Additions	Transfers from assets under construction	Transfers out of assets under construction	Transfer (to)/from other changes	Depreciation	Total
Investment property	481,699,169	4,258,186	4,258,186	(4,258,186)	-	(11,429,181)	474,528,174

Reconciliation of investment property - Controlling Entity - 2022

	Opening balance	Additions	Transfers from assets under construction	Transfers out of assets under construction	Transfer (to)/from other changes	Depreciation	Total
Investment property	485,449,971	8,235,520	8,235,520	(8,235,520)	(264,358)	(11,721,964)	481,699,169

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property

Additions	4,258,186	8,235,520	4,258,186	8,235,520
Net of capitalisations and write-off	(4,258,186)	(8,235,520)	(4,258,186)	(8,235,520)
	-	-	-	-

The City has one investment properties project (Clayville Ext 45) which is taking significantly longer to complete as result of termination of contract of service provider due to poor performance. New contractor was appointed from December 2022 to complete the project.

Carrying value of Investment property that is taking a significantly longer period of time to complete than expected

Clayville Ext 45	41,847,522	38,266,031	-	-
------------------	------------	------------	---	---

Other disclosure

Total rental income received on investment property	79,048,983	72,107,490	32,006,220	28,935,268
Disclosure of repairs and maintenance (material and other cost)	14,462,179	52,209,496	10,676,405	46,531,840

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

3. Investment property (continued)

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 City.

No assets of the City were pledged as security and there are no restrictions on the assets's title deeds.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,169,588,122	-	2,169,588,122	2,169,594,189	-	2,169,594,189
Infrastructure	73,411,673,849	(23,760,788,604)	49,650,885,245	70,934,415,101	(21,788,393,413)	49,146,021,688
Community	10,388,293,547	(3,367,928,236)	7,020,365,311	9,817,032,596	(3,078,598,620)	6,738,433,976
Moveable Assets	4,553,565,119	(3,570,084,908)	983,480,211	4,593,996,746	(3,377,449,013)	1,216,547,733
Operational and housing buildings	4,866,736,092	(1,618,500,447)	3,248,235,645	4,719,399,254	(1,473,494,237)	3,245,905,017
Total	95,389,856,729	(32,317,302,195)	63,072,554,534	92,234,437,886	(29,717,935,283)	62,516,502,603

Controlling entity

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,156,570,839	-	2,156,570,839	2,156,576,906	-	2,156,576,906
Infrastructure	70,562,158,007	(22,901,568,183)	47,660,589,824	68,166,290,818	(21,077,764,573)	47,088,526,245
Community	10,388,293,547	(3,367,928,236)	7,020,365,311	9,817,032,596	(3,078,598,620)	6,738,433,976
Moveable Assets	4,368,908,798	(3,471,307,073)	897,601,725	4,420,709,306	(3,295,298,205)	1,125,411,101
Operational and housing buildings	4,815,437,232	(1,607,137,200)	3,208,300,032	4,669,440,615	(1,462,860,263)	3,206,580,352
Total	92,291,368,423	(31,347,940,692)	60,943,427,731	89,230,050,241	(28,914,521,661)	60,315,528,580

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2023

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of asset under construction	Transfers to/(from other assets)	Other changes, movements	Depreciation	Impairment loss	Total
Land	2,169,594,189	-	(6,067)	-	-	-	-	-	-	2,169,588,122
Infrastructure	49,146,021,688	2,589,587,220	(4,794,948)	1,828,982,646	(2,150,010,231)	40,982,099	179,665,461	(1,932,574,588)	(46,974,102)	49,650,885,245
Community	6,738,433,976	222,438,267	(334,263)	384,262,502	(92,892,841)	-	59,755,836	(291,298,166)	-	7,020,365,311
Moveable assets	1,216,547,733	90,284,258	(6,470,990)	16,224,738	(16,224,738)	-	-	(315,483,786)	(1,397,004)	983,480,211
Operational and housing buildings	3,245,905,017	132,376,129	(14,391,257)	53,564,230	(23,906,321)	-	-	(145,312,153)	-	3,248,235,645
	62,516,502,603	3,034,685,874	(25,997,525)	2,283,034,116	(2,283,034,131)	40,982,099	239,421,297	(2,684,668,693)	(48,371,106)	63,072,554,534

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Disposals/derecognition	Transfers from assets under construction	Transfers out of asset under construction	Other Movements	Transfers to/(from other assets)	Depreciation	Impairment loss	Total
Land & buildings	2,144,780,153	-	-	6,900,000	-	-	17,914,036	-	-	2,169,594,189
Infrastructure	48,680,061,344	2,611,509,238	(32,943,087)	2,512,061,311	(2,776,805,881)	127,212,972	(79,964,546)	(1,895,109,663)	-	49,146,021,688
Community	6,581,188,022	182,572,271	(647,038)	399,570,859	(188,139,823)	46,435,067	-	(278,695,253)	(3,850,129)	6,738,433,976
Moveables	1,380,639,182	161,266,602	(5,506,318)	-	-	10,586,022	-	(330,437,755)	-	1,216,547,733
Operational and housing buildings	3,225,521,548	118,022,483	(232,656)	243,645,612	(197,232,104)	-	-	(143,819,866)	-	3,245,905,017
	62,012,190,249	3,073,370,594	(39,329,099)	3,162,177,782	(3,162,177,808)	184,234,061	(62,050,510)	(2,648,062,537)	(3,850,129)	62,516,502,603

Reconciliation of property, plant and equipment - Controlling entity - 2023

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Other movements	Transfer (to)from other assets classes	Depreciation	Impairment loss	Total
Land	2,156,576,906	-	(6,067)	-	-	-	-	-	-	2,156,570,839
Infrastructure	47,088,526,245	2,504,565,151	(4,632,993)	1,685,934,710	(2,006,962,296)	179,665,461	40,982,099	(1,827,488,553)	-	47,660,589,824
Community	6,738,433,976	222,438,267	(334,263)	384,262,502	(92,892,841)	59,755,836	-	(291,298,166)	-	7,020,365,311
Moveable Assets	1,125,411,101	79,757,491	(4,524,386)	-	-	-	-	(303,042,481)	-	897,601,725
Operational and housing buildings	3,206,580,352	129,838,712	(13,499,999)	53,564,228	(23,906,324)	-	-	(144,276,937)	-	3,208,300,032
	60,315,528,580	2,936,599,621	(22,997,708)	2,123,761,440	(2,123,761,461)	239,421,297	40,982,099	(2,566,106,137)	-	60,943,427,731

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling Entity - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Other movement	Transfer (to)from other assets classes	Depreciation	Impairment loss	Total
Land	2,131,762,870	-	-	6,900,000	-	-	17,914,036	-	-	2,156,576,906
Infrastructure	46,661,085,292	2,476,061,804	(29,265,054)	2,270,743,986	(2,535,488,556)	127,212,972	(79,964,546)	(1,801,859,653)	-	47,088,526,245
Community	6,581,188,022	182,572,271	(647,038)	399,570,859	(188,139,823)	46,435,067	-	(278,695,253)	(3,850,129)	6,738,433,976
Moveable Assets	1,294,793,775	141,691,489	(3,592,089)	-	-	10,586,022	-	(318,068,096)	-	1,125,411,101
Operational and housing buildings	3,185,442,535	117,699,838	(220,500)	243,645,614	(197,232,104)	-	-	(142,755,031)	-	3,206,580,352
	59,854,272,494	2,918,025,402	(33,724,681)	2,920,860,459	(2,920,860,483)	184,234,061	(62,050,510)	(2,541,378,033)	(3,850,129)	60,315,528,580

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

The City identified the followings projects deemed to be taking significantly longer to complete, the projects taking longer to complete can be categorised into the following reason, deferred due to budgets constraints (75 projects), 2022 (56 projects). These can also be attributed to adverse economic conditions, failing liquidity position and impact of Covid 19.

The City disclosed the aggregate amount per class as per below:

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Infrastructure	172,640,462	199,044,710	122,618,955	71,858,768
Community	71,562,553	31,704,291	71,562,553	31,704,291
Operational and housing buildings	70,507,161	100,589,006	57,176,525	100,589,006
	314,710,176	331,338,007	251,358,033	204,152,065

Reconciliation of assets under construction Economic entity - 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	5,679,678,638	654,556,783	449,722,598	6,783,958,019
Additions/capital expenditure	2,589,433,140	222,438,266	141,649,066	2,953,520,472
Other movements [transfers to/from other assets]	38,934,986	(315,080)	(13,499,999)	25,119,907
Transferred to completed items	(2,150,010,232)	(92,892,841)	(40,131,063)	(2,283,034,136)
	6,158,036,532	783,787,128	537,740,602	7,479,564,262

Reconciliation of assets under construction Economic entity - 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	5,988,793,197	660,124,335	522,523,563	7,171,441,095
Additions/capital expenditure	2,598,946,979	182,572,271	124,651,639	2,906,170,889
Other movements [transfers to/from other assets]	(131,255,657)	-	(220,500)	(131,476,157)
Transferred to completed items	(2,776,805,881)	(188,139,823)	(197,232,104)	(3,162,177,808)
	5,679,678,638	654,556,783	449,722,598	6,783,958,019

Reconciliation of assets under construction Controlling entity - 2023

	Included within Infrastructure	Included within Community	Included within Operational and housing buildings	Total
Opening balance	5,431,381,000	654,556,783	435,364,535	6,521,302,318
Additions/capital expenditure	2,504,565,151	222,438,266	129,838,712	2,856,842,129
Other movements [transfers to/from other assets]	38,934,986	(315,080)	(13,499,999)	25,119,907
Transferred to completed items	(2,006,962,297)	(92,892,841)	(23,906,325)	(2,123,761,463)
	5,967,918,840	783,787,128	527,796,923	7,279,502,891

Reconciliation of assets under construction Controlling entity - 2022

	Included within Infrastructure	Included within Community	Included within Operational and housing buildings	Total
Opening balance	5,622,063,409	660,124,335	515,117,301	6,797,305,045
Additions/capital expenditure	2,476,061,804	182,572,271	117,699,838	2,776,333,913
Other movements [transfers to/from other assets]	(131,255,657)	-	(220,500)	(131,476,157)
Transferred to completed items	(2,535,488,556)	(188,139,823)	(197,232,104)	(2,920,860,483)
	5,431,381,000	654,556,783	435,364,535	6,521,302,318

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

4. Property, plant and equipment (continued)

Disclosure of repairs and maintenance (material and other costs)

Infrastructure	2,077,790,334	1,857,296,483	1,825,330,419	1,690,766,606
Operational and housing buildings	661,086,674	420,348,434	661,086,674	420,348,434
	2,738,877,008	2,277,644,917	2,486,417,093	2,111,115,040

Other movements and transfers to other assets

The transfer (to)/from movement relates to transfers within the asset categories and out of property, plant and equipment, which were effected as follows, an amount of R40,982,099 (2022: R62,050,514) was transferred out, as follows an amount of R583,200 (2022: R30,908,579) was transferred to Intangible assets and capital spares were bought as part of the project's capital expenditure, which were transferred/received from inventory R41,565,299 (2022: R8,788,227), this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer note 10. The other movement in community assets relates to changes in the provision for landfill for R59,755,836 and the donated assets of R179,665,463.

Additional information

Included in other movement, are additions received from public contributed assets with deemed cost amounts of R179,665,463 (2022: R127,840,419). Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

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 City.

No assets of the City were pledged as security and there are no restrictions on the assets's title deeds.

The City owns living animals which are used to deliver services. However, the cost of these animals are not material and is recognised as part of Other property, plant and equipment and not separately as per GRAP 110, Living and non-living resources.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets

Economic entity

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other Servitudes	1,581,369,683 243,798,639	(430,432,009) -	1,150,937,674 243,798,639	1,535,428,668 243,798,639	(337,186,718) -	1,198,241,950 243,798,639
Total	1,825,168,322	(430,432,009)	1,394,736,313	1,779,227,307	(337,186,718)	1,442,040,589

Controlling entity

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software Servitudes	1,566,325,021 243,798,639	(420,917,232) -	1,145,407,789 243,798,639	1,521,023,879 243,798,639	(329,342,155) -	1,191,681,724 243,798,639
Total	1,810,123,660	(420,917,232)	1,389,206,428	1,764,822,518	(329,342,155)	1,435,480,363

Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Additions	Transfers from assets under construction	Transfers out of WIP register to FAR	Transfer from/to other assets	Amortisation	Total
Computer software, other Servitudes	1,198,241,950 243,798,639	44,717,942 -	9,563,621 -	(9,563,621) -	583,200 -	(92,605,418) -	1,150,937,674 243,798,639
	1,442,040,589	44,717,942	9,563,621	(9,563,621)	583,200	(92,605,418)	1,394,736,313

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of WIP register to FAR	Transfer from/to other assets	Amortisation	Total
Computer software, other	1,136,698,219	112,338,884	(255,918)	81,604,420	(81,604,420)	30,908,579	(81,447,814)	1,198,241,950
Servitudes	243,798,639	-	-	-	-	-	-	243,798,639
	1,380,496,858	112,338,884	(255,918)	81,604,420	(81,604,420)	30,908,579	(81,447,814)	1,442,040,589

Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Additions	Transfers from assets under construction	Transfers out of WIP register to FAR	Transfer from/to other assets	Amortisation	Total
Computer software	1,191,681,724	44,717,942	9,563,621	(9,563,621)	583,200	(91,575,077)	1,145,407,789
Servitudes	243,798,639	-	-	-	-	-	243,798,639
	1,435,480,363	44,717,942	9,563,621	(9,563,621)	583,200	(91,575,077)	1,389,206,428

Reconciliation of intangible assets - Controlling Entity - 2022

	Opening balance	Additions	Transfers from assets under construction	Transfers out of WIP register to FAR	Transfer from/to other class	Amortisation	Total
Computer software	1,128,862,151	112,229,634	81,604,420	(81,604,420)	30,908,580	(80,318,641)	1,191,681,724
Servitudes	243,798,639	-	-	-	-	-	243,798,639
	1,372,660,790	112,229,634	81,604,420	(81,604,420)	30,908,580	(80,318,641)	1,435,480,363

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

5. Intangible assets (continued)

Other information

The transfer amount of R583,200 (2022:R30,908,579) relates to transfers of assets received from property, plant and equipment to intangible assets.

The City did not have any intangible assets/projects taking significantly longer to complete.

Work in progress

Opening balance	98,849,529	68,224,314	98,849,529	68,224,314
Software development incurred during the year	44,717,942	112,229,635	44,717,942	112,229,635
Transfers/capitalisation	(9,563,621)	(81,604,420)	(9,563,621)	(81,604,420)
	134,003,850	98,849,529	134,003,850	98,849,529

Other additional information

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 City.

No assets of the City were pledged as security and there are no restrictions on the assets's title deeds.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets

Economic entity

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	20,216,333	(31,600)	20,184,733	20,216,333	(31,600)	20,184,733
Conservation areas	351,149	-	351,149	351,149	-	351,149
Historical buildings	5,425,362	(1,039,016)	4,386,346	5,425,362	(1,039,016)	4,386,346
Other heritage assets	58,963,039	(1,877,834)	57,085,205	58,963,039	(1,877,834)	57,085,205
Total	84,955,883	(2,948,450)	82,007,433	84,955,883	(2,948,450)	82,007,433

Controlling entity

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	20,216,333	(31,600)	20,184,733	20,216,333	(31,600)	20,184,733
Conservation areas	351,149	-	351,149	351,149	-	351,149
Historical buildings	5,425,362	(1,039,016)	4,386,346	5,425,362	(1,039,016)	4,386,346
Other heritage assets	58,963,039	(1,877,834)	57,085,205	58,963,039	(1,877,834)	57,085,205
Total	84,955,883	(2,948,450)	82,007,433	84,955,883	(2,948,450)	82,007,433

Reconciliation of heritage assets Economic entity - 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	20,184,733	20,184,733
Conservation areas	351,149	351,149
Historical buildings	4,386,346	4,386,346
Other heritage assets	57,085,205	57,085,205
	82,007,433	82,007,433

Reconciliation of heritage assets Economic entity - 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	20,184,733	20,184,733

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets (continued)

Conservation areas	351,149	351,149
Historical buildings	4,386,346	4,386,346
Other heritage assets	57,085,205	57,085,205
	82,007,433	82,007,433

Reconciliation of heritage assets Controlling entity - 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	20,184,733	20,184,733
Conservation areas	351,149	351,149
Historical buildings	4,386,346	4,386,346
Other heritage assets	57,085,205	57,085,205
	82,007,433	82,007,433

Reconciliation of heritage assets Controlling Entity - 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	20,184,733	20,184,733
Conservation areas	351,149	351,149
Historical buildings	4,386,346	4,386,346
Other heritage assets	57,085,205	57,085,205
	82,007,433	82,007,433

Other additional information

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 City.

No assets of the City were pledged as security and there are no restrictions on the assets's title deeds.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

7. Interests in controlled entities

Investments in controlled entities

Name	Economic Entity		Controlling Entity		Economic Entity		Controlling Entity	
	% ownership interest 2023	% ownership interest 2022	% holding 2023	% holding 2022	Carrying amount 2023	Carrying amount 2022	Carrying amount 2023	Carrying amount 2022
East Rand Water Care Company, NPC	- %	- %	97.00 %	97.00 %	-	-	-	-
Ekurhuleni Housing Company	- %	- %	100.00 %	100.00 %	-	-	100	100
					-	-	100	100
					-	-	100	100

8. Other Investments

At cost

Unlisted shares	4,000,000	4,000,000	4,000,000	4,000,000
-----------------	-----------	-----------	-----------	-----------

At amortised cost

Investments
These investments have varying interest rates as well as varying maturity dates.

899,170,236	835,198,505	899,170,236	835,198,505
-------------	-------------	-------------	-------------

At fair value

Old Mutual and Sanlam	8,892,781	8,206,355	-	-
-----------------------	-----------	-----------	---	---

Non-current assets

At cost	4,000,000	4,000,000	4,000,000	4,000,000
At amortised cost	8,558,161	717,671,676	8,558,161	717,671,676
	12,558,161	721,671,676	12,558,161	721,671,676

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated
8. Other Investments (continued)				
Current assets				
At fair value	8,892,781	8,206,355	-	-
At amortised cost	890,612,075	117,526,829	890,612,075	117,526,829
	899,504,856	125,733,184	890,612,075	117,526,829
	912,063,017	847,404,860	903,170,236	839,198,505

Residual interest at cost

Fair value information has not been provided for equity instruments that do not have a quoted market price therefore fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

Rand Airport	4,000,000	4,000,000	4,000,000	4,000,000
20% interest in ordinary shares				

The company's draft financial statements used were for the period ended 28 February 2021 and no audited financial information was received for financial years ending 2016 to 2023.

The company's equity amounted to R603,746,633 represented by share capital of R5,201,000, reserves of R352,115,495 as well as retained income of R246,430,138 as at 28 February 2021. The assets held by the Rand Airport company is represented by various assets and based on the company's information management believe that there is no impairment made in the company, as the value of the various assets has appreciated over the years.

The City has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets for the year ended 2023, as all the financial assets will be disposed of at their redemption date.

Investments with a carrying value of R773,783,749 included in the current assets in the current year and in non-current assets (2022: R717,671,676) are held with the top five banks in South Africa for the repayment of long term liabilities with a carrying value of R800,000,000 (2022: R800,000,000) as disclosed in the long-term liabilities note (note 16). The amount of R800,000,000 (2022:R800,000,000)consists of one bond for which structured deposit sinking funds were established.

