

eThekwini Municipality and its Municipal Entities  
Annual Financial statements  
for the year ended June 30, 2022

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## GENERAL INFORMATION

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<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development , and to promote a safe and healthy environment.
<b>ACCOUNTING OFFICER</b>	Mr. T. B. Mbhele (acting City Manager: 01 July 2021 to 30 June 2022)
<b>REGISTERED OFFICE</b>	City Hall Dr. Pixley Kaseme Street Durban 4000
<b>POSTAL ADDRESS</b>	P O Box 1014 Durban 4000
<b>BANKERS</b>	Nedbank P O Box 5662, Durban, 4000
<b>AUDITORS</b>	The Auditor-General, South Africa

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

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

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COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Tax
DBSA	Development Bank of South Africa
MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practice
PPE	Property, Plant and Equipment
HDF	Housing Development Fund
SALA	South African Local Authority Pension Fund
MSCOA	Municipal Standard Chart of Accounts
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMPF	Natal Joint Municipal Pension Fund
DOHS	Department of Human Settlements
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee

## **eThekwini Municipality and its Municipal Entities**

Annual Financial Statements for the year ended June 30, 2022

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the eThekwini Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Refer to Note 57 Going Concern.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

## **eThekwini Municipality and its Municipal Entities**

Annual Financial Statements for the year ended June 30, 2022

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 167.

  
Accounting Officer

Date: 1 December 2022

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Statement of Financial Position as at June 30, 2022

Figures in Rand thousand	Note(s)	Group and Municipality		Municipality	
		2022	2021 Restated*	2022	2021 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	2	900,388	612,967	891,163	608,230
Receivables from exchange transactions	3	2,964,427	2,695,727	2,951,536	2,683,067
Receivables from non-exchange transactions	4	24,332	157,385	24,167	155,303
Consumer debtors	6	7,688,861	7,292,988	7,773,017	7,363,057
Current portion of long term receivables	7	6,075	11,409	6,075	11,409
Call investment deposits	8	597,199	174,145	540,000	150,000
Investments	9	4,476,399	4,634,562	4,400,000	4,550,000
Cash and cash equivalents	9	220,427	645,450	187,610	627,018
		<b>16,878,108</b>	<b>16,224,633</b>	<b>16,773,568</b>	<b>16,148,084</b>
<b>Non-Current Assets</b>					
Investment property	10	259,744	285,873	208,963	232,943
Property, plant and equipment	11	54,364,977	53,242,902	54,069,542	52,915,899
Intangible assets	12	460,267	533,969	459,821	533,044
Heritage assets	13	48,454	47,969	48,454	47,969
Investments in controlled entities	14	-	-	695,808	695,808
Interest in joint ventures	15	62,846	67,341	62,846	67,341
Deferred tax	62	43,139	37,267	-	-
Deferred income		1,382	77	-	-
Long term receivables	7	46,161	56,268	46,161	56,268
		<b>55,286,970</b>	<b>54,271,666</b>	<b>55,591,595</b>	<b>54,549,272</b>
<b>Total Assets</b>		<b>72,165,078</b>	<b>70,496,299</b>	<b>72,365,163</b>	<b>70,697,356</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
External borrowings	16	915,874	850,705	915,874	850,705
Payables from exchange transactions	17	8,103,259	8,192,445	8,102,130	8,210,165
Transfers payable from non-exchange transactions	18	14,296	47,271	23,613	70,346
VAT payable	5	510,586	85,838	509,928	83,438
Consumer deposits	19	2,677,821	2,543,933	2,663,922	2,532,892
Employee benefit obligation	20	808,994	919,611	808,994	919,611
Unspent conditional grants and receipts	21	977,155	711,387	977,155	711,387
Provisions	22	1,082,652	1,206,899	1,073,256	1,200,392
		<b>15,090,637</b>	<b>14,558,089</b>	<b>15,074,872</b>	<b>14,578,936</b>
<b>Non-Current Liabilities</b>					
External borrowings	16	8,341,193	8,207,995	8,341,193	8,207,995
Employee benefit obligation	20	3,246,652	3,445,968	3,246,652	3,445,968
Provisions	22	1,553,225	1,558,866	1,552,426	1,558,158
		<b>13,141,070</b>	<b>13,212,829</b>	<b>13,140,271</b>	<b>13,212,121</b>
<b>Total Liabilities</b>		<b>28,231,707</b>	<b>27,770,918</b>	<b>28,215,143</b>	<b>27,791,057</b>
		<b>43,933,371</b>	<b>42,725,381</b>	<b>44,150,020</b>	<b>42,906,299</b>
Housing Development Fund	23	57,470	57,470	57,470	57,470
Accumulated surplus		43,875,901	42,667,911	44,092,550	42,848,829
<b>Total net assets</b>		<b>43,933,371</b>	<b>42,725,381</b>	<b>44,150,020</b>	<b>42,906,299</b>

\* See Note 45

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	Group and Municipality		Municipality	
		2022	2021 Restated*	2022	2021 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	24	22,360,280	20,991,176	22,416,039	21,033,593
Housing development construction contract revenue	25	672,026	392,653	672,026	392,653
Rental of facilities and equipment	26	769,227	707,524	742,913	711,246
Other income	27	407,128	325,722	290,689	273,425
Interest received	28	580,113	238,292	572,044	229,142
Gains on disposal of assets		15,499	-	15,619	-
Share of income from Joint Ventures	15	-	12,383	-	12,383
<b>Total revenue from exchange transactions</b>		<b>24,804,273</b>	<b>22,667,750</b>	<b>24,709,330</b>	<b>22,652,442</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Fines	29	139,757	189,906	139,757	189,906
Property rates	30	9,737,673	9,404,246	9,746,198	9,412,383
Property rates - penalties imposed	30	168,576	742	168,576	742
Licences and permits		44,220	34,751	44,220	34,751
<b>Transfer revenue</b>					
Government grants and subsidies	31	6,967,373	6,964,337	6,967,373	6,964,337
Levies	32	3,012,812	2,854,469	3,012,812	2,854,469
Public contributions and donations		12,947	6,722	12,244	6,056
Reversal of loss on impairment - Property, plant and equipment	11	26,641	-	26,641	-
Donations - Property, plant and equipment		987	853	987	853
Reversal of loss on impairment - Investment properties	10	4,015	-	4,015	-
<b>Total revenue from non-exchange transactions</b>		<b>20,115,001</b>	<b>19,456,026</b>	<b>20,122,823</b>	<b>19,463,497</b>
<b>Total revenue</b>		<b>44,919,274</b>	<b>42,123,776</b>	<b>44,832,153</b>	<b>42,115,939</b>
<b>Expenditure</b>					
Employee related costs	33	(11,433,483)	(12,631,141)	(11,279,445)	(12,507,556)
Remuneration of councillors	34	(134,416)	(128,509)	(134,416)	(128,509)
Amortisation - Intangible assets	12	(143,277)	(113,447)	(142,893)	(113,262)
Impairment loss - Investment properties	10	-	(132)	-	(132)
Depreciation - Property, plant and equipment	11	(2,640,224)	(2,425,879)	(2,599,878)	(2,394,562)
Impairment loss - Property, plant and equipment	11	(78,806)	(156,155)	(78,806)	(156,155)
Finance costs	35	(904,112)	(848,347)	(904,112)	(848,347)
Lease rentals on operating lease		(153,530)	(132,677)	(153,203)	(132,258)
Debt impairment	49	(3,138,670)	(2,156,814)	(3,136,848)	(2,152,322)
Depreciation - Investment properties	10	(2,699)	(2,444)	(550)	(550)
Electricity and Water consumption	36	(15,495,608)	(14,169,075)	(15,495,608)	(14,169,075)
Contracted services	37	(4,969,184)	(4,456,022)	(4,957,871)	(4,446,449)
Grants and subsidies	38	(493,961)	(544,452)	(687,475)	(720,408)
Housing development construction contract expenditure	25	(672,026)	(392,653)	(672,026)	(392,653)
Loss on disposal of assets		-	(16,914)	-	(16,542)
Share of losses from Joint Ventures	15	(4,494)	-	(4,494)	-
Impairment loss - Investment in Municipal Entities	14	-	-	-	(75,847)
General expenses	39	(3,430,348)	(3,117,312)	(3,318,489)	(2,998,991)
<b>Total expenditure</b>		<b>(43,694,838)</b>	<b>(41,291,973)</b>	<b>(43,566,114)</b>	<b>(41,253,618)</b>
<b>Surplus before taxation</b>		<b>1,224,436</b>	<b>831,803</b>	<b>1,266,039</b>	<b>862,321</b>

\* See Note 45



# eThekwini Municipality and its Municipal Entities

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## Statement of Financial Performance

Figures in Rand thousand	Note(s)	Group and Municipality		Municipality	
		2022	2021 Restated*	2022	2021 Restated*
Taxation	59	5,872	19,271	-	-
<b>Surplus for the year from continuing operations</b>		<b>1,230,308</b>	<b>851,074</b>	<b>1,266,039</b>	<b>862,321</b>
Changes in estimates	60	(22,318)	(34,742)	(22,318)	(34,742)
<b>Surplus for the year</b>		<b>1,207,990</b>	<b>816,332</b>	<b>1,243,721</b>	<b>827,579</b>

\* See Note 45

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand	Housing development fund	Accumulated surplus	Total net assets
<b>Group and Municipality</b>			
Opening balance as previously reported	57,470	41,553,371	41,610,841
Adjustments			
Prior year adjustments (prior to 2020/21)	-	298,208	298,208
<b>Balance at July 1, 2020 as restated</b>	<b>57,470</b>	<b>41,851,579</b>	<b>41,909,049</b>
Changes in net assets			
Surplus for the year as previously reported	-	496,492	496,492
Total changes	-	496,492	496,492
Opening balance	57,470	42,348,071	42,405,541
Adjustments			
Prior year adjustments (2020/21)	-	319,840	319,840
<b>Balance at July 01, 2021 as restated*</b>	<b>57,470</b>	<b>42,667,911</b>	<b>42,725,381</b>
Changes in net assets			
Surplus for the year	-	1,207,990	1,207,990
Total changes	-	1,207,990	1,207,990
<b>Balance at June 30, 2022</b>	<b>57,470</b>	<b>43,875,901</b>	<b>43,933,371</b>
Note(s)			
<b>Municipality</b>			
Opening balance as previously reported	57,470	41,723,042	41,780,512
Adjustments			
Prior year adjustments (prior to 2020/21)	-	298,208	298,208
<b>Balance at July 1, 2020 as restated</b>	<b>57,470</b>	<b>42,021,250</b>	<b>42,078,720</b>
Changes in net assets			
Surplus for the year as previously reported	-	507,739	507,739
Total changes	-	507,739	507,739
Opening balance	57,470	42,528,989	42,586,459
Adjustments			
Prior year adjustments (2020/21)	-	319,840	319,840
<b>Balance at July 01, 2021 as restated*</b>	<b>57,470</b>	<b>42,848,829</b>	<b>42,906,299</b>
Changes in net assets			
Surplus for the year	-	1,243,721	1,243,721
Total changes	-	1,243,721	1,243,721
<b>Balance at June 30, 2022</b>	<b>57,470</b>	<b>44,092,550</b>	<b>44,150,020</b>

Note(s)

\* See Note 45

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Cash Flow Statement

Figures in Rand thousand	Note(s)	Group and Municipality		Municipality	
		2022	2021 Restated*	2022	2021 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Ratepayers, consumers, government and other		41,764,422	38,586,302	41,671,009	38,604,673
Interest on investments		260,546	237,233	252,477	228,083
		42,024,968	38,823,535	41,923,486	38,832,756
<b>Payments</b>					
Employee costs and suppliers		(37,655,717)	(34,476,897)	(37,602,315)	(34,423,859)
Finance costs		(876,308)	(786,171)	(876,308)	(786,171)
		(38,532,025)	(35,263,068)	(38,478,623)	(35,210,030)
<b>Net cash flows from operating activities</b>	40	<b>3,492,943</b>	<b>3,560,467</b>	<b>3,444,863</b>	<b>3,622,726</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	11	(3,795,675)	(3,476,368)	(3,786,898)	(3,462,225)
Proceeds from sale of property, plant and equipment, intangibles and investment properties	11	25,322	6,166	25,317	6,154
Purchase of intangible assets	12	(69,756)	(26,910)	(69,724)	(26,781)
Purchases of heritage assets	13	(485)	(3,571)	(485)	(3,571)
Capital repayment received from Joint Venture		-	20,583	-	20,583
Increase in non-current receivables		(10,848)	(12,839)	(10,848)	(12,839)
<b>Net cash flows from investing activities</b>		<b>(3,851,442)</b>	<b>(3,492,939)</b>	<b>(3,842,638)</b>	<b>(3,478,679)</b>
<b>Cash flows from financing activities</b>					
Proceeds from external borrowings		1,000,000	1,500,000	1,000,000	1,500,000
Repayment of external borrowings		(801,633)	(808,475)	(801,633)	(808,475)
<b>Net cash flows from financing activities</b>		<b>198,367</b>	<b>691,525</b>	<b>198,367</b>	<b>691,525</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(160,132)</b>	<b>759,053</b>	<b>(199,408)</b>	<b>835,572</b>
Cash and cash equivalents at the beginning of the year		5,454,157	4,695,104	5,327,018	4,491,446
<b>Cash and cash equivalents at the end of the year</b>	9	<b>5,294,025</b>	<b>5,454,157</b>	<b>5,127,610</b>	<b>5,327,018</b>

Purchases of capital assets exclude non-cash items such as donations valued at R987thousand in the current year (2021: R853thousand). Prior year cost adjustments are excluded in calculating additions for the comparative year cash flow statement.

\* See Note 45

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## 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
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Figures in Rand thousand

### Group and Municipality

#### Statement of Financial Performance

##### Revenue

Property rates	10,204,740	(202,000)	<b>10,002,740</b>	9,737,673	<b>(265,067)</b>	97%
Service charges	23,811,359	(317,608)	<b>23,493,751</b>	22,360,280	<b>(1,133,471)</b>	95%
Investment revenue	241,582	16,763	<b>258,345</b>	260,546	<b>2,201</b>	101%
Transfers recognised	7,777,792	(443,095)	<b>7,334,697</b>	6,967,373	<b>(367,324)</b>	95%
Other revenue	4,994,062	798,141	<b>5,792,203</b>	5,593,402	<b>(198,801)</b>	97%
<b>Total revenue</b>	<b>47,029,535</b>	<b>(147,799)</b>	<b>46,881,736</b>	<b>44,919,274</b>	<b>(1,962,462)</b>	<b>96%</b>

##### Expenditure

Employee related costs	(12,089,898)	439,007	<b>(11,650,891)</b>	(11,433,483)	<b>217,408</b>	98%
Remuneration of councillors	(141,662)	5,561	<b>(136,101)</b>	(134,416)	<b>1,685</b>	99%
Depreciation and asset impairment	(3,025,672)	(101,812)	<b>(3,127,484)</b>	(2,865,006)	<b>262,478</b>	92%
Finance costs	(887,083)	(3,563)	<b>(890,646)</b>	(904,112)	<b>(13,466)</b>	102%
Debt impairment	(1,620,007)	(1,798,002)	<b>(3,418,009)</b>	(3,138,670)	<b>279,339</b>	92%
Materials and bulk purchases	(16,228,017)	737,798	<b>(15,490,219)</b>	(16,999,012)	<b>(1,508,793)</b>	110%
Transfers and grants	(559,713)	(50,682)	<b>(610,395)</b>	(493,961)	<b>116,434</b>	81%
Other expenditure	(8,936,630)	(1,724,516)	<b>(10,661,146)</b>	(7,721,684)	<b>2,939,462</b>	72%
<b>Total expenditure</b>	<b>(43,488,682)</b>	<b>(2,496,209)</b>	<b>(45,984,891)</b>	<b>(43,690,344)</b>	<b>2,294,547</b>	<b>95%</b>

##### Operating surplus

Operating surplus	<b>3,540,853</b>	<b>(2,644,008)</b>	<b>896,845</b>	<b>1,228,930</b>	<b>332,085</b>	
Share of losses from Joint Ventures	-	-	-	(4,494)	<b>(4,494)</b>	
Taxation	-	-	-	5,872	<b>5,872</b>	
	-	-	-	<b>1,378</b>	<b>1,378</b>	

<b>Surplus / (Deficit)</b>	<b>3,540,853</b>	<b>(2,644,008)</b>	<b>896,845</b>	<b>1,230,308</b>	<b>333,463</b>	
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<b>Surplus for the year before changes in estimates</b>	<b>3,540,853</b>	<b>(2,644,008)</b>	<b>896,845</b>	<b>1,230,308</b>	<b>333,463</b>	
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Changes in estimates	-	-	-	(22,318)	<b>(22,318)</b>	
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<b>Surplus for the year</b>	<b>3,540,853</b>	<b>(2,644,008)</b>	<b>896,845</b>	<b>1,207,990</b>	<b>311,145</b>	
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### Capital expenditure and funds sources

#### Sources of capital funds

Transfers recognised - capital	3,371,728	(619,861)	<b>2,751,867</b>	2,360,971	<b>(390,896)</b>	86%
Borrowing	1,000,000	-	<b>1,000,000</b>	1,000,000	-	100%
Internally generated funds	949,814	(12,693)	<b>937,121</b>	516,841	<b>(420,280)</b>	55%
<b>Total capital expenditure</b>	<b>5,321,542</b>	<b>(632,554)</b>	<b>4,688,988</b>	<b>3,877,812</b>	<b>(811,176)</b>	<b>83%</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Municipality

#### Statement of Financial Performance

##### Revenue

Property rates	10,204,740	(202,000)	<b>10,002,740</b>	9,746,198	<b>(256,542)</b>	97%
Service charges	23,811,359	(317,608)	<b>23,493,751</b>	22,416,039	<b>(1,077,712)</b>	95%
Investment revenue	237,265	17,384	<b>254,649</b>	252,477	<b>(2,172)</b>	99%
Transfers recognised	7,776,656	(443,095)	<b>7,333,561</b>	6,967,373	<b>(366,188)</b>	95%
Other revenue	4,668,272	801,810	<b>5,470,082</b>	5,450,066	<b>(20,016)</b>	100%
<b>Total revenue</b>	<b>46,698,292</b>	<b>(143,509)</b>	<b>46,554,783</b>	<b>44,832,153</b>	<b>(1,722,630)</b>	<b>96%</b>

##### Expenditure

Employee related costs	(11,958,062)	447,788	<b>(11,510,274)</b>	(11,279,445)	<b>230,829</b>	98%
Remuneration of councillors	(141,662)	5,561	<b>(136,101)</b>	(134,416)	<b>1,685</b>	99%
Depreciation and asset impairment	(2,976,599)	(102,058)	<b>(3,078,657)</b>	(2,822,127)	<b>256,530</b>	92%
Finance costs	(887,083)	(3,713)	<b>(890,796)</b>	(904,112)	<b>(13,316)</b>	101%
Debt impairment	(1,620,007)	(1,795,351)	<b>(3,415,358)</b>	(3,136,848)	<b>278,510</b>	92%
Materials and bulk purchases	(16,206,003)	727,293	<b>(15,478,710)</b>	(16,999,012)	<b>(1,520,302)</b>	110%
Transfers and grants	(559,712)	(50,644)	<b>(610,356)</b>	(687,475)	<b>(77,119)</b>	113%
Other expenditure	(8,722,702)	(1,681,200)	<b>(10,403,902)</b>	(7,598,185)	<b>2,805,717</b>	73%
<b>Total expenditure</b>	<b>(43,071,830)</b>	<b>(2,452,324)</b>	<b>(45,524,154)</b>	<b>(43,561,620)</b>	<b>1,962,534</b>	<b>96%</b>

##### Operating surplus

Operating surplus	<b>3,626,462</b>	<b>(2,595,833)</b>	<b>1,030,629</b>	<b>1,270,533</b>	<b>239,904</b>	
Share of losses from Joint Ventures	-	-	-	(4,494)	<b>(4,494)</b>	

<b>Surplus / (Deficit)</b>	<b>3,626,462</b>	<b>(2,595,833)</b>	<b>1,030,629</b>	<b>1,266,039</b>	<b>235,410</b>	
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<b>Surplus for the year before changes in estimates</b>	<b>3,626,462</b>	<b>(2,595,833)</b>	<b>1,030,629</b>	<b>1,266,039</b>	<b>235,410</b>	
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Changes in estimates	-	-	-	(22,318)	<b>(22,318)</b>	
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<b>Surplus for the year</b>	<b>3,626,462</b>	<b>(2,595,833)</b>	<b>1,030,629</b>	<b>1,243,721</b>	<b>213,092</b>	
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#### Capital expenditure and funds sources

##### Sources of capital funds

Transfers recognised - capital	3,371,728	(619,860)	<b>2,751,868</b>	2,360,971	<b>(390,897)</b>	86%
Borrowing	1,000,000	-	<b>1,000,000</b>	1,000,000	-	100%
Internally generated funds	921,902	(2,292)	<b>919,610</b>	508,033	<b>(411,577)</b>	55%
<b>Total capital expenditure</b>	<b>5,293,630</b>	<b>(622,152)</b>	<b>4,671,478</b>	<b>3,869,004</b>	<b>(802,474)</b>	<b>83%</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1. Summary of significant accounting policies

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, is disclosed below:

#### 1.1 Authorisation of the Annual Financial Statements

The Annual Financial Statements of eThekwini Municipality and its entities for the year ended 30 June 2022 were authorized for issue by the Accounting Officer on 29 September 2022 to the Auditor General.