None of the investments at amortised cost are past due or impaired.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (as determined by rating agencies) available, or to historical information about counterparty default rates. Investments are only made with South African top five banks.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

9. Deferred tax

Deferred tax asset

Assessed losses	(16,787,891)	(25,369,497)	-	-
-----------------	--------------	--------------	---	---

Reconciliation of deferred tax asset

At beginning of year	(25,369,497)	(31,974,610)	-	-
Leave provision and performance bonus	(736,344)	222,103	-	-
Investment property - market value different to book value	829,336	311,901	-	-
Property, plant and equipment	8,476	8,518	-	-
Operating lease liability	23,387	27,846	-	-
Allowance for impairment	8,456,751	6,034,745	-	-
	(16,787,891)	(25,369,497)	-	-

10. Long term receivables

Non-current receivables	21,787,747	21,178,893	6,735,527	6,588,227
Bad debt provision	(2,196,101)	(2,163,739)	(2,196,101)	(2,163,739)
	19,591,646	19,015,154	4,539,426	4,424,488

The long-term receivables comprises of:

Rental deposits made	R19,591,646 (June 2022 - R19,015,154)
Housing schemes	R2,196,102 (June 2022 - R2,163,740)

11. Inventories

Electrical consumables	643,866,501	555,963,781	643,866,501	555,963,781
Cleansing consumables	7,422,716	2,342,073	7,422,716	2,342,073
Consumable stores	10,889,338	8,561,016	10,889,338	8,561,016
Maintenance materials	13,725,094	38,586,897	13,725,094	38,586,897
Water consumables	31,361,331	40,879,393	31,361,331	40,879,393
Land held as inventory for social housing and development	1,205,811,279	1,205,811,279	1,205,811,279	1,205,811,279
Fuel (Diesel, Petrol)	12,910,611	11,958,610	12,910,611	11,958,610
	1,925,986,870	1,864,103,049	1,925,986,870	1,864,103,049

Inventory written down due to redundancy/obsolescence is valued at R38,099,646 (2022: R0) by way of a provision for obsolete inventories.

The transfer (to)/from movement relates to transfers within asset categories and out of inventory, which were effected as follows R0 (2022:R40,267,742) was received from property, plant and equipment, while an amount of R0 (2022:R17,914,036) was transferred to property, plant and equipment.

Capital spares were bought as part of the project's capital expenditure, which were transferred (from) inventory (R41,565,299) (2022: (R8,788,227)) this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer note 4

Included in the inventory balance is land held for social housing development that has been carried for more than 12 months due to the development of the social housing units taking more than 12 months to complete.	1,205,811,279	1,060,125,648	1,205,811,279	1,060,125,648
--	---------------	---------------	---------------	---------------

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
12. Receivables from exchange transactions				
Consumer debtors - Electricity - Gross	4,620,115,769	4,489,687,521	4,620,115,769	4,489,687,521
Consumer debtors - Electricity - Impairment	(1,509,898,541)	(2,208,587,009)	(1,509,898,541)	(2,208,587,009)
Consumer debtors - Water - Gross	8,331,709,530	10,770,945,430	8,331,709,530	10,770,945,430
Consumer debtors - Water - Impairment	(6,667,739,874)	(8,170,578,979)	(6,667,739,874)	(8,170,578,979)
Consumer debtors - Waste water - Gross	2,397,454,934	2,809,475,172	2,397,454,934	2,809,475,172
Consumer debtors - Waste water - Impairment	(1,848,933,990)	(2,130,625,763)	(1,848,933,990)	(2,130,625,763)
Consumer debtors - Refuse - Gross	1,719,652,631	2,551,517,969	1,719,652,631	2,551,517,969
Consumer debtors - Refuse - Impairment	(1,578,666,331)	(2,039,989,492)	(1,578,666,331)	(2,039,989,492)
Consumer debtors - Other - Gross	261,347,177	212,753,874	261,347,177	212,753,874
Consumer debtors - Other - Impairment	(248,977,108)	(200,989,215)	(248,977,108)	(200,989,215)
Consumer debtors - Interest and sundries - Gross	2,666,765,419	2,770,299,173	2,666,765,419	2,770,299,173
Consumer debtors - Interest and sundries - Impairment	(2,070,382,765)	(2,273,179,529)	(2,070,382,765)	(2,273,179,529)
Pre-paid electricity 3rd party vendors	110,558,129	81,393,974	110,558,129	81,393,974
Other receivables	193,796,805	285,373,692	178,123,511	312,855,300
VAT accruals on outstanding creditors	930,312,419	851,486,239	930,312,419	851,486,239
Operating lease straight-line	857,192	1,341,444	857,192	1,341,444
Allowance other receivables	-	(23,932,504)	-	(23,932,504)
	7,307,971,396	7,776,391,997	7,292,298,102	7,803,873,605
13. Receivables from non-exchange transactions				
Traffic fines - Gross	2,694,227,582	2,149,466,112	2,694,227,582	2,149,466,112
Traffic fines - Impairment	(2,197,709,912)	(1,750,211,616)	(2,197,709,912)	(1,750,211,616)
Property rates debtors - Gross	4,391,455,660	4,316,257,118	4,391,455,660	4,316,257,118
Property rates debtors - Impairment	(2,661,866,720)	(3,481,258,920)	(2,661,866,720)	(3,481,258,920)
	2,226,106,610	1,234,252,694	2,226,106,610	1,234,252,694
Gross fines receivables				
Traffic fines opening balance	2,149,466,112	1,670,332,346	2,149,466,112	1,670,332,346
Fines collected during the year relating to prior years	(53,567,521)	(47,401,204)	(53,567,521)	(47,401,204)
Fines revenue accrued during the year	598,328,992	526,534,970	598,328,992	526,534,970
	2,694,227,583	2,149,466,112	2,694,227,583	2,149,466,112
Impairment -Traffic fines				
Opening balance	(1,750,211,616)	(1,350,493,038)	(1,750,211,616)	(1,350,493,038)
Impairment raised	(447,498,296)	(399,718,579)	(447,498,296)	(399,718,579)
	(2,197,709,912)	(1,750,211,617)	(2,197,709,912)	(1,750,211,617)
	-	-	-	-
	2,226,106,610	1,234,252,694	2,226,106,610	1,234,252,694

Other

Statutory receivables on the face was renamed to receivables from non-exchange transactions, in alignment to GRAP 1, there was no reclassification as the receivables from non-exchange comprises of only statutory receivables .

Credit quality of receivables from non-exchange transactions (statutory)

The credit quality of statutory receivables that are neither past nor due nor impaired can be assessed by previous payments and collection trends, and any other default information.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
14. Consumer debtors disclosure				
Gross balances				
Consumer debtors - Rates	4,391,455,660	4,316,257,118	4,391,455,660	4,316,257,118
Consumer debtors - Electricity	4,620,115,769	4,489,687,521	4,620,115,769	4,489,687,521
Consumer debtors - Water	8,331,709,530	10,770,945,430	8,331,709,530	10,770,945,430
Consumer debtors - Waste water	2,397,454,934	2,809,475,172	2,397,454,934	2,809,475,172
Consumer debtors - Refuse	1,719,652,631	2,551,517,969	1,719,652,631	2,551,517,969
Consumer debtors - Other	261,347,177	212,753,874	261,347,177	212,753,874
Consumer debtors - Interest and sundries	2,666,765,419	2,770,299,173	2,666,765,419	2,770,299,173
	24,388,501,120	27,920,936,257	24,388,501,120	27,920,936,257
Less: Allowance for impairment				
Consumer debtors - Rates	(2,661,866,720)	(3,481,258,920)	(2,661,866,720)	(3,481,258,920)
Consumer debtors - Electricity	(1,509,898,541)	(2,208,587,009)	(1,509,898,541)	(2,208,587,009)
Consumer debtors - Water	(6,667,739,874)	(8,170,578,979)	(6,667,739,874)	(8,170,578,979)
Consumer debtors - Waste water	(1,848,933,990)	(2,130,625,763)	(1,848,933,990)	(2,130,625,763)
Consumer debtors - Refuse	(1,578,666,331)	(2,039,989,492)	(1,578,666,331)	(2,039,989,492)
Consumer debtors - Other	(248,977,108)	(200,989,215)	(248,977,108)	(200,989,215)
Consumer debtors - Interest and sundries	(2,070,382,765)	(2,273,179,529)	(2,070,382,765)	(2,273,179,529)
	(16,586,465,329)	(20,505,208,907)	(16,586,465,329)	(20,505,208,907)
Net balance				
Consumer debtors - Rates	1,729,588,940	834,998,198	1,729,588,940	834,998,198
Consumer debtors - Electricity	3,110,217,228	2,281,100,512	3,110,217,228	2,281,100,512
Consumer debtors - Water	1,663,969,656	2,600,366,451	1,663,969,656	2,600,366,451
Consumer debtors - Waste water	548,520,944	678,849,409	548,520,944	678,849,409
Consumer debtors - Refuse	140,986,300	511,528,477	140,986,300	511,528,477
Consumer debtors - Other	12,370,069	11,764,659	12,370,069	11,764,659
Consumer debtors - Interest and sundries	596,382,654	497,119,644	596,382,654	497,119,644
	7,802,035,791	7,415,727,350	7,802,035,791	7,415,727,350
Included in above is receivables from exchange transactions				
Electricity	3,110,217,228	2,281,100,512	3,110,217,228	2,281,100,512
Water	1,663,969,656	2,600,366,451	1,663,969,656	2,600,366,451
Waste water	548,520,944	678,849,409	548,520,944	678,849,409
Refuse	140,986,300	511,528,477	140,986,300	511,528,477
Housing rental	12,370,069	11,764,659	12,370,069	11,764,659
Interest and sundries	596,382,654	497,119,644	596,382,654	497,119,644
	6,072,446,851	6,580,729,152	6,072,446,851	6,580,729,152
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	1,729,588,940	834,998,198	1,729,588,940	834,998,198
Net balance	7,802,035,791	7,415,727,350	7,802,035,791	7,415,727,350
Rates				
Current (0 -30 days)	470,688,600	502,871,267	470,688,600	502,871,267
31 - 60 days	201,709,321	228,029,033	201,709,321	228,029,033
61 - 90 days	164,703,479	183,077,719	164,703,479	183,077,719
91 - 120 days	3,554,354,260	3,402,279,099	3,554,354,260	3,402,279,099
	4,391,455,660	4,316,257,118	4,391,455,660	4,316,257,118

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
14. Consumer debtors disclosure (continued)				
Electricity				
Current (0 -30 days)	3,024,314,400	2,954,364,915	3,024,314,400	2,954,364,915
31 - 60 days	167,323,141	160,549,604	167,323,141	160,549,604
61 - 90 days	98,540,344	111,553,628	98,540,344	111,553,628
91 - 120 days	1,329,937,884	1,263,219,374	1,329,937,884	1,263,219,374
	4,620,115,769	4,489,687,521	4,620,115,769	4,489,687,521
Water				
Current (0 -30 days)	1,311,521,458	1,029,918,157	1,311,521,458	1,029,918,157
31 - 60 days	386,905,438	403,155,489	386,905,438	403,155,489
61 - 90 days	298,349,329	276,529,164	298,349,329	276,529,164
91 - 120 days	6,334,933,305	9,061,342,620	6,334,933,305	9,061,342,620
	8,331,709,530	10,770,945,430	8,331,709,530	10,770,945,430
Waste water				
Current (0 -30 days)	463,997,191	299,238,635	463,997,191	299,238,635
31 - 60 days	143,153,578	104,747,294	143,153,578	104,747,294
61 - 90 days	108,910,683	71,381,777	108,910,683	71,381,777
91 - 120 days	1,681,393,482	2,334,107,466	1,681,393,482	2,334,107,466
	2,397,454,934	2,809,475,172	2,397,454,934	2,809,475,172
Refuse				
Current (0 -30 days)	93,534,058	132,097,587	93,534,058	132,097,587
31 - 60 days	30,614,535	91,838,144	30,614,535	91,838,144
61 - 90 days	32,620,560	65,775,260	32,620,560	65,775,260
91 - 120 days	1,562,883,477	2,261,806,978	1,562,883,477	2,261,806,978
	1,719,652,630	2,551,517,969	1,719,652,631	2,551,517,969
Housing rental				
Current (0 -30 days)	3,129,942	2,849,579	3,129,942	2,849,579
31 - 60 days	4,646,377	4,140,823	4,646,377	4,140,823
61 - 90 days	4,593,754	4,774,258	4,593,754	4,774,258
91 - 120 days	248,977,105	200,989,214	248,977,105	200,989,214
	261,347,178	212,753,874	261,347,177	212,753,874
Interest and subsidies				
Current (0 -30 days)	103,409,513	122,634,096	103,409,513	122,634,096
31 - 60 days	80,091,029	99,138,487	80,091,029	99,138,487
61 - 90 days	81,251,051	71,017,692	81,251,051	71,017,692
91 - 120 days	2,402,013,827	2,477,508,898	2,402,013,827	2,477,508,898
	2,666,765,420	2,770,299,173	2,666,765,419	2,770,299,173

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated
14. Consumer debtors disclosure (continued)				
Summary of debtors by customer classification				
Residential				
Current (0 -30 days)	2,134,706,290	1,823,750,759	2,134,706,290	1,823,750,759
31 - 60 days	709,220,202	834,598,211	709,220,202	834,598,211
61 - 90 days	594,002,742	585,343,152	594,002,742	585,343,152
91 - 120 days	13,658,326,253	18,270,992,362	13,658,326,253	18,270,992,362
	17,096,255,487	21,514,684,484	17,096,255,488	21,514,684,484
Less: Allowance for impairment	(13,722,500,834)	(16,759,810,629)	(13,722,500,834)	(16,759,810,629)
	3,373,754,653	4,754,873,855	3,373,754,653	4,754,873,855
Industrial/ commercial				
Current (0 -30 days)	3,066,540,575	2,987,433,803	3,066,540,575	2,987,433,803
31 - 60 days	269,876,346	238,412,593	269,876,346	238,412,593
61 - 90 days	181,343,092	186,779,070	181,343,092	186,779,070
91 - 120 days	3,129,601,075	2,498,952,682	3,129,601,075	2,498,952,682
	6,647,361,088	5,911,578,148	6,647,361,088	5,911,578,148
Less: Allowance for impairment	(2,581,601,196)	(3,427,519,250)	(2,581,601,196)	(3,427,519,250)
	4,065,759,892	2,484,058,898	4,065,759,892	2,484,058,898
National and provincial government				
Current (0 -30 days)	128,447,998	124,412,051	128,447,998	124,412,051
31 - 60 days	25,525,982	14,225,523	25,525,982	14,225,523
61 - 90 days	8,401,724	7,082,026	8,401,724	7,082,026
91 - 120 days	58,022,170	35,129,521	58,022,170	35,129,521
	220,397,874	180,849,121	220,397,874	180,849,121
Less: Allowance for impairment	(80,680,480)	(86,703,425)	(80,680,480)	(86,703,425)
	139,717,394	94,145,696	139,717,394	94,145,696
Total				
Current (0 -30 days)	5,468,950,077	5,043,976,000	5,468,950,077	5,043,976,000
31 - 60 days	1,014,443,419	1,091,597,111	1,014,443,419	1,091,597,111
61 - 90 days	788,969,200	784,109,497	788,969,200	784,109,497
91 - 120 days	17,116,138,421	21,001,253,650	17,116,138,421	21,001,253,650
	24,388,501,117	27,920,936,258	24,388,501,117	27,920,936,258
Less: Allowance for impairment	(16,586,465,326)	(20,505,208,908)	(16,586,465,326)	(20,505,208,908)
	7,802,035,791	7,415,727,350	7,802,035,791	7,415,727,350
Less: Allowance for impairment				
Current (0 -30 days)	(1,566,371,617)	(2,935,922,397)	(1,566,371,617)	(2,935,922,397)
31 - 60 days	(714,151,366)	(623,472,545)	(714,151,366)	(623,472,545)
61 - 90 days	(573,638,372)	(524,536,583)	(573,638,372)	(524,536,583)
91 - 120 days	(13,732,303,974)	(16,421,277,382)	(13,732,303,974)	(16,421,277,382)
	(16,586,465,329)	(20,505,208,907)	(16,586,465,329)	(20,505,208,907)

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

14. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(20,505,208,907)	(16,126,582,209)	(20,505,208,907)	(16,126,582,209)
Contributions to allowance	(7,976,253,520)	(4,848,693,063)	(7,976,253,520)	(4,848,693,063)
Debt impairment written off against allowance	11,894,997,098	470,066,365	11,894,997,098	470,066,365
	(16,586,465,329)	(20,505,208,907)	(16,586,465,329)	(20,505,208,907)

The total debtors for June 2023 includes a total of R2,847,557,437 (2022: R2,454,223,529) in respect of the value of revenue emanating from various meter reading cut-off dates at year end. This is an annual occurrence and is adjusted at every financial year end.

Credit quality of consumer debtors

In determining the recoverability of a receivable, the City considers any change in the credit quality of the receivable from the date on which the credit was initially granted, up to the reporting date. The concentration of credit risk is limited but take into consideration the repayments trends and collection rate, as the consumer base is large and unrelated. Accordingly, management believes that further credit provision is required in excess of the present allowance for doubtful debts.