#### 1.2 Basis of preparation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in terms of section 122 of the Municipal Finance Management Act.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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 as read with Directive 5. These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards and the International Financial Reporting Standards, including any interpretations of such Statements issued by the International Accounting Standards Board and International Public Sector Accounting Standards Board respectively.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. Only Standards of GRAP, IGRAP Standards, Directives, Guidelines and IFRS Standards applicable to the Municipality have been disclosed.

At the date of authorisation of these Annual Financial Statements, the following pronouncements were not yet effective or were not authoritative for the year presented:

Guideline: Accounting for Landfill Sites

This guideline covers the following accounting aspects:

- Accounting for land and the landfill site asset.
- Costs to be capitalised as part of the landfill site asset and how these should be depreciated and tested for impairment.
- Costs to be included in the rehabilitation provision, including the treatment of monitoring and inspection expenses to be undertaken after the closure of the landfill site.
- Accounting for changes in costs, discount rates, other estimates in relation to the rehabilitation provision, and changes in future events such as legislation, and how these changes impact the initial measurement of the landfill site asset.

The Municipality has considered the guideline in formulating the accounting policy.

Guideline: Application of Materiality to Annual Financial Statements

This guideline outlines a process that may be considered by entities when applying materiality to the preparation of Annual Financial Statements.

The Municipality has considered the guideline in formulating the accounting policy.

#### 1.3 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the Municipality and all values are rounded to the nearest thousand (R'000).

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.4 Going concern assumption

These Annual Financial Statements were prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months (refer note 56).

### 1.5 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.6 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual Amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the Annual Financial Statements in determining whether a difference between the budgeted and actual amount is material.

### 1.7 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP.

The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. 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.

The presentation and classification of items in the current year is consistent with prior periods, except to the extent where there is a change in an accounting policy affecting presentation, classification, or disclosure.

### 1.8 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Municipality at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.9 Materiality

Materiality is informed by both quantitative and qualitative factors. In order to determine materiality in the context of these quantitative and qualitative factors, it is important to establish the primary users of the Municipality's Annual Financial Statements.

The mandate of the Municipality is to provide service delivery to its constituents in line with the Integrated Development Plan, the Constitution, together with National and Provincial strategic objectives. The primary users of the Annual Financial Statements are therefore the Municipality's service constituents and these users are mainly interested in information pertaining to sustainable service delivery.

Qualitative materiality refers to the non-financial information that is useful to the users of Annual Financial Statements as it impacts on their ability to make informed decisions. Information about compliance or non-compliance with legislation, supporting regulations or similar means may be material because of its nature, irrespective of the magnitude of any amounts involved. Nature refers to, amongst others, the legislative requirements, new laws, public interest, importance of balances or transactions, complexity of transactions and ethics.

The following information is qualitatively material based on the needs of the users of the Municipality's Annual Financial Statements:

- Disclosures required by the applicable regulatory reporting framework and legislations
- Information that is in the public interest
- Governance and ethical considerations
- Complex transactions requiring high degree of estimation or judgement
- Transactions not within the normal operations of the Municipality
- Related party disclosures
- Information that has an impact on key ratios used to evaluate the Municipality's financial position, results of operations or cash flows. i.e. MFMA Circular 71 Uniform Financial Ratios

Professional judgement is exercised in assessing the importance of these qualitative factors in determining materiality.

Quantitative materiality refers to the financial information that is useful to the users of Annual Financial Statements as it impacts on their ability to make informed decisions.

The primary users of the financial statements are the Municipality's service constituents and these users are mainly interested in information pertaining to sustainable service delivery. This will include information about the nature and quality of assets used to perform service delivery and whether these assets are managed adequately in order to ensure that the municipality operates in a sustainable manner. The applicable materiality benchmark is therefore that pertaining to total assets.

The latest audited figures are used as baseline figures since the auditors have expressed an opinion on them. These figures allow the municipality to assess materiality throughout the year since the figures are readily available.

The National Treasury Practice Note on the parameters for the calculation of materiality in terms of section 54 of the Public Finance Management Act was used as a basis of calculating the materiality range to be applied against the Rand value in the absence of a similar guidance for the municipal environment, with the parameters being 1% - 2% of total assets.

The Practice Note requires that professional judgement, consistency and other qualitative factors to be considered in calculating the materiality thresholds. Based on the size of the municipality, the complexity of its operations, nature of transactions and the qualitative factors mentioned, the parameters set in the Practice Note have been adjusted by applying a factor of 25% to arrive at the municipality's specific materiality ranges of 0.25% - 0.5% of total assets.

A prudent and conservative approach has been applied by using the average percentages on the ranges calculated to provide sufficient information to the users of Annual Financial Statements that will enable them to make informed decisions.

Element:	Total Assets
Baseline (R) - 30 June 2021 audited figures:	R70 545 630 000
Percentage (%)	0.375%
Materiality level (R)	R264 546 113

Overall materiality at an Annual Financial Statement level is R264 546 113.



# **eThekwini Municipality and its Municipal Entities**

Annual Financial Statements for the year ended June 30, 2022

## **Accounting Policies**

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### **1.10 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.11 Intangible assets

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

#### Initial Recognition

Intangible assets are initially measured at cost and comprise of software, trademarks and servitudes. The cost of an item of intangible assets is recognised as an asset only if:

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

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

- The Municipality intends to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- The Municipality has the resources to complete the project.
- It is probable that the Municipality will receive future economic benefits or service potential.
- The Municipality is able to use or sell the intangible asset.
- The Municipality is able to measure reliably the expenditure attributable to the intangible asset during its development.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Servitudes are rights that are not amortised as they have an indefinite useful life. The servitude rights are considered to have an indefinite useful life as these are granted to the Municipality for an indefinite period and also taking into consideration the nature of the asset as well as service delivery mandates of the Municipality linked to these assets. Servitudes are rights associated with land which is not depreciable on the basis that it has an indefinite useful life.

#### Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil. Transfers from intangible assets are made when the particular asset no longer meets the definition of an intangible asset.

#### Amortisation and Impairment

Intangible assets are amortised on a straight line method over their estimated useful lives, as follows:

Details	Years
Computer Software	2 - 20 years
Servitudes	indefinite
Trademarks	80 years

The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the amortisation method and useful lives are recognised as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. The Municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition:

Intangible assets are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net proceeds and the carrying value and is recognised in

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.11 Intangible assets (continued)

the Statement of Financial Performance.

### 1.12 Employee Benefits Obligations

#### 1.12.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages, salaries, social security contributions, paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. Shift and night allowances are separately disclosed from overtime payments and form part of other employee related costs.

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.

#### 1.12.2 Defined contribution plans

The Municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The Natal Joint Provident Fund, Multi Linked and South African Local Authority are defined contribution funds.

The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.12 Employee Benefits Obligations (continued)

#### 1.12.3 Pension obligations

The Municipality and its employees contribute to 8 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 86% of staff.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

***The following are defined benefit funds:***

Durban Pension Fund

Government Employee's Pension Fund

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - Retirement Durban Pension Fund

***The following are defined contribution funds:***

KZN Pension Fund

Multi Linked

SALA

The other fund is a Provident Fund administered by Natal Joint Municipal Pension Fund.

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability/asset recognised in the Statement of Financial Position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates, best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Durban Marine Theme Park (proprietary) limited reimburses uShaka Management (Pty) Ltd for the cost of the provident fund which is governed by the pension's funds act of 1956. Contributions are based on a percentage of the payroll and charged to the statement of financial performance in the year to which they relate.

All staff of the I.C.C (proprietary) Limited are members of the I.C.C pension fund which is defined contribution fund.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.12 Employee Benefits Obligations (continued)

#### 1.12.4 Other post-employment benefit obligations

The Municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the year that they arise.

#### Multi-Employer Retirement Benefit Plans

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of Financial Statements are compiled for each fund not per employer. Further details of this plan are included in note 20.

#### 1.12.5 Other Long-Term Employee Benefits

Other long-term employee benefits are in respect of long service awards. The amount recognised as a liability for long service awards is the present value of the defined benefit obligation at the reporting date using the Projected Unit Credit Method. There are no plan assets to settle the defined benefit obligation for long service awards.

The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows after taking into account rates of employee turnover, discounting rate, and future salary and benefit levels.

The liability recognised in the Statement of Financial Position in respect of defined long service benefits is equal to the defined benefit obligation at the balance sheet date after taking into account adjustments for unrecognised actuarial gains or losses and past service costs.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.13 Significant Judgements

In the application of the Municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Significant judgements include:***

#### **Post Retirement Benefits, Multi-Employer Retirement Benefit Plans and Other Long-Term Employee Benefits**

The present value of the post retirement obligation depends on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined because the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan are included in the notes to the Annual Financial Statements.

The present value of the long service award defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions and factors such as the rates of employee turnover, discounts rates, and future salary and benefit levels, which take into account market conditions.

#### **Provision for impairment of trade receivables**

The provision for impairment is measured as the difference between the asset's carrying amount and the recoverable amount. The recoverable amount for service debtors is based on the default history of the debtors using the age analysis to calculate the estimated future cash flows. Service debtors are normally receivable within 30 days from the invoice date and as a result there is no significant financing element associated with these debtors that would require a present value calculation of estimated cash flows. For property rates, past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period. Amongst others, factors such as past collection rates per category of debtors, significant financial difficulty of the debtor, default or delinquency in interest or principal payments are used as mitigating or aggravating factors in determining the impairment loss recognised on the Statement of Financial Performance.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.13 Significant Judgements (continued)

#### Non-cash generating and cash generating impairment testing

Management uses the higher of the fair value less cost to sell and value in use to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Where there is no active market to calculate the fair value less cost to sell, the recoverable amount is based on the value in use.

The assets of the Municipality are linked to functional departments that provide the following core services of the Municipality: electricity, water, sanitation, solid waste, gas to electricity, rates and general, Joint Ventures and Municipal Entities.

The assets linked to the provision of water, sanitation, solid waste and gas to electricity services are held to provide basic service delivery in line with section 24 and 27 of the South African Constitution stating that people have a right to an environment that is not harmful to their health or well-being, to have the environment protected for the present and future generations and a right of access to water. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

The assets linked to the provision of electricity are held to provide service delivery. Even though the Constitution does not deal with energy explicitly, electricity reticulation is identified as a municipal function and the Municipality regards the provision of electricity as part of its basic services since it is a necessity and improves the quality of life. Furthermore, these assets do not generate a commercial return since the tariffs charged by the electricity department are below market rates, being the rates charged by Eskom and other Metropolitan Municipalities. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

The assets linked to the provision of rates and general services (i.e. parks, recreation and culture, human settlements etc.) are held to provide service delivery. There is no/nominal tariff charged for these services and the cost of providing these services is recovered through the rates imposed on the residents in the city. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

Municipal Entities consist of Durban ICC SOC and Durban Marine Theme Park SOC. The intention behind holding these investments is to boost the economic activity within the eThekwini region since these entities are centred as tourist attractions. Any returns realised are considered to be incidental. The Municipality provides certain grants to these entities to fund their operations and also provides a surety for the cash flow shortfalls. The investments in these entities are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment. To the extent that the underlying assets of the municipal entities generate commercial returns, these assets are designated as cash generating assets on the consolidated annual financial statements, whereas in all other cases they are designated as non-cash generating assets.

The Municipality has two Joint Ventures, Effingham Development Joint Venture and Durban Point Development Company. The intention of holding these investments is to develop and market the serviced sites in an attempt to boost economic activity within the eThekwini region. Any returns realised are considered to be incidental. The investments in these Joint Ventures are therefore designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on the assets. To the extent that the underlying assets of the joint ventures generate commercial returns, these assets are designated as cash generating assets on the consolidated annual financial statements, whereas in all other cases they are designated as non-cash generating assets. All assets owned / recognised by the Municipality are held for the provision of basic services and are considered to be non-cash generating assets.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.13 Significant Judgements (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are measured at the Head of Department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

- the Municipality has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

#### Fine revenue

Fine revenue is recognised after taking into account the probability of future withdrawals and reductions. The probability of withdrawals and reductions is based on a 5 year past trend of gross charges issued which are likely to be disputed. The success rate of the disputed fines is taken into account in calculating the probability of withdrawals and reductions.

#### Assessing control over land

Control over land is determined by whether the Municipality has legal ownership, or the right to direct access to land, and to restrict or deny the access of others to the land. In assessing whether the Municipality has the right to direct access to the land, and to restrict or deny the access of others to the land, it considers whether it can:

- direct the use of the land's future economic benefits or service potential to provide services to beneficiaries; or
- exchange, dispose of, or transfer the land; and/or
- use the land in any other way to generate future economic benefits or service potential.

When control is obtained other than through legal ownership, the asset acquired is initially measured using the accounting policy for revenue from non-exchange transactions.

#### Interest in other entities and arrangements

The Municipality determines the nature of its interests in its Municipal Entities, transport authority and Joint Ventures using the various agreements with these entities. This includes arrangements where a separate vehicle has been formed in which the terms and conditions of the agreement between the parties demonstrates the type of arrangement entered into.

The Municipality has full control over its entities and transport authority. This is demonstrated by the 100% shareholding and voting rights.

The Municipality has joint control over its Joint Ventures. The joint control is demonstrated by the exposure to risks which is shared equally amongst the Joint Ventures. Where a separate vehicle has been formed, the shareholding and voting rights further assist in demonstrating joint control in addition to the exposure to risks.



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.14 Investment property

#### Initial Recognition

Investment property includes property (land or a building, or part of a building) 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.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. The cost of an item of investment property is recognised as an asset only if:

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a 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.

The cost of self-constructed investment property is the cost at date of completion.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- A building that is vacant but is held to be leased out under one or more operating leases.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.14 Investment property (continued)

- Property that is being constructed or developed for future use as investment property.

#### Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from investment properties are made when the particular asset no longer meets the definition of investment properties.

#### Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. All assets are considered to have a nil residual value. The lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Asset / Component</b>	<b>Useful life</b>
Property – land	Indefinite
Property – buildings	10 - 80 years

#### Derecognition and Impairment

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 shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant, and equipment), the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in the Statement of Financial Performance when the compensation becomes receivable.

The Municipality tests for impairment where there is an indication that a property may be impaired. An assessment of whether there is an indication of possible impairment is done during each reporting period. Where the carrying amount of an item of an investment property is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.15 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, to meet service delivery objectives, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

#### Initial Recognition

Property, plant and equipment are stated at cost. The cost of an item of property, plant and equipment is recognised as an asset only if:

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

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

#### Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from property, plant and equipment are made when the particular asset no longer meets the definition of property, plant and equipment.

#### Depreciation and Impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. All assets are considered to have a nil residual value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate on the Statement of Financial Performance. This change in estimate is applied prospectively.

However, if the asset that is still in use has already reached the end of its estimated useful life, the change in useful life must be accounted for retrospectively as a correction of a prior period error in the determination of the new useful life if it is established that there was an error in estimating the useful lives in the prior years based on the relevant information that was available. This change would have an impact on accumulated surplus and the Statement of Financial Position.

If all the relevant facts and circumstances were considered in the previous years in determining the useful lives of the assets and principles in GRAP 17 were appropriately applied, the change in the useful life is accounted for as a change in estimate when the fully depreciated assets that are still in use are material. A portion of the accumulated depreciation is reversed to the Statement of Financial Performance. The carrying amount of the asset is then depreciated over its revised useful life.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.15 Property, plant and equipment (continued)

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

<b>Asset / Component</b>	<b>Useful Life (Years)</b>
Infrastructure	
• Engineering infrastructure - Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	3 - 80 years
• Markets and Informal Markets stalls and structures	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 80 years
• Car Parks	15 years
• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicles	3 - 15 years
• Bins and containers	5 years
• Plant and Machinery – General	3 - 20 years
• Security Systems	5 - 15 years
• Office equipment	3 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Other items of Plant and Equipment	2 - 5 years

Impairment testing is done when there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.15 Property, plant and equipment (continued)

#### Derecognition:

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is no further economic benefit 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 net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

#### Site rehabilitation and restoration costs:

Where the Municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the Municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

The related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period.

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash generating assets and/or impairment of non-cash-generating assets.

#### Service concession assets:

The Municipality has made service concession arrangements with various operators in terms of carrying out certain mandated bus service functions. The Municipality retains full control over the nature, timing and extent of the services that the bus operators must perform and the fees for the services rendered are determined as per the operator's specific schedules and annexes that form part of the signed agreements.

The Municipality controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of engagement.

Income generated by the Municipality in terms of the right of use of these municipal assets is recognised in line with the accounting policy on revenue from exchange transactions.

### 1.16 Investments in controlled entities

#### Group and Municipality annual financial statements

Investments in controlled entity are consolidated in the group annual financial statements. Refer to the accounting policy on Consolidations (Note 1.30).

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.16 Investments in controlled entities (continued)

#### **Municipality annual financial statements**

Investments in Municipal Entities are initially recognised at cost.

Subsequently they are accounted for at cost less any accumulated impairment. The Municipality assesses at each reporting date whether there is any indication that an investment in Municipal Entities may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in Municipal Entities. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

A reversal of an impairment loss of investments in Municipal Entities carried at cost is recognised immediately in the Statement of Financial Performance.

### 1.17 Interest in joint ventures

#### **Group and Municipality annual financial statements**

An interest in a joint venture is accounted for using the equity method, which is the same accounting treatment as with the Municipality's separate financial statements.

#### **Municipality annual financial statements**

An investment in a Joint Venture is measured using the equity method.

The equity method is a method of accounting whereby the investment is initially recognised at cost and subsequently adjusted for the Municipality's post acquisition share of profits or losses, resulting from operations of the Joint Venture, on the accrual basis. Dividends or similar distributions are recognised as a reduction from the carrying amount of the investment.

The Municipality assesses at each reporting date whether there is any indication that an investment in a Joint Venture may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in a Joint Venture. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

A reversal of an impairment loss of investments in a Joint Venture carried at cost is recognised immediately in the Statement of Financial Performance.

The share of losses are limited to the carrying amount of the Joint Venture and as a result if the interest in the Joint Venture is considered to be fully impaired or if the accumulated losses are equal to the cost of the interest in the Joint Venture, there will be no further losses recognised from the Joint Venture.

The Municipality discloses the unrecognised share of losses of a Joint Venture, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the Joint Venture when applying the equity method.

### 1.18 Heritage assets

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

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.18 Heritage assets (continued)

#### Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost 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 the Municipality. The cost of an item of heritage assets is recognised as an asset only if:

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

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

Where no evidence is available to determine the market value in an active market of a heritage asset, a valuation technique may be used to determine its fair value. If a fair value cannot be determined for a heritage asset because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, a fair value should not be determined.

If at initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the annual financial statements.

#### Subsequent Measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses i.e. cost model. Transfers from heritage assets are made when the particular asset no longer meets the definition of a heritage asset. When a heritage asset, or class of heritage assets can be measured reliably after initial recognition, the Municipality discloses the following for each heritage asset or class of heritage assets:

- (a) a description of the heritage asset or class of heritage assets;
- (b) the events or circumstances that led to a reliable value becoming available; and
- (c) the value at which the heritage asset or class of heritage assets are recognised.

#### Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired. Where the carrying amount of an item of heritage assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Heritage assets are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

### 1.19 Grants, Transfers and Donations

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.20 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the Municipality, or vice versa, or an entity that is subject to common control, or joint control.