Consumer debtors past due but not impaired

30 Days	3,902,578,460	2,108,053,603	3,902,578,460	2,108,053,603
60 Days	300,292,053	468,124,567	300,292,053	468,124,567
90 Days	215,330,828	259,572,914	215,330,828	259,572,914
90+ Days	3,383,834,450	4,579,976,265	3,383,834,450	4,579,976,265
	7,802,035,791	7,415,727,349	7,802,035,791	7,415,727,349

The ageing of consumer debts impaired

30 Days	1,566,371,617	2,935,922,397	1,566,371,617	2,935,922,397
60 Days	714,151,366	623,472,545	714,151,366	623,472,545
90 Days	573,638,372	524,536,583	573,638,372	524,536,583
90+ Days	13,732,303,973	16,421,277,384	13,732,303,973	16,421,277,384
	16,586,465,328	20,505,208,909	16,586,465,328	20,505,208,909

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	539,042	541,119	538,938	540,601
Bank balances	1,113,662,107	1,068,725,315	591,514,733	772,602,648
Short-term deposits	-	5,232,596	-	-
	1,114,201,149	1,074,499,030	592,053,671	773,143,249

The City has provided bank guarantees to the amount of R2,025,000 (2022: R9,440,797) with regards to special clauses in contracts concluded with various third parties. Most of these conditions have been met, and the guarantees will be cancelled in due course.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
15. Cash and cash equivalents (continued)				
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:				
Cash book balances				
ABSA - ALBERTON DIR BANK	-	-	(0)	-
ABSA - BENONI DIR BANK	(795,607)	(357,584)	(795,607)	(357,584)
ABSA - BENONI INC	777,561	10,345,873	777,561	10,345,873
ABSA - BENONI MASK ACC	(87,018)	(82,000)	(87,018)	(82,000)
ABSA - BOKSBURG DIR BANK	(325,795)	(259,585)	(325,795)	(259,585)
ABSA - BRAKPAN INC	(78,760)	(93,677)	(78,760)	(93,677)
ABSA - EDENVALE DIR BANK	(646,824)	(78,197)	(646,824)	(78,197)
ABSA - EXPEND IMPREST ACC	735,564	1,668,186	735,564	1,668,186
ABSA - GERMISTON DIR BANK	(307,792)	(56,844)	(307,792)	(56,844)
ABSA - KEMPTON PARK DIR BANK	(970,153)	(3,041,230)	(970,153)	(3,041,230)
ABSA - SPRINGS DIR BANK	(215,486)	(758,717)	(215,486)	(758,717)
ABSA - TREASURY ACC	376,804,052	293,931,014	376,804,052	293,931,014
ABSA - PRIMARY BANK ACC	17,638,261	20,613,944	17,638,261	20,613,944
COE ALBERTON INC	434,234	847,994	434,234	847,994
COE BOKSBURG INC	1,501,578	1,892,345	1,501,578	1,892,345
COE BRAKPAN INC	744,939	5,303,749	744,939	5,303,749
COE BUS INCOME	-	-	0	(0)
COE DEPRECIATION RES	610,355	580,789	610,355	580,789
COE EDENVALE INC	554,965	1,016,541	554,965	1,016,541
COE EXTERNAL FUNDING	1,915,395	11,759,460	1,915,395	11,759,460
COE GERMISTON INC	1,090,187	652,464	1,090,187	652,464
COE HOUSING	1,074,161	33,900,758	1,074,161	33,900,758
COE INVESTMENT	3,737,085	76,357,150	3,737,085	76,357,150
COE IRPTN INC	-	-	(0)	(0)
COE KEMPTON PARK INC	1,132,906	2,422,914	1,132,906	2,422,914
COE LEASE INC	(475,558)	-	(475,558)	-
COE LIBR/SWIM INCOME	-	-	-	0
COE LICENSE INC	-	-	(0)	(0)
COE NEDBANK CALL	9,102,369	55,696,525	9,102,369	55,696,525
COE NIGEL DIR BANKING	(4,962)	(55,709)	(4,962)	(55,709)
COE NIGEL INC	236,021	302,477	236,021	302,477
COE PRE-PAID SALES	-	-	(0)	-
COE PRIMARY CALL	6,346,673	20,065,325	6,346,673	20,065,325
COE SALARY	7,648,000	5,517,752	7,648,000	5,517,752
COE SOLID WASTE	-	-	0	0
COE SPRINGS INC	28,025,860	7,966,772	28,025,860	7,966,772
COE SPRINGS MARKET	1,981,348	438,174	1,981,348	438,174
COE TRAFFIC FINES INC	-	-	0	0
COE USDG	1,570,980	21,398,190	1,570,980	21,398,190
E-SIYAKHOKHA MASK ACC	-	2,127,189	-	2,127,189
COE CHARGES ACCOUNT	9,629,579	-	9,629,579	-
FNB - EDENVALE MASK ACC	11,881,661	4,911,949	11,881,661	4,911,949
IRPTN BANK 2	794,888	429,036	794,888	429,036
IRPTN BANK COLLECT	22,305,517	43,970,219	22,305,517	43,970,219
NEDBANK MASK ACC	10,683,230	3,950,744	10,683,230	3,950,744
STANDARD - SPRINGS MASK ACC	10,050,065	1,626,391	10,050,065	1,626,391
TRAFFIC FINES	-	-	0	0
EMM EXPENDITURE ACC (NEDB)	1,111,241	429,050	1,111,241	429,050
CASH ON HAND	539,042	541,119	538,938	540,601
EMM TREASURY ACC (NEDB)	2,676,828	34,719,670	2,676,828	34,719,670
EMM-USDG ACC (NEDB)	-	-	-	(0)
EMM HOUSING ACC (NEDB)	-	-	-	(0)
EMM DEPR RESERVE ACC (NEDB)	-	-	-	0
EMM EXT FUNDING FUND (NEDB)	-	-	-	(0)
EMM PRIMARY BANK ACC (NEDB)	5,295,267	22,161,086	5,295,267	22,161,086
EMM SPRINGS MARKET (NEDB)	-	-	-	0
EMM TRAFFIC FINES COL (NEDB)	23,173	25,537	23,173	25,537
EMM LEASE ACC (NEDB)	-	-	-	0

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
15. Cash and cash equivalents (continued)				
EMM LICENSE (NEDB)	77,914	292,078	77,914	292,078
EMM ALBERTON-INC BANK (NEDB)	-	-	-	(0)
EMM ALBERTON-DIR BANK (NEDB)	1,126,463	925,201	1,126,463	925,201
EMM BENONI-DIR BANK (NEDB)	2,528,364	2,311,467	2,528,364	2,311,467
EMM BENONI-INC BANK (NEDB)	-	(435)	-	(435)
EMM SIYAKHOKHA (NEDB)	5,684,265	66,994,801	5,684,265	66,994,801
EMM BOKSBURG-INC BANK (NEDB)	-	-	-	(0)
EMM BOKSBURG-DIR BANK (NEDB)	5,132,606	2,442,532	5,132,606	2,442,532
EMM SOLID WASTE (NEDB)	-	-	-	(0)
EMM PREPAID SALES (NEDB)	-	-	-	(0)
EMM BRAKPAN-DIR BANK (NEDB)	2,780,277	5,452,246	2,780,277	5,452,246
EMM BRAKPAN-INC BANK (NEDB)	-	-	-	0
EMM EDENVALE-DIR BANK (NEDB)	1,232,341	851,919	1,232,341	851,919
EMM EDENVALE-INC BANK (NEDB)	-	-	-	(0)
EMM GERMISTON-DIR BANK (NED)	3,296,773	2,661,012	3,296,773	2,661,012
EMM GERMISTON-INC BANK (NED)	-	(1,585)	0	(1,585)
EMM KEMPTON-DIR BANK (NEDB)	3,035,902	1,242,992	3,035,902	1,242,992
EMM KEMPTON-INC BANK (NEDB)	-	36,740	(0)	36,740
EMM NIGEL-DIR BANK (NEDB)	5,354,016	4,303,809	5,354,016	4,303,809
EMM LIBRARY ACC (NEDB)	14,862	70,598	14,862	70,598
EMM SPRINGS-DIR BANK (NEDB)	27,044,968	2,773,548	27,044,968	2,773,548
EHC	17,462,774	21,120,276		
ERWAT	504,684,594	280,234,988	-	-
	1,114,201,149	1,074,499,030	592,053,673	773,143,249

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

15. Cash and cash equivalents (continued)

The city had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA BANK - Direct banking Edenvale - 4055442596	-	(78,197)	10,252,304	(646,824)	(78,197)	9,656,383
ABSA BANK - Direct banking Germiston - 250000804	-	(56,843)	25,540,168	(307,792)	(56,843)	24,587,095
ABSA BANK - Direct banking Kempton Park - 260181599	-	(3,041,230)	26,313,919	(970,153)	(3,041,230)	21,580,200
ABSA BANK - Direct banking KLBoksburg - 230000220	-	(259,585)	36,356,065	(325,795)	(259,585)	35,664,271
ABSA BANK - Direct Banking Benoni - 4055328015	-	(357,584)	22,164,047	(795,607)	(357,584)	21,643,168
ABSA BANK - Direct Springs - 280000051	-	(758,717)	29,071,198	(215,486)	(758,717)	28,076,045
ABSA BANK - Expenditure imprest acc - 4055571915	735,564	7,522,445	95,936	735,564	1,668,186	95,936
ABSA BANK - Income Benoni - 4055327394	-	10,345,873	202,876	777,561	10,345,873	202,877
ABSA BANK - Income Boksburg - 230000069	-	-	-	-	-	37,442
ABSA BANK - Income Brakpan - 240000024	-	(93,677)	5,392,580	(78,760)	(93,677)	5,255,898
ABSA BANK - Income Springs - 280000051	-	-	-	-	-	(4,210)
ABSA BANK - Mask Account Benoni- 4065622380	-	(82,000)	-	(87,018)	(82,000)	(199,622)
ABSA BANK - Primary bank Acc - 4053835084	17,638,261	20,613,944	153,393,328	17,638,261	20,613,944	153,393,328
ABSA BANK - Treasury account - 4055571931	376,804,052	293,931,014	49,864,713	376,804,052	293,931,014	49,864,713
Brakpan Income	-	5,303,749	-	744,939	5,303,749	-
COE - Income Alberton - 111-841-0641	-	847,994	-	434,234	847,994	-
COE Boksburg income - 230000255	-	1,892,345	-	1,501,578	1,892,345	-
COE Charges Account	9,629,579	-	-	9,629,579	-	-
COE Depreciation Reserve Account	610,355	580,789	-	610,355	580,789	-
COE EFF account (ex CLF) - 4053834321	1,915,395	11,759,460	-	1,915,395	11,759,460	-
COE Germiston Income Account	-	652,464	-	1,090,187	652,464	-
COE Housing account	1,074,161	33,900,758	-	1,074,161	33,900,758	-
COE Income Edenvale - 4055442546	-	1,016,541	-	554,965	1,016,541	-
COE Income Kempton Park - 260000004	-	2,422,914	-	1,132,906	2,422,914	-
COE Investment Account	3,737,085	76,357,150	-	3,737,085	76,357,150	-
CoE Lease Account Nedbank	-	-	-	(475,558)	-	281,166
COE Nedbank Call Account	9,102,369	-	-	9,102,369	55,696,525	-
COE Nigel Direct Banking	-	(55,709)	-	(4,962)	(55,709)	-
COE Primary Call	6,346,673	20,065,325	-	6,346,673	20,065,325	-
COE Salary Account	7,648,000	5,517,752	-	7,648,000	5,517,752	-
COE Solid Waste account	-	-	-	-	-	322,857
COE Springs Income	-	7,966,772	-	28,025,860	7,966,772	-
COE Springs Market Account	1,981,348	438,174	-	1,981,348	438,174	-
COE USDG Account	1,570,980	21,398,190	-	1,570,980	21,398,190	-
E-Siyakhokha Mask Account	-	2,127,189	3,104	-	2,127,189	3,104
FNB Mask account 62379403745	12,174,718	5,010,179	23,177,816	11,881,661	4,911,949	13,131,454
Income Nigel - 270000010	-	302,477	-	236,021	302,477	-
Nedbank Depreciation Reserve account 1119114780	-	-	576,296	-	-	576,296
Nedbank Dir banking Kempton Park	3,272,964	1,723,640	-	3,035,902	1,242,992	1,844,541
Nedbank Direct banking Alberton	1,126,463	925,201	-	1,126,463	925,201	1,167,463
Nedbank Direct banking Benoni	2,626,549	3,317,810	-	2,528,364	2,311,467	6,066,237

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity				Controlling entity	
	2023		2022 Restated		2023	2022 Restated
15. Cash and cash equivalents (continued)						
Nedbank Direct banking Boksburg	5,337,008	3,192,853	-	5,132,606	2,442,532	4,370,948
Nedbank Direct banking Brakpan	2,911,919	5,550,780	-	2,780,277	5,452,246	933,742
Nedbank Direct banking Edenvale	1,375,456	1,012,629	-	1,232,341	851,919	1,208,638
Nedbank Direct banking Germiston	3,301,127	2,661,512	-	3,296,773	2,661,012	3,782,625
Nedbank direct banking Nigel	5,382,959	4,608,986	-	5,354,016	4,303,809	15,282,612
Nedbank Direct banking Springs	27,132,396	-	-	27,044,968	2,773,548	2,725,611
Nedbank E-Siyakhokha	4,849,632	65,957,313	-	5,684,265	66,994,801	2,860,047
Nedbank Expenditure account	1,111,241	429,050	(19,937,795)	1,111,241	429,050	(287,154,674)
1119114829						
Nedbank External Funding Fund	-	-	79,399,834	-	-	79,399,834
1119114772						
Nedbank Housing account	-	-	257,350,134	-	-	257,350,134
1119114799						
Nedbank Income Alberton	-	-	-	-	-	3,033,712
Nedbank Income Benoni	-	-	-	-	(435)	4,215,766
Nedbank Income Boksburg	-	-	-	-	-	4,517,513
Nedbank Income Brakpan	-	-	-	-	-	2,408,223
Nedbank Income Edenvale	-	-	-	-	-	1,307,246
Nedbank Income Germiston	-	(1,585)	-	-	(1,585)	2,830,192
Nedbank Income Kempton Park	-	(30)	-	-	36,740	3,850,833
Nedbank Income Nigel	-	-	-	-	-	629,698
Nedbank Income Springs	-	3,093,627	-	-	-	10,960,097
Nedbank IRPTN Bank 2 Funding	794,888	429,036	1,000,174	794,888	429,036	1,000,163
1119114845						
Nedbank IRPTN Transport - collection 1120949068	22,305,517	43,970,219	22,338,949	22,305,516	43,970,219	22,338,949
Nedbank Library Account	14,862	70,598	-	14,862	70,598	211,561
Nedbank License account	77,914	292,078	-	77,914	292,078	3,711,896
Nedbank Mask account 1104446634	10,683,230	3,950,744	831,083	10,683,230	3,950,744	831,083
Nedbank Pre paid account	-	-	-	-	-	11,173,283
Nedbank Primary Bank account	5,295,267	22,161,086	36,888,786	5,295,267	22,161,086	36,888,786
1119114764						
Nedbank Salary account	-	-	7,215,709	-	-	7,215,709
1119114837						
Nedbank Springs Market account	-	-	780,770	-	-	780,770
1119114853						
Nedbank Traffic Fines account	23,173	25,537	-	23,173	25,537	508,526
Nedbank Treasury account	2,676,828	34,719,670	283,344,000	2,676,828	34,719,670	283,344,000
1119114810						
Nedbank USDG account	-	-	97,392,378	-	-	97,392,378
1119114802						
Petty Cash and Floats	-	-	-	538,940	540,601	568,714
Standard bank mask account	10,050,064	1,662,683	4,672,261	10,050,065	1,626,391	4,645,607
ERWAT Current account	410,930,844	214,828,335	147,799,607	410,930,844	214,828,335	148,030,298
ERWAT Salary account	93,753,756	65,406,652	2,883,639	93,753,756	65,406,652	2,883,639
EHC Current account 4052348660	10,705,218	334,639	886,085	10,705,218	334,639	886,085
EHC Call account 4078340070	2,485,371	2,360,015	2,309,131	2,485,371	2,360,015	2,309,131
EHC Current account 4099270252	913,567	5,849,581	10,741,671	913,567	5,849,581	10,741,671
EHC Current account 4099506067	4,532	401,259	5,311,430	4,532	401,259	5,311,430
EHC Current account 4050383636	575,993	2,757,326	25,983	575,993	2,757,326	25,983
EHC Call account 4078340151	1,671,373	1,590,410	1,559,200	1,671,373	1,590,410	1,559,200
EHC Call 32 Days 676886622010	-	5,232,596	7,624,252	-	5,232,596	7,624,252
EHC Current account 4101506844	1,106,594	2,594,348	-	1,106,594	2,594,348	-
EHC Current account 4102528398	126	104	-	126	104	-
BBC Absa Current account	-	-	793,502	-	-	1,142,974
BBC Absa Money market account	-	-	30,284	-	-	(9,441)
BBC Nedbank Current account	-	-	1,117,810	-	-	31,553
Petty Cash and Floats	-	518	14,300	-	518	14,315
Total	1,083,465,369	1,026,299,176	1,334,777,527	1,114,201,049	1,074,499,032	1,138,921,954

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
16. Long-term liabilities				
Designated at fair value				
Bank loan - Nedbank Interest rate - JIBAR plus 2.32%. The loan is secured and repayable in bi-annual instalments.	277,615,137	319,504,879	-	-
Bank loan - DBSA COE - interest on the DBSA loans varies from 9.985% and 11.55%. These bullet and annuity loans are unsecured. Capital will be repaid by means of a once-off for bullet loans at redemption date and by means of semi-annual instalments for annuity loans. Redemption date vary between September 2031 and May 2034.	5,434,276,971	4,924,105,520	5,434,276,971	4,924,105,520
Bank loan - Nedbank Interest rates on the loan is 10.27%. The loan is unsecured. The loan shall be repaid by not later than the termination date and shall be repaid in semi-annual instalments, redemption date: June 2034.	860,189,751	901,063,595	860,189,751	901,063,595
Bank loan - ABSA Interest rates on the loan is 11.68%. The loan is unsecured. The loans shall be repaid in semi-annual instalments. Redemption dates between February 2025 and May 2025.	205,430,842	291,882,375	205,430,842	291,882,375
Bank loan - INCA (Unsecured) Interest rate is 5% (2019, 8%) per annum. The loan is repayable in bi-annual instalments and unsecured. Redeemable 28 June 2024.	12,074,343	22,721,758	-	-
Municipal bonds Interest rates on the JSE CoE bonds vary between 9.155% and 11.80 % per annum. Redemption dates on these bonds vary between July 2020 and July 2032.	3,525,881,110	3,967,041,650	3,525,881,110	3,967,041,650
	10,315,468,154	10,426,319,777	10,025,778,674	10,084,093,140
Non-current liabilities				
At amortised cost	8,425,326,426	9,428,448,075	8,190,018,981	9,139,247,419
Current liabilities				
At amortised cost	1,890,141,724	997,871,702	1,835,759,689	944,845,717

Encumbered investments

An investment with a carrying value of R773,783,749 included in the current assets in the current year and in non-current assets (2022: R717,671,676) are held with the top five banks in South Africa for the repayment of long term liabilities with a carrying value of R800,000,000 (2022: R800,000,000) as disclosed in the other investments note (note 8). The amount of R800,000,000 consist of a bond for which structured deposit (sinking funds) was established.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

17. Retirement benefit obligations

Retirement Funds

The City provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable. The City contributes to defined contribution and defined benefit funds. These funds are multi-employer funds.

The council took a resolution in terms of an agreement with SALGA that the contribution rate to pension funds will be capped at 18% of salaries for new members joining pension funds after 1 July 2012 and also that the deducted contribution will only be transferred to defined contribution pension funds.

Defined Contribution Funds

Where an employee has rendered services to the City during the year, the City recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The City does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principals involved. The City contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956 due to the nature of these funds and the fact that there is no consistent and reliable basis for allocating the obligation. Plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25, the total contributions are included in employee related costs, Note 28. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds. The City's participation in these plans is limited to the obligation of its own employees. Due to the nature of the funds, the obligation for each fund cannot be reasonably determined.

The following funds have been treated as defined contribution plans although they are defined benefit funds:

1. Joint Municipal Pension Fund

The average contribution rate payable is 9% by the members and on average 22% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed in September 2021 certified that the fund is in a sound financial state. The City of Ekurhuleni has 64 employees in this plan.

2. Municipal Employees Pension Fund

The average contribution rate payable is 7.5% by the members. The City of Ekurhuleni contributes 22% and 18% of members who existed as at 30 June 2012 and 01 July 2012, respectively. The last actuarial valuation on this fund was performed in February 2017 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 1078 employees in this plan.

3. South African Local Authorities Pension Fund

The average contribution rate payable is 9% by the members and on average 22.78% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed as at 1 July 2021 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 50 employees in this plan.

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined benefit fund for certain pensioners under the old rules taken in the rules of the fund. During 2005 GMRF outsourced the full administration of the pensioners component which relates to the old rules of the defined benefit fund.

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the City will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

4. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to provisions note (note 17) for leave pay provision.

Retirement benefit obligation (medical aid plan)

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

17. Retirement benefit obligations (continued)

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the City is associated, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the City for the remaining portion.

The number of employees who are eligible for post-retirement benefits as at 30 June 2023 are 12,132 (2022: 12,030) in-service employees and 2,019 (2022: 1,961) pensioners. The actuarial valuation was performed by Deloitte and Touche by applying the Projected Unit Funding method.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(2,211,670,046)	(2,118,032,581)	(2,148,807,046)	(2,072,148,581)
Non-current liabilities	(2,086,001,470)	(1,982,974,581)	(2,026,322,470)	(1,939,576,581)
Current liabilities	(125,668,576)	(135,058,000)	(122,484,576)	(132,572,000)
	(2,211,670,046)	(2,118,032,581)	(2,148,807,046)	(2,072,148,581)

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

Opening balance	(2,118,032,581)	(2,207,649,581)	(2,072,148,581)	(2,163,476,581)
Benefits paid	110,842,099	105,846,000	108,266,749	103,510,000
Net expense recognised in the statement of financial performance	(204,479,564)	(16,229,000)	(184,925,214)	(12,182,000)
	(2,211,670,046)	(2,118,032,581)	(2,148,807,046)	(2,072,148,581)

Net expense recognised in the statement of financial performance

Current service cost	67,716,743	(73,048,000)	(66,450,743)	(71,859,000)
Interest cost	255,859,252	(238,081,000)	(250,532,252)	(233,414,000)
Actuarial (gains) losses	(119,096,431)	294,900,000	132,057,781	293,091,000
	204,479,564	(16,229,000)	(184,925,214)	(12,182,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.91 %	12.49 %	12.91 %	12.49 %
Health care cost inflation rate	9.02 %	8.43 %	9.02 %	8.43 %

Key Demographic Assumptions

Average retirement age for the City	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%
Mortality tables	SA 85/90
Mortality post-retirement for pensioners	PA90

Withdrawal from service

Age	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	-%	-%

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

17. Retirement benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in the statement of financial performance. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Medical inflation (service cost and interest cost)	49,956,579	47,902,625	38,298,579	39,220,625
Medical inflation (liability)	2,258,730,778	2,165,233,575	2,187,105,778	2,109,586,575
Valuation interest rate (service cost and interest cost)	217,371,819	260,904,466	208,641,819	249,287,466
Valuation interest rate (liability)	1,996,070,380	2,469,505,665	1,940,165,380	2,398,094,665

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	(2,148,807,046)	(2,072,148,581)	(2,163,476,581)	(2,130,088,581)	(2,058,871,581)
(Deficit)	(2,148,807,046)	(2,072,148,581)	(2,163,476,581)	(2,130,088,581)	(2,058,871,581)
Experience adjustments on plan	(219,308,394)	(291,345,000)	(322,960,929)	(17,870,000)	(18,863,000)

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

18. Provisions

Reconciliation of provisions - Economic entity - 2023

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COLD provision	20,102,732	5,098,384	(1,815,152)	-	-	23,385,964
Other provisions	989,277	96,787	(69,766)	-	-	1,016,298
Bonus provision	55,458,400	8,972,873	(2,968,760)	-	-	61,462,513
Leave provision	669,340,618	239,387,244	(133,759,139)	(13,644,659)	-	761,324,064
Landfill rehabilitation provision	468,753,705	59,089,273	-	-	51,047,278	578,890,256
Long service awards	559,784,964	41,015,316	(9,501,378)	(112,995,430)	53,930,042	532,233,514
GMRF	100,500,452	51,882,909	-	-	-	152,383,361
	1,874,930,148	405,542,786	(148,114,195)	(126,640,089)	104,977,320	2,110,695,970

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COLD provision	21,214,307	-	(1,111,575)	-	-	20,102,732
Other provisions	1,279,015	128,662	(418,400)	-	-	989,277
Bonus provision	53,624,806	21,344,009	(19,510,415)	-	-	55,458,400
Leave provision	652,055,317	298,055,378	(268,641,670)	(14,297,404)	-	667,171,621
Landfill rehabilitation provision	383,869,085	43,618,693	-	-	41,265,927	468,753,705
Long service awards	542,873,265	39,756,104	(10,978,180)	(53,421,918)	41,555,693	559,784,964
GMRF	100,500,452	-	-	-	-	100,500,452
	1,755,416,247	402,902,846	(300,660,240)	(67,719,322)	82,821,620	1,872,761,151

Reconciliation of provisions - Controlling entity - 2023

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COLD provision	20,102,732	5,098,384	(1,815,152)	-	-	23,385,964
Bonus provision	52,711,768	8,972,873	(222,128)	-	-	61,462,513
Leave provision	639,173,372	209,376,264	(118,142,954)	-	-	730,406,682
Landfill rehabilitation provision	468,753,705	59,089,273	-	-	51,047,278	578,890,256
Long service awards	559,313,996	40,222,278	(9,030,410)	(112,995,430)	53,930,042	531,440,476
GMRF	100,500,452	51,882,909	-	-	-	152,383,361
	1,840,556,025	374,641,981	(129,210,644)	(112,995,430)	104,977,320	2,077,969,252

Reconciliation of provisions - Controlling Entity - 2022

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COLD provision	21,214,307	-	(1,111,575)	-	-	20,102,732
Bonus provision	51,808,672	20,413,511	(19,510,415)	-	-	52,711,768
Leave provision	617,349,491	271,294,418	(249,470,537)	-	-	639,173,372
Landfill rehabilitation provision	383,869,085	43,618,693	-	-	41,265,927	468,753,705
Long service awards	542,413,828	38,917,054	(10,150,661)	(53,421,918)	41,555,693	559,313,996
GMRF	100,500,452	-	-	-	-	100,500,452
	1,717,155,835	374,243,676	(280,243,188)	(53,421,918)	82,821,620	1,840,556,025

Non-current liabilities	1,110,330,732	1,028,067,701	1,110,330,732	1,028,067,701
Current liabilities	1,000,365,238	844,693,450	967,638,520	812,488,324
	2,110,695,970	1,872,761,151	2,077,969,252	1,840,556,025

COLD provision

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

18. Provisions (continued)

This provision is made for future expected outflows as a result of the City's obligation to contribute towards occupational injuries with various employees in the old Benoni and Germiston local municipalities. The discount rate used in determining the present value of the obligation is 10.89% (2022:10.75%) and the salary increase rate assumption used for the increase in expenses/contributions is 5.4% (2022: 4.9%).

Leave and bonus provision

The liability is based on the total accrued leave days at year end, which includes section 57 employees. The bonus is performance based, and is dependent on a performance assessment. The timing of both the leave and bonus is uncertain.

Landfill rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. The discounting rate is 10.89% (2022:10.75%). The timing of outflow is uncertain, as well as relating amounts due to discounting and charges in inflation rates.

The net result of the re-estimation had the following effect on the current year amounts:

Increase/(decrease) in the cost of property, plant and equipment R59,755,836 (2022: increase of R46,435,065)

Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R666,564 (2022:R2,816,372)

Long service awards provision

An actuarial valuation for 2023 was performed by Deloitte and Touche.

Discount rate used 10.73% (2022: 10.41%)

CPI used: 7.39% (2022: 7.76%)

Salary increase rate used: 6.39% (2022: 8.76%)

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

18. Provisions (continued)

GMRF provision

The provision relates to claims against the City, instituted by the Germiston Municipal Retirement Fund in terms of the pension fund's rules where the required investments yields were not achieved. The timing of the outflow is uncertain, as well as the related amount due to changes in interest charges.

19. Trade and other payables from exchange transactions

Maintenance guarantees: new township development infrastructure	5,058,266	4,988,539	5,058,266	4,988,539
Other payables	397,929,934	638,326,743	637,063,206	863,368,185
Receipts in advance	938,865,414	910,536,569	938,865,414	910,536,569
Retentions	1,063,489,954	1,053,729,404	1,065,694,191	1,053,729,404
Trade payables	7,663,721,985	7,166,322,338	7,566,953,962	7,083,707,089
Unclaimed salaries	13,323,596	9,449,484	13,323,596	9,449,484
VAT balance on outstanding debtors	713,812,321	764,489,274	713,812,321	764,489,274
VAT payables	96,240,837	3,547,571	96,240,837	3,547,571
	10,892,442,307	10,551,389,922	11,037,011,793	10,693,816,115

20. Deposits

Consumer deposits - electricity and water	1,133,341,947	1,067,131,981	1,133,341,947	1,067,131,981
---	---------------	---------------	---------------	---------------

Guarantees in lieu of electricity and water deposits is R184,758,045 (2022: R158,172,972).

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

HIV/AIDS	3,676,577	-	3,676,577	-
Finance Management Grant (FMG)	-	127,100	-	127,100
Human Settlements Development Grant (HSDG)	91,279,699	121,451,556	91,279,699	121,451,556
Public Transport Network Grant (PTNG)	-	113,256	-	113,256
Neighbourhood Development Partnership Grant (PEP)	58,447,900	-	58,447,900	-
Neighbourhood Development Partnership Grant (NDPG)	-	7,960,477	-	7,960,477
Informal Settlement Upgrading Partnership Grant (ISUPG)	-	7,044,991	-	7,044,991
SHRA	646,605	4,228,096	-	-
	154,050,781	140,925,476	153,404,176	136,697,380

Movement during the period

Balance at the beginning of the year	140,925,476	195,554,905	136,697,387	191,770,138
Additions during the year	9,536,659,629	8,671,176,968	9,536,659,629	8,703,865,182
Income recognition during the year	(9,520,621,967)	(8,724,967,933)	(9,517,040,483)	(8,758,099,469)
Surrendered/Appropriated	(2,912,357)	(838,464)	(2,912,357)	(838,471)
	154,050,781	140,925,476	153,404,176	136,697,380

See note 28 for reconciliation of all grants.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
22. Revenue				
Service charges	29,787,819,610	26,816,087,939	29,793,852,824	26,934,564,790
Construction contracts	30,171,857	132,467,390	30,171,857	113,708,125
Rental of facilities and equipment	144,954,295	138,731,483	97,911,532	95,559,261
Interest earned - outstanding debtors	1,131,900,996	433,854,228	1,131,900,996	433,854,228
Income from agency services	319,731,584	294,477,724	319,731,584	294,477,724
Licences and permits	48,983,795	43,261,957	48,983,795	43,261,957
Other income	238,590,747	169,908,655	188,269,916	122,787,738
Interest revenue	144,968,063	120,116,964	115,038,073	108,478,855
Dividends received	111,753	59,925	-	-
Property rates	7,841,075,519	7,805,420,006	7,841,075,519	7,805,420,006
Property rates - penalties and collection charges	279,449,362	118,606,521	279,449,362	118,606,521
Government grants & subsidies	9,490,553,550	8,652,417,704	9,486,868,639	8,644,391,352
Public contributions and donations	179,665,463	127,840,419	179,665,463	127,840,419
Fines	857,009,452	783,575,980	857,009,452	783,575,980
Gain on sale of assets	-	19,143,685	-	19,143,685
	50,494,986,046	45,655,970,580	50,369,929,012	45,645,670,641

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

Service charges	29,787,819,610	26,816,087,939	29,793,852,824	26,934,564,790
Construction contracts	30,171,857	132,467,390	30,171,857	113,708,125
Rental of facilities and equipment	144,954,295	138,731,483	97,911,532	95,559,261
Interest earned - outstanding debtors	1,131,900,996	433,854,228	1,131,900,996	433,854,228
Income from agency services	319,731,584	294,477,724	319,731,584	294,477,724
Licences and permits	48,983,795	43,261,957	48,983,795	43,261,957
Dividends received	111,753	59,925	-	-
Other income	238,590,747	169,908,655	188,269,916	122,787,738
Interest revenue	144,968,063	120,116,964	115,038,073	108,478,855
Gain on sale of assets	-	19,143,685	-	19,143,685
	31,847,232,700	28,168,109,950	31,725,860,577	28,165,836,363

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

Taxation revenue				
Property rates	7,841,075,519	7,805,420,006	7,841,075,519	7,805,420,006
Property rates - penalties and collection charges	279,449,362	118,606,521	279,449,362	118,606,521
Transfer revenue				
Government grants & subsidies	9,490,553,550	8,652,417,704	9,486,868,639	8,644,391,352
Public contributions and donations	179,665,463	127,840,419	179,665,463	127,840,419
Fines	857,009,452	783,575,980	857,009,452	783,575,980
	18,647,753,346	17,487,860,630	18,644,068,435	17,479,834,278

23. Service charges

Sale of electricity	17,965,243,812	17,019,851,855	18,066,433,935	17,164,909,510
Sale of water	6,560,866,552	5,943,119,385	6,574,114,789	5,954,376,969
Solid waste	1,720,939,258	1,612,960,674	1,720,939,258	1,612,960,674
Sewerage and sanitation charges	3,439,939,398	2,154,341,336	3,331,534,252	2,116,502,948
Fresh produce market	34,165,599	30,224,243	34,165,599	30,224,243
Other service charges	66,664,991	55,590,446	66,664,991	55,590,446
	29,787,819,610	26,816,087,939	29,793,852,824	26,934,564,790

24. Rental of facilities and equipment

Facilities and equipment				
Rental of facilities	144,918,882	138,688,026	97,876,119	95,515,804
Rental of equipment	35,413	43,457	35,413	43,457
	144,954,295	138,731,483	97,911,532	95,559,261

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

24. Rental of facilities and equipment (continued)

Included in the above rentals are operating lease rentals at straight-lined amounts of R 10,037,386 (2022: R 9,559,415) as well as contingent rentals of R 23,431,398 (2022: R 22,315,617).

25. Construction Contract - HSDG

Amount of contract revenue recognised in revenue	(30,171,857)	(132,467,390)	(30,171,857)	(113,708,125)
Aggregate amount of costs recognised in surplus	30,171,857	132,467,390	30,171,857	113,708,125
Amount received in advance recognised under grants payables	91,279,699	121,451,556	91,279,699	121,451,556

The Gauteng department of human settlement in partnership with the City, implemented the construction of houses by appointing consultants and contractors to undertake the construction on behalf of the City. All funds received for Human Settlement Development Grant are subjected to conditions as stipulated on the grant framework. No commission is earned by the City on implementation of this programme.

26. Other income

Accident reports	1,293,673	1,433,478	625,890	601,684
Administration fees	124,179	475,874	139,007	145,444
Cleaning of stands	400,739	114,794	-	-
Entry fees	166,496	194,068	166,496	194,068
Essential services contributions	119,008,728	107,581,082	78,508,778	69,860,497
Printing and copying of documents	319,572	371,471	319,572	371,471
Sundry income	116,525,138	58,922,444	107,767,777	50,829,130
Supply of information	511,778	600,445	511,778	600,445
Tender documents	9,826	30,000	-	-
Training	230,618	184,999	230,618	184,999
	238,590,747	169,908,655	188,269,916	122,787,738

27. Interest revenue

Interest revenue

Bank	74,722,192	33,341,691	44,792,202	21,703,582
External investments	70,245,871	86,775,273	70,245,871	86,775,273
	144,968,063	120,116,964	115,038,073	108,478,855

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated
28. Government grants & subsidies				
Operating grants				
Equitable share	4,606,942,359	4,026,213,000	4,606,942,359	4,026,213,000
Fuel levy	1,830,978,000	1,823,719,000	1,830,978,000	1,823,719,000
Electricity demand side Management (EEDSM)	9,000,000	10,000,000	9,000,000	10,000,000
Urban Settlements Development Grant (USDG)	-	-	72,307,894	146,012,020
Sector Education and Training Authority (SETA)	15,752,271	28,062,067	15,752,271	28,062,067
Finance Management Grant (FMG)	1,000,000	872,900	1,000,000	872,900
HIV/AIDS grant	15,223,425	19,812,631	15,223,425	19,812,631
Libraries Plan	5,750,000	17,523,606	5,750,000	17,523,606
SHRA	3,684,912	8,026,352	-	-
Primary Health Care	171,455,000	164,702,000	171,455,000	164,702,000
Programme & Project Preparation Support Grant(PPPSG)	56,064,000	57,595,000	56,064,000	57,595,000
Informal Settlement Upgrading Partnership Grant (ISUPG)	24,719,585	14,628,057	24,719,585	14,628,057
Public Transport Network Grant (PTNG)	461,735,042	386,407,824	461,735,042	386,407,824
Expanded Public Works Program (EPWP)	24,041,000	20,669,001	24,041,000	20,669,001
Neighbourhood Development Partnership Grant (PEP)	63,780,584	53,181,517	63,780,584	53,181,517
	7,290,126,178	6,631,412,955	7,358,749,160	6,769,398,623
Capital grants				
Public Transport Network Grant (PTNG)	240,598,958	242,047,920	240,598,958	242,047,920
Recapitalisation of Community Libraries	15,000,006	20,010,591	15,000,006	20,010,591
Integrated City Development(ICDG)	-	491,148	-	491,148
Neighbourhood Development Partnership Grant (NDPG)	51,236,000	62,785,447	51,236,000	62,785,447
Informal Settlement Upgrading Partnership Grant(ISUPG)	711,390,407	651,225,959	711,390,407	651,225,959
Urban Settlements Development Grant (USDG)	1,182,202,001	1,044,443,684	1,109,894,108	898,431,664
	2,200,427,372	2,021,004,749	2,128,119,479	1,874,992,729
	9,490,553,550	8,652,417,704	9,486,868,639	8,644,391,352
Equitable share				
Current-year receipts	4,606,942,359	4,026,213,000	4,606,942,359	4,026,213,000
Conditions met - transferred to revenue	(4,606,942,359)	(4,026,213,000)	(4,606,942,359)	(4,026,213,000)
	-	-	-	-
Fuel Levy				
Current-year receipts	1,830,978,000	1,823,719,000	1,830,978,000	1,823,719,000
Conditions met - transferred to revenue	(1,830,978,000)	(1,823,719,000)	(1,830,978,000)	(1,823,719,000)
	-	-	-	-
HIV/AIDS				
Balance unspent at beginning of year	-	1,634,633	-	1,634,633
Current-year receipts	18,900,000	18,178,000	18,900,000	18,178,000
Conditions met - transferred to revenue	(15,223,423)	(19,812,633)	(15,223,423)	(19,812,633)
	3,676,577	-	3,676,577	-
Conditions still to be met - remain liabilities (see note 21).				
Finance Management Grant (FMG)				
Balance unspent at beginning of year	127,100	233	127,100	233
Current-year receipts	1,000,000	1,000,000	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(872,900)	(1,000,000)	(872,900)
Surrendered/Appropriated	(127,100)	(233)	(127,100)	(233)
	-	127,100	-	127,100