### 1.21 Commitments

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

### 1.22 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue.

Two types of events can be identified:

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

Amounts recognised in the Annual Financial Statements will be adjusted to reflect adjusting events after the reporting date once the event occurred. The nature of the event will be disclosed as well as an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

### 1.23 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowing costs are applied.

### 1.24 National Housing Programmes

The Municipality has a level two accreditation in terms of its participation on the National Housing Programme. It is a project developer in terms of the arrangement to construct and transfer houses to the beneficiaries of the Programme.

Grants received to implement the National Housing Programme are recognised as contract revenue.

Contract revenue comprises:

- (a) the initial amount of revenue agreed in the contract; and
- (b) variations in contract work, claims and incentive payments to the extent that:
  - (i) it is probable that they will result in revenue; and
  - (ii) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date. The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- (a) total contract revenue, if any, can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- (c) both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.24 National Housing Programmes (continued)

(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Costs incurred to implement the National Housing Programme are expensed as contract costs.

Contract costs comprise:

(a) costs that relate directly to the specific contract;

(b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and

(c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract. Such costs include:

(a) general administration costs for which reimbursement is not specified in the contract;

(b) selling costs;

(c) research and development costs for which reimbursement is not specified in the contract; and

(d) depreciation of idle plant and equipment that is not used on a particular contract.

As with contract revenue, contract costs are recognised as expenses when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the reporting date.

### 1.25 Financial instruments

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

#### Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.25 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

##### Loans to Municipal Entities

Loans to Municipal Entities are initially recognised at fair value plus any transaction costs. Subsequently the loans are measured at amortised cost using the effective interest rate method.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

##### Receivables

Debtors are initially recognised at fair value plus any transaction costs.

Debtors are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

An allowance for impairment of debtors is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable amount based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Impairment losses are recognised in the Statement of Financial Performance.

Bad debts are written off during the year in which they are identified against the provision for impairment on the Statement of Financial Position. If no such provision for impairment was raised the bad debts are written off on the Statement of Financial Performance.

##### Payables

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

##### Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

##### Borrowings and other financial liabilities

Borrowings are recognised initially at fair value plus any transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial instruments and the Municipality does not hold long term borrowings for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost. Long term borrowings consist of loans and bonds.

Other financial liabilities are initially recognised at fair value plus any transaction costs. Subsequently they are measured at amortised cost.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.25 Financial instruments (continued)

#### Loans and receivables

Loans and receivables are initially measured at fair value plus any transaction costs.

Subsequently they are measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms. The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

#### Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that are held to maturity.

Fixed and negotiable deposits are initially measured at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

### 1.26 Principal-agent arrangements

Management assesses whether the Municipality is party to any principal-agent arrangements. Should the Municipality be party to such an arrangement, management will assess whether it is a principal or an agent in the arrangement. The Municipality is an agent if the following criterion are met:

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

If this criteria is not met, then the Municipality is considered to be a principal in the arrangement.

A principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement using management's best estimates.

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.

Changes in the liability are added to, or deducted from, the cost of the related asset in the current financial year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit and if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.27 Taxation

#### 1.27.1 Income tax

Current tax assets and liabilities:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities:

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.

The Municipality is exempted from income tax in terms of section 10(1)(a) of the Income Tax Act.

Deferred Income tax with respect to Municipal Entities is provided in full, using the liability method, on temporal differences arising between the tax basis of asset and liabilities and their carrying amounts in the financial Statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax asset is recognised to the extent that is probable that the future taxable profit will be available against which temporary differences will be utilised.

Tax expenses:

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- an entity combination.

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.

Revenue, expenses, and assets are recognised net of the amount of VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables that are stated with the amount VAT included.

#### 1.27.2 VAT

VAT is a value-added tax that is charged at the applicable rate on the supply of goods or services supplied by the vendor in the course or furtherance of an enterprise. The Municipality collects VAT on behalf of the South African Revenue Services (SARS) based on the taxable supplies it provides in meeting its service delivery objectives.

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

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

VAT receivables and payables are measured in accordance with the accounting policy on statutory receivables and payables.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.28 Leases

#### **Operating leases - The Municipality as lessor**

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the Statement of Financial Position.

They are depreciated over their expected useful lives (land is not depreciated) on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

#### **Operating leases - The Municipality as lessee**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.29 Inventories

#### Initial Recognition

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than those subsequently recovered from the taxing authorities), transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

#### Subsequent Measurement

Inventories are subsequently measured at the lower of cost and net realisable value using the weighted average method as the basis to determine cost. Net realisable value is the estimated selling price in the ordinary course of operations. When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Consumable stores, maintenance materials and water stock are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

### 1.30 Consolidation

#### Basis of Consolidation

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

The consolidated annual financial statements incorporate the statements of the municipality and municipal entities controlled by the municipality, joint ventures and the transport authority.

On acquisition, the assets and liabilities of any entity are measured at their fair values at the date of acquisition. There are no minority interests as the municipality fully controls its entities, where joint ventures are measured using the equity method.

The results of entities acquired or disposed during the year are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into those used by the municipality and other entities included in the group.

All significant transactions and balances between members of the group are eliminated on consolidation.

### 1.31 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The Municipality assesses these assets for impairment at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the Municipality determines the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.31 Impairment of cash-generating assets (continued)

An impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

A reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro-rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, the cash-generating asset is impaired and is recognised immediately in the Statement of Financial Performance.

### 1.32 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held by the Municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The Municipality will apply its judgement and disclose the criteria used in making such judgement in cases where it's not clear whether the primary objective is to generate a commercial return or not.

The Municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. If any such indication exists, the Municipality determines the recoverable service amount of the asset. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

An impairment loss is when the asset's carrying amount exceeds its recoverable service amount and is recognised in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment annually, irrespective of whether any indication of impairment exists.

### 1.33 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a group after deducting all of its liabilities.

### 1.34 Statutory receivables and payables

#### 1.34.1 Statutory receivables

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. Statutory receivables relate to property rates, traffic fines and VAT receivables. Statutory receivable are derecognised when the rights to the cash flows from the receivable are settled, expire or are waived.

Property rates receivable

Property rates are levied in accordance with the Municipal Property Rates Act, Rates Policy and Municipal By-laws Act giving effect to the rates policy.

Property rates receivable are initially measured at the tariff applicable to the rateable amount and subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised. Any subsequent adjustments to property rates receivable relating to revenue previously recognised are accounted for using the accounting policy on adjustments to revenue.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.34 Statutory receivables and payables (continued)

The Municipality assesses at each reporting date whether there is any indication that the property rates receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. Past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a Provision for Bad Debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance.

Traffic fines receivable

Traffic fines are charged in accordance with the Criminal Procedure Act, National Road Traffic Act, and the Municipal By-laws Act.

Traffic fines receivable are initially measured at the fine amount after considering other factors that may impact the inflow of future economic benefits or service potential to the Municipality, such as the probability of future withdrawals and reductions in the imposed fines. This accounting treatment is consistent with the principles of IGRAP 1: Applying the Probability Test on Initial Recognition Revenue.

Traffic fines receivable are subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised. Any subsequent adjustments to traffic fines receivable as a result of changes in the assumptions used to calculate traffic fine revenue and receivables are accounted for as changes in estimates.

The Municipality assesses at each reporting date whether there is any indication that the traffic fines receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. Past payment trends are used to calculate the recoverable amount given the uncertainty around the payment patterns of traffic fines.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a Provision for Bad Debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance.

VAT receivable:

VAT is levied in accordance with the VAT Act.

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

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

The Municipality assesses at each reporting date whether there is any indication that the VAT receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount is calculated as the estimated cash flows from the VAT returns filed with SARS.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a Provision for Bad Debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance.

Income tax receivable:



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.34 Statutory receivables and payables (continued)

Income tax is levied in accordance with the Income Tax Act.

An income tax receivable is measured at the amount expected to be recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Income tax receivables are subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised. The municipality assesses at each reporting date whether there is any indication that the income tax receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount is calculated as the estimated cash flows from the correspondence received from SARS.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a Provision for Bad Debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance.

#### 1.34.2 Statutory payables

Statutory payables are payables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory payables are derecognised when the rights to the cash flows from the payables are settled, expire or are waived. Statutory payables relate to VAT and income tax payables.

There is currently no GRAP standard for statutory payables. The Municipality has therefore developed an accounting policy for income tax and VAT payables using the principles on the accounting policy for statutory receivables.

The accounting policy for statutory payables is consistent with that applied for statutory receivables because these payables arise from the application of legislation, which is the Income Tax and VAT Act.

#### VAT payable

The Municipality recognises VAT payable, to the extent that output VAT exceeds input VAT using the accrual basis of accounting.

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

#### Income tax payable:

Current tax liabilities for the current and prior periods are initially measured at the amount expected to be paid to the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. Current tax liabilities are subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued or amounts derecognised.

### 1.35 Provisions and contingencies

Provisions are recognised when:

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land). The Municipality uses the prevailing prime rate at year end.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.36 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminating revenue within departments of the Municipality.

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

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

Revenue is recognised as follows:

#### 1.36.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Bulk electricity meters are read monthly.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which the meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale (refer note 24).

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property based on the category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

Durban Marine Theme Park recognises revenue from entrance parking fees and sales immediately upon receipt.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.36 Revenue (continued)

#### 1.36.2 Revenue from non-exchange transactions

This refers to transactions where revenue is received from another entity without giving approximately equal value in exchange.

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 and the effective interest rate applicable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised based on management's best estimate of the probable inflows.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met.

Where public contributions have been received but the condition has not been met, a liability is recognised.

The Municipality recognises services in-kind that are significant to its delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the Municipality's service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period is disclosed. When the criteria for recognition are satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition.

All other revenue is recognised as it accrues.

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

Grants revenue is recognised to the extent that the criteria, conditions or obligations have been met.

#### 1.36.3 Adjustments to revenue

Adjustments to revenue are either accounted for as a change in an accounting estimate, or a correction of an error. Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management.

When adjustments to revenue already recognised arise from new information that becomes known to the Municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the Municipality, and the Municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the Municipality, but the Municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.37 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in 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. Where unauthorised expenditure is not approved, upon the finalisation of an investigation, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

### 1.38 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. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

### 1.39 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

### 1.40 Living and non-living resources

Living resources are those resources that undergo biological transformation. The living resources mainly relate to horses, dogs, and birds. Horses and dogs are mainly used for policing, whereas birds are located at bird parks for recreational purposes.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Initial Measurement

Non-living resources, other than land, are not recognised as assets. Instead, qualitative information is disclosed on the Annual Financial Statements relating to non-living resources. Land is classified either as property, plant and equipment or investment property based on the use of the land.

Living resources are initially measured at cost. The cost of a living resource is recognised as an asset only if:

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

Where a living resource is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.40 Living and non-living resources (continued)

#### Subsequent Measurement

Subsequent to initial recognition, living resources are measured at cost less accumulated depreciation and impairment losses. Transfers from living resources are made when the particular asset no longer meets the definition living resources, which would be in the case where the assets meets the definition of inventory when held for less than 12 months.

#### Depreciation and Impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. All assets are considered to have a nil residual value. The estimated useful lives of the assets are revised using the indicator-based approach. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate on the Statement of Financial Performance. This change in estimate is applied prospectively.

However, if the asset has already reached the end of its estimated useful life, the change in useful life must be accounted for retrospectively as a correction of a prior period error in determination of the new useful life. This change would have an impact on accumulated surplus and the Statement of Financial Position.

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

Asset / Component	Useful life
Living resources	3 - 5 years

The Municipality tests for impairment where there is an indication that an asset may be impaired. Where the carrying amount of an item of living resources is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Items of living resources are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of living resources is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.41 Segment reporting

A segment is an activity of an entity:

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity).

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

(c) for which separate financial information is available.

The resources of the Municipality are allocated in line with the City's strategic objectives as outlined on the IDP's eight-point plan, which is as follows:

- Plan 1: Developing and sustaining our spatial, natural and built environment
- Plan 2: Developing a prosperous, diverse economy with employment creation
- Plan 3: Creating a quality living environment
- Plan 4: Fostering a socially equitable environment
- Plan 5: Creating a platform for growth, empowerment and skills development
- Plan 6: Embracing our cultural diversity, arts and heritage, stadia facilities unit
- Plan 7: Good governance and responsive local government
- Plan 8: Financially accountable and sustainable city

The eight-point plan is overseen by the City Manager and the Deputy City Managers, each allocated with resources for achieving the IDP's eight-point plan. The resources are allocated in line with the following clusters in which the City Manager and the Deputy City Managers are ultimately accountable for, with performance monitored on an ongoing basis for decision making, and in which separate financial information is available:

- Economic Development and Planning – Plans 1, 2 and 4
- Trading Services – Plan 3
- Human Settlements, and Infrastructure – Plans 1 and 3
- Office of Strategic Management – Plans 1 and 3
- Community and Emergency Services – Plans 3 and 6
- Human Resources – Plan 5
- Governance and International Relations – Plan 7
- City Manager Operations – Plan 7
- Office of the City Manager – Plan 7
- Finance – Plan 7 and Plan 8

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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For management purposes, the Municipality is organised and operates in three key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance, finance and administration of the Municipality are not allocated to these functional segments.

The three key functional segments emanating from the 10 clusters are as follows:

- Community and public safety which includes community and social services, sport and recreation, public safety, health, and housing services.
- Economic and environmental services which includes planning and development, road transport and environmental protection services.
- Trading services which includes energy sources, water management, wastewater management, waste management services, conferencing and theme park.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

The information provided for the reportable segments is that pertaining to the Statement of Financial Performance (revenue and expenses) and Statement of Financial Position (assets and liabilities).

The Municipality applies the same measurement basis on the information disclosed for the reportable segment as that of the Annual Financial Statements, except for departmental charges which are allocated between the departments based on consumption, expenditure incurred or any other relevant basis of allocation agreed-upon by the respective departments. On the Consolidated Financial Statements, departmental charges are eliminated. There are no other allocations to the reportable segments.

Although the Municipality operates in several geographical areas across different wards, these areas are irrelevant for users of the Annual Financial Statements to make decisions about the entity as the goods or services provided are substantially the same.

### 1.42 Prepayments

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

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

To the extent that goods and services are not received and the amount that was paid in advance becomes payable by the supplier to the Municipality, the Municipality accounts for the amount receivable in line with the accounting policy for financial instruments.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>2. Inventories</b>				
Food and beverages	3,918	2,756	-	-
Consumable stores	873,400	584,870	868,952	584,158
Water for distribution	22,211	24,072	22,211	24,072
Merchandise	859	1,269	-	-
	<b>900,388</b>	<b>612,967</b>	<b>891,163</b>	<b>608,230</b>

The cost relating to water and electricity consumption is disclosed in note 36: Electricity and Water consumption.

### 3. Receivables from exchange transactions

Prepayments	23,342	17,723	21,118	15,031
Other Debtors (mainly in respect of sundry services and interest on outstanding debt)	2,739,814	2,429,982	2,724,129	2,414,064
Provision for Bad debts - Other (mainly in respect of Sundry services and interest on outstanding debt)	(2,093,655)	(1,869,100)	(2,088,637)	(1,863,150)
Debtor - DOHS	4,725,293	4,454,282	4,725,293	4,454,282
Provision for Bad Debts - DOHS	(2,613,695)	(2,538,800)	(2,613,695)	(2,538,800)
Accruals	183,328	201,640	183,328	201,640
	<b>2,964,427</b>	<b>2,695,727</b>	<b>2,951,536</b>	<b>2,683,067</b>

### 4. Receivables from non-exchange transactions

Traffic fines	201,525	288,135	201,525	288,135
Provision for bad debts - traffic fines	(177,358)	(245,815)	(177,358)	(245,815)
Government Grant accrued	-	112,983	-	112,983
Current tax receivable	165	2,082	-	-
	<b>24,332</b>	<b>157,385</b>	<b>24,167</b>	<b>155,303</b>

#### Reconciliation of traffic fine debtors:

Reconciliation of traffic fine debtors: 2022	Opening balance	Write-off	Restated opening balance	Net increase / (decrease)	Change in estimate	Closing balance
Fines	288,135	(109,843)	178,292	105,929	(82,696)	201,525
Provision for bad debts	(245,815)	109,843	(135,972)	(93,226)	51,840	(177,358)
	<b>42,320</b>	<b>-</b>	<b>42,320</b>	<b>12,703</b>	<b>(30,856)</b>	<b>24,167</b>

  

Reconciliation of traffic fine debtors: 2021	Opening balance	Write-off	Restated opening balance	Net increase / (decrease)	Change in estimate	Closing balance
Fines	278,197	(137,745)	140,452	180,069	(32,386)	288,135
Provision for bad debts	(227,582)	137,745	(89,837)	(153,622)	(2,356)	(245,815)
	<b>50,615</b>	<b>-</b>	<b>50,615</b>	<b>26,447</b>	<b>(34,742)</b>	<b>42,320</b>



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

#### 4. Receivables from non-exchange transactions (continued)

The movement disclosed on fines in the reconciliation above is the net revenue after taking into account payments received, as detailed below:

##### Net increase / (decrease) in outstanding fine revenue

Fine revenue accrued for the year	114,251	186,783	114,251	186,783
Fine revenue received for the year	(8,322)	(6,714)	(8,322)	(6,714)
	<b>105,929</b>	<b>180,069</b>	<b>105,929</b>	<b>180,069</b>

The following assumptions were used to calculate the outstanding fine debtors:

- (1) Average % of fines disputed: 70.00% (June 2021: 65.12%);
- (2) Average success rate of disputed fines: 98.63% (June 2021: 97.99%);
- (3) Average collection rate: 11.99% (June 2021: 14.69%).

The assumptions are revised on an annual basis based on a 5 year trend analysis. The amount written-off, where applicable, is recognised on an annual basis once approved. The change in estimate on fine debtors was mainly attributable to an increase in the number of disputed fines together with an increase in the withdrawal and reduction rate (success rate) of the disputed fines following the directive issued by the National Prosecuting Authority to write off traffic fines in respect of summons not served within eighteen months from the date of the offence and withdrawal of warrants not executed within two years from date of issue. The collection rate has deteriorated due to the tough economic conditions as a result of the Covid-19 pandemic and flooding in the eThekwini Municipality region which resulted in job losses and salary cuts, hence the default on payments from offenders.

#### 5. VAT

VAT receivable from SARS	(22,938)	101,340	(22,279)	103,740
VAT on invoices raised but not yet paid	(487,648)	(187,178)	(487,649)	(187,178)
	<b>(510,586)</b>	<b>(85,838)</b>	<b>(509,928)</b>	<b>(83,438)</b>

VAT is claimed on the payment basis. Only once an invoice is paid is VAT claimed and receivable from SARS.

The value disclosed is the net VAT on payables & receivables.