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated
28. Government grants & subsidies (continued)				
Urban Settlement Development Grant (USDG)				
Balance unspent at beginning of year	-	3,096,679	-	3,096,679
Current-year receipts	1,182,202,000	1,041,347,000	1,182,202,000	1,041,347,000
Conditions met - transferred to revenue	(1,182,202,000)	(1,044,443,664)	(1,182,202,000)	(1,044,443,664)
Appropriated	-	(15)	-	(15)
	-	-	-	-
Libraries				
Balance unspent at beginning of year	-	3,123,428	-	3,123,428
Current-year receipts	20,750,000	35,249,000	20,750,000	35,249,000
Conditions met - transferred to revenue	(20,750,000)	(37,534,197)	(20,750,000)	(37,534,197)
Other	-	(838,231)	-	(838,231)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 21).				
Public Transport Network Grant (PTNG)				
Balance unspent at beginning of year	113,256	-	113,256	-
Current-year receipts	702,334,000	628,569,000	702,334,000	628,569,000
Conditions met - transferred to revenue	(702,334,000)	(628,455,744)	(702,334,000)	(628,455,744)
Surrendered/Appropriated	(113,256)	-	(113,256)	-
	-	113,256	-	113,256
Electricity demand side Management (EEDSM)				
Current-year receipts	9,000,000	10,000,000	9,000,000	10,000,000
Conditions met - transferred to revenue	(9,000,000)	(9,997,442)	(9,000,000)	(9,997,442)
Other	-	(2,558)	-	(2,558)
	-	-	-	-
Expanded Public Works Programme (EPWP)				
Current-year receipts	24,041,000	20,669,000	24,041,000	20,669,000
Conditions met - transferred to revenue	(24,041,000)	(20,669,000)	(24,041,000)	(20,669,000)
	-	-	-	-
Neighbourhood Development Partnership Grant (PEP)				
Balance unspent at beginning of year	5,288,484	-	5,288,484	-
Current-year receipts	116,940,000	58,470,000	116,940,000	58,470,000
Conditions met - transferred to revenue	(63,780,584)	(53,181,516)	(63,780,584)	(53,181,516)
	58,447,900	5,288,484	58,447,900	5,288,484
Conditions still to be met - remain liabilities (see note 21).				
Neighbourhood Development Partnership Grant (NDPG)				
Balance unspent at beginning of year	2,672,003	76,450	2,672,003	76,450
Current-year receipts	51,236,000	65,381,000	51,236,000	65,381,000
Conditions met - transferred to revenue	(51,236,000)	(62,785,447)	(51,236,000)	(62,785,447)
Surrendered/Appropriated	(2,672,003)	-	(2,672,003)	-
	-	2,672,003	-	2,672,003

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
28. Government grants & subsidies (continued)				
Conditions still to be met - remain liabilities (see note 21).				
Informal Settlement Upgrading Partnership (ISUPG)				
Balance unspent at beginning of year	7,044,991	-	7,044,991	-
Current-year receipts	729,065,000	672,899,000	729,065,000	672,899,000
Conditions met - transferred to revenue	(736,109,991)	(665,854,009)	(736,109,991)	(665,854,009)
	-	7,044,991	-	7,044,991
Conditions still to be met - remain liabilities (see note 21).				
Sector Education and Training Authority (SETA)				
Balance unspent at beginning of year	-	12,749,884	-	12,749,884
Current-year receipts	15,752,271	15,312,182	15,752,271	15,312,182
Conditions met - transferred to revenue	(15,752,271)	(28,062,066)	(15,752,271)	(28,062,066)
	-	-	-	-
Programme & Project Preparation Support Grant (PPPSG)				
Current-year receipts	56,064,000	57,595,000	56,064,000	57,595,000
Conditions met - transferred to revenue	(56,064,000)	(57,590,110)	(56,064,000)	(57,590,110)
Other	-	(4,890)	-	(4,890)
	-	-	-	-
Health Subsidy				
Current-year receipts	171,455,000	164,702,000	171,455,000	164,702,000
Conditions met - transferred to revenue	(171,455,000)	(164,702,000)	(171,455,000)	(164,702,000)
	-	-	-	-
Human Settlements Development Grant (HSDG)				
Balance unspent at beginning of year	121,451,556	170,597,681	121,451,556	170,597,681
Current-year receipts	-	64,562,000	-	64,562,000
Conditions met - recognised as construction revenue (see note 25)	(30,171,857)	(113,708,125)	(30,171,857)	(113,708,125)
	91,279,699	121,451,556	91,279,699	121,451,556
Conditions still to be met - remain liabilities (see note 21).				
Integrated City Development				
Balance unspent at beginning of year	-	491,148	-	491,148
Conditions met - transferred to revenue	-	(484,741)	-	(484,741)
Appropriated	-	(6,407)	-	(6,407)
	-	-	-	-
SHRA				
Balance unspent at beginning of year	4,228,096	3,784,768	-	-
Current-year receipts	-	19,202,593	-	-
Conditions met - transferred to revenue	(3,581,491)	(18,759,265)	-	-
	646,605	4,228,096	-	-

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

28. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 21).

29. Property rates

Rates received

Residential	3,583,221,317	3,597,616,097	3,583,221,317	3,597,616,097
Commercial	3,406,842,027	3,354,352,658	3,406,842,027	3,354,352,658
Small holdings and farms	35,929,791	29,750,815	35,929,791	29,750,815
Vacant land	508,834,853	657,241,926	508,834,853	657,241,926
Other properties	306,247,531	166,458,510	306,247,531	166,458,510
	7,841,075,519	7,805,420,006	7,841,075,519	7,805,420,006
Property rates - penalties and collection charges	279,449,362	118,606,521	279,449,362	118,606,521
	8,120,524,881	7,924,026,527	8,120,524,881	7,924,026,527

Valuations (R'000)

Residential	443,444,071	445,441,441	443,444,071	445,441,441
Commercial	170,077,451	150,967,471	170,077,451	150,967,471
Provincial and National Government	14,958,206	10,357,247	14,958,206	10,357,247
Municipal	7,147,492	6,938,538	7,147,492	6,938,538
Small holdings and farms	19,285,804	19,456,817	19,285,804	19,456,817
Sectional title	76,790,512	72,826,262	76,790,512	72,826,262
Vacant land	26,960,654	23,789,812	26,960,654	23,789,812
Other	9,007,446	5,971,868	9,007,446	5,971,868
	767,671,636	735,749,456	767,671,636	735,749,456

Valuations on land and buildings are performed every 4 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.

Rates are levied on a monthly basis; interest is levied on outstanding account if paid after due date.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
30. Employee related costs				
Basic	6,284,052,129	6,008,196,060	6,021,664,380	5,750,472,747
Bonus	490,820,276	480,275,219	473,777,217	462,935,492
Medical aid - company contributions	471,072,531	453,554,033	469,263,257	451,789,985
Unemployment Insurance Fund	35,864,321	35,541,219	35,803,470	35,480,373
Workmens Compensation	55,428,341	58,300,159	53,250,373	55,890,892
Skills Development Levy	77,683,999	77,363,727	77,475,516	77,154,689
Other payroll levies	2,138,155	2,029,751	2,138,155	2,029,751
Leave pay provision charge	226,689,312	284,200,709	209,569,800	271,136,611
Current service costs	67,716,743	111,965,053	66,450,743	110,776,053
Standby Allowances	71,581,287	79,604,638	71,471,487	79,494,038
Actuarial gains	(232,091,861)	(348,321,918)	(245,053,211)	(346,512,918)
Defined contribution plans	1,313,979,354	1,180,551,270	1,238,589,409	1,111,245,822
Travel, motor car, accommodation, subsistence and other allowances	237,976,242	245,164,889	226,826,658	233,861,321
Overtime payments	736,416,296	845,124,323	705,476,738	809,939,215
Long-service awards	40,955,255	10,981,131	40,222,281	10,150,666
Acting allowances	62,219,516	83,931,783	62,219,516	83,931,783
Housing benefits and allowances	68,514,949	63,328,245	64,618,588	59,619,064
Allowances	24,715,559	25,159,928	19,468,430	20,150,924
Less: employee costs capitalised to property, plant and equipment	(39,869,632)	(10,861,346)	(39,869,632)	(10,861,346)
	9,995,862,772	9,686,088,873	9,553,363,175	9,268,685,162

Senior Management Remuneration

Senior Management Remuneration (Key Management) for the period ended 30 June 2023	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	3,117,338	568,812	250,528	-	55,200	3,991,878
Chief Financial Officer	2,540,940	2,255	180,000	-	43,200	2,766,395
Head of Department : Internal Audit	2,389,175	214,020	120,000	-	43,200	2,766,395
Head of Department: Electricity & Energy	1,838,074	117,903	648,000	-	43,200	2,647,177
Head of Department : Strategy & Corporate Planning New	1,058,753	1,315	140,000	-	42,040	1,242,109
Head of Department : Health	2,084,830	297,425	120,000	-	43,200	2,545,455
Head of Department : Corporate & Legal (New 1 June 2023)	159,250	188	12,000	-	3,600	175,038
Head of Department : Corporate & Legal (Contract ended 31 October 2022)	837,552	43,952	40,000	-	224,331	1,145,835
Head of Department : Human Resources (Contract ended 31 July 2022)	200,828	6,488	8,000	-	251,427	466,743
Head of Department : Human Resources (New 1 March 2023)	685,002	752	-	-	26,637	712,391
Head of Department : SRAC	1,865,536	46,255	240,000	-	43,200	2,194,991
Head of Department : City Development	2,149,536	2,255	-	-	43,200	2,194,991
Head of Department : Community Safety (contract ended 30/11/2022)	773,170	83,765	53,255	-	210,034	1,120,223
Head of Department : Human Settlement	2,784,804	2,255	144,000	-	43,200	2,974,259
Head of Department : Economic Development	2,750,000	2,255	-	-	21,600	2,773,855
Head of Department : ICT	2,601,272	2,255	-	-	21,600	2,625,127
Head of Department : Transport & Fleet	2,680,940	2,255	40,000	-	43,200	2,766,395
Head of Department : Environment & Waste (Dismissed 28 February 2023)	1,329,024	1,503	104,000	-	28,800	1,463,327
Head of Department : Real Estate and Facilities	2,044,938	2,255	96,000	-	43,200	2,186,393
Head of Department : Water and Sanitation	2,056,800	45,455	300,000	-	21,600	2,423,855
Head of Department : Roads and Transport	2,312,404	138,141	240,000	-	43,200	2,733,744
Chief Risk Officer	2,500,700	150,495	72,000	-	68,200	2,791,395
Chief of Police	2,502,908	100,619	-	-	25,200	2,628,727

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity				Controlling entity	
	2023	2022 Restated	2023	2022 Restated	2023	2022 Restated
30. Employee related costs (continued)						
Head of Department : Service Delivery (New 1 March 2023)	605,002	752	80,000	-	14,400	700,153
Secretary of Council (Contract ended 30 June 2022)	-	177	-	-	263,241	263,418
Secretary of Council (New 1 December 2022)	1,198,753	1,315	-	-	25,200	1,225,268
Head of Department : Support Mayors Office (Contract ended 30 June 2022)	-	177	-	-	61,944	62,121
	45,067,529	1,835,294	2,887,783	-	1,797,055	51,587,658
Senior Management Remuneration (Key Management) for the period ended 30 June 2022	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager (Reappointed 01 June 2022)	2,953,553	318,114	250,528	424,463	55,200	4,001,858
Chief Financial Officer	2,540,940	2,249	180,000	291,924	43,200	3,058,313
Head of Department : Internal Audit	2,389,175	214,014	120,000	328,755	43,200	3,095,144
Head of Department : Electricity & Energy (Contract ended 31 December 2021)	1,088,236	89,781	138,170	310,928	106,710	1,733,825
Head of Department : Electricity & Energy (New 01 March 2022)	612,691	39,299	216,000	195,895	14,400	1,078,285
Head of Department : Strategy & Corporate Planning (Contract ended 31 December 2021)	914,395	107,455	85,410	151,001	21,600	1,279,861
Head of Department : Health	1,814,104	297,419	120,000	230,310	43,200	2,505,033
Head of Department : Corporate & Legal	2,512,656	131,849	120,000	315,052	43,200	3,122,757
Head of Department : Human Resources	2,409,936	77,849	96,000	171,001	43,200	2,797,986
Head of Department : Sport,Recreation, Arts and Culture	1,865,536	46,249	240,000	138,831	43,200	2,333,816
Head of Department : City Development	2,149,536	2,249	-	232,786	43,200	2,427,771
Head of Department : Community Safety	1,855,607	196,889	127,812	240,409	43,200	2,463,917
Head of Department : Human Settlement	2,784,804	2,249	144,000	194,847	43,200	3,169,100
Head of Department : Economic Development	2,273,138	2,228	135,000	166,966	32,400	2,609,732
Head of Department : ICT(Contract ended 31 May 2022)	1,718,879	86,945	165,000	137,321	39,600	2,147,745
Head of Department : ICT (New 01 June 2022)	216,773	187	-	-	-	216,960
Head of Department : Transport	2,720,940	2,249	-	293,491	43,200	3,059,880
Head of Department : Environment	1,993,536	2,249	156,000	125,670	43,200	2,320,655
Head of Department : Real Estate and Facilities	2,053,536	2,249	96,000	147,957	43,200	2,342,942
Head of Department : Roads andTransport	2,345,054	104,163	240,000	291,924	43,200	3,024,341
Head of Department : Sanitation (Contract ended 31 December 2021)	940,536 514,200	76,725 11,373	90,000 75,000	141,125 200,279	21,600 -	1,269,986 800,852
Head of Department : Water andSanitation (New 1 March 2022)						
Chief Risk Officer	2,530,352	120,837	72,000	302,503	43,200	3,068,892
Chief of Police	2,079,292	92,583	107,647	239,262	39,600	2,558,384
Secretary of Council	1,690,368	261,449	132,000	147,227	312,000	2,543,044
Head of Department : Support Mayors Office (Contract ended 31 December 2021)	2,113,949	2,062	-	243,084	37,600	2,396,695
	49,081,722	2,290,964	3,106,567	5,663,011	1,285,510	61,427,774

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

31. Remuneration of councillors

30 June 2023	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	867,833	600	468,461	81,359	40,800	1,459,053
Speaker	687,269	1,700	429,316	51,545	40,800	1,210,631
Chief Whip	740,696	1,100	239,925	28,043	37,400	1,047,164
One	575,860	1,100	344,999	57,494	37,400	1,016,853
Two	478,031	14,000	440,681	73,234	40,800	1,046,746
Three	592,379	-	361,216	24,758	37,400	1,015,753
Four	751,913	1,100	226,323	8,253	37,400	1,024,989
Five	270,235	32,000	284,193	32,647	23,800	642,875
Six	922,408	-	49,261	-	37,400	1,009,069
Seven	421,882	-	254,247	24,758	27,200	728,087
Eight	446,963	32,000	466,182	34,034	37,400	1,016,579
Nine	592,379	-	297,745	88,857	37,400	1,016,381
Ten	850,697	-	110,109	-	37,400	998,206
Chairpersons Section 79 Members	10,464,798	1,014,350	5,404,231	1,175,452	686,800	18,745,631
Other councillors	77,140,416	4,305,164	21,243,561	3,466,216	7,962,447	114,117,806
	95,803,760	5,403,114	30,620,451	5,146,651	9,121,847	146,095,823

30 June 2022	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	512,095	24,621	870,928	12,000	45,485	1,465,129
Speaker	389,324	61,193	658,148	40,041	40,800	1,189,506
Chief Whip	615,611	27,156	395,421	39,598	45,485	1,123,271
One	176,595	29,474	740,110	25,913	38,253	1,010,345
Two	688,088	54,996	203,497	20,401	34,653	1,001,635
Three	566,375	-	349,098	9,450	38,253	963,176
Four	242,107	71,264	611,615	35,711	34,653	995,350
Five	474,296	94,688	478,861	69,783	46,053	1,163,681
Six	524,860	42,420	263,857	14,700	33,220	879,057
Seven	605,420	25,152	325,376	10,200	34,653	1,000,801
Eight	701,836	69,168	165,693	24,000	36,453	997,150
Nine	633,583	-	320,032	12,600	34,653	1,000,868
Ten	738,560	-	86,801	-	34,653	860,014
Chairpersons Section 79 Members	6,689,249	941,179	7,144,046	732,704	588,071	16,095,249
Other councillors	70,038,963	5,797,811	28,343,286	2,809,936	8,345,190	115,335,186
	83,596,962	7,239,122	40,956,769	3,857,037	9,430,528	145,080,418

In-kind benefits

The Executive Mayor, Deputy 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 has use of a Council owned vehicle for official duties.

The Executive Mayor has full-time bodyguards.

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Related parties

Refer to note 43 for related party relationships.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
32. Depreciation and amortisation				
Property, plant and equipment	2,684,668,693	2,648,062,537	2,566,106,137	2,541,378,033
Investment property	15,896,114	16,188,896	11,429,181	11,721,964
Intangible assets	92,605,418	81,447,815	91,575,077	80,318,641
	2,793,170,225	2,745,699,248	2,669,110,395	2,633,418,638
33. Impairment and derecognition loss				
Impairments				
Property, plant and equipment	74,368,632	42,528,107	22,997,709	37,574,810
The Impairment relates to assets being replaced as part of the capital implementation programme and other assets under construction projects which do not meet the subsequent capitalisation criteria.				
34. Finance costs				
External borrowings	1,070,495,229	1,046,042,793	1,040,505,260	1,021,137,797
Trade and other payables	2,078,535	702,876	-	-
Finance leases	6,853	112,627	-	-
Interest on bank overdraft	16,070,689	5,368,333	16,070,689	5,368,333
Unwinding of interest on provisions and obligations	360,836,572	320,902,621	355,509,572	316,235,621
	1,449,487,878	1,373,129,250	1,412,085,521	1,342,741,751
35. Auditors' remuneration				
Fees	30,749,331	28,933,212	26,939,422	25,506,283
36. Debt impairment				
Bad Debt written-off	10,621,486,770	470,066,363	10,621,486,770	470,066,363
Contributions to bad debts for the year	7,599,717,449	4,854,125,342	7,556,936,407	4,819,760,979
Bad debts written off against provision	(10,621,486,770)	(470,066,363)	(10,621,486,770)	(470,066,363)
	7,599,717,449	4,854,125,342	7,556,936,407	4,819,760,979
37. Bulk purchases				
Electricity - Eskom	14,684,502,571	14,318,425,774	14,684,502,571	14,318,425,774
Water	4,301,415,094	3,815,729,543	4,301,415,094	3,815,729,543
Sewer purification	182,289,609	79,514,845	1,228,583,313	1,077,739,902
	19,168,207,274	18,213,670,162	20,214,500,978	19,211,895,219

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

37. Bulk purchases (continued)

Electricity losses

	30 June 2023 Units	30 June 2023 Value	30 June 2022 Units	30 June 2022 Value
Units purchased	9,733,866,518	14,684,502,571	10,374,487,504	14,318,425,774
Units sold	(8,186,990,269)	(12,350,886,406)	(8,635,195,112)	(11,917,928,495)
Total loss	1,546,876,249	2,333,616,165	1,739,292,392	2,400,497,279
Comprising of:				
Technical losses	423,423,194	638,775,862	451,290,206	622,851,521
Non-technical losses	1,123,453,055	1,694,840,303	1,288,002,186	1,777,645,758
Total	1,546,876,249	2,333,616,165	1,739,292,392	2,400,497,279
Percentage Loss:				
Technical losses	4.35 %	4.35 %	4.35 %	4.35 %
Non-technical losses	11.54 %	11.54 %	12.42 %	12.42 %
Total loss %	15.89 %	15.89 %	16.77 %	16.77 %

Water losses

	30 June 2023 Units	30 June 2023 Value	30 June 2022 Units	30 June 2022 Value
Purchases	368,351,408	4,301,415,094	360,244,788	3,815,729,543
Units sold	(262,541,363)	(3,065,820,727)	(245,096,587)	(2,596,310,094)
Total loss	105,810,045	1,235,594,367	115,148,201	1,219,419,449
Comprising of:				
Technical losses	23,278,210	271,830,762	17,255,725	182,738,128
Non-technical losses	82,531,835	963,763,605	97,892,476	1,036,681,321
Total	105,810,045	1,235,594,367	115,148,201	1,219,419,449
Percentage Loss:				
Technical losses	6.32 %	6.32 %	4.79 %	4.79 %
Non-technical losses	22.41 %	22.41 %	27.17 %	27.17 %
Total loss %	28.73 %	28.73 %	31.96 %	31.96 %