#### 6. Consumer debtors

##### Gross balances

Rates	4,994,353	4,514,381	5,025,816	4,541,306
Electricity	4,391,470	3,796,276	4,435,243	3,832,550
Water	7,179,398	5,582,167	7,190,645	5,587,167
Refuse	586,411	478,969	588,055	479,510
Housing rental	128,432	99,479	128,432	99,479
Waste water	1,114,218	867,517	1,117,240	868,884
ICC debtors	7,137	883	-	-
	<b>18,401,419</b>	<b>15,339,672</b>	<b>18,485,431</b>	<b>15,408,896</b>

# eThekweni Municipality and its Municipal Entities

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## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>6. Consumer debtors (continued)</b>				
<b>Less: Allowance for impairment</b>				
Rates	(1,256,645)	(1,001,830)	(1,256,645)	(1,001,830)
Electricity	(2,134,112)	(1,587,343)	(2,134,112)	(1,587,343)
Water	(5,856,022)	(4,368,670)	(5,856,022)	(4,368,670)
Refuse	(467,785)	(370,439)	(467,785)	(370,439)
Housing rental	(117,737)	(91,849)	(117,737)	(91,849)
Waste water	(880,113)	(625,708)	(880,113)	(625,708)
ICC debtors	(144)	(845)	-	-
	<b>(10,712,558)</b>	<b>(8,046,684)</b>	<b>(10,712,414)</b>	<b>(8,045,839)</b>
<b>Net balance</b>				
Rates	3,737,708	3,512,551	3,769,171	3,539,476
Electricity	2,257,358	2,208,933	2,301,131	2,245,207
Water	1,323,376	1,213,497	1,334,623	1,218,497
Refuse	118,626	108,530	120,270	109,071
Housing rental	10,695	7,630	10,695	7,630
Waste water	234,105	241,809	237,127	243,176
ICC debtors	6,993	38	-	-
	<b>7,688,861</b>	<b>7,292,988</b>	<b>7,773,017</b>	<b>7,363,057</b>
<b>Included in above is receivables from exchange transactions</b>				
Electricity	2,257,358	2,208,933	2,301,131	2,245,207
Water	1,323,376	1,213,497	1,334,623	1,218,497
Waste water	234,105	241,809	237,127	243,176
Refuse	118,626	108,530	120,270	109,071
Housing rental	10,695	7,630	10,695	7,630
ICC debtors	6,993	38	-	-
	<b>3,951,153</b>	<b>3,780,437</b>	<b>4,003,846</b>	<b>3,823,581</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	3,737,708	3,512,551	3,769,171	3,539,476
	<b>7,688,861</b>	<b>7,292,988</b>	<b>7,773,017</b>	<b>7,363,057</b>
<b>Rates</b>				
Current (0 -30 days)	603,945	670,275	635,408	697,200
31 - 60 days	275,709	200,979	275,709	200,979
61 - 90 days	142,172	98,836	142,172	98,836
91 - 120 days	129,766	90,525	129,766	90,525
121 - 365 days	3,842,761	3,453,766	3,842,761	3,453,766
	<b>4,994,353</b>	<b>4,514,381</b>	<b>5,025,816</b>	<b>4,541,306</b>
<b>Electricity, Water, Refuse and Waste Water</b>				
Current (0 -30 days)	2,675,154	2,340,481	2,734,840	2,383,663
31 - 60 days	649,089	664,079	649,089	664,079
61 - 90 days	500,497	355,775	500,497	355,775
91 - 120 days	423,621	296,234	423,621	296,234
121 - 365 days	9,023,136	7,068,360	9,023,136	7,068,360
	<b>13,271,497</b>	<b>10,724,929</b>	<b>13,331,183</b>	<b>10,768,111</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>6. Consumer debtors (continued)</b>				
<b>Housing rental</b>				
Current (0 -30 days)	7,058	5,210	7,058	5,210
31 - 60 days	3,636	2,388	3,636	2,388
61 - 90 days	3,039	2,143	3,039	2,143
91 - 120 days	2,988	2,120	2,988	2,120
> 120 days	111,711	87,618	111,711	87,618
	<b>128,432</b>	<b>99,479</b>	<b>128,432</b>	<b>99,479</b>
<b>ICC debtors</b>				
Current (0 -30 days)	5,845	20	-	-
31 - 60 days	977	61	-	-
61 - 90 days	87	71	-	-
> 90 days	228	731	-	-
	<b>7,137</b>	<b>883</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	8,046,684	6,096,736	8,045,839	6,096,393
Contributions	2,730,363	1,973,165	2,731,064	1,972,663
Bad debts written off	(64,489)	(23,217)	(64,489)	(23,217)
	<b>10,712,558</b>	<b>8,046,684</b>	<b>10,712,414</b>	<b>8,045,839</b>
<b>7. Long-term receivables</b>				
Loan: Durban Point Development Company Proprietary Limited	124,043	115,568	124,043	115,568
Housing selling scheme loans	80,078	80,666	80,078	80,666
First Metro housing loans	15,989	15,070	15,989	15,070
Study assistance schemes	29,085	27,043	29,085	27,043
Debt impairment: Durban Point Development Company Proprietary Limited	(124,043)	(115,568)	(124,043)	(115,568)
Debt impairment: Housing selling scheme loans	(56,927)	(53,726)	(56,927)	(53,726)
Debt impairment: First Metro housing loans	(15,989)	(1,376)	(15,989)	(1,376)
	<b>52,236</b>	<b>67,677</b>	<b>52,236</b>	<b>67,677</b>
<b>Less: Current portion transferred to current receivables</b>				
Housing selling scheme loans	60,564	55,180	60,564	55,180
First Metro housing loans	12,133	9,704	12,133	9,704
Study assistance schemes	2,438	1,627	2,438	1,627
Debt impairment: Housing selling scheme loans	(56,927)	(53,726)	(56,927)	(53,726)
Debt impairment: First Metro housing loans	(12,133)	(1,376)	(12,133)	(1,376)
	<b>6,075</b>	<b>11,409</b>	<b>6,075</b>	<b>11,409</b>
Non-current portion	46,161	56,268	46,161	56,268
Current portion	6,075	11,409	6,075	11,409

### Study assistance schemes

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 7. Long-term receivables (continued)

These relate to students who are studying full-time at universities in the engineering disciplines. The cost covers tuition fees, books and subsistence. On successful completion of the course the students are, in terms of contractual obligations, employed by the Municipality. A pro-rata share of these costs are then written back as operating costs in annual instalments equal to the number of years studied. These schemes are interest free.

#### Durban Point Development Company Proprietary Limited

The rates receivable arose in terms of a rates deferral arrangement, as provided for in clause ten of Durban Point Development Company Proprietary Limited's Shareholders Agreement. The current rates deferral as approved by Council is effective from 1 July 2019 to 30 June 2024 and is on conditions that when transfer of any land parcel takes place to any other party, rates will become payable by the new owner and the deferred portion on the respective property will become due and payable immediately.

#### Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the provincial administration housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years.

#### First Metro housing loans

These loans attract interest at a fixed rate of 10% and are repayable over 20 years.

### 8. Call investment deposits

30 Day deposits	597,199	174,145	540,000	150,000
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### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	21,483	17,502	20,892	17,284
Bank balances	1,540,133	650,319	1,507,907	632,105
Bank overdraft	(1,341,189)	(22,371)	(1,341,189)	(22,371)
	<b>220,427</b>	<b>645,450</b>	<b>187,610</b>	<b>627,018</b>
Call Investment Deposits	597,199	174,145	540,000	150,000
Investments	4,476,399	4,634,562	4,400,000	4,550,000
	<b>5,294,025</b>	<b>5,454,157</b>	<b>5,127,610</b>	<b>5,327,018</b>

Investments are non-derivative financial assets and are subsequently measured at amortised cost and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are classified as current assets. Investments with maturities greater than twelve months are classified as non-current assets.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 10. Investment property

Group and Muni	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	144,975	(60,916)	84,059	159,834	(74,303)	85,531
Non-revenue Generating	236,520	(60,835)	175,685	265,192	(64,850)	200,342
<b>Total</b>	<b>381,495</b>	<b>(121,751)</b>	<b>259,744</b>	<b>425,026</b>	<b>(139,153)</b>	<b>285,873</b>

Municipality	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue generating	55,589	(22,311)	33,278	70,448	(37,847)	32,601
Non-revenue generating	236,520	(60,835)	175,685	265,192	(64,850)	200,342
<b>Total</b>	<b>292,109</b>	<b>(83,146)</b>	<b>208,963</b>	<b>335,640</b>	<b>(102,697)</b>	<b>232,943</b>

#### Reconciliation of investment property - Group and Municipality - 2022

	Opening balance	Disposals	Transfers	Impairment reversal	Depreciation	Total
Revenue Generating	85,531	-	1,227	-	(2,699)	84,059
Non-revenue Generating	200,342	(7,667)	(21,005)	4,015	-	175,685
	<b>285,873</b>	<b>(7,667)</b>	<b>(19,778)</b>	<b>4,015</b>	<b>(2,699)</b>	<b>259,744</b>

#### Reconciliation of investment property - Group and Municipality - 2021

	Opening balance	Disposals	Impairment loss	Depreciation	Total
Revenue Generating	87,975	-	-	(2,444)	85,531
Non-revenue Generating	221,624	(21,150)	(132)	-	200,342
	<b>309,599</b>	<b>(21,150)</b>	<b>(132)</b>	<b>(2,444)</b>	<b>285,873</b>

#### Reconciliation of investment property - Municipality - 2022

	Opening balance	Disposals	Transfers	Impairment reversal	Depreciation	Total
Revenue generating	32,601	-	1,227	-	(550)	33,278
Non-revenue generating	200,342	(7,667)	(21,005)	4,015	-	175,685
	<b>232,943</b>	<b>(7,667)</b>	<b>(19,778)</b>	<b>4,015</b>	<b>(550)</b>	<b>208,963</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 10. Investment property (continued)

#### Reconciliation of investment property - Municipality - 2021

	Opening balance	Disposals	Impairment loss	Depreciation	Total
Revenue generating	33,151	-	-	(550)	32,601
Non-revenue generating	221,624	(21,150)	(132)	-	200,342
	<b>254,775</b>	<b>(21,150)</b>	<b>(132)</b>	<b>(550)</b>	<b>232,943</b>

#### Other information

The Municipality lets properties under operating leases. Property rental income earned during the year was R121.27million (2021: R116.94million) - (refer note 25). The operating costs related to the rental of these properties amounted to R20.48million (2021: R17.0million). There is no item of investment property with restrictions on title or held as security for liabilities.

The repairs and maintenance cost for investment properties (all revenue generating) was R0.451million in the current financial year (2021: R0.464million). This cost consists of only payments made to contractors for repairing and maintaining assets. No staff member is engaged in any labour towards the repair and maintenance of investment property as contractors are outsourced.

The impairment loss reversal is attributable to changes in the market values of investment properties. The recoverable amount used in the impairment calculation approximates that of fair value less costs to sell. There are no material impairment loss reversals attributable to a significant asset requiring separate disclosure on the Annual Financial Statements.

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

Proceeds from the disposal of assets amounted to R9.74million, being the carrying value of the disposed assets of R7.67million and the profit on the disposals of assets amounting to R2.07million of the profit of R15.62 million disclosed on the Statement of Financial Performance.

The Investment property for Durban Marine Theme Park comprises the Village Walk retail shopping mall from which rental income is derived. Rental income earned during the year was R28.58million (2021: R24.50million). The operating costs related to the rental of these properties amounted to R17.64million (2021: R11.71million). There is no item of investment property with restrictions on title or held as security for liabilities.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 11. Property, plant and equipment

Group and Muni	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	5,617,902	(1,989,989)	3,627,913	5,474,275	(1,832,857)	3,641,418
Plant and machinery	2,445,592	(1,973,120)	472,472	2,343,043	(1,840,318)	502,725
Furniture and fixtures	541,571	(435,696)	105,875	535,921	(394,927)	140,994
Motor vehicles	4,949,580	(3,543,022)	1,406,558	4,574,630	(3,280,837)	1,293,793
IT equipment	1,407,715	(1,103,832)	303,883	1,341,350	(1,028,482)	312,868
Infrastructure	58,147,480	(17,256,890)	40,890,590	55,552,632	(15,633,598)	39,919,034
Community	11,846,987	(4,359,371)	7,487,616	11,389,770	(4,022,920)	7,366,850
Living resources	647	(622)	25	648	(615)	33
Housing Development Fund assets*	138,967	(68,922)	70,045	133,087	(67,900)	65,187
<b>Total</b>	<b>85,096,441</b>	<b>(30,731,464)</b>	<b>54,364,977</b>	<b>81,345,356</b>	<b>(28,102,454)</b>	<b>53,242,902</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 11. Property, plant and equipment (continued)

Municipality	2022			2021		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land and buildings	5,042,983	(1,661,459)	3,381,524	4,897,969	(1,524,199)	3,373,770
Plant and machinery	2,286,854	(1,844,094)	442,760	2,186,889	(1,719,047)	467,842
Furniture and fixtures	469,893	(381,985)	87,908	465,825	(347,085)	118,740
Motor vehicles	4,948,341	(3,541,889)	1,406,452	4,573,390	(3,279,782)	1,293,608
IT equipment	1,397,642	(1,095,020)	302,622	1,331,322	(1,020,487)	310,835
Infrastructure	58,147,480	(17,256,890)	40,890,590	55,552,632	(15,633,598)	39,919,034
Community	11,846,987	(4,359,371)	7,487,616	11,389,770	(4,022,920)	7,366,850
Living resources	647	(622)	25	648	(615)	33
Housing Development Fund assets*	138,967	(68,922)	70,045	133,087	(67,900)	65,187
<b>Total</b>	<b>84,279,794</b>	<b>(30,210,252)</b>	<b>54,069,542</b>	<b>80,531,532</b>	<b>(27,615,633)</b>	<b>52,915,899</b>



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group and Municipality - 2022

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Impairment reversal	Total
Land and buildings	3,641,418	119,293	-	2,905	21,247	(155,169)	(1,781)	-	3,627,913
Plant and machinery	502,725	89,765	(216)	637	14,819	(135,258)	-	-	472,472
Furniture and fixtures	140,994	16,777	(333)	(692)	(3,736)	(47,126)	(9)	-	105,875
Motor vehicles	1,293,793	427,434	(989)	-	-	(312,041)	(1,639)	-	1,406,558
IT equipment	312,868	81,141	(614)	170	83	(89,765)	-	-	303,883
Infrastructure	39,919,034	1,894,964	(4)	(138)	701,701	(1,551,519)	(73,448)	-	40,890,590
Community	7,366,850	364,953	-	17,077	62,143	(348,119)	(1,929)	26,641	7,487,616
Living resources	33	-	-	-	-	(8)	-	-	25
Housing Development Fund assets*	65,187	19	-	-	6,058	(1,219)	-	-	70,045
	<b>53,242,902</b>	<b>2,994,346</b>	<b>(2,156)</b>	<b>19,959</b>	<b>802,315</b>	<b>(2,640,224)</b>	<b>(78,806)</b>	<b>26,641</b>	<b>54,364,977</b>

#### Reconciliation of property, plant and equipment - Group and Municipality - 2021

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and buildings	3,670,176	297,076	(365)	(471)	(183,561)	(141,437)	-	3,641,418
Plant and machinery	556,039	80,564	(461)	(6,006)	1,618	(129,029)	-	502,725
Furniture and fixtures	159,879	26,870	(92)	(452)	171	(45,379)	(3)	140,994
Motor vehicles	1,200,908	375,303	-	-	1,916	(284,334)	-	1,293,793
IT equipment	277,149	131,668	(1,011)	(6,349)	(2,878)	(85,711)	-	312,868
Infrastructure	38,826,006	1,727,795	(1)	6,140	760,516	(1,400,018)	(1,404)	39,919,034
Community	7,601,385	198,013	-	221	60,869	(338,890)	(154,748)	7,366,850
Living resources	35	21	-	-	-	(23)	-	33
Housing Development Fund assets*	64,719	121	-	266	1,139	(1,058)	-	65,187
	<b>52,356,296</b>	<b>2,837,431</b>	<b>(1,930)</b>	<b>(6,651)</b>	<b>639,790</b>	<b>(2,425,879)</b>	<b>(156,155)</b>	<b>53,242,902</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 2022

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Impairment reversal	Total
Land and buildings	3,373,770	117,796	-	2,905	21,260	(132,426)	(1,781)	-	3,381,524
Plant and machinery	467,842	84,980	(126)	637	14,819	(125,392)	-	-	442,760
Furniture and fixtures	118,740	14,316	(298)	(819)	(3,737)	(40,285)	(9)	-	87,908
Motor vehicles	1,293,608	427,434	(989)	-	-	(311,962)	(1,639)	-	1,406,452
IT equipment	310,835	81,096	(614)	170	83	(88,948)	-	-	302,622
Infrastructure	39,919,034	1,894,964	(4)	(138)	701,701	(1,551,519)	(73,448)	-	40,890,590
Community	7,366,850	364,953	-	17,077	62,143	(348,119)	(1,929)	26,641	7,487,616
Living resources	33	-	-	-	-	(8)	-	-	25
Housing Development Fund assets*	65,187	19	-	-	6,058	(1,219)	-	-	70,045
	<b>52,915,899</b>	<b>2,985,558</b>	<b>(2,031)</b>	<b>19,832</b>	<b>802,327</b>	<b>(2,599,878)</b>	<b>(78,806)</b>	<b>26,641</b>	<b>54,069,542</b>

#### Reconciliation of property, plant and equipment - Municipality - 2021

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and buildings	3,388,807	290,848	-	(471)	(183,832)	(121,582)	-	3,373,770
Plant and machinery	521,187	76,324	(456)	(6,006)	1,619	(124,826)	-	467,842
Furniture and fixtures	134,262	23,573	(79)	(452)	172	(38,733)	(3)	118,740
Motor vehicles	1,200,731	375,303	-	-	1,916	(284,342)	-	1,293,608
IT equipment	274,611	131,558	(1,010)	(6,356)	(2,878)	(85,090)	-	310,835
Infrastructure	38,826,006	1,727,795	(1)	6,140	760,516	(1,400,018)	(1,404)	39,919,034
Community	7,601,385	198,013	-	221	60,869	(338,890)	(154,748)	7,366,850
Living resources	35	21	-	-	-	(23)	-	33
Housing Development Fund assets*	64,719	121	-	266	1,139	(1,058)	-	65,187
	<b>52,011,743</b>	<b>2,823,556</b>	<b>(1,546)</b>	<b>(6,658)</b>	<b>639,521</b>	<b>(2,394,562)</b>	<b>(156,155)</b>	<b>52,915,899</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 11. Property, plant and equipment (continued)

#### Other information

The impairment loss reversal relates to the Durban Exhibition Centre and International Conventional Centre property which was impaired in the prior year due to the assets not operating as intended owing to the Covid 19 pandemic which imposed restrictions on economic activity, thereby resulting in the assets not generating the desired economic benefits and a decrease in the market values of these assets. Due to the improvement in the economic conditions following the lifting of the Covid 19 restrictions, impairment losses of R26.64 million were reversed in the current year. The recoverable amount was calculated using a market valuation performed by technical experts in determining the fair value less costs to sell.

The impairment loss of R78.8million mainly relates to the damaged infrastructure as a result of the recent storm within eThekwini Municipality. Based on the functionality of the assets and extent of damage, a majority of the assets were fully impairment since there was no value in use. Due to the nature of the municipality's infrastructure assets, it is impractical to calculate the fair value less cost to sell.

The repairs and maintenance cost for property, plant and equipment was R2.15billion (2021: R1.77billion) in the current financial year. This cost consists of payments made to contractors and excludes material issues and consumables for repairing and maintaining assets internally since these items are expensed based on their nature. Internal labour costs are also excluded due to these costs eliminated on consolidation.

The Housing Development Fund assets include office buildings, computers and office furniture and equipment utilised by the Housing department.

There is no item of property, plant and equipment with restrictions on title or held as security for liabilities.

Included in additions is also an amount of R987thousand relating to donated assets.

Proceeds from the disposal of assets amounted to R15.58million, being the carrying value of the disposed assets of R2.03million and the profit on the disposals of assets amounting to R13.55million of the profit of R15.62million disclosed on the Statement of Financial Performance.

Included in the carrying value of motor vehicles are buses leased to the bus operator on a month to month basis. The buses have not been reclassified as service concession assets since the parties have not concluded new agreements that will establish the terms of reference with regards to the leased buses and their expected use. The terms of reference will indicate whether the requirements of service concessions assets are met or not.

Work-in-progress taking significantly longer to complete or halted has been disclosed on Note 66.

The repairs and maintenance cost for property, plant and equipment relating to Durban Marine Theme Park was R5.83million for the year (2021: R6.87million). Durban ICC incurred repairs and maintenance for property, plant and equipment of R4.96million (2021: R4.75million). There is no item of property, plant and equipment with restrictions on title or held as security for liabilities. Proceeds from the sale of assets relating to the entities are considered to be immaterial.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 12. Intangible assets

Group and Muni	2022		2021			
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Servitudes	72,680	-	72,680	69,358	-	69,358
Computer software	1,934,297	(1,546,710)	387,587	1,870,569	(1,405,958)	464,611
<b>Total</b>	<b>2,006,977</b>	<b>(1,546,710)</b>	<b>460,267</b>	<b>1,939,927</b>	<b>(1,405,958)</b>	<b>533,969</b>
<b>Municipality</b>						
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Servitudes	72,680	-	72,680	69,358	-	69,358
Computer software	1,927,945	(1,540,804)	387,141	1,863,655	(1,399,969)	463,686
<b>Total</b>	<b>2,000,625</b>	<b>(1,540,804)</b>	<b>459,821</b>	<b>1,933,013</b>	<b>(1,399,969)</b>	<b>533,044</b>
<b>Reconciliation of intangible assets - Group and Municipality - 2022</b>						
Servitudes	Opening balance	Additions	Transfers	Work-in- progress	Amortisation	Total
Computer software	69,358	3,322	-	-	-	72,680
	464,611	17,836	(181)	48,598	(143,277)	387,587
	<b>533,969</b>	<b>21,158</b>	<b>(181)</b>	<b>48,598</b>	<b>(143,277)</b>	<b>460,267</b>

## eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

### Notes to the Annual Financial Statements

Figures in Rand thousand

#### 12. Intangible assets (continued)

##### Reconciliation of intangible assets - Group and Municipality - 2021

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	60,407	8,951	-	-	-	69,358
Computer software	553,448	33,963	6,651	(16,004)	(113,447)	464,611
	<b>613,855</b>	<b>42,914</b>	<b>6,651</b>	<b>(16,004)</b>	<b>(113,447)</b>	<b>533,969</b>

##### Reconciliation of intangible assets - Municipality - 2022

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	69,358	3,322	-	-	-	72,680
Computer software	463,686	17,804	(54)	48,598	(142,893)	387,141
	<b>533,044</b>	<b>21,126</b>	<b>(54)</b>	<b>48,598</b>	<b>(142,893)</b>	<b>459,821</b>

##### Reconciliation of intangible assets - Municipality - 2021

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Total
Servitudes	60,407	8,951	-	-	-	69,358
Computer software	552,459	33,834	6,659	(16,004)	(113,262)	463,686
	<b>612,866</b>	<b>42,785</b>	<b>6,659</b>	<b>(16,004)</b>	<b>(113,262)</b>	<b>533,044</b>

#### Other information

There is no item of intangible assets with restrictions on title or held as security for liabilities.

Further information relating to intangible assets is disclosed in note 65.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 13. Heritage assets

Group and Muni	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Culturally significant buildings	7,253	-	7,253	7,253	-	7,253
Art collections, antiques and exhibits	41,201	-	41,201	40,716	-	40,716
<b>Total</b>	<b>48,454</b>	<b>-</b>	<b>48,454</b>	<b>47,969</b>	<b>-</b>	<b>47,969</b>

Municipality	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Culturally significant buildings	7,253	-	7,253	7,253	-	7,253
Art collections, antiques and exhibits	41,201	-	41,201	40,716	-	40,716
<b>Total</b>	<b>48,454</b>	<b>-</b>	<b>48,454</b>	<b>47,969</b>	<b>-</b>	<b>47,969</b>

#### Reconciliation of heritage assets Group and Municipality - 2022

	Opening balance	Additions	Total
Culturally significant buildings	7,253	-	7,253
Art collections, antiques and exhibits	40,716	485	41,201
	<b>47,969</b>	<b>485</b>	<b>48,454</b>

#### Reconciliation of heritage assets Group and Municipality - 2021

	Opening balance	Additions	Total
Culturally significant buildings	7,253	-	7,253
Art collections, antiques and exhibits	37,145	3,571	40,716
	<b>44,398</b>	<b>3,571</b>	<b>47,969</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 13. Heritage assets (continued)

#### Reconciliation of heritage assets - Municipality - 2022

	Opening balance	Additions	Total
Culturally significant buildings	7,253	-	7,253
Art collections, antiques and exhibits	40,716	485	41,201
	<b>47,969</b>	<b>485</b>	<b>48,454</b>

#### Reconciliation of heritage assets - Municipality - 2021

	Opening balance	Additions	Total
Culturally significant buildings	7,253	-	7,253
Art collections, antiques and exhibits	37,145	3,571	40,716
	<b>44,398</b>	<b>3,571</b>	<b>47,969</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 13. Heritage assets (continued)

#### Heritage assets which fair values cannot be reliably measured

During the current financial year, the Municipality embarked on an extensive assessment of its heritage assets in accordance with best practice and based on the intention in which the Municipality's assets are held. This exercise resulted in the reclassification of heritage assets from property, plant and equipment in relation to culturally significant buildings that are predominantly used as heritage assets, protected through the application of legislation and preserved for future generations. Included in the new class of culturally significant buildings are the museum buildings and the Francis Farewell Memorial Gardens. The City Hall is also protected through the application of legislation and preserved for future generations, however it is predominantly held to supply services and for administrative purposes, such as, amongst others, office accommodation, auditorium, printing services, library and parking area. As a result, the City Hall is correctly accounted in accordance with the Standard on Property, Plant and Equipment, which is also consistent with the Standard on Heritage Assets indicating that an entity needs to determine whether the significant portion of the asset meets the definition of a heritage asset.

The Standard on Heritage Assets allows preparers of financial statements to disclose relevant and useful information pertaining to heritage assets that cannot be reliably measured, and this information should include a description of the heritage asset or class of heritage assets and the reason why the heritage asset or class of heritage assets could not be measured reliably.

In order to comply with these requirements, the Municipality embarked on an extensive evaluation of its disclosures on heritage assets that cannot be reliably measured. This exercise included the amendment of the existing accounting policy, as indicated on the note pertaining to changes in accounting policies, to indicate that where the fair value of a heritage is not reliably measured due to the significant variation in the valuation outcomes of different valuers, then the municipality would in these instances provide relevant and useful information pertaining to these assets rather than recognising a heritage asset due to the valuation inconsistencies. This specifically addresses situations where the heritage assets are unique in nature and reflect different eras in history, with a valuation by one valuer being significantly different to the other, with examples amongst others including artwork, domestic utensils, equipment, firearms and needlework.

The heritage assets that are disclosed also relate to items that were donated to the Municipality without values attached. These items have a sentimental value and are preserved for future generations with the aim of using them for educational purposes, research and preserving history. As a result, the cost of valuation exceeds the benefit and intention in which these assets are held, hence the disclosure of relevant and useful information.

The Municipality has also assessed the categories previously disclosed in terms of what is relevant to the users of financial statements. Similar items have been grouped and explained further in note 69 that provides the detailed explanations in terms of the description of the class of heritage assets and the reason why the class of heritage assets could not be measured reliably. The figures previously disclosed have been revised based on the inventory listing that has been reviewed and approved in the current year.

Agricultural implements	17
Archaeological	342
Audio visual collection	1,255
Books and documents	41,523
Domestic utensils	1,743
Equipments	355
Ethnographic	4,272
Exhibitions	1,183
Firearms	154
Furniture	25
Lighting and ventilation	74
Metalware	448
Militaria and memorials	430
Needlework and sewing	419
Numismatic	2,335
Organic material	37
Paintings and drawings	390



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>13. Heritage assets (continued)</b>				
Personal items				1,484
Philately				2,480
Photographic				225,113
Stationery				236
Textile and costume				506
Toys				4,592
Transport				5
Rare collection				5,016
Durban Art Gallery - artwork				12
Research specimens				244,332

No heritage assets were pledged as security for liabilities during the financial year end.

### 14. Investments in controlled entities

Name of company	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
Durban Marine Theme Park (State Owned Company) Limited	100.00 %	100.00 %	962,996	962,996
ICC Durban (Proprietary) Limited	100.00 %	100.00 %	226,591	226,591
			1,189,587	1,189,587
Impairment of investment in controlled entities			(493,779)	(493,779)
			<b>695,808</b>	<b>695,808</b>

Impairment of Investments in Municipal Entities are reviewed on an annual basis. The balances above are reflective of estimations as at 30 June 2022. There was no impairment loss recognised in the current year (2021: R75.85 million) relating to the investment in Durban Marine Theme Park. The loss generated by the entity for the year was offset by the increase in the current replacement cost of the entity's land and building compared to the previous financial year. The recoverable amount was calculated as the net asset value of the entity, adjusted for the valuation adjustments on property, plant and equipment and investment properties, which represents the fair value of the entity.

At its meeting on 30 June 2022, and taking cognizance of the International Convention Centre and Durban Marine Theme Park operating on or close to a break-even level, Council confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern".

#### Durban Marine Theme Park (State Owned Company) Limited

Issued Share Capital (R'000)	10	10
Percentage owned by Council (%)	100	100
Electricity income (R'000)	28,069	23,837
Water and sanitation income (R'000)	10,308	7,827
Rates income (R'000)	4,175	3,977
Refuse removal (R'000)	972	943
Insurance (R'000)	313	492

#### ICC Durban (Proprietary) Limited

Issued Share Capital (R'000)	226,591	226,591
Percentage owned by Council (%)	100	100
Electricity income (R'000)	13,646	8,037
Water and sanitation income (R'000)	1,890	1,216
Rates income (R'000)	4,350	4,160
Refuse removal (R'000)	874	557
Insurance (R'000)	100	25

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 15. Interest in joint ventures

Name of company	% share	Carrying amount 2022	Carrying amount 2021
Effingham Development	66.74%	35,391	35,815
Durban Point Development Company (Pty) Ltd	50.00%	27,455	31,526
		<b>62,846</b>	<b>67,341</b>

This represents a 66.74% investment in Effingham Development and a 50% investment in Durban Point Development Company (Joint Ventures). Although the profit sharing ratio is 66.74% in favour of the Municipality for Effingham Development, losses are shared equally in terms of the joint venture agreement.

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty) Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham/Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land. Durban Point Development Company (DPDC) is a joint venture entered into with Rocpoint Company, a Malaysian company. This company has been formed with the objective of driving the development of the Point Precinct area.

#### Summary of the Municipality's interest in the Joint Venture - Effingham Development

<b>Non-current assets</b>			
Township property		41,363	42,335
Current assets - debtors		325	23
Current assets - bank balances and cash on hand		41,203	48,368
<b>Total Assets</b>		<b>82,891</b>	<b>90,726</b>
<b>Equity and Liabilities</b>			
Members loan accounts		35,391	35,815
Current liabilities - creditors		47,500	54,911
<b>Total equity and liabilities</b>		<b>82,891</b>	<b>90,726</b>

#### Reconciliation of Investment in Joint Venture

Balance at beginning of the reporting period		35,815	39,923
Share of surplus / (loss) for the year		(424)	16,475
Share of loan repayment		-	(20,583)
<b>Balance at end of reporting period</b>		<b>35,391</b>	<b>35,815</b>

#### Summary of the Municipality's interest in the Joint Venture - Durban Point Development Company

<b>Assets</b>			
Non-current assets - property		3,706	3,706
Current assets - debtors		460	378
Current assets - inventory		93,369	93,387
Current assets - bank balances and cash on hand		5,755	2,985
<b>Total assets</b>		<b>103,290</b>	<b>100,456</b>

#### Equity and liabilities

Equity - loans from shareholders and accumulated losses		27,456	31,526
Non-current liability - rates liability		62,022	57,785
Current liabilities - trade, provisions and other payables		13,812	11,145
<b>Total equity and liabilities</b>		<b>103,290</b>	<b>100,456</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 15. Interest in joint ventures (continued)

#### Reconciliation of investment in Joint Venture

Balance at beginning of the reporting period			31,526	35,618
Share of loss			(4,071)	(4,092)
<b>Balance at end of reporting period</b>			<b>27,455</b>	<b>31,526</b>

The share of losses from Joint Ventures in the current reporting period is R4.49million, of which a loss of R0.42million relates to Effingham and a loss of R4.07million to DPDC. In the prior year the share of profits from Joint Ventures was R12.38million made up of a profit of R16.47million relating to Effingham and the loss of R4.09million to DPDC.

### 16. External borrowings

#### At amortised cost

Annuity loans	9,257,067	9,058,700	9,257,067	9,058,700
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The Municipality's external borrowings are a combination of annuity loans and listed bonds. The Municipality has a R10billion Domestic Medium Term Note (DMTN) programme that was listed on the Johannesburg Stock Exchange in September 2020. During the 2021/22 financial period the Municipality issued its inaugural bonds, R500million for 10 years and R500million for 15 years.

The fair value of all external borrowings approximates their book values.

All the Municipality's external borrowings are unsecured.

A portion of the R716.043million balance outstanding from the RMB R1billion 20 year loan was ceded to Sanlam Life Insurance Limited in April 2019.

The loan amount of R423.531million owing to ABSA at 30 June 2022 was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in August 2020.

The loan amount of R468.470million owing to ABSA at 30 June 2022 was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in October 2021.

The Municipality has budgeted to borrow R1.5billion in the 2022/23 financial year and R1billion per annum for the next two financial years thereafter.

Refer to note 63 for more detail on long-term liabilities.

#### Non-current liabilities

At amortised cost	8,341,193	8,207,995	8,341,193	8,207,995
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#### Current liabilities

At amortised cost	915,874	850,705	915,874	850,705
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# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>17. Payables from exchange transactions</b>				
Trade payables	880,145	1,053,437	927,582	1,085,445
Payments received in advance	30,116	38,509	30,116	38,509
Income received in advance - D.O.H.S	939,402	1,093,593	939,402	1,093,593
Accruals	3,743,459	3,665,865	3,743,459	3,665,865
Other payables	1,496,591	1,421,703	1,448,025	1,407,415
Retentions	470,945	441,100	470,945	441,100
Bank deposits not receipted	519,765	454,019	519,765	454,019
Deferred Expenditure (Straight-lining of Leases)	22,836	24,219	22,836	24,219
	<b>8,103,259</b>	<b>8,192,445</b>	<b>8,102,130</b>	<b>8,210,165</b>

### 18. Transfers payable from non-exchange transactions

Transfers payable - grants in aid	14,296	47,271	23,613	70,346
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### 19. Consumer deposits

I.C.C.: Clients deposits	13,022	9,814	-	-
Electricity and water deposits	2,660,769	2,529,328	2,662,416	2,530,975
Other deposits	1,506	1,917	1,506	1,917
Ushaka: Rental deposits	2,524	2,874	-	-
	<b>2,677,821</b>	<b>2,543,933</b>	<b>2,663,922</b>	<b>2,532,892</b>

### 20. Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:

#### Carrying value

Post-employment medical benefits	(4,063,460)	(4,373,899)	(4,063,460)	(4,373,899)
Post-employment pension benefits	7,814	8,320	7,814	8,320
	<b>(4,055,646)</b>	<b>(4,365,579)</b>	<b>(4,055,646)</b>	<b>(4,365,579)</b>
Non-current liabilities	(3,246,652)	(3,445,968)	(3,246,652)	(3,445,968)
Current liabilities	(808,994)	(919,611)	(808,994)	(919,611)
	<b>(4,055,646)</b>	<b>(4,365,579)</b>	<b>(4,055,646)</b>	<b>(4,365,579)</b>

Actuarial valuations:

The actuarial valuations were done as at 30 June 2022 by ARCH Actuarial Consulting (30 June 2021: Independent Actuaries & Consultants). The firm is an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. .

#### Net Actuarial Gain / (Loss): Post-employment Medical Benefits

Changes to membership profile different to assumed	413,946	(37,295)	413,946	(37,295)
Change in health care cost inflation assumption	-	237,863	-	237,863
Change in discount rates	448,631	(249,780)	448,631	(249,780)
Application of post employment mortality improvement	(364,250)	-	(364,250)	-
Subsidy increases lower than assumed	236,898	-	236,898	-
Actual benefits paid versus expected benefits	-	9,939	-	9,939
	<b>735,225</b>	<b>(39,273)</b>	<b>735,225</b>	<b>(39,273)</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 20. Employee benefit obligations (continued)

#### Net Actuarial Gain / (Loss): Post-employment Pension Benefits

Change in economic assumptions	(42,557)	(120,212)	(42,557)	(120,212)
Experience adjustments	(684,816)	590,451	(684,816)	590,451
Benefit structure changes	-	(58,148)	-	(58,148)
	<b>(727,373)</b>	<b>412,091</b>	<b>(727,373)</b>	<b>412,091</b>

#### Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	(310,439)	568,880	(310,439)	568,880
Pension Benefits: Contribution to Funds	506	2,043	506	2,043
<b>Total, included in employee benefits expense</b>	<b>(309,933)</b>	<b>570,923</b>	<b>(309,933)</b>	<b>570,923</b>

#### Post-Retirement Medical Aid Plan

The Municipality operates on 6 accredited medical aid schemes, namely Key Health, Sizwe Hosmed, Bonitas, Samwumed, Discovery and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

#### Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	4,373,899	3,805,019	4,373,899	3,805,019
Current service cost	152,627	157,482	152,627	157,482
Interest cost	526,206	540,045	526,206	540,045
Actuarial (gains) / losses	(735,225)	39,273	(735,225)	39,273
Benefit payments	(254,047)	(167,920)	(254,047)	(167,920)
<b>Balance at end of year</b>	<b>4,063,460</b>	<b>4,373,899</b>	<b>4,063,460</b>	<b>4,373,899</b>

#### Net expense recognised in the Statement of Financial Performance

Current service cost	152,627	157,482	152,627	157,482
Interest cost	526,206	540,045	526,206	540,045
Benefit payments	(254,047)	(167,920)	(254,047)	(167,920)
<b>Total, included in employee benefits expense</b>	<b>424,786</b>	<b>529,607</b>	<b>424,786</b>	<b>529,607</b>

#### Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Present Value of Obligations	(4,123,898)	(3,955,760)	(3,805,019)	(4,373,899)	(4,063,460)
<b>Present Value of Obligations in excess of Plan Assets</b>	<b>(4,123,898)</b>	<b>(3,955,760)</b>	<b>(3,805,019)</b>	<b>(4,373,899)</b>	<b>(4,063,460)</b>
<b>Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)</b>					
In respect of Present Value of Obligations	141,804	227,189	(81,779)	210,507	650,844

# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 20. Employee benefit obligations (continued)

#### Disclosure Requirement in terms of GRAP 25

Sensitivity Results from Current Valuation	Health Care cost Inflation		
	8.44%	-1%	+1%
Accrued Liability June 30, 2022	4,063,460	3,716,993	4,329,344
Service Cost + Interest Cost	635,696	573,108	682,730

  

Sensitivity Results from Previous Valuation	Central Assumption		
	9.11%	-1%	+1%
Accrued Liability June 30, 2021	4,373,899	3,815,035	5,061,005
Service Cost + Interest Cost	678,833	582,117	799,496

#### Disclosure Requirement in terms of GRAP 25:

The comparative sensitivity results have been updated to reflect the correct figures.

The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R166.5million.

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.83 %	12.38 %	11.83 %	12.38 %
General increases to medical aid contributions	8.44 %	9.11 %	8.44 %	9.11 %
Maximum subsidy increase rate	5.96 %	8.61 %	5.96 %	8.61 %
Expected retirement age	63	63	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	80.00 %	80.00 %	80.00 %
Real rate (GAP)	3.13 %	3.00 %	3.13 %	3.00 %
General inflation	6.94 %	7.61 %	6.94 %	7.61 %

Other assumptions:

Age of spouse - Husbands 3 years older than wives

Mortality of in-service members - The mortality rates used in the valuation are based on an investigation performed in respect of the Durban Pension Fund's mortality experience. Although the profile of employees eligible for this benefit is not identical to the Durban Pension Fund membership profile, the mortality experienced by the Fund provides the best available indication of expected mortality. This is consistent with the previous valuation.

Mortality of pensioners - This is based on PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010.