38. Contracted services

Outsourced contracts- Security	517,070,116	519,511,750	517,070,116	519,511,750
Professional Services	654,742,408	551,543,801	654,742,408	551,543,801
Contracts	1,581,237,000	1,426,981,132	1,581,237,000	1,426,981,132
	2,753,049,524	2,498,036,683	2,753,049,524	2,498,036,683

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated
39. Grants and subsidies paid				
Other subsidies				
Discretionary grant: sport and social support	75,570,246	37,581,710	75,570,246	37,581,710
Subsidy: Society for the Prevention of Cruelty to Animals (SPCA)	5,283,796	5,041,790	5,283,796	5,041,790
Discretionary grant: general	495,825,003	375,743,909	598,633,403	538,577,518
Excess consumption and other grants paid	626,178,760	626,485,151	626,178,760	626,485,151
Grants: education (external)	17,142,425	23,822,519	17,142,425	23,822,519
	1,220,000,230	1,068,675,079	1,322,808,630	1,231,508,688
40. General expenses				
Advertising	2,531,732	9,257,529	2,097,675	8,432,800
Animal care	1,145,267	2,187,341	1,145,267	2,187,341
Assessment rates & municipal charges	3,643,095	3,866,993	-	-
Auditors remuneration	30,749,331	28,933,212	26,939,422	25,506,283
Bank charges	108,146,201	112,634,680	107,807,585	112,266,424
Cleaning	3,686,173	4,337,260	-	-
Community development and wellbeing	751,566	1,173,624	751,566	1,173,624
Consulting and professional fees	84,039,474	96,052,051	70,986,078	88,341,331
Consumables (including materials)	40,206,406	68,000,121	40,206,406	68,000,121
Corporate gifts	29,152	38,027	28,452	38,027
Disaster management	118,346	114,030	118,346	114,030
Electricity own consumption	148,814,954	137,340,467	148,814,954	137,340,467
Fuel and oil	262,245,888	205,572,232	262,245,888	205,572,232
Human resource assessment cost	5,330,957	4,684,495	2,710,734	1,672,105
Insurance	150,730,628	120,004,905	144,540,087	113,049,619
IT expenses	115,778,553	44,987,660	115,778,553	44,976,866
Entertainment	1,269,912	854,440	-	-
Land management	22,968,984	23,829,219	22,968,984	23,829,219
Magazines, books and periodicals	826,313	607,779	826,313	607,779
Marketing	1,248,941	2,983,301	561,566	2,464,322
Postage and courier	8,853,128	22,868,559	8,853,128	22,868,559
Printing and stationery	13,356,395	21,849,575	12,333,531	20,458,821
Refreshments	2,726,548	1,450,115	2,726,548	1,450,115
Refuse	6,768,239	18,621,886	5,370,300	17,278,175
Rental	19,423,851	28,835,373	19,423,851	28,835,373
Repairs and maintenance costs and operating expenses	2,921,268,863	2,837,894,375	2,692,748,823	2,745,024,456
Rodent control	903,038	319,815	798,705	153,109
Service connections	9,291,095	8,519,379	4,026,522	4,258,861
Security (Guarding of municipal property)	38,545,325	34,640,013	-	-
Software expenses	56,412,634	58,077,821	55,994,374	57,590,110
Subscriptions and membership fees	22,076,159	39,144,468	21,744,589	38,885,136
Telephone and fax	20,376,653	20,995,079	16,456,318	17,203,583
Training	25,071,267	9,797,566	20,182,990	6,802,081
Travel - local	1,564,553	1,067,771	1,219,084	694,709
Travel - overseas	168,579	-	168,579	-
Uniforms	43,716,436	28,428,558	41,395,416	25,815,085
Vehicle licences and hire cost	317,730,327	323,088,348	302,133,912	303,219,568
Venue expenses	5,328,843	2,825,408	5,328,843	2,825,408
	4,497,843,806	4,325,883,475	4,159,433,389	4,128,935,739

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
41. Cash generated from operations				
Surplus	561,818,953	612,604,570	317,743,880	230,749,526
Adjustments for:				
Depreciation and amortisation	2,793,170,223	2,745,699,251	2,669,110,395	2,633,418,638
Profit on disposal of assets	-	(19,143,685)	-	(19,143,685)
Impairment deficit	74,368,632	42,528,107	22,997,709	37,574,810
Debt impairment	7,599,717,449	4,854,125,342	7,556,936,407	4,819,760,979
Increase in retirement benefit	93,637,465	(89,617,000)	76,658,465	(91,328,000)
Increase in provisions	237,934,819	117,344,904	237,413,227	123,400,190
Movement in tax receivable and payable	-	1,541,664	-	-
Decrease in deferred tax	(8,581,606)	(6,605,113)	-	-
Other non-cash items	(282,654,184)	(150,883,603)	(280,986,565)	(153,092,084)
Changes in working capital:				
Inventories	(61,883,821)	(335,720,412)	(61,883,821)	(335,720,412)
Receivables from exchange transactions	(6,770,940,059)	(5,134,290,728)	(6,705,915,899)	(5,116,612,166)
Receivables from non-exchange transactions	(1,352,210,707)	(1,679,679,619)	(1,352,210,707)	(1,679,679,619)
Trade and other payables from exchange transactions	341,052,381	1,443,205,356	364,107,462	1,603,550,358
Unspent conditional grants and receipts	13,125,305	(54,629,429)	16,706,796	(55,072,758)
Increase in consumer deposits	66,209,966	67,418,386	66,209,958	67,418,386
	3,304,764,816	2,413,897,991	2,926,887,307	2,065,224,163

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
42. Contingencies				
Contingent liabilities				
Category A: Claims exceeding R 10 million.				
Category B: All other claims				
Contingent liabilities				
The claim for damages for an alleged repudiation of contract by CoE	36,000,000	36,000,000	36,000,000	36,000,000
Plaintiff challenging an award to successful bidders. CoE defending the matter.	-	123,872,435	-	123,872,435
Application issued against CoE for construction and design of a new project. CoE defending the matter.	-	10,193,854	-	10,193,854
Purchase of properties back to COE and damages claim	10,877,000	-	10,877,000	-
Plaintiff claiming for services rendered from CoE. CoE is defending the matter.	49,935,245	-	49,935,245	-
Applicant has instituted legal action non-compliance with SCM processes and the amendment of bid specifications. CoE is defending the matter.	28,360,496	28,360,496	28,360,496	28,360,496
Non-compliance with SCMP Regulations. CoE defending the matter.	17,289,155	17,289,155	17,289,155	17,289,155
Claim for services rendered not paid. CoE is defending the matter.	16,891,187	16,891,187	16,891,187	16,891,187
Claim for damages. CoE is defending the matter.	18,012,500	18,012,500	18,012,500	18,012,500
Summons issued for outstanding service charges.	280,156,266	280,156,266	280,156,266	280,156,266
Cancellation of quotation. CoE is defending the matter.	85,479,535	85,479,535	85,479,535	85,479,535
Damages instituted by a service provider for breach of Contract. CoE is defending the matter.	15,054,451	15,054,451	15,054,451	15,054,451
Dispute regarding over-payment of a service provider. CoE is defending the matter.	23,653,137	23,653,137	23,653,137	23,653,137
The company is objecting to the tariff CoE charge for electricity. CoE is defending the matter.	89,446,952	89,446,952	89,446,952	89,446,952
Service provider issued summons for services rendered. CoE is defending the matter.	40,732,686	-	40,732,686	-
Legal action for service rendered. CoE is defending the matter.	13,000,000	-	13,000,000	-
Plaintiff claiming for damages. CoE is defending the matter.	167,303,863	-	167,303,863	-
Claim for monies due to pension fund. CoE is defending the matter.	101,213,438	-	101,213,438	-
Service provider issued summonds for service rendered. CoE is defending the matter.	14,304,262	-	14,304,262	-
	1,007,710,173	744,409,968	1,007,710,173	744,409,968
Category B Claims				
Other various claims against the City. CoE is defending these matters.	110,683,467	88,158,803	110,683,467	88,158,803
Contingent assets				
Counter claim in respect of damages to CoE property.	59,483,805	59,483,805	59,483,805	59,483,805
It was discovered that the company was overpricing the cost of maintenance on printing solutions. CoE is pursuing the matter.	22,253,145	22,253,145	22,253,145	22,253,145
CoE is claiming for non-payment of electricity consumed. CoE is pursuing the matter.	105,120,731	105,120,731	105,120,731	105,120,731
Breach of contract outstanding rental. CoE pursuing the matter.	12,103,547	12,103,547	12,103,547	12,103,547
Failure to pay rental. CoE pursuing the matter.	20,062,170	20,062,170	20,062,170	20,062,170
Various claims issued by the City. CoE is pursuing these matters.	5,044,376	4,444,405	5,044,376	4,444,405
	224,067,774	223,467,803	224,067,774	223,467,803

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

43. Related parties

Relationships

Accounting Officer

Controlling entity

Controlled entities

Dr I Mashazi refer to Accounting Officer's report

City of Ekurhuleni

Germiston Phase II Housing Company SOC Ltd

East Rand Water Care Company NPC (ERWAT)

Close family member of key management

For details of members of key management, see note below and for remuneration refer note 30.

Members of key management

Related party transactions

Sales to related parties - municipal entities

East Rand Water Care Company, NPC

90,532,442

94,511,526

Germiston Phase II Housing Company SOC Ltd

13,248,237

11,257,584

Purchases from related parties - municipal entities

East Rand Water Care Company, NPC

1,239,241,011

1,115,638,499

Grants to related parties - municipal entities

Germiston Phase II Housing Company SOC Ltd

32,808,400

16,036,000

East Rand Water Care Company, NPC

70,000,000

177,616,661

Amounts included in trade receivable and consumer debtors regarding related parties - municipal entities

East Rand Water Care Company, NPC

6,920,551

6,090,685

Germiston Phase II Housing Company SOC Ltd

35,106,836

18,035,014

Amounts included in trade payable regarding related parties - municipal entities

East Rand Water Care Company, NPC

275,304,048

232,155,945

Germiston Phase II Housing Company SOC Ltd

350,174

350,174

Germiston Phase II Housing Company SOC Ltd - Other

3,912,007

-

Guarantees issued as required by the MFMA on behalf of municipal entities.

COE guaranteed the Nedbank loan to ERWAT, with a carrying value of R277,615,137 (2022: R319,504,879). The guarantee shall expire at 15h00, 10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract. ERWAT has agreed to cede to COE claims against its book debtors, in the event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of COE all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by COE in favour of Nedbank Ltd as guarantee for the loan remains in effect.

No contingent liability has been raised for this guarantee as the city believes that the entity is financially sound.

44. Comparative figures

Certain comparative figures have been reclassified as a result of the Municipal Standard Chart of Accounts (mSCOA).

Statutory receivables on the face was renamed to receivables from non-exchange transactions, in alignment to GRAP 1, there was no reclassification as the receivables from non-exchange comprises of only statutory receivables.

Cashflow from operations - Note 41 has been recalculated to reflect bad debt contributions and to reflect net movements in both exchange and non-exchange receivables as per auditor's review.

Risk management (liquidity risk - Note 46) - The City's has changed/combined the figures disclosed on other financial liabilities in previous year to Gross Loan Commitments. The amount was disclosed in prior years as the net capital balance owed instead of the undiscounted contractual maturities (gross loan amount), which includes both the capital and future interest repayments as per GRAP 104, para 131 (b), including additional disclosure for the exposure on trade payables and retentions fees. The undiscounted (future) interest repayment was previously disclosed separately within the risk management note under Cashflow interest rate risk. The improvement included the disclosure of undiscounted contractual maturities using time bands to reflect the risk exposure or the timing of the cashflows over the periods.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

45. Financial instruments disclosure

Exposure to currency, interest rate, liquidity and credit risk arises in normal course of the City's operations. This note presents information about the City's exposure to each of the above risks, policies and processes for measuring and managing risk, as well as the City's management of capital. Further quantitative disclosures are included throughout these financial statements.

The accounting policy for financial instruments was applied to the following statement of financial positions items:

Categories of financial instruments

Economic entity - 2023

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange and non - exchange transactions	6,266,243,656	-	6,266,243,656
Cash and cash equivalents	1,114,201,149	-	1,114,201,149
Residual interest	-	4,000,000	4,000,000
Other investments	899,170,236	-	899,170,236
Long term receivables	19,591,646	-	19,591,646
	8,299,206,687	4,000,000	8,303,206,687

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	9,130,200,139	9,130,200,139
Long term liabilities	10,315,468,150	10,315,468,150
	19,445,668,289	19,445,668,289

Economic entity - 2022

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange and non - exchange transactions	6,866,102,844	-	6,866,102,844
Cash and cash equivalents	1,074,499,030	-	1,074,499,030
Residual interest	-	4,000,000	4,000,000
Other investments	835,198,505	-	835,198,505
Long term receivables	19,015,154	-	19,015,154
	8,794,815,533	4,000,000	8,798,815,533

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	8,863,367,024	8,863,367,024
Long term liabilities	10,426,319,777	10,426,319,777
	19,289,686,801	19,289,686,801

Controlling entity - 2023

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange and non - exchange transactions	6,250,570,362	-	6,250,570,362
Cash and cash equivalents	592,053,671	-	592,053,671
Residual interest	-	4,000,000	4,000,000
Other investments	899,170,236	-	899,170,236
Long term receivables	4,539,425	-	4,539,425
	7,746,333,694	4,000,000	7,750,333,694

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

45. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	9,274,769,625	9,274,769,625
Long term liabilities	10,025,778,670	10,025,778,670
	19,300,548,295	19,300,548,295

Controlling Entity - 2022

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange and non - exchange transactions	6,893,584,452	-	6,893,584,452
Cash and cash equivalents	773,143,249	-	773,143,249
Residual interest	-	4,000,000	4,000,000
Other investments	835,198,505	-	835,198,505
Long term receivables	4,424,487	-	4,424,487
	8,506,350,693	4,000,000	8,510,350,693

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	9,005,793,217	9,005,793,217
Long term liabilities	10,084,093,136	10,084,093,136
	19,089,886,353	19,089,886,353

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

45. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

Economic entity - 2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1,276,869,059	1,276,869,059
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,449,487,878)	(1,449,487,878)
Impairment loss	(7,065,045,443)	(7,065,045,443)
	(7,237,664,262)	(7,237,664,262)

Economic entity - 2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	553,971,192	553,971,192
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,373,129,250)	(1,373,129,250)
Impairment loss	(2,835,381,000)	(2,835,381,000)
	(3,654,539,058)	(3,654,539,058)

Controlling Entity - 2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1,246,939,069	1,246,939,069
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,412,085,521)	(1,412,085,521)
Impairment loss (excluding statutory receivables)	(7,022,264,401)	(7,022,264,401)
	(7,187,410,853)	(7,187,410,853)

Controlling Entity - 2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	542,333,083	542,333,083
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,342,741,751)	(1,342,741,751)
Impairment loss	(2,670,993,448)	(2,670,993,448)
	(3,471,402,116)	(3,471,402,116)

46. Risk management

Capital Risk Management

The City's objectives, when managing capital, are to safeguard the City's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the City consists of debt, which includes the borrowings disclosed in note 15 and cash and cash equivalent disclosed in note 14.

Consistent with others in the industry, the City monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the City manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

46. Risk management (continued)

The gearing position 2023 and 2022 respectively are as follow:

Other financial liabilities	(10,315,468,150)	(10,426,319,777)	(10,025,778,670)	(10,084,093,140)
Less: Cash and cash equivalent	1,114,201,149	1,074,499,030	592,053,671	773,143,249
Net Debt	(9,201,267,001)	(9,351,820,747)	(9,433,724,999)	(9,310,949,891)
Total equity	51,923,682,387	51,361,863,434	49,257,011,896	48,939,268,016
Net capital balance/reserve	42,722,415,386	42,010,042,687	39,823,286,897	39,628,318,125

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

46. Risk management (continued)

Liquidity risk

Liquidity risk is the risk of the City not being able to meet its obligations as they fall due.

The City's risk to liquidity is a result of the funds available to cover future commitments. The City manages liquidity risk through an ongoing review of future commitments and credit facilities. The City's Long-Term Funding Strategy (LTFS) recommends or must consider that the City must try to renegotiate some the loan terms. The LTFS recommends that management must restructure is creditors/loan book as it is evident based on the current liquidity position, as fully paying its creditors at once might lead to depletion of its cash reserve. The liquidity exposure presented below is based on the assumption of deferred repayment/restructuring conditions still to be negotiated in future in 2 -3 years for other long-term obligation. The risk exposure exercise which will be performed at each reporting period. The City applied its judgement to determine the appropriate number of time bands for disclosing the exposure on the maturity analysis, and aligned the time bands to the Budget Reporting process.

The investment amounts disclosed on the liquidity maturity relates to the sinking funds established for the repayments of the bullet loans. The City's has changed/combined the figures on disclosed on other financial liabilities in previous year to Gross Loan Commitments. The amount was disclosed in prior years as the net capital balance owed instead of the undiscounted contractual maturities (gross loan amount), which includes both the capital and future interest repayments as per GRAP 104, para 131 (b), including additional disclosure for the exposure on trade payables and retentions fees. The undiscounted (future) interest repayment was previously disclosed separately within the risk management note under Cashflow interest rate risk. The improvement included the disclosure of undiscounted contractual maturities using time bands to reflect the risk exposure or the timing of the cashflows over the periods.

Cash flow forecasts are prepared continuously based on operations requirements, and existing borrowing facilities requirements are complied with.

The table below analyses the City's financial liabilities and net-settled derivative 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 due within 12 months equal their carrying balances as the impact of discounting is not significant.

Economic entity

2023	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years
Investments	773,783,749	-	-	-
Loans (Capital and Interest)	2,974,985,443	3,541,656,034	2,355,436,546	7,611,161,272
Trade and other payables from exchange transactions	10,892,442,305	-	-	-
2022	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years
Investments	-	717,671,676	-	-
Loans (Capital and Interest)	1,923,353,421	4,577,138,480	2,764,742,545	8,015,892,426
Trade and other payables from exchange transactions	10,551,389,922	-	-	-

Controlling entity

2023	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years	Total
Investments	773,783,749	-	-	-	773,783,749
Loans (Capital and Interest)	2,891,656,575	3,410,665,553	2,195,341,462	7,586,238,946	16,083,902,536
Trade and other payables from exchange transactions	11,037,011,793	-	-	-	11,037,011,793
2022	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years	Total
Investments	-	717,671,676	-	-	717,671,676
Loans (Capital and Interest)	1,840,802,676	4,423,258,440	2,590,022,811	7,945,155,442	16,799,239,369
Trade and other payables from exchange transactions	10,693,816,115	-	-	-	10,693,816,115

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

46. Risk management (continued)

Interest rate risk

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

The City's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the City to cash flow interest rate risk. Borrowings issued at fixed rates expose the City to fair value interest rate risk. The City's policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk is as follows:

Cash flow interest rate risk

Economic entity - 2023		Current interest rate	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years
Interest on loan	Various		1,084,843,716	1,842,777,466	1,840,180,136	1,544,518,125
Economic entity - 2022		Current interest rate	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years
Interest on loan	Various		1,074,477,552	1,968,619,648	1,943,525,382	2,019,306,655
Controlling entity - 2023		Current interest rate	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years
Interest on loan	Various		1,055,896,883	1,796,402,370	1,807,008,129	1,543,364,783
Controlling entity - 2022		Current interest rate	Less than 1 year	Greater than 1 year but less than 3 years	Greater than 3 years but less than 6 years	Greater than 6 years
Interest on loan	Various		1,047,079,101	1,911,429,335	1,895,728,724	2,012,031,210

Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign-exchange rates affecting the City's income

The aim of market risk management is to manage and control market risk exposures with acceptable levels, while optimizing the return on the risk.