#### Percentage of in-service members withdrawing before retirement:

Age 20	7.85 %	7.85 %	7.85 %	7.85 %
Age 25	5.67 %	5.67 %	5.67 %	5.67 %
Age 30	4.20 %	4.20 %	4.20 %	4.20 %
Age 35	3.31 %	3.31 %	3.31 %	3.31 %
Age 40	2.23 %	2.23 %	2.23 %	2.23 %
Age 45	1.21 %	1.21 %	1.21 %	1.21 %
Age 50	0.55 %	0.55 %	0.55 %	0.55 %
Age 55+	0.00 %	0.00 %	0.00 %	0.00 %

# eThekwini Municipality and its Municipal Entities

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## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 20. Employee benefit obligations (continued)

#### Pension benefits

##### The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	10,002,145	8,813,490	10,002,145	8,813,490
Fair value of plan assets	(11,408,786)	(10,276,200)	(11,408,786)	(10,276,200)
Unrecognised due to paragraph 68 limit	1,398,827	1,454,390	1,398,827	1,454,390
<b>Liability (Surplus) in the Statement of Financial Position</b>	<b>(7,814)</b>	<b>(8,320)</b>	<b>(7,814)</b>	<b>(8,320)</b>

##### Net expense recognised in the Statement of Financial Performance

Service cost	(74,355)	(74,067)	(74,355)	(74,067)
Interest cost	(1,052,491)	(1,191,388)	(1,052,491)	(1,191,388)
Expected return on assets	1,235,929	1,344,463	1,235,929	1,344,463
Net actuarial gains / (losses) recognised in the year	(227,868)	278,502	(227,868)	278,502
	<b>(118,785)</b>	<b>357,510</b>	<b>(118,785)</b>	<b>357,510</b>

##### Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	(8,813,490)	(8,778,857)	(8,813,490)	(8,778,857)
Current service cost	(74,355)	(74,067)	(74,355)	(74,067)
Actuarial gains / (losses)	(727,373)	412,091	(727,373)	412,091
Interest cost	(1,052,491)	(1,191,388)	(1,052,491)	(1,191,388)
Benefit payments	665,564	818,731	665,564	818,731
<b>Balance at end of year</b>	<b>(10,002,145)</b>	<b>(8,813,490)</b>	<b>(10,002,145)</b>	<b>(8,813,490)</b>

##### Movement in the fair value of plan assets is as follows:

Balance at beginning of the year	10,276,200	9,829,659	10,276,200	9,829,659
Actuarial gains / (losses)	499,505	(133,589)	499,505	(133,589)
Contributions received	62,716	54,398	62,716	54,398
Benefit payments	(665,564)	(818,731)	(665,564)	(818,731)
Expected return on assets	1,235,929	1,344,463	1,235,929	1,344,463
<b>Balance at end of year</b>	<b>11,408,786</b>	<b>10,276,200</b>	<b>11,408,786</b>	<b>10,276,200</b>

##### Disclosure in terms GRAP 25

Defined benefit obligation	(10,002,145)	(8,813,490)	(10,002,145)	(8,813,490)
Plan assets	11,408,786	10,276,200	11,408,786	10,276,200
Funded status (before applying the net asset limit)	1,406,641	1,462,710	1,406,641	1,462,710
Experience adjustments on plan liabilities	(684,816)	590,451	(684,816)	590,451
Experience adjustments on plan assets	499,505	(133,589)	499,505	(133,589)

The expected return on plan assets should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 11.50% per annum has been used. The corresponding index-linked yield at this term is 4.07%. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 20. Employee benefit obligations (continued)

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	11.50 %	12.38 %	11.50 %	12.38 %
Expected return on plan assets	11.50 %	12.38 %	11.50 %	12.38 %
General inflation	6.66 %	7.65 %	6.66 %	7.65 %
Salary inflation	7.66 %	8.65 %	7.66 %	8.65 %
Pension increase provision	6.66 %	7.65 %	6.66 %	7.65 %
Post retirement interest rate	4.54 %	4.39 %	4.54 %	4.39 %

#### Examples of mortality rates used were as follows: Active members (All):

Age 20	0.13 %	0.13 %	0.13 %	0.13 %
Age 25	0.18 %	0.18 %	0.18 %	0.18 %
Age 30	0.25 %	0.25 %	0.25 %	0.25 %
Age 35	0.37 %	0.37 %	0.37 %	0.37 %
Age 40	0.52 %	0.52 %	0.52 %	0.52 %
Age 45	0.72 %	0.72 %	0.72 %	0.72 %
Age 50	0.99 %	0.99 %	0.99 %	0.99 %
Age 55	1.37 %	1.37 %	1.37 %	1.37 %
Age 60	1.89 %	1.89 %	1.89 %	1.89 %

#### KZN Municipal Pension Fund:

Nature of the KZN Municipal Pension Fund:

The KZN Municipal Pension Fund is a defined contribution pension fund that started with the transfer of Members from the Durban Pension Fund in 2001. It is the Fund of choice of the Employer.

Size:

At 30 June 2022 the Fund had a membership of approximately 23 700 with just over R19.5 billion in assets. Included in the membership is approximately 570 members, as at 30 June 2022, who have chosen the in-fund living annuity option which provides members with a low cost annuity solution when compared to the retail living annuity products offered in the market. The in-fund living annuity membership has grown substantially from last year (440 members ) of with the Fund Credits of these members now amount to a substantial R 951 million as at 30 June 2022 up from R 730 million as at 30 June 2021. The Trustees are also investigating offering other types of annuities to members.

Investments:

Best of breed Asset Managers (Coronation, Ninety One, M&G – previously called Prudential, Blackrock, Argon, MAZI, Mergence, Lima Mbeu, Satrix , Stanlib, Truffle, Blackrock and ATA) are mandated to invest the savings of members. The investment managers have remained largely the same since last year. The Trustees have a default portfolio in place for members who do not wish to choose their own investments. For those members who wish to have their own investment strategy the Fund offers investment choice to cater for the various risk appetite of members. The advantage of having such a large Fund is the low negotiated investment fees the fund enjoys.

Front Office, Insurance and Fund Expenses:

The Trustees continue with the objective of the Fund to become fully self-insured and in 2018 the Disability insurance benefit was fully covered by the Fund. As at 30 June 2022, the insured Death benefit was covered 50% by the Fund and 50% by BrightRock. BrightRock also cover the Funeral benefits of the active members. The Funeral Benefit is also available to the In-Fund annuitants who can elect to continue with the benefit when they retire.



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 20. Employee benefit obligations (continued)

The Fund Front Office at SmartXchange Building, 5 Walnut Road, is staffed to investigate the Death benefit distributions and the administration of Disability claims and payments. Procedures in place continue to be refined and improved as ongoing reviews of the current system are in place to improve the experience of our members. The Front Office has been very successful in relieving the strain from the Employer in dealing directly with member queries and providing other important information to members. The Front Office receives a large volume of walk-in queries on a daily basis which are dealt with immediately and are reported on quarterly basis to the Trustees to review any trends in the queries arising and to address any common queries/requests arising.

The Fund has managed to keep its risk cost and fund expenses to approximately 3.0% on average and continually strives to keep the fund's costs down as far as possible without compromising on the service delivery to members. This has resulted in approximately 15% on average, of the total Employer Contribution rate of 18%, to be credited to members retirement benefit which means members invest a combined minimum of 20%.

#### Communications:

Communication consists chiefly of the Annual Seminar at multiple venues along with the Road Show seminars and presentations given at Induction Sessions, Union gatherings, and Department Staff Communication Days. Although these methods of communication had been inhibited in a significant way as a result of Covid-19 and therefore telephone communication and virtual communication had become more important then, the Fund is glad to report that the Annual Seminars and face to face meetings have resumed in full force. The benefit counselling portal that had been introduced to the Fund's website to assist members with the Fund information and to assist in education on various topics is continually being improved. The inclusion of the communication vehicle has also assisted the Fund to reach out to members at their places of work, which has been well received by those workplace stations on the outskirts of the Durban CBD.

Member appointed trustees also perform an important role of engagement in the workplace and assist in resolving member queries.

Printed brochures are made available along with Retirement Projection Statements and Benefit Statements for each member.

Investment balances are available online or can be printed at the Front Office. The Fund has a website (referred to above), data of members on their e-mail list, as well as a limited presence on social media.

Considerable additional work continues to be placed into Investment and Retirement Counselling as well as Financial Planning on a one-on-one basis. Families that are receiving substantial death benefits also receive counselling on tax issues and are encouraged to place their funds in the in house living annuity when tax becomes a consideration. To an extent this option is also preferred by Trustees rather than the allocation of orphans money to a Beneficiary Fund.

#### Trustees:

Sthembile Dlamini (Chairperson), Khanyi Gama (Chair: Finance & Investment Sub-Committee), Paul Babudayal (Chair: Death Benefits & Administration Sub-Committee), Cllr Barbara Fortein (Chair: Communications Sub-Committee), TN Naidoo (Chair: Audit & Risk Compliance Sub-Committee), Cllr Thabani E. Nyawose (Honourable Speaker of EtheKweni Municipality), Cllr Sindi Ngcobo, Xolani Gabela, Connie Ndlovu.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 20. Employee benefit obligations (continued) Multi-Employer Retirement Benefit Plans:

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMPF), SALA, Multi Linked and GEPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

Two of the NJMPF retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund.

The last actuarial valuations of the two NJMPF Defined Benefit (DB) Funds (March 2021) showed both funds to be fully funded. The employers are continuing to pay a surcharge to protect the funds from further deficits (from 2016: surcharge updated to 21.65% for Retirement Fund and 9.5% for Superannuation Fund - please refer to valuation reports available from the Fund's website or the Director. The actuarial valuations thereafter reflected a higher required contribution rate in the Retirement Fund, which would result in a higher required surcharge. However, the Trustees were conscious of affordability and accordingly from January 2017 the surcharge for each local authority of 9.5% in the Superannuation Fund was reduced to offset the required increase in the local authority's surcharge to the Retirement Fund. In principle the increase in the surcharge to the Retirement Fund would not result in any local authority incurring additional costs. The total surcharge per local authority thus remains unchanged, but the split between the Superannuation Fund and Retirement Fund will be different for each local authority.

The three funds cater for employees of all Municipalities in KZN. Each fund is treated as one fund and not as a collection of sub-funds for each participating Municipality. In the DB funds any surplus or deficit is spread across all Municipalities - each Municipality pays the same rate of contribution and the same rate of surcharge (but see next point as well as offset comment in previous paragraph). A special additional surcharge is levied individually on Municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other Municipalities. This has the effect of removing some of the cross-subsidisation between Municipalities. Other than this, all Municipalities are treated in the same manner

Each of the funds undergoes an actuarial valuation each year in order to monitor its financial condition. If necessary the Board of Trustees levies a surcharge until the fund is in a sound financial condition. In this way the Board ensures that the funds are able to afford the promised benefits.

Durban Pension Fund:

The Durban Pension Fund is a closed defined benefit fund. With effect from the 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The draft statutory valuation as at 2022-01-01 revealed that the Fund was 109.7% funded.

The active member pool solvency reserve and the pensioner pool solvency reserve were 100% funded. The members and the employer contribute at the rate of 7.5% and 19.68% respectively. The theoretical member contribution and employer contribution rates were 9.71% and 29.23% respectively per the draft statutory valuation as at 2022-01-01. The shortfall in actual contributions were being funded from the reserve accounts held within the Fund.

The asset composition of the Durban Pension Fund is summarised below:

	2022	2021	2022	2021
SA Equities	11.60 %	10.70 %	11.60 %	10.70 %
SA Bonds	71.70 %	71.40 %	71.70 %	71.40 %
SA Cash	- %	0.10 %	- %	0.10 %
SA Property	3.10 %	3.10 %	3.10 %	3.10 %
Foreign	13.60 %	14.70 %	13.60 %	14.70 %
	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00</b>	<b>100.00 %</b>

# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

### 21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Electricity Demand Side Management Grant	85	8,863	85	8,863
Department of Co Operative Governance and Traditional Affairs	5,649	5,649	5,649	5,649
Department of Environmental Affairs	7,838	7,838	7,838	7,838
Neighbourhood Development Partnership	14,823	9,084	14,823	9,084
Department of Arts and Culture	14,820	10,847	14,820	10,847
Department of Human Settlements	397,392	399,286	397,392	399,286
European Union	1,461	4,043	1,461	4,043
Donations and Public Contributions	36,729	36,729	36,729	36,729
Infrastructure Skills Grant	6,432	5,122	6,432	5,122
Primary Health Care Provincial Subsidy	70,377	88,480	70,377	88,480
Department of Sports and Recreation	10,525	10,525	10,525	10,525
DBSA	93,473	95,039	93,473	95,039
Municipal Emergency Housing Grant	-	360	-	360
Local Finance Management Grant	-	415	-	415
Program and Project Preparation Support Grant	48,322	-	48,322	-
Public Employment Programme	237,029	-	237,029	-
Other Grants and Subsidies	32,200	29,107	32,200	29,107
	<b>977,155</b>	<b>711,387</b>	<b>977,155</b>	<b>711,387</b>

These amounts are invested in a ring-fenced investment until utilised. See note 31 for more detail.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 22. Provisions

#### Reconciliation of provisions - Group and Municipality - 2022

	Opening Balance	Additions / (reversals)	Utilised during the year	Interest charged	Change in estimate	Total
<b>Current</b>						
Staff leave	1,017,569	33,840	(95,371)	-	-	956,038
Performance bonus	81,600	5,727	(81,987)	-	-	5,340
Long service awards	107,730	100,122	(86,578)	-	-	121,274
<b>Non-current</b>						
Environmental rehabilitation: landfill sites	358,905	-	-	25,123	41,302	425,330
Long service awards	1,199,961	(72,066)	-	-	-	1,127,895
	<b>2,765,765</b>	<b>67,623</b>	<b>(263,936)</b>	<b>25,123</b>	<b>41,302</b>	<b>2,635,877</b>

#### Reconciliation of provisions - Group and Municipality - 2021

	Opening Balance	Additions	Utilised during the year	Interest charged	Change in estimate	Total
<b>Current</b>						
Staff leave	845,796	244,720	(72,947)	-	-	1,017,569
Performance bonus	13,847	80,782	(13,029)	-	-	81,600
Long service awards	102,301	89,337	(83,908)	-	-	107,730
<b>Non-current</b>						
Environmental rehabilitation: landfill sites	276,957	-	-	20,079	61,869	358,905
Long service awards	987,948	212,013	-	-	-	1,199,961
	<b>2,226,849</b>	<b>626,852</b>	<b>(169,884)</b>	<b>20,079</b>	<b>61,869</b>	<b>2,765,765</b>

#### Reconciliation of provisions - Municipality - 2022

	Opening Balance	Additions / (reversals)	Utilised during the year	Interest charged	Change in estimate	Total
<b>Current</b>						
Staff leave	1,012,932	32,803	(94,953)	-	-	950,782
Performance bonus	79,843	-	(78,533)	-	-	1,310
Long service awards	107,617	100,017	(86,470)	-	-	121,164
<b>Non-current</b>						
Environmental rehabilitation: landfill sites	358,905	-	-	25,123	41,302	425,330
Long service awards	1,199,253	(72,157)	-	-	-	1,127,096
	<b>2,758,550</b>	<b>60,663</b>	<b>(259,956)</b>	<b>25,123</b>	<b>41,302</b>	<b>2,625,682</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 22. Provisions (continued)

#### Reconciliation of provisions - Municipality - 2021

	Opening Balance	Additions / (reversals)	Utilised during the year	Interest charged	Change in estimate	Total
<b>Current</b>						
Staff leave	839,670	244,150	(70,888)	-	-	1,012,932
Performance bonus	11,894	77,288	(9,339)	-	-	79,843
Long service awards	102,200	89,295	(83,878)	-	-	107,617
<b>Non-current</b>						
Environmental rehabilitation: landfill sites	276,957	-	-	20,079	61,869	358,905
Long service awards	987,338	211,915	-	-	-	1,199,253
	<b>2,218,059</b>	<b>622,648</b>	<b>(164,105)</b>	<b>20,079</b>	<b>61,869</b>	<b>2,758,550</b>
Non-current liabilities			1,553,225	1,558,866	1,552,426	1,558,158
Current liabilities			1,082,652	1,206,899	1,073,256	1,200,392
			<b>2,635,877</b>	<b>2,765,765</b>	<b>2,625,682</b>	<b>2,758,550</b>

#### Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Council. The provision also includes lump sum performance bonuses payable to non-executive staff. No contribution has been made in respect of the performance rewards payable to qualifying staff of the Municipality for neither the 2020/21 nor the 2021/22 financial year due to the budgets being directed in line with service delivery priorities.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 22. Provisions (continued)

#### Environmental rehabilitation: Landfill sites

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 balance sheet date at the cost of capital, which was 8.25% at 30 June 2022. The Municipality has the 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 a Municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

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

The following assumptions were used to calculate the provision:

- (1) Discount rate of 8.25% (June 2021: 7.00%);
- (2) Inflation rate 7.40% (June 2021: 4.90%);
- (3) Total area expected to be rehabilitated: 976 955 square metres (June 2021: 939 875 square meters);
- (4) Rate per square metre: R489.25 (June 2021: R488.44);
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

	30 June 2022	30 June 2021
Bisasar	360,000	360,000
Marianhill	193,000	193,000
Wyebank	35,000	35,000
Shallcross	33,825	33,825
Buffelsdraai	232,350	232,350
Lovu	122,780	85,700

During the current period there was a change in the assumptions used to calculate the provision for the rehabilitation of landfill sites, which resulted in a change in estimate of R41.3million, increasing the provision. This change is mainly attributable to a change in the statistics used, changes in the cost per square meter used in the calculation of the total rehabilitation costs to reflect current prices and the revision of the useful lives for the various sites. In the prior year the rate per square metre was escalated by the inflation rate. There have been numerous increases in the inflation rate during the current review period. In total, the inflation rate increased by 51% when compared to 2021. This coupled with a smaller increase of only 18% in the prime lending rate (discount rate) has led to an overall increase in the landfill provision amount. The useful lives were revised due to less waste being dumped in the current period than what was originally anticipated resulting in an extension of the lives for these landfill sites. The costs were revised and reviewed to incorporate the new changes to GRAP that came into effect in 2019.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 22. Provisions (continued)

The total rehabilitation can be reconciled as follows:

Name	Opening balance	Interest	Change in estimate	Closing balance
Bisasar	176,262	12,338	(11,694)	176,906
Marianhill	92,023	6,441	(3,317)	95,147
Wyebank	18,571	1,300	(1,272)	18,599
Shallcross	17,643	1,235	(925)	17,953
Buffelsdraai	29,281	2,050	36,039	67,370
Lovu	25,125	1,759	22,471	49,355
<b>Totals</b>	<b>358,905</b>	<b>25,123</b>	<b>41,302</b>	<b>425,330</b>

### Long service awards

The conditions of service for employees are as follows:

#### Long Service Leave accrual

	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone	6 Day Worker- No.of days p.a.	6 Day Worker- Accum per milestone
After 10 years	1	15	1	15
After 20 years	2	25	3	30
After 30 years	4	35	5	50
After 40 years	5	15	6	10
Maximum Accumulation		90		105

Employees who achieve 10 years of service receive a once off cash payment of R500; upon 20 years of service receive a once off cash payment of R1 000 and upon achievement of 30 years service, employees receive a once off cash payment of R1 500. Employees who achieve 40 years service receive a once off payment of R2 000.

A long service allowance will accrue as follows:

- 1% of monthly salary at 10-14 years
- 2% of monthly salary at 15-19 years
- 3% of monthly salary at 20-24 years
- 4% of monthly salary at 25-29 years
- 5% of monthly salary at 30-34 years
- 6% of monthly salary at 35 years or more.

The abovementioned is limited to a maximum of R1 762.88 (2021: R1 703.26).

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 22. Provisions (continued)

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2022 (2021: 30 June 2021). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 11.37% (2021: 8.81% ) was used based on internal rate of return.

#### Summary of economic assumptions (rates are per annum) and key demographic assumptions

Gross discount rate	11.37%	8.81%
Salary inflation	7.54%	6.57%
Net discount rate	3.57%	2.11%
Number of trading days per year	252	252
Retirement age	63 years for males and females	63 years for males and females

#### Summary of membership data used in the valuation

##### Current employees

Number of current employees	24,330	24,936
Average age of employees	43.9	43.4
Average years of past service	12.5	12.0
Average annual salary (R)	278,480	267,506

#### Reconciliation of Defined Benefit Obligation

Opening Balance	1,306,479	1,089,538
Current service cost	102,304	85,250
Interest cost	123,901	109,125
Actuarial (gains) / losses - changes to earnings	(3,352)	-
Actuarial (gains) / losses - changes to employee profile	(10,731)	-
Actuarial (gains) / losses on assumptions	(163,115)	140,936
Actuarial (gains) / losses on experience	-	(4,693)
Cash movements - Benefit payments	(107,226)	(113,677)
	<b>1,248,260</b>	<b>1,306,479</b>



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 22. Provisions (continued) Pre-retirement mortality

#### Age

20			0.13%	0.13%
25			0.18%	0.18%
30			0.25%	0.25%
35			0.37%	0.37%
40			0.52%	0.52%
45			0.72%	0.72%
50			0.99%	0.99%
55			1.37%	1.37%
60			1.89%	1.89%

#### Withdrawal assumption

#### Age

20			7.85%	7.85%
25			5.67%	5.67%
30			4.20%	4.20%
35			3.31%	3.31%
40			2.23%	2.23%
45			1.21%	1.21%
50			0.55%	0.55%
55+			0.00%	0.00%

### 23. Housing Development Fund

Property, plant and equipment	75,036	70,178	75,036	70,178
Housing selling scheme loans	58,336	55,180	58,336	55,180
Investment properties	11,009	11,106	11,009	11,106
Housing rental debtors	10,694	7,630	10,694	7,630
Housing other debtors	252,538	253,344	252,538	253,344
Long term receivables	5,283	12,228	5,283	12,228
Housing inventory	33	10	33	10
Investments	7,489	7,489	7,489	7,489
<b>Assets</b>	<b>420,418</b>	<b>417,165</b>	<b>420,418</b>	<b>417,165</b>

# eThekweni Municipality and its Municipal Entities

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## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>23. Housing Development Fund (continued)</b>				
Unspent conditional grants	(216,615)	(229,892)	(216,615)	(229,892)
Creditors	(9,767)	(9,562)	(9,767)	(9,562)
Consumer deposits	(344)	(344)	(344)	(344)
Bank overdraft	(323,266)	(136,509)	(323,266)	(136,509)
VAT payable	(11,130)	(11,352)	(11,130)	(11,352)
Accumulated deficit	198,174	27,964	198,174	27,964
<b>Liabilities and accumulated deficit</b>	<b>(362,948)</b>	<b>(359,695)</b>	<b>(362,948)</b>	<b>(359,695)</b>
<b>Housing Development Fund</b>	<b>57,470</b>	<b>57,470</b>	<b>57,470</b>	<b>57,470</b>

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 24. Service charges

Sale of electricity	14,881,193	13,679,324	14,922,908	13,711,198
Sale of water	5,373,346	5,497,762	5,385,544	5,506,805
Solid waste	823,758	770,707	825,604	772,207
Sewerage and sanitation charges	1,281,983	1,043,383	1,281,983	1,043,383
<b>Total service charges</b>	<b>22,360,280</b>	<b>20,991,176</b>	<b>22,416,039</b>	<b>21,033,593</b>

Included in the service charges is the revenue from sale of prepaid electricity for R1.124 billion (2020/21: R1.165 billion) which is recognised at a point of sale as opposed to the time of consumption. This is consistent with the adopted accounting policy and the accounting standard guidelines.

The Municipality has assessed the practicality of recognising the revenue when the significant risks and rewards of ownership are transferred to the consumer. Currently it is not possible to track the actual consumption, including patterns and trends, since there is no integration between the vending system (which generates tokens and records the cash sales) and the customer meter. The Municipality has rolled out an AMI (Automated Metering Infrastructure) project which will have the ability to track the consumption trends once completed. The effectiveness of the AMI depends on the installation of the smart meters, which will communicate with the head-end system for the load profile and consumption.

The Municipality will review the current accounting policy once the AMI project is completed.

### 25. Construction contracts and receivables

Revenue	672,026	392,653	672,026	392,653
Expenditure	(672,026)	(392,653)	(672,026)	(392,653)
	-	-	-	-

The Housing Development Construction contracts relate to agreements entered between the Municipality and the KwaZulu-Natal Department of Housing in respect of housing projects where the Municipality is a project developer in this arrangement. This arrangement is accounted for in line with the accounting policy for National Housing programmes.

The Housing Development Construction Contract Expenses consists mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants in the construction of the houses on its behalf.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 25. Construction contracts and receivables (continued)

The Housing Development Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on Note 3: Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed on Note 16: Payables from exchange transactions.

The increase in contract revenue and expenditure was as a result of projects which were previously on planning stage being implemented in the current year and more appointments of contractors being finalised during the current financial year for programs such as the storm damage. In the previous financial year, the Covid-19 pandemic affected the implementation of the housing projects, which were then accelerated in the current year when most of the Covid 19 related lockdown restrictions were lifted.

### 26. Rental of facilities and equipment

Sporting Bodies	295,139	278,433	295,139	278,433
Investment Properties	149,849	141,445	121,273	116,942
Business and Ancillary	116,656	124,109	116,656	124,109
Housing Rental	83,769	79,752	83,769	79,752
Other	123,814	83,785	126,076	112,010
	<b>769,227</b>	<b>707,524</b>	<b>742,913</b>	<b>711,246</b>

### 27. Other income

Sundry Income	406,224	325,474	289,785	273,177
Moses Mabhida	904	248	904	248
	<b>407,128</b>	<b>325,722</b>	<b>290,689</b>	<b>273,425</b>

### 28. Interest revenue

Interest earned - external investments	260,546	237,233	252,477	228,083
Interest earned - outstanding debtors	319,567	1,059	319,567	1,059
	<b>580,113</b>	<b>238,292</b>	<b>572,044</b>	<b>229,142</b>

Based on the various prior year Council resolutions adopted by the Municipality, no interest was charged on outstanding debtors, other than that relating to existing arrangements entered with the City such as credit authorities.

Effective from 1 January 2022, interest was charged on outstanding debt in line with the debt collection and credit control policy. Further details are disclosed in Note 53 relating to Covid-19 relief packages granted to consumers.

### 29. Fines

Traffic fine revenue	114,251	186,783	114,251	186,783
Other fine revenue	25,506	3,123	25,506	3,123
	<b>139,757</b>	<b>189,906</b>	<b>139,757</b>	<b>189,906</b>

Other fines mainly relate to illegal connections of municipal services and other contraventions with the by-laws of the City. Refer to note 4 for more details on traffic fines.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>30. Property rates</b>				
<b>Rates revenue</b>				
Residential	3,229,738	3,182,446	3,229,738	3,182,446
Business / Commercial	3,471,604	3,344,906	3,480,129	3,353,043
Unauthorised / Illegal development	90,905	73,026	90,905	73,026
Development Phasing	2,103	2,019	2,103	2,019
Agricultural	11,777	11,299	11,777	11,299
Vacant land	537,141	510,150	537,141	510,150
Industrial	2,369,867	2,257,224	2,369,867	2,257,224
Public Service Infrastructure	24,538	23,176	24,538	23,176
<b>Total Assessment Rates</b>	<b>9,737,673</b>	<b>9,404,246</b>	<b>9,746,198</b>	<b>9,412,383</b>

### Valuations

Residential	346,027,961	341,956,211	346,027,961	341,956,211
Business / Commercial	118,701,986	118,274,965	118,701,986	118,274,965
Unauthorised / Illegal development	768,008	728,623	768,008	728,623
Agricultural	3,581,711	3,607,608	3,581,711	3,607,608
Vacant land	9,690,501	9,667,940	9,690,501	9,667,940
Industrial	61,580,590	61,571,849	61,580,590	61,571,849
Public Service Infrastructure	15,354,499	15,390,252	15,354,499	15,390,252
Development Phasing Line	108,074	108,910	108,074	108,910
<b>Total Property Valuations</b>	<b>555,813,330</b>	<b>551,306,358</b>	<b>555,813,330</b>	<b>551,306,358</b>

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.013152 (2021: R0.012528); Agriculture - R0.003288 (2021: R0.003132); Vacant Land - R0.058966 (2021: R0.056171); Industrial - R0.038484 (2021: R0.036660); Business and Commercial - R0.029820 (2021: R0.028406); Public Service Infrastructure - R0.003288 (2021: R0.003132); Unauthorised / Illegal Development - R0.118364 (2021:R0.100224); Development Phasing line - R0.019459 (2021: R0.018536); Sectional Title right of development - R0.058966 (2021: R0.056171); Mining Property - R0.038484 (2021: R0.036660). In addition to the statutory reduction of R15 000, a further reduction of R105 000 was approved for property values exceeding R230 000. In addition to the R230 000, senior citizens, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R5 290p.a. The Senior Citizens rebate is restricted to a maximum limit of R2 million on the value of the property.

Valuations based on market values are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values as well as to adjust for valuation appeals where applicable.

Property rates penalties of R168.6million (2021: R0.7million) refer to interest charged on outstanding property rates debtors. Based on the various prior year Council resolutions adopted by the Municipality, no interest was charged on outstanding property rates debtors, other than that relating to existing arrangements entered with the City such as credit authorities. Effective from 1 January 2022, interest was charged on outstanding debt in line with the debt collection and credit control policy. Further details are disclosed in Note 53 relating to Covid-19 relief packages granted to consumers.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>31. Government grants and subsidies</b>				
Included in grants revenue is R358.56million recognised for VAT claimed relating to DORA grants.				
Equitable Share	3,580,447	3,923,405	3,580,447	3,923,405
Expanded Public Works Programme Incentive	81,691	79,192	81,691	79,192
European Union	5,435	1,175	5,435	1,175
Primary Health Care Provincial Subsidy	263,199	230,914	263,199	230,914
Department of Transport and Public Transport infrastructure	772,712	622,595	772,712	622,595
Electricity Demand Side Management Grant	9,000	140	9,000	140
Urban Settlement Development Grant	1,288,158	1,378,757	1,288,158	1,378,757
Other Grants and Subsidies	2,178	10,432	2,178	10,432
Donations and Public Contributions	-	448	-	448
Neighbourhood Development Partnership	33,984	56,916	33,984	56,916
Department of Human Settlements	64,058	71,816	64,058	71,816
Grant Accreditation	14,479	28,931	14,479	28,931
Department of Arts and Culture	70,981	88,008	70,981	88,008
Intergrated City Development Grant	-	45,911	-	45,911
DBSA	1,714	1,268	1,714	1,268
Local Finance Management Grant	1,000	585	1,000	585
Urban Informal Settlement Upgrade Partnership Grant	716,553	392,529	716,553	392,529
Program and Project Preparation Support Grant	1,627	-	1,627	-
Infrastructure Skills Grant	3,818	2,820	3,818	2,820
Public Employment Programme	56,339	-	56,339	-
Municipal Emergency Housing Grant	-	28,495	-	28,495
	<b>6,967,373</b>	<b>6,964,337</b>	<b>6,967,373</b>	<b>6,964,337</b>

### Equitable Share

Current-year receipts	3,580,447	3,810,422	3,580,447	3,810,422
Conditions met - transferred to revenue	(3,580,447)	(3,923,405)	(3,580,447)	(3,923,405)
Erroneously withheld (refer Municipal Disaster Grant)	-	112,983	-	112,983
	-	-	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### D Moss Interest and Land Sales

Balance unspent at beginning of year	-	8,073	-	8,073
Prior-year adjustment - written back	-	(8,073)	-	(8,073)
	-	-	-	-

The prior year figures have been adjusted to correct the understatement of revenue for grant services rendered in the previous years.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 31. Government grants and subsidies (continued)

#### Department of Environmental Affairs

Balance unspent at beginning of year	7,838	7,838	7,838	7,838
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Conditions still to be met - remain liabilities (see note 21).

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.

#### Department of Transport and Public Transport Infrastructure

Balance unspent at beginning of year	-	35,940	-	35,940
Current-year receipts	772,712	622,595	772,712	622,595
Conditions met - transferred to revenue	(675,372)	(564,387)	(675,372)	(564,387)
Paid back	-	(35,940)	-	(35,940)
VAT recognised	(97,340)	(58,208)	(97,340)	(58,208)
	-	-	-	-

The funds received and utilised relates to the implementation of the Integrated Public Transport Network.

#### Neighbourhood Development Partnership

Balance unspent at beginning of year	9,084	-	9,084	-
Current-year receipts	40,364	66,000	40,364	66,000
Conditions met - transferred to revenue	(29,967)	(50,352)	(29,967)	(50,352)
Paid back	(641)	-	(641)	-
VAT recognised	(4,017)	(6,564)	(4,017)	(6,564)
	<b>14,823</b>	<b>9,084</b>	<b>14,823</b>	<b>9,084</b>

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

Focus of the grant is to create economic infrastructure in dormitory townships that will attract private sector investment.

#### European Union

Balance unspent at beginning of year	4,043	1,273	4,043	1,273
Current-year receipts	2,422	3,945	2,422	3,945
Conditions met - transferred to revenue	(5,435)	(1,175)	(5,435)	(1,175)
Accrued receipts	431	-	431	-
	<b>1,461</b>	<b>4,043</b>	<b>1,461</b>	<b>4,043</b>

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

Funds used for Capacity Enhancement / Knowledge Management.

# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>31. Government grants and subsidies (continued)</b>				
<b>Other Grants and Subsidies</b>				
Balance unspent at beginning of year	29,107	30,160	29,107	30,160
Current-year receipts	5,277	11,309	5,277	11,309
Conditions met - transferred to revenue	(2,178)	(10,398)	(2,178)	(10,398)
Paid back	(6)	(1,930)	(6)	(1,930)
VAT recognised	-	(34)	-	(34)
	<b>32,200</b>	<b>29,107</b>	<b>32,200</b>	<b>29,107</b>

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

Other grants and subsidies were utilised during the year to fund various Council projects. Underspending was also due to part of the funding received late in the year. In the prior year, the Finance Management Grant was reported as part of the Other Grant note. The change has been made in the current year to separately disclose this grant in line with all other DoRA allocations. Prior year figures have been restated accordingly.

### Department of Human Settlements

Balance unspent at beginning of year	399,286	212,883	399,286	212,883
Current-year receipts	62,164	280,219	62,164	280,219
Conditions met - transferred to revenue	(64,058)	(71,816)	(64,058)	(71,816)
Prior-year adjustment - recognition of revenue for periods prior to 2020/21	-	(22,000)	-	(22,000)
	<b>397,392</b>	<b>399,286</b>	<b>397,392</b>	<b>399,286</b>

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

The prior year figures have been adjusted to correct the understatement of revenue for grant services rendered in the previous years.

Funding is used for:

- Administration of hostels in KZN;
- Social housing and housing conveyancing;
- R293 projects and Cornubia construction.

### Grant Accreditation

Current-year receipts	14,479	28,931	14,479	28,931
Conditions met - transferred to revenue	(14,479)	(28,931)	(14,479)	(28,931)
	-	-	-	-

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

These funds are for the administrative support provided for RDP houses.

# eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 31. Government grants and subsidies (continued)

#### Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	5,649	5,649	5,649	5,649
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Conditions still to be met - remain liabilities (see note 21).

These funds are used for implementing projects identified through the KZN Corridor Development Programme, supporting existing Council initiatives that require additional funding, and to unlock strategic economic development opportunities within the Northern Municipal Planning Region (NMPR) of the City.

The delay is due to the Municipality awaiting confirmation from COGTA to keep the grant funding that was insufficient to fully fund the planned projects to fund other projects. R1m received for youth summit in 18/19 was not spent due to Youth summit event being postponed by COGTA.

#### Donations and Public Contributions

Balance unspent at beginning of year	36,729	37,177	36,729	37,177
Conditions met - transferred to revenue	-	(448)	-	(448)
	<b>36,729</b>	<b>36,729</b>	<b>36,729</b>	<b>36,729</b>

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

The grants were received from various organisations to finance various developments. In the prior year this includes the development of Nandi Drive and various roads in Hillcrest.

#### Department of Arts and Culture

Balance unspent at beginning of year	10,847	581,223	10,847	581,223
Current-year receipts	74,954	85,762	74,954	85,762
Conditions met - transferred to revenue	(70,981)	(50,195)	(70,981)	(50,195)
Prior-year adjustment - recognition of revenue for 2020/21	-	(37,813)	-	(37,813)
Prior-year adjustment - recognition of revenue for periods prior to 2020/21	-	(568,130)	-	(568,130)
	<b>14,820</b>	<b>10,847</b>	<b>14,820</b>	<b>10,847</b>

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

This disclosure note comprises of the museum subsidies, community and library services grant, and provincialisation of libraries subsidy. The grant and subsidies are utilised to fund the provision of library and museum services which are in the functional competency of the provincial government. The unspent balance mainly relates to the community & library services/ICT grant, of which the rollover application has been submitted for consideration by the Department of Arts and Culture. The prior year figures have been adjusted to correct the understatement of revenue for grant services rendered in the previous years.



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	2022	2021	2022	2021
<b>31. Government grants and subsidies (continued)</b>				
<b>Electricity Demand Side Management Grant</b>				
Balance unspent at beginning of year	8,863	432	8,863	432
Current-year receipts	9,000	9,003	9,000	9,003
Conditions met - transferred to revenue	(8,006)	(122)	(8,006)	(122)
Paid back	(8,778)	(432)	(8,778)	(432)
VAT recognised	(994)	(18)	(994)	(18)
	<b>85</b>	<b>8,863</b>	<b>85</b>	<b>8,863</b>

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

This grant is used to finance the Electricity LED retrofits project. The unspent balance of R85 000 relates to the previous year's approved rollover for the LED streetlights technology demonstration at the innovation hub project. The project was completed at no additional costs, and hence there is no need for another rollover application.

### Infrastructure Skills Grants

Balance unspent at beginning of year	5,122	10,579	5,122	10,579
Current-year receipts	33,500	31,942	33,500	31,942
Grant transferred - Umgeni Water	(23,250)	(24,000)	(23,250)	(24,000)
Paid back	(5,122)	(10,579)	(5,122)	(10,579)
Conditions met - transferred to revenue	(3,818)	(2,820)	(3,818)	(2,820)
	<b>6,432</b>	<b>5,122</b>	<b>6,432</b>	<b>5,122</b>

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

This grant is used for the development of engineering and related technology graduates to equip themselves in achieving professional registration in water and wastewater related skills. The spending is lower due to a decrease in the number of students funded by this grant and the delay in the appointment of a mentor.

### Urban Settlements Development Grant

Current-year receipts	1,288,158	1,378,757	1,288,158	1,378,757
Conditions met - transferred to revenue	(1,123,039)	(1,199,453)	(1,123,039)	(1,199,453)
VAT recognised	(165,119)	(179,304)	(165,119)	(179,304)
	-	-	-	-

This grant was utilised for housing densification, water, electricity and sanitation infrastructure, sidewalks, agricultural gardens and various town centre renewals. This grant has replaced the former Municipal Infrastructure Grant.

### Expanded Public Works Programme Incentive

Current-year receipts	81,691	79,192	81,691	79,192
Conditions met - transferred to revenue	(81,691)	(79,192)	(81,691)	(79,192)
	-	-	-	-

This grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation.

# eThekweni Municipality and its Municipal Entities

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	2022	2021	2022	2021
<b>31. Government grants and subsidies (continued)</b>				
<b>Primary Health Care Provincial Subsidy</b>				
Balance unspent at beginning of year	88,480	119,259	88,480	119,259
Current-year receipts	157,886	150,584	157,886	150,584
Stock medicine	(18,102)	(30,779)	(18,102)	(30,779)
Conditions met - transferred to revenue	(263,199)	(230,914)	(263,199)	(230,914)
Accrued receipts	105,312	80,330	105,312	80,330
	<b>70,377</b>	<b>88,480</b>	<b>70,377</b>	<b>88,480</b>

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

Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services. The balance relates to the closing medicine stock held by the Municipality.

Total receipts were R238.2 million, of which R80.3 million relates to prior year income that was accrued in the previous reporting date, resulting in current year receipts of R157.9 million.

### Department of Sports and Recreation

Balance unspent at beginning of year	10,525	10,525	10,525	10,525
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Conditions still to be met - remain liabilities (see note 21).

This grant is for the construction of Durban Soccer Academy and Kwamashu sportfield. Delays are due to ongoing litigation matters.

### DBSA

Balance unspent at beginning of year	95,039	96,175	95,039	96,175
Current-year receipts	148	132	148	132
Conditions met - transferred to revenue	(1,714)	(1,268)	(1,714)	(1,268)
	<b>93,473</b>	<b>95,039</b>	<b>93,473</b>	<b>95,039</b>

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

To be used for various community reforestation projects, rehabilitation of the Palmiet River projects, Western and Northern aqueduct projects. There were delays earlier in the year due to work stoppages. Projects are now in progress.

### Municipal Emergency Housing Grant

Balance unspent at beginning of year	360	28,855	360	28,855
Conditions met - transferred to revenue	-	(24,882)	-	(24,882)
Paid back	(360)	-	(360)	-
VAT recognised	-	(3,613)	-	(3,613)
	<b>-</b>	<b>360</b>	<b>-</b>	<b>360</b>

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

This grant is used for the provision of housing during emergencies.

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Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>31. Government grants and subsidies (continued)</b>				
<b>Local Finance Management Grant</b>				
Balance unspent at beginning of year	415	-	415	-
Current-year receipts	1,000	1,000	1,000	1,000
Conditions met - transferred to revenue	(1,000)	(585)	(1,000)	(585)
Paid back	(415)	-	(415)	-
	-	<b>415</b>	-	<b>415</b>

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

The grant provides direct support to Municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms.

### Urban Informal Settlement Upgrade Partnership Grant

Current-year receipts	829,536	392,529	829,536	392,529
Prior-year re-imburement of Municipal Disaster	(112,983)	-	(112,983)	-
Grant in current year				
Conditions met - transferred to revenue	(625,630)	(341,330)	(625,630)	(341,330)
VAT recognised	(90,923)	(51,199)	(90,923)	(51,199)
	-	-	-	-

This grant is used to provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading informal settlements with the goal of creating sustainable and integrated human settlements that enable improved quality of household life. In the prior year the grant was reported as part of the Urban Settlements Development Grant. Prior year figures have been restated to ensure that both grants are reported separately given the distinction between informal and urban settlements.