The City is not exposed to foreign-exchange rates fluctuations.

Bulk purchases with the City approved upfront, through the City's internal processes. Consumer price index is applied year on year on other returns.

Price risk

The City is not exposed to price risk as it does not trade in equity-securities and commodity price risk.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

46. Risk management (continued)

Financial risk management

The City'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 City's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the City's financial performance.

Risk management is carried out by the risk management department under policies approved by the accounting officer. The City's treasury identifies, evaluates and hedges financial risks in close co-operation with the City's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial instrument	Economic entity 2023	Economic entity 2022	Controlling entity - 2023	Controlling Entity - 2022
Receivables from exchange	6,266,243,656	6,866,102,844	6,250,570,362	6,893,584,452
Cash and cash equivalents	1,114,201,149	1,074,499,030	592,053,671	773,143,249
Unlisted shares	4,000,000	4,000,000	4,000,000	4,000,000
Other Investments	899,170,236	835,198,505	899,170,236	835,198,505
	<u>8,283,615,041</u>	<u>8,779,800,379</u>	<u>7,745,794,269</u>	<u>8,505,926,206</u>

The City has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

47. Going concern

This consolidated annual financial statements have been prepared on a going concern basis.

Management has prepared an annual budget based on the City's collections levels, and applied cost cutting measures to ensure that the city operate within its financial limits. Monthly and annual cash flow forecast for the period ending 30 June 2024 are prepared and monitored by senior management team, if necessary budget adjustment process will be initiated. The annual budget for the next financial year has been prepared and approved by council and it is deemed to be fully funded.

Management is satisfied that the City has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The City will continue monitor the budget process and assess risk associated to the extended impact of the Covid-19 pandemic and load shedding limitations to ensure that its operating activities will be within its financial measures.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

48. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Irregular expenditure	1,758,386,899	1,850,902,941	929,309,451	1,144,984,038
Fruitless and wasteful expenditure	73,989,251	140,789,029	68,766,931	135,561,420
Closing balance	1,832,376,150	1,991,691,970	998,076,382	1,280,545,458

Items of unauthorised, irregular and fruitless and wasteful expenditure are referred to MPAC for further investigations and determination of appropriate steps to be taken. During the current year the Council approved R239,632,861 (2022: R666,788,395) for irregular and for fruitless and wasteful expenditure R0.00 (2022: R14,824,868), for write-offs. Furthermore Council approved R45,849,024 (2022: R5,978,113) for irregular and R142,131,487 (2022: R1,691,430) of fruitless and wasteful expenditure to be recovered. The remaining amounts are still under investigation by the MPAC and other organs of state. No resolutions were not yet available.

Irregular expenditure

Opening balance	1,850,902,941	2,150,641,290	1,144,984,038	1,524,711,492
Add: Expenditure identified for the year	44,245,306	63,263,003	21,863,087	-
Add: Expenditure identified in the current year, relating to prior years	148,720,537	309,765,156	47,641,059	288,461,210
Less: Amounts ratified/approved as irrecoverable by council and written off, relating to prior years	(239,632,861)	(666,788,395)	(239,632,861)	(666,788,395)
Less: Amounts ratified/approved by council and to be recovered	(45,849,024)	(5,978,113)	(45,545,872)	(1,400,269)
	1,758,386,899	1,850,902,941	929,309,451	1,144,984,038

Fruitless and Wasteful expenditure

Opening balance	140,789,029	151,019,549	135,561,420	146,366,540
Add: Expenditure identified in the current year, relating to prior years	75,331,709	6,285,778	75,328,087	5,711,178
Less: Amounts ratified/approved as irrecoverable by council and written off, relating to prior years	-	(14,824,868)	-	(14,824,868)
Less: Amounts ratified/approved by council and to be recovered	(142,131,487)	(1,691,430)	(142,122,576)	(1,691,430)
	73,989,251	140,789,029	68,766,931	135,561,420

30 June 2023

Unauthorised, Fruitless, Wasteful and irregular Expenditure

Department	Description	Classification	Amount
EHC	Contravention of SCM Policy	Irregular	717,483
Transport	Contravention of SCM Policy	Irregular	16,814,331
Real Estate	Contravention of SCM Policy	Irregular	5,048,756
ERWAT	Contravention of SCM Policy	Irregular	21,664,736
			44,245,306

30 June 2023

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Risk Management	Contravention of SCM Policy	Irregular	28,682,822
Customer Relations	Contravention of SCM Policy	Irregular	17,406,633
Customer Relations	Allegation of fraud	Fruitless	641,251
Human Settlement	Contravention of SCM Policy	Irregular	1,551,604
Water and Sanitation	Inappropriate use of regulation	Fruitless	70,319,061
Various	Value for service not received	Fruitless	4,367,775
ERWAT	Contravention of SCM Policy	Irregular	101,079,478
EHC	Contravention of SCM Policy	Fruitless	3,622

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

48. Unauthorised, Irregular and Fruitless and Wasteful Expenditure (continued)

224,052,246

30 June 2022 Unauthorised, Fruitless, Wasteful and irregular Expenditure	Department	Description	Classification	Amount
	ERWAT	Contravention of SCM Policy	Irregular	59,664,631
	EHC	Contravention of SCM Policy	Irregular	3,598,372
				63,263,003
30 June 2022 Identified in the current year relating to prior years:	Department	Description	Classification	Amount
	Real Estate	Contravention of SCM Policy	Irregular	267,482,542
	Fleet	Replacement cost on stolen items	Fruitless	95,675
	management	Alleged contravention of	Irregular	149,513
	Human	Bursary policy	Irregular	15,131,435
	Resources	Contravention of SCM Policy	Irregular	1,308,496
	Waste	Value for service not rendered	Fruitless	4,307,007
	Management	Third party hacking	Fruitless	5,697,720
	Health and	Incorrect application of SCM regulation 36	Irregular	21,303,946
	Social	Contravention of SCM Policy	Irregular	8,911
	Development	Contravention of SCM Policy	Irregular	565,689
	Finance			
	Water and			
	Sanitation			
	ERWAT			
	ERWAT			
	ERWAT			
				316,050,934

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

49. Additional disclosure in terms of Municipal Finance Management Act

30 June 2023 Tenders awarded to family members	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	PS-RE 09/2022	MPPM Consulting Engineering CC	Spouse	M Senyatse	DH: ICT	-
	2	PS-EE -2021	MPPM Consulting Engineering CC	Spouse	M Senyatse	DH: ICT	-
	3	AS 01 -2022	Gcoba Investment and Projects	Spouse	S Kulu	Administrator	-
	4	PS- EMPO 10-2022	MPPM Consulting Engineering CC	Spouse	M Senyatse	DH: ICT	-
	5	A-EWM 09-2021	Makhentsa T/A LMM Training and Development CC	Spouse	M Kholofelo	Senior Clerk	-
	-	-	-	-	-	-	-

Zero amounts are contracts that are rate based.

30 June 2022 Tenders awarded to family members	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	A-EE 08-2019	Ambitioustc Engineering (Pty) Ltd	Spouse	L Gxasheka	Divisional Head	-
	2	A-F 01-2020	Anix Trading 587 CC	Husband	MJ Msimango	Authoriser	-
	3	A-EWM 09-2020	MM Training and Development CC	Husband	K Mangwane	Creditors Clerk	-
	4	A-ERM 07-2019	MPPM Consulting Engineering CC	Spouse & brother	S Matlodi	Divisional Head	-
	5	A-EWM 09-2021	Makhentsa T/A LMM Training and Development CC	Husband	K Mangwane	Creditors Clerk	-
	6	AS 01-2021	Gcoba Investments	Spouse	NS Khulu	Senior Clerk	-
	7	A-EE 08-2021	Kgoshi Eletrical	Spouse	LI Matlala	Senior Specialist	-
	-	-	-	-	-	-	-

30 June 2023 Quotations awarded to family members of staff	No	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	Ano Vimba Business enterprise	Spouse	L N Vimba	General Assistant	61,050
	2	Fobatongiwe Trading and Projects	Spouse	B A Kubheka-Hlanjwa	Constable	138,286
	3	Mphela Mngadi and Associates Inc	Spouse	M S Mphela	Indigent Clerk	16,516
	-	-	-	-	-	-

30 June 2022 Quotations awarded to family members of staff	No	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	Lanzisource Investments (Pty) Ltd	Spouse	A M Simelane	Educator	10,115
	2	Wabobedi Trading and Projects	Spouse & Brother-in-law	L Matlala	Senior Specialist	200,000
	3	Tebosamu Samutebo Trading (Pty) Ltd	Spouse	S Mahlatse	Clerk	32,145
	4	ETN Trading Enterprise	Spouse	Z R Ndlovu	Buyer	83,312
	5	Mjikijela Trading Enterprise CC	Spouse	S R Mthimkulu	General Worker	29,500
	6	Moratwe-Monehela Trading CC	Spouse	M J Moghasi	Professional Nurse	34,010
	7	Kathorus rebuilds and Auto Spares	Spouse	M M Mabaso	MMC	1,306,351

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
49. Additional disclosure in terms of Municipal Finance Management Act (continued)				
8 Fobatongiwe Trading And Prtoject (PTY)LTD	Spouse	B A Kubheka-Hlanjwa	Constable	59,141
9 Siedent Trading CC	Spouse	M Jonischeit	Admin Officer	10,580
10 Mphela Mnagadi and Associates Inc	Spouse	M S Mphela	Clerk : Indigent	259,893
11 Qomo and Sons Holdings and Projects	Spouse	V Qomo	Shift Commander	1,679,583
12 Ano Vimba useenees Enterprise PTY LTD	Spouse	L N Vimba	General Assistant	119,090
13 ETN Trading Enterprise CC	Spouse	Z R Ndlovo	Clerk	883,312
14 Mankena Maselaelo Business Enterprise	Spouse	S P Sibisi	Buyer	58,000
-	-	-	-	- 4,765,032

Contributions to organised local government

Current year subscription / fee	17,663,257	16,628,500	17,663,257	16,628,500
Amount paid - current year	(17,663,257)	(16,628,500)	(17,663,257)	(16,628,500)
	-	-	-	-

Audit fees

Opening balance	13,265,258	14,705,300	13,265,258	14,705,300
Current year subscription / fee	32,876,150	24,066,241	29,066,241	24,066,241
Amount paid - current year	(30,749,331)	(25,506,283)	(26,939,422)	(25,506,283)
	15,392,077	13,265,258	15,392,077	13,265,258

PAYE and UIF

Opening balance	5,637,330	5,725,461	-	-
Current year subscription / fee	1,645,437,748	1,693,468,386	1,572,755,747	1,616,094,406
Amount paid - current year	(1,645,217,359)	(1,693,556,517)	(1,572,755,747)	(1,616,094,406)
	5,857,719	5,637,330	-	-

Pension and Medical Aid Deductions

Opening balance	37,414	58,549	-	-
Current year subscription / fee	2,730,632,843	2,593,649,768	2,626,657,084	2,498,914,993
Amount paid - current year	(2,730,617,559)	(2,593,670,903)	(2,626,657,084)	(2,498,914,993)
	52,698	37,414	-	-

VAT

VAT paid during the year	62,155,310	148,523,004	62,103,341	139,776,918
--------------------------	------------	-------------	------------	-------------

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

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

Councillors' arrear consumer accounts

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

30 June 2023	Highest outstanding amount	Ageing (in days)
CASSIM M	5,652	150
DLABATHI JH	31,675	990
KIYANE NC	59,038	1,620
MAHLANGU NL	10,799	570
MOTLOUNG TP	23,224	1,200
NHLEKO SE	90,488	1,590
THOBEJANE PAM	156,871	1,740
ZITHA LC	15,073	1,290
	392,819	

30 June 2022	Highest outstanding amount	Ageing (in days)
Khumalo HJ	51,816	990
Kiyane NC	89,842	1,350
Mahlangu NL	25,817	1,680
Mbeki VW	57,801	1,770
Mnisi SL	6,076	120
Motsopi TA	13,354	210
Motloung TP	31,500	1,350
Ngobese SS	7,312	300
Nhleko SE	95,963	1,830
Rasilingwane ZK	2,078	540
Sidu M	595	1,830
Thobejane PAM	235,324	1,830
Zitha LC	42,455	1,590
	659,933	

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2023			Highest outstanding amount	Aging (in days)
CASSIM M	-	-	2,951	150
CASSIM M	-	-	2,701	150
DINAKE MI	-	-	3,514	150
DLABATHI JH	-	-	31,675	990
KHUMALO HJ	-	-	42,728	810
KIYANE NC	-	-	87,275	1,350
KLAASEN KE	-	-	23,755	180
KLASS GSN	-	-	6,654	120
MAHLANGU NL	-	-	25,083	1,710
MASHIANE TSG	-	-	6,497	120
MASHIANOKE TK	-	-	5,109	150
MBEKI VW	-	-	53,025	1,620
MOTLOUNG TP	-	-	34,161	1,350
MOTLOUNG TP	-	-	(6,476)	-
MOTSOPHI TA	-	-	10,926	180
NENE SN	-	-	1,419	120
NGOBESE SS	-	-	2,496	180
NGOBESE SS	-	-	5,584	360
NHLEKO SE	-	-	96,231	1,830
NKOSI BD	-	-	10,403	120
NTOMBELA SI	-	-	5,561	150

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated
49. Additional disclosure in terms of Municipal Finance Management Act (continued)				
RASILINGWANE ZK	-	-	5,504	660
THEKISO LS	-	-	4,424	120
THOBEJANE PAM	-	-	228,787	1,830
ZITHA LC	-	-	45,672	1,410
	-	-	735,656	

30 June 2022

			Highest outstanding amount	Aging (in days)
Daemane PA	-	-	7,567	240
Hoods AR	-	-	2,300	120
Kalipa TN	-	-	327,872	1,830
Khumalo HJ	-	-	68,723	1,830
Kiyane NC	-	-	113,503	1,830
Klass GSN	-	-	56,431	1,680
Mabye MS	-	-	12,188	630
Mahlangu NL	-	-	79,955	1,830
Mashiane TSG	-	-	8,782	210
Mbeki VW	-	-	67,088	1,920
Mnisi SL	-	-	6,076	120
Motloung TP	-	-	35,196	1,350
Mohau MC	-	-	1,952	1,230
Mokoena TA	-	-	115	720
Motsopi TA	-	-	16,792	360
Mudau MM	-	-	87	1,770
Ngobese SS	-	-	12,630	240
Ngobese AK	-	-	6,366	120
Nhleko SE	-	-	95,963	1,830
Nkunjana P	-	-	7,245	120
Rasilingwane ZK	-	-	3,436	450
Sidu M	-	-	595	1,830
Thobejane PAM	-	-	242,285	1,830
Zitha LC	-	-	42,455	1,590
	-	-	1,215,602	

50. Utilisation of Long-term liabilities reconciliation

Long-term borrowings approved in the current year	741,982,950	1,000,000,000	741,982,950	1,000,000,000
Funds utilised to finance the capital expenditure programme for the current year.	741,982,950	1,000,000,000	741,982,950	1,000,000,000
Amounts transferred (to)/from reserves be utilised in next financial years	(990,989,485)	(939,516,015)	(703,915,142)	(939,516,015)
	249,006,535	(60,483,985)	(38,067,808)	(60,483,985)
	-	-	-	-
Cash was invested for the repayment of long-term liabilities to date	773,783,749	717,671,676	773,783,749	717,671,676

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

The new loan raised relates to capital expenditure re-financed in the previous financial year.

51. Events after the reporting date

At the time of preparation and submission of this set of consolidated annual financial statements, there were no events after reporting date to disclose.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

Deviations include rates based contracts which cannot be attached to a contract value as the demand is unknown at the point of award.

SCM regulation 36(2)

Other - Impractical	33,635,089	11,718,142	33,635,089	9,165,999
Emergency	96,250	-	-	-
Sole supplier	4,292,936	2,462,153	-	-
	38,024,275	14,180,295	33,635,089	9,165,999

During the year the accounting officer ratified minor breaches in line with SCM regulation 36(2) R0,00 (2022: R0) Extensions of contracts include inter-alia the following amounts:

Other services	-	108,104,732	-	108,104,732
----------------	---	-------------	---	-------------

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

53. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	2,030,960,209	2,859,663,747	1,901,934,956	2,693,115,011
---------------------------------	---------------	---------------	---------------	---------------

Not yet contracted for and authorised by accounting officer

• Other financial assets	736,709,971	1,118,601,239	736,709,971	1,118,601,239
--------------------------	-------------	---------------	-------------	---------------

Total capital commitments

Already contracted for but not provided for	2,030,960,209	2,859,663,747	1,901,934,956	2,693,115,011
Not yet contracted for and authorised by accounting officer	736,709,971	1,118,601,239	736,709,971	1,118,601,239

2,767,670,180	3,978,264,986	2,638,644,927	3,811,716,250
----------------------	----------------------	----------------------	----------------------

Total commitments

Total commitments

Authorised capital expenditure	2,767,670,180	3,978,264,986	2,638,644,927	3,811,716,250
--------------------------------	---------------	---------------	---------------	---------------

This committed expenditure relates to the acquisition of property, plant and equipment for the 2022/2023 financial year (Approved Capital Expenditure Programme) based on the projects values as approved by Council for the City's Capital Budget programme for the following year for which supplier's contracts are in place. These commitments will be financed by appropriated grants, internally generated funds (revenue or accumulated surplus), and other borrowings options where applicable.

Commitments not yet contracted for and authorised, relate to capital projects as approved by Council on the City Capital Budget which there is no contracts in place at the end of the financial year.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the City for certain of its office buildings. Leases are negotiated for periods ranging from one year to five years, for office buildings. The rentals escalate on average by the CPI index for office buildings.

The actual lease contract amounts range between R26,176 and R674,136 (2022: R26,176 and R674,136) per month on the office buildings. All operating lease contracts are on month to month basis, as a result of Council resolution to move all spaces to internal buildings.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	9,300,626	9,790,133	9,300,626	9,790,133
- in second to fifth year inclusive	21,566,318	22,701,387	21,566,318	22,701,387
- later than five years	25,243,046	26,571,627	25,243,046	26,571,627
	56,109,990	59,063,147	56,109,990	59,063,147

Certain of the City's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R0.08 (2022: R0.08) (social benefit) up to R190,916 (2022: R252,000).

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

54. Prior period errors

Land was reclassified from Investment property and land register to Land inventory register, as a result of incorrect categorisation of the land for human settlement developments.

PPE increased due to corrections of completed projects previously partially capitalised as results of limited information available at year-end and other price adjustments costs incurred after the completion of the construction phase or where there were disputes regarding contract variations. Furthermore, information/documents on donated assets were only provided to the City in the current year in order to determine fair values of assets donated and update the City's records. Donated assets results in increase in gross values of assets and increase in equity while corrections of completed projects do not have impact on assets gross values but result in additional accumulated depreciation for prior period.

The increase in amount payable and other receivables relates to claims from the Gauteng human settlement department for refund of the construction costs paid by province on behalf of CoE, which is funded by grants income. Assets constructed were previously recognised as part of developers' created/donated assets.

Derecognition of ERWAT customer invoices identified to be invalid.

VAT payable incorrectly stated in ERWAT's books.

Derecognition of Intervention income and Interest due to invalidity of Invoices.

Reclassification or correction of interest paid on overdraft previously reported as part of bank charges in general expenses and other allowances in general to councilors remunerations. Reallocation of insurance previously expensed instead of recognition as a prepayment.

Impairment loss reduced due to a reversal of a property deemed to have been disposed but was leased to the City's entity.

The related parties transactions related to ERWAT's inclusion of non-related party transactions. Reclassification between interest revenue and finance cost on interest on overdraft.

The correction of the error(s) results in adjustments as follows:

Statements of financial position and financial performance

Economic Entity - 2022

	Note	Balance as previously reported	Balance restated	Adjustment
Investment property	3	743,396,264	707,429,210	(35,967,054)
Property, plant and equipment	4	62,398,382,991	62,516,502,603	118,119,612
Intangible assets	5	1,442,048,580	1,442,040,589	(7,991)
Inventory	11	1,758,685,162	1,864,103,049	105,417,887
Receivables from exchange transactions	12	7,635,903,635	7,776,391,997	140,488,362
Trade and other payables	19	(10,392,847,420)	(10,551,389,922)	(158,542,502)
Non-controlling interest		(68,193,272)	(67,847,041)	346,231
Accumulated surplus		(51,124,161,846)	(51,327,809,298)	(203,647,452)
Other income	26	170,053,785	169,908,655	(145,130)
Interest revenue	27	121,411,910	120,116,964	(1,294,946)
Depreciation and amortisation	32	2,745,841,585	2,745,699,251	(142,334)
Impairment of losses	33	89,539,415	42,528,107	(47,011,308)
Finance cost	34	1,367,760,916	1,373,129,250	5,368,334
General expenses	40	4,339,980,796	4,325,883,475	(14,097,321)
Remuneration of councilors	31	145,072,917	145,080,418	7,501

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

54. Prior period errors (continued)

Statement of financial position and financial performance

Controlling Entity - 2022

	Note	Balance as previously reported	Balance restated	Adjustment
Investment property	3	517,666,223	481,699,169	(35,967,054)
Property, plant and equipment	4	60,163,318,606	60,315,528,580	152,209,974
Inventory	11	1,758,685,162	1,864,103,049	105,417,887
Receivables from exchange transactions	12	7,649,693,422	7,803,873,605	154,180,183
Trade and other payables	19	(10,532,817,347)	(10,693,816,115)	(160,998,768)
Accumulated surplus		(48,724,425,792)	(48,939,268,016)	(214,842,224)
Impairment of losses	33	83,679,079	37,574,810	(46,104,269)
Finance cost	34	1,337,373,417	1,342,741,751	5,368,334
Remuneration of councilors	31	145,072,917	145,080,418	7,501
General expenses	40	4,134,311,556	4,128,935,739	(5,375,817)
Other		-	-	-
Sales to related parties	43	145,057,654	94,511,526	(50,546,128)
Purchases from related parties	43	1,105,039,873	1,115,638,499	10,598,626
Amounts included in trade payables	43	248,958,635	232,155,945	(16,802,690)

55. Change in estimate

Property, plant and equipment

The useful life review for 2023 had the following impact -
 Depreciation expense before remaining useful life review R374,551,611
 Depreciation expense after remaining useful life review R271,490,899
 Future decrease in depreciation due to the review R103,060,712

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

56. Accounting by principals and agents

The City is a party to a principal-agent arrangement. The City act as an agent for the Gauteng department of transport, whereby it administers the registration of vehicles and collection of funds thereof, on behalf of the department within the City's jurisdictions.

The City is not exposed to any significant risks in the provision of these services, nor were the terms and conditions of the arrangement amended.

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 R319,731,584 (2022: R295,228,156).

Reconciliation of the carrying amounts of payables

All categories

Amount collected on behalf of the principal	1,212,562,968	1,099,241,132	1,212,562,968	1,099,241,132
Amounts transferred to the principal	(1,125,919,378)	(957,267,436)	(1,125,919,378)	(957,267,436)
	86,643,590	141,973,696	86,643,590	141,973,696

All categories

Cash paid on behalf of the principal	1,212,562,968	1,099,241,132	1,212,562,968	1,099,241,132
Amounts transferred to the principal	(1,125,919,378)	(957,267,436)	(1,125,919,378)	(957,267,436)
Amounts still owed to principal	(86,643,590)	(141,973,696)	(86,643,590)	(141,973,696)

Amounts still owed to principal

	-	-	-	-
--	---	---	---	---

57. In-kind donations and assistance

No donations or assistance were made in the current financial year.

58. Budget differences

Material differences between budget and actual amounts

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

58. Budget differences (continued)

A. ADJUSTMENT BUDGET PROCESS

The City of Ekurhuleni had one normal, main adjustment budget and one special adjustment budget during the 2022/23 financial year.

These adjustment budgets were approved as follows:

- 1) Main, normal adjustment budget – Item A-F (11-2023) on 28 February 2023; and
- 2) First special adjustment budget – Item A-F (28-2023) on 26 April 2023;

NORMAL ADJUSTMENT BUDGET (28 FEBRUARY 2023): A-F (11-2023)

This main adjustment budget was influenced by the outcome of mid-year performance assessment as required by section 72 of the MFMA. This adjustment budget is necessitated by the following factors:

- The mid-year budget performance assessment; and
- Approved roll overs of capital grants (ISUPG amounting to R7.0 million) which has to be appropriated..

Operating Revenue

The net increase in operating revenue amounted to R2.371 billion. The increase in revenue from services charges resulted from additional consumption, whilst property rates additional revenue was due to supplementary valuation. Interest in outstanding debtors was increased due to low collection rate.

Operating Expenditure

The operating expenditure increases from R47.966 billion to R50.338 billion, an increase of R2.371 billion. The operating expenditure shows that increases in operating revenue were applied to bulk water purchases and debt impairment as the collection levels were below the planned target.

Capital budget

The proposed adjustment is a combination of:

- Reduction in own revenue by R28.6 million and external loans funded projects by R55.5 million;
- Allocation of 2021/22 unspent grants approved for roll-over to 2022/23; and
- Transfer of grants between capital and operating budgets to ensure optimal utilisation of those grants.

The proposed adjustments to the City's capital budget results in a net decrease of R113.94 million. The adjustments to the entities capital budget is an increase of R70.33 million.

The consolidated capital budget is adjusted downwards by R43.60 million from R3.32 billion to R3.28 billion.

SPECIAL ADJUSTMENT BUDGET (26 APRIL 2023): ITEM A-F (28-2023)

These special adjustments are due to issuance by National Treasury of Government Gazette 48327 dated 29 March 2023, wherein some grants were reduced, and the actual performance to date.

Operating Revenue

The operating revenue reduced from R50.638 billion to R48.476 billion, a downward adjustment of R162.4 million, resulting from the grants reduction as per the government gazette

Operating Expenditure

Special adjustments were due to year-to-date performance and commitments as well as the changes in the grants related expenditure. The operating expenditure budget was reduced from R50.338 billion to R50.176 billion.

Capital Budget

The National Treasury gazette as stated, resulted in a decrease of R100m in the Urban Settlements Development Grant (USDG), which predominantly fund the capital budget. SRAC Provincial grant was increased by R3 million, this amount was reallocated between the operating and capital budgets to ensure that the grant is optimally utilized.

The effect of the special adjustments is to decrease capital budget from R3.28 billion to R3.18 billion, a net decrease of R97 million. These

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2023	2022 Restated	2023	2022 Restated

58. Budget differences (continued)

adjustments ensured that over 95% of the capital budget, and close to 100% of conditional grants, are spent by the end of the financial year.

B. EXPLANATION OF VARIANCES: FINAL BUDGET AND ACTUAL AMOUNTS

It should be noted that the actuals per Statement of Financial Performance and the Budget documents will differ due to the accounting treatment of services rendered to the indigent residents as for budget process the revenue billed for indigents and related costs thereof are mapped within the revenue items, while for GRAP purpose were presented separately as explained in the reconciliation on the statement of budget comparison.

Variances of 8% and above are regarded as significant and explained

Revenue

The actual revenue amounts to R50.494 billion whilst the budgeted revenue amounts to R51.821 billion, with the underperformance variance of R1.326 billion or 2.6% below budget.

Significant variances are in the following areas:

- Electricity sales targets could not be met due to the impact of the continued load shedding.
- Construction contracts – HSDG grant

The deviation is mainly caused by underperformance on HSDG due to delay in appointment of contractors..

- Rental of facilities

This category is inclusive of rentals from leasing of properties by Real Estate and Human Settlements. Positive deviation is due to increased efforts on outdoor advertising and accelerated approvals for short-term leases between 9 to 12 months.

- Interest earned on outstanding debtors

The negative deviation on interest raised against outstanding debtors is directly linked to improved collection rate at year-end.

- Licences and permits

Positive deviation on licences and permits is due to increased income from construction/building plan approvals as the economy improves.

- Other revenue

This category of income increased as the economic activity improved in relation to developments around the City and as a result, the actual revenue received from development charges was more than anticipated.

- Investment revenue

The positive deviation on the interest earned on investments accounts emanates from increased interest rates on investment accounts.

- Fines and penalties

The actual amount is less than budgeted amount as a result of less traffic violations.

Expenditure

The actual expenditure amounts to R49.927 billion whilst the budgeted expenditure amounts to R49.276 billion, with a variance of R651 million within budget.

Significant variances are due to the following:

- Depreciation and amortisation

The slight decrease due to the impact of reduction of the capital expenditure programme.

- Debt impairment

The calculation for the provision for debt impairment is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This is caused by the continued effect of the depressed economic conditions and additional residents put on the indigent programme lead to the increase in the bad debt contribution.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

58. Budget differences (continued)

- Bulk Costs

The under-expenditure is related to the decrease in revenue on electricity sales due to the impact of ad shedding.

- Employee costs

The negative deviation on employee related costs is due to moratorium or cost cutting measures not to fill vacant positions due to the depressed liquidity limitations. The filling of vacant positions is informed by their criticality, and priority was given to positions based on revenue generation, service delivery and legal compliance.

- Contracted services

Higher than budget is due need related to service delivery, and increased in emergency repairs of the network due to the impact of load shedding.

- Transfers and subsidies

The over- expenditure is reported on the cost of providing free basic water to indigents and ablution facilities to informal settlements. The over-expenditure does not constitute unauthorised expenditure as departments's overall expenditure is within the budget.

- Other expenditure

The deviation is a result of significant expenditure on repairs and maintenance of infrastructure.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2023	2022 Restated	2023	2022 Restated

59. Segment information

General information

Identification of segments

The City is organised and reports to management on the basis of Community and Public Safety, Economic and Environmental Services, Municipal Governance and Administration, Trading Services and other sundry services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes in line with National Treasury Budget guidelines.

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

Aggregated segments

The City does not have any geographical segments as it operates within its area of jurisdiction in the Gauteng Province. Segments were aggregated on the basis of services delivered to its residents.

Segment assets and liabilities

Assets and liabilities are allocated to the finance and administration segment in line with the accounting and reporting processes as the current reporting channels makes it difficult to allocate to other segments.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity 2023

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Non-segment revenue and expenditure	Total
Revenue							
Revenue from exchange transactions	210,692,345	79,916,863	116,404,698	359,391,758	28,309,779,166	1,494,178,760	30,570,363,590
Revenue from non-exchange transactions	1,469,645,851	1,072,123,585	11,103,247,178	-	5,002,736,737	-	18,647,753,351
Interest revenue	1,077,603	-	166,187,051	101,739	1,109,502,666	-	1,276,869,059
Total segment revenue	1,681,415,799	1,152,040,448	11,385,838,927	359,493,497	34,422,018,569	1,494,178,760	50,494,986,000
Expenditure							
Debt impairment	555,720,265	-	1,012,251,923	-	5,163,745,262	868,000,000	7,599,717,450
Depreciation and amortisation	217,016,704	903,944,025	625,031,412	-	1,116,054,083	-	2,862,046,224
Interest expense	91,484	277,170,146	768,061,082	-	404,165,166	-	1,449,487,878
Other expenditure	7,710,441,750	1,794,716,591	2,288,328,062	338,739,799	25,264,458,048	626,178,760	38,022,863,010
Income tax expense	-	-	-	-	(6,440,099)	-	(6,440,099)
Total segment expenditure	8,483,270,203	2,975,830,762	4,693,672,479	338,739,799	31,941,982,460	1,494,178,760	49,927,674,463
Total segmental surplus/(deficit)	(6,801,854,404)	(1,823,790,314)	6,692,166,448	20,753,698	2,480,036,109		567,311,537
Total assets							
Non - current assets	6,991,427,105	2,189,958,194	10,718,652,488	-	25,673,048,428	-	45,573,086,215
Current assets	-	-	13,475,429,594	-	-	-	13,475,429,594
Total assets	6,991,427,105	2,189,958,194	24,194,082,082	-	25,673,048,428	-	59,048,515,809
Total liabilities							
Non - current liabilities	-	-	11,638,446,519	-	-	-	11,638,446,519
Current liabilities	-	-	15,196,010,569	-	-	-	15,196,010,569
Total segment liabilities	-	-	26,834,457,088	-	-	-	26,834,457,088

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Economic entity 2022

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Non-segment revenue and expenditure	Total
Revenue							
Revenue from exchange transactions	(734,183,653)	68,002,895	1,868,105,840	326,113,915	25,837,287,190	-	27,365,326,187
Revenue from non-exchange transactions	738,184,529	943,116,025	8,644,073,399	-	1,998,201,620	-	12,323,575,573
Inter-segment transfers	1,235,186	-	3,081,295,884	-	1,604,917,577	-	4,687,448,647
Interest revenue	-	-	132,800,184	37,353	421,423,705	-	554,261,242
Other revenue	-	-	-	-	-	726,799,005	726,799,005
Total segment revenue	5,236,062	1,011,118,920	13,726,275,307	326,151,268	29,861,830,092	726,799,005	45,657,410,654
Expenditure							
Interest expense	693,965	260,475,706	747,467,378	-	366,123,533	-	1,374,760,582
Depreciation and amortisation	315,338,062	816,654,084	952,294,798	-	745,233,721	-	2,829,520,665
Debt impairment	713,572,291	-	3,202,608,329	-	937,944,722	-	4,854,125,342
Expenditure	5,935,379,752	1,725,930,735	3,981,704,793	305,403,681	23,365,855,490	-	35,314,274,451
Other expenditure	-	-	-	-	-	726,560,097	726,560,097
Total segment expenditure	6,964,984,070	2,803,060,525	8,884,075,298	305,403,681	25,415,157,466	726,560,097	45,099,241,137
Total segmental surplus/(deficit)	(6,959,748,008)	(1,791,941,605)	4,842,200,009	20,747,587	4,446,672,626	238,908	558,169,517
Total assets							
Non - current assets	7,742,676,801	21,680,447,370	11,240,014,057	-	24,743,383,870	-	65,406,522,098
Current assets	-	-	11,829,526,365	-	-	-	11,829,526,365
Total assets	7,742,676,801	21,680,447,370	23,069,540,422	-	24,743,383,870	-	77,236,048,463

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Total liabilities

Non - current liabilities

- - 12,464,859,854 - - - 12,464,859,854

Current liabilities

- - 13,578,833,491 - - - 13,578,833,491

Total liabilities

- - 26,043,693,345 - - - 26,043,693,345

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Controlling entity 2023

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Non-segment revenue and expenditure	Total
Revenue							
Revenue from exchange transactions	126,385,343	79,916,863	295,740,162	359,391,758	28,272,802,228	1,494,178,760	30,628,415,114
Revenue from non-exchange transactions	1,496,132,796	1,072,123,585	10,923,581,715	-	5,002,736,727	-	18,494,574,823
Interest revenue	-	-	166,187,051	101,739	1,080,650,278	-	1,246,939,068
Total segment revenue	1,622,518,139	1,152,040,448	11,385,508,928	359,493,497	34,356,189,233	1,494,178,760	50,369,929,005
Expenditure							
Debt impairment	511,135,899	-	1,012,251,923	-	5,165,548,585	868,000,000	7,556,936,407
Depreciation and amortisation	210,246,300	903,944,025	625,031,412	-	952,886,367	-	2,692,108,104
Interest expense	-	277,170,146	766,071,280	-	368,844,094	-	1,412,085,520
Other expenses	7,969,063,915	1,794,716,591	2,288,328,062	338,739,799	25,374,027,951	626,178,760	38,391,055,078
Total segment expenditure	8,690,446,114	2,975,830,762	4,691,682,677	338,739,799	31,861,306,997	1,494,178,760	50,052,185,109
Total segmental surplus/(deficit)	(7,067,927,975)	(1,823,790,314)	6,693,826,251	20,753,698	2,494,882,236	-	317,743,896
Total assets							
Non - current assets	6,732,871,225	21,127,527,624	10,322,256,895	-	24,723,611,708	-	62,906,267,452
Current assets	-	-	12,927,057,328	-	-	-	12,927,057,328
Total assets	6,732,871,225	21,127,527,624	23,249,314,223	-	24,723,611,708	-	75,833,324,780
Total liabilities							
Non - current liabilities	-	-	11,326,672,183	-	-	-	11,326,672,183
Current liabilities	-	-	15,249,640,701	-	-	-	15,249,640,701
Total segment liabilities	-	-	26,576,312,884	-	-	-	26,576,312,884

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Controlling entity 2022

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Non-segment revenue and expenditure	Total
Revenue							
Revenue from exchange transactions	(774,803,123)	68,002,895	1,857,781,304	326,113,915	25,779,296,782	-	27,256,391,773
Revenue from non-exchange transactions	711,392,505	937,573,484	8,739,595,949	-	1,997,367,253	-	12,385,929,191
Inter-segment transfers	-	-	3,081,295,884	-	1,604,917,577	-	4,686,213,461
Interest revenue	-	-	132,800,184	37,353	409,495,547	-	542,333,084
Other revenue	-	-	-	-	-	774,803,123	774,803,123
Total segment revenue	(63,410,618)	1,005,576,379	13,811,473,321	326,151,268	29,791,077,159	774,803,123	45,645,670,632
Expenditure							
Interest expense	-	260,475,706	747,467,378	-	299,831,072	-	1,307,774,156
Depreciation and amortisation	308,525,252	816,654,084	341,772,549	-	593,519,315	-	2,060,471,200
Debt impairment	681,385,310	-	3,202,608,329	-	935,767,340	-	4,819,760,979
Expenditure	6,025,828,371	1,708,749,786	3,663,811,246	305,403,681	23,760,375,472	-	35,464,168,556
Other expenses	-	-	-	-	-	1,762,746,215	1,762,746,215
Total segment expenditure	7,015,738,933	2,785,879,576	7,955,659,502	305,403,681	25,589,493,199	1,762,746,215	45,414,921,106
Total segmental surplus/(deficit)	(7,079,149,551)	(1,780,303,197)	5,855,813,819	20,747,587	4,201,583,960	(987,943,092)	230,749,526
Total assets							
Non - current assets	6,666,180,540	20,918,254,455	10,220,012,494	-	25,236,364,319	-	63,040,811,808
Current assets	-	-	11,792,899,426	-	-	-	11,792,899,426
Total assets	6,666,180,540	20,918,254,455	22,012,911,920	-	25,236,364,319	-	74,833,711,234
Total liabilities							
Non - current liabilities	-	-	12,106,891,701	-	-	-	12,106,891,701
Current liabilities	-	-	13,787,551,517	-	-	-	13,787,551,517
Total liabilities	-	-	25,894,443,218	-	-	-	25,894,443,218

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