### Municipal Disaster Grant

Erroneously withheld	-	(112,983)	-	(112,983)
Accrued	-	112,983	-	112,983
	-	-	-	-

The grant is used to assist communities after disasters. During the prior year the R112.9million of the Municipal Disaster Grant was erroneously withheld from the Equitable Share transfer. The City immediately advised National Treasury of the error in writing. National Treasury has acknowledged the error and has accordingly supported the accrual for the re-imburement.

### Program and Project Preparation Support Grant

Current-year receipts	49,949	-	49,949	-
Conditions met - transferred to revenue	(1,478)	-	(1,478)	-
VAT recognised	(149)	-	(149)	-
	<b>48,322</b>	-	<b>48,322</b>	-

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

The grant supports Metropolitan Municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalizing an effective and cost efficient system of programme and project preparation, together with the allocation of a growing level of municipal resources to preparation activities.

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Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>31. Government grants and subsidies (continued)</b>				
<b>Intergrated City Development Grant</b>				
Current-year receipts	-	45,911	-	45,911
Conditions met - transferred to revenue	-	(41,094)	-	(41,094)
Other	-	(4,817)	-	(4,817)
	-	-	-	-

The grant was used to provide financial incentive for Metropolitan Municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

### Public Employment Programme

Current-year receipts	293,368	-	293,368	-
Conditions met - transferred to revenue	(56,325)	-	(56,325)	-
VAT recognised	(14)	-	(14)	-
	<b>237,029</b>	-	<b>237,029</b>	-

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

The City Public Employment Programme provides additional financing to the metros to utilise public employment as an intervention to mitigate the negative impact of high unemployment and overwhelming job losses experienced within the current economic crisis in marginalised city spaces and communities. The unspent balance relates to the funds received on the 4<sup>th</sup> of February 2022 (five months to the end of financial year). The Municipality will apply for the rollover of these funds.

### 32. Levies

Fuel levy	3,012,812	2,854,469	3,012,812	2,854,469
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National Treasury shared revenue generated by the general fuel levy.

# eThekweni Municipality and its Municipal Entities

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## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>33. Employee related costs</b>				
Employee related costs - salaries and wages	6,928,984	6,907,443	6,806,149	6,810,928
Medical aid and pension benefits	1,755,378	2,627,915	1,750,477	2,622,874
UIF and workmans compensation	68,399	61,667	52,284	46,442
Contribution to provisions (leave pay, performance bonus, long service awards)	67,623	626,852	60,663	622,648
Travel, motor car, accommodation, subsistence and other allowances	515,946	492,745	515,946	492,745
Overtime payments	1,371,504	1,243,466	1,368,676	1,241,262
Housing benefits and allowances	39,251	44,418	39,251	44,418
Holiday bonus (13th cheque)	556,957	552,630	556,957	552,630
Other	128,301	121,015	127,902	120,619
Non-pensionable allowance (once-off)	79,828	-	79,828	-
Less: Employee costs relating to capitalisation and maintenance of PPE	(78,688)	(47,010)	(78,688)	(47,010)
	<b>11,433,483</b>	<b>12,631,141</b>	<b>11,279,445</b>	<b>12,507,556</b>

The R79.8million once-off non-pensionable allowance relates to a settlement agreement that was concluded during the bargaining process in terms of municipal staff increases for the next 3 financial years, payable only in year 1 of this agreement, which was for the 2021/22 financial year.

The reduction in the annual costs relating to medical aid and pension benefits is due mainly to the adjustments for the post employment medical aid obligation (based on actuarial reports). In 2020/21 this obligation had increased by R568.9million whereas in 2021/22 it reduced by R310.4million, resulting in the large year-on-year variance.

Contributions to the various provisions were also substantially reduced when compared to the prior year. For staff leave only R32.8million was required (2020/21: R244.1million), for long service awards an amount of R27.9million was contributed (2020/21: R301.2million) and no contribution was made for performance bonuses (2020/21: R77.3million).

### Municipal Manager - (contract terminated 30 June 2021)

Annual remuneration	-	3,107	-	3,107
Car allowance	-	190	-	190
Performance Bonuses	214	-	214	-
Contributions to UIF and SDL	-	34	-	34
Severance payment	-	1,788	-	1,788
	<b>214</b>	<b>5,119</b>	<b>214</b>	<b>5,119</b>

### Chief Finance Officer - (appointed 01 August 2021)

Annual remuneration	2,106	-	2,106	-
Car allowance	779	-	779	-
Contributions to UIF and SDL	29	-	29	-
	<b>2,914</b>	<b>-</b>	<b>2,914</b>	<b>-</b>

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	2022	2021	2022	2021

### 33. Employee related costs (continued)

#### Chief Finance Officer - (retired 28 February 2021; re-employed on contract 01 March 2021 to 31 July 2021)

Annual remuneration	274	2,146	274	2,146
Car allowance	-	670	-	670
Performance bonuses (more than one performance period)	480	-	480	-
Holiday bonus (13th cheque)	-	161	-	161
Market Allowance	-	161	-	161
Cellphone allowance	-	12	-	12
Other allowances (leave cashing)	75	2,114	75	2,114
Contributions to UIF, SDL, medical and pension funds	8	331	8	331
	<b>837</b>	<b>5,595</b>	<b>837</b>	<b>5,595</b>

#### D.C.M: Community and Emergency Services

Annual remuneration	1,789	1,789	1,789	1,789
Car allowance	108	108	108	108
Holiday Bonus (13th cheque)	158	158	158	158
Cellphone allowance	12	12	12	12
Other allowances (leave cashing)	-	63	-	63
Contributions to UIF and SDL	19	18	19	18
	<b>2,086</b>	<b>2,148</b>	<b>2,086</b>	<b>2,148</b>

#### D.C.M: Governance - (acting Municipal Manager from 26 March 2020 to 25 September 2020 and from 24 November 2020 to 30 June 2021)

Annual remuneration	1,983	1,932	1,983	1,932
Car allowance	687	670	687	670
Performance bonuses (more than one performance period)	439	-	439	-
Holiday bonus (13th cheque)	167	161	167	161
Market allowance	121	121	121	121
Cellphone allowance	12	12	12	12
Other allowances (backpay, leave cashing, acting)	96	180	96	180
Contributions to UIF, SDL, medical and pension funds	454	438	454	438
	<b>3,959</b>	<b>3,514</b>	<b>3,959</b>	<b>3,514</b>

#### D.C.M: Trading Services - (appointed 01 October 2020)

Annual remuneration	2,055	1,541	2,055	1,541
Cellphone allowance	12	9	12	9
Contributions to UIF and SDL	23	17	23	17
	<b>2,090</b>	<b>1,567</b>	<b>2,090</b>	<b>1,567</b>

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### 33. Employee related costs (continued)

#### Head: City Integrity and Investigation

Annual remuneration	1,343	1,306	1,343	1,306
Car allowance	464	453	464	453
Performance bonuses (more than one performance period)	119	-	119	-
Holiday bonus (13th cheque)	113	109	113	109
Cellphone allowance	9	9	9	9
Other allowances (leave cashing, backpay)	10	40	10	40
Contributions to UIF, SDL, medical and pension funds	321	310	321	310
	<b>2,379</b>	<b>2,227</b>	<b>2,379</b>	<b>2,227</b>

#### D.C.M: Corporate and Human Resources - (appointed 01 April 2021)

Annual remuneration	1,767	442	1,767	442
Car allowance	430	108	430	108
Performance bonuses	101	-	101	-
Holiday bonus (13th cheque)	183	15	183	15
Cellphone allowance	12	3	12	3
Other allowances (backpay, leave cashing)	107	-	107	-
Contributions to UIF, SDL, and medical fund	403	95	403	95
	<b>3,003</b>	<b>663</b>	<b>3,003</b>	<b>663</b>

#### D.C.M: Human Settlements

Annual remuneration	2,014	2,424	2,014	2,424
Car allowance	177	177	177	177
Performance bonuses (more than one performance period)	399	-	399	-
Cellphone allowance	12	12	12	12
Other allowances (backpay)	46	153	46	153
Contributions to UIF and SDL	26	25	26	25
	<b>2,674</b>	<b>2,791</b>	<b>2,674</b>	<b>2,791</b>

#### D.C.M: Economic Development and Planning

Annual remuneration	1,611	1,989	1,611	1,989
Car allowance	412	412	412	412
Performance bonuses (more than one performance period)	455	-	455	-
Holiday Bonus (13th cheque)	158	200	158	200
Cellphone allowance	12	12	12	12
Other allowances (backpay)	42	142	42	142
Contributions to UIF and SDL	25	22	25	22
	<b>2,715</b>	<b>2,777</b>	<b>2,715</b>	<b>2,777</b>

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Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 33. Employee related costs (continued)

#### Chief Operating Officer - (acting Municipal Manager from 01 July 2021 to 30 June 2022)

Annual remuneration	1,891	1,933	1,891	1,933
Car allowance	468	468	468	468
Performance bonuses	147	101	147	101
Holiday Bonus (13th cheque)	200	200	200	200
Cellphone allowance	12	12	12	12
Other allowances (acting, backpay)	208	141	208	141
Contributions to UIF, SDL, medical and pension funds	27	20	27	20
	<b>2,953</b>	<b>2,875</b>	<b>2,953</b>	<b>2,875</b>

#### Head: Information Management Unit/ Chief Information Officer

Annual remuneration	1,355	1,318	1,355	1,318
Car allowance	469	457	469	457
Holiday bonus (13th cheque)	114	110	114	110
Cellphone allowance	9	9	9	9
Other allowances (backpay, long service)	29	13	29	13
Contributions to UIF, SDL, medical and pension funds	325	316	325	316
	<b>2,301</b>	<b>2,223</b>	<b>2,301</b>	<b>2,223</b>

#### Chief Strategic Officer

Annual remuneration	1,844	1,794	1,844	1,794
Car allowance	634	618	634	618
Performance bonuses	188	175	188	175
Holiday bonus (13th cheque)	155	149	155	149
Market allowance	524	524	524	524
Cellphone allowance	12	12	12	12
Other allowances (backpay, entertainment, telephone, long service)	46	24	46	24
Contributions to UIF, SDL, medical and pension funds	395	377	395	377
	<b>3,798</b>	<b>3,673</b>	<b>3,798</b>	<b>3,673</b>



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<b>33. Employee related costs (continued)</b>				
<b>Chief Audit Executive - (appointed 01 June 2021)</b>				
Annual remuneration	1,400	111	1,400	111
Car allowance	494	38	494	38
Holiday bonus (13th cheque)	118	9	118	9
Cellphone allowance	9	1	9	1
Other allowances (backpay)	24	-	24	-
Contributions to UIF, SDL, medical and pension funds	318	25	318	25
	<b>2,363</b>	<b>184</b>	<b>2,363</b>	<b>184</b>
<b>ICC Durban (Proprietary) Limited</b>				
Chief Executive Officer: L. Rakharebe	3,471	3,203	-	-
Chief Financial Officer: M. Rambally	2,324	2,167	-	-
Facilities Director: S. Khuzwayo	1,679	1,456	-	-
Marketing, Sales and Events Director: S. Langley (resigned 28 February 2021)	-	1,158	-	-
	<b>7,474</b>	<b>7,984</b>	-	-
<b>Durban Marine Theme Park (State Owned Company) Limited</b>				
Chief Executive Officer: N. Khoza (appointed 01 October 2020)	2,189	1,519	-	-
Chief Executive Officer: C. Khumalo (resigned 30 June 2020)	-	650	-	-
Chief Financial Officer: L. Khumalo (appointed 01 August 2021)	1,665	-	-	-
Chief Financial Officer: E. Govender (resigned 30 September 2020)	-	676	-	-
Chief Operating Officer: P. Pillay	1,992	2,008	-	-
Food and Beverage Executive: R. Crow	1,073	988	-	-
Human Resources Executive: H. Ndlovu	1,103	1,041	-	-
Marketing Executive: N. Malunga	1,458	-	-	-
Marketing Executive: N. Mabuza (resigned 10 July 2020)	-	130	-	-
	<b>9,480</b>	<b>7,012</b>	-	-
<b>34. Remuneration of councillors</b>				
Mayor	1,439	1,445	1,439	1,445
Deputy Mayor	968	736	968	736
Mayoral Committee Members	9,621	10,309	9,621	10,309
Speaker	1,199	1,175	1,199	1,175
Councillors	120,684	114,104	120,684	114,104
Traditional Leaders	505	740	505	740
<b>Total Councillors' Remuneration</b>	<b>134,416</b>	<b>128,509</b>	<b>134,416</b>	<b>128,509</b>

### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with bodyguards and are also provided with offices and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

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<b>34. Remuneration of councillors (continued)</b>				
<b>Mayor</b>				
Remuneration allowances	1,398	1,404	1,398	1,404
Cellphone allowance	41	41	41	41
	<b>1,439</b>	<b>1,445</b>	<b>1,439</b>	<b>1,445</b>
<b>Deputy Mayor</b>				
Remuneration allowances	816	662	816	662
Motor vehicle allowance	-	47	-	47
Cellphone allowance	41	27	41	27
Pension fund	111	-	111	-
	<b>968</b>	<b>736</b>	<b>968</b>	<b>736</b>
<b>Speaker</b>				
Remuneration allowances	1,042	1,134	1,042	1,134
Cellphone allowance	41	41	41	41
Medical aid	33	-	33	-
Pension fund	83	-	83	-
	<b>1,199</b>	<b>1,175</b>	<b>1,199</b>	<b>1,175</b>
<b>Mayoral Committee Members</b>				
Remuneration allowances	7,213	7,573	7,213	7,573
Motor vehicle allowance	932	1,335	932	1,335
Cellphone allowance	408	367	408	367
Medical aid	272	365	272	365
Pension fund	796	669	796	669
	<b>9,621</b>	<b>10,309</b>	<b>9,621</b>	<b>10,309</b>
<b>Councillors</b>				
Remuneration allowances	79,011	68,066	79,011	68,066
Motor vehicle allowance	16,579	21,005	16,579	21,005
Cellphone allowance	8,436	8,269	8,436	8,269
Medical aid	6,509	7,480	6,509	7,480
Pension fund	10,149	9,284	10,149	9,284
	<b>120,684</b>	<b>114,104</b>	<b>120,684</b>	<b>114,104</b>
<b>Traditional Leaders</b>				
Allowances	505	740	505	740

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>35. Finance costs</b>				
Non-current borrowings	876,308	786,171	876,308	786,171
Trade and other payables	2,681	42,097	2,681	42,097
Landfill provision unwinding of interest	25,123	20,079	25,123	20,079
	<b>904,112</b>	<b>848,347</b>	<b>904,112</b>	<b>848,347</b>

### 36. Electricity and Water consumption

Electricity - Eskom	12,052,719	10,613,558	12,052,719	10,613,558
Water - Umgeni Water	3,442,889	3,555,517	3,442,889	3,555,517
	<b>15,495,608</b>	<b>14,169,075</b>	<b>15,495,608</b>	<b>14,169,075</b>

Electricity and water consumption include distribution losses that are separately disclosed in detail on note 49: Material losses, and also directly attributable costs. In the prior years electricity and water consumption was disclosed as bulk purchases. However, bulk purchase is a term associated with the cash basis of accounting and as a result the name has been changed to electricity and water consumption.

### 37. Contracted services

#### Outsourced Services

Administrative and support staff	439,308	320,610	439,308	320,610
Cleaning services	158,130	122,364	153,845	120,255
Clearing and grass cutting services	165,194	168,204	165,194	168,204
Hygiene services	76,526	81,092	76,526	81,092
Meter management	50,822	36,554	50,822	36,554
Refuse removal	295,416	308,433	295,416	308,433
External security	1,103,771	1,066,561	1,098,569	1,060,359
Other	87,639	167,201	87,639	167,201

#### Consultants and Professional Services

Engineering and other technical services	46,975	44,854	46,418	44,175
Legal expenses	61,612	76,482	61,612	76,482
Research and advisory	54,440	42,987	54,440	42,987
Project management	9,061	6,212	9,061	6,212
Other	45,459	41,370	45,459	41,370

#### Contractors

Artists and performers	14,477	18,192	14,477	18,192
Catering services	28,835	24,920	28,835	24,920
Event promoters	10,566	13,237	10,566	13,237
Repairs and maintenance	2,145,181	1,767,789	2,145,181	1,767,789
Recycling	24,774	22,893	24,774	22,893
Stage and sound crew	29,100	21,679	29,100	21,679
Other	121,898	104,388	120,629	103,805
	<b>4,969,184</b>	<b>4,456,022</b>	<b>4,957,871</b>	<b>4,446,449</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>38. Grants and subsidies paid</b>				
Grant Paid: Point Precinct Trust	2,421	2,400	2,421	2,400
Grant Paid: Sporting Organisations	295,139	278,433	295,139	278,433
Grant Paid: ICC Durban (Proprietary) Limited	-	-	55,835	37,100
Grant Paid: Durban Marine Theme Park (State Owned Company) Limited	-	-	137,679	138,856
Grant Paid: Natal Philharmonic Orchestra	7,681	7,681	7,681	7,681
Grant Paid: SEDA eThekweni	1,800	2,190	1,800	2,190
Grant Paid: Other	158,249	243,555	158,249	243,555
Grant paid: Green Corridor	24,671	6,193	24,671	6,193
Grant Paid: KZN Sharks (Pty) Ltd	4,000	4,000	4,000	4,000
	<b>493,961</b>	<b>544,452</b>	<b>687,475</b>	<b>720,408</b>
<b>39. General expenses</b>				
Advertising	106,064	111,425	105,073	110,312
Auditors remuneration	24,076	24,114	21,687	22,208
Bank charges	13,627	10,587	12,268	9,495
Cleaning	23,057	21,883	21,059	20,371
Commission paid	54,244	62,597	53,823	62,413
Information systems - Consulting and professional fees	306,092	297,646	299,274	294,613
Delivery expenses	2,312	1,265	2,311	1,265
Civic entertainment	89	22	44	10
Hire of facilities, plant and equipment	249,859	265,451	249,859	265,451
Insurance	156,515	154,829	156,355	154,522
Conferences and seminars	13,143	19,707	13,143	19,707
IT expenses	4,529	3,075	3,713	2,286
Marketing	12,325	12,212	10,454	7,625
Management fees	312,914	310,341	312,914	310,341
Levies	1,461	1,349	-	-
Magazines, books and periodicals	5,567	4,499	5,567	4,499
Medical requisites	3,397	20,804	3,397	20,804
Fuel and oil	440,829	321,620	440,829	321,620
Postage and courier	32,782	31,656	32,782	31,656
Printing and stationery	45,257	47,034	44,543	46,290
Promotions	9,803	13,225	9,803	13,182
Protective clothing	58,611	53,275	58,611	53,275
Secretarial fees	1,026	1,337	-	-
Subscriptions and membership fees	24,561	27,696	24,419	27,418
Telephone and fax	74,694	80,749	72,583	78,063
Transport and freight	6,483	6,724	6,483	6,724
Training	100,613	80,110	100,275	80,002
Travel - local	3,918	3,635	3,560	3,560
Travel - overseas	1,370	143	1,223	143
Title deed search fees	1,990	792	1,990	792
Refuse bags	66,525	79,159	66,525	79,159
Small plant and tools	10,812	12,407	10,812	12,407
Other expenses	1,261,803	1,035,944	1,173,110	938,778
	<b>3,430,348</b>	<b>3,117,312</b>	<b>3,318,489</b>	<b>2,998,991</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>40. Cash generated from operations</b>				
Surplus	1,207,990	816,332	1,243,721	827,579
<b>Adjustments for:</b>				
Depreciation on PPE	2,640,224	2,425,879	2,599,878	2,394,562
Loss / (gain) on sale of PPE and Investment property	(15,499)	16,914	(15,619)	16,542
Amortisation of Intangible assets	143,277	113,447	142,893	113,262
Depreciation: investment properties	2,699	2,444	550	550
Loss (profit) from Joint Ventures	4,494	(12,383)	4,494	(12,383)
Deferred income	(1,305)	309	-	-
Impairment PPE	78,806	156,155	78,806	156,155
Debt impairment	3,138,670	2,156,814	3,136,848	2,152,322
Change in estimates	22,318	34,742	22,318	34,742
Movements in retirement benefit assets and liabilities	(309,933)	570,923	(309,933)	570,923
Movements in provisions	(121,350)	538,916	(124,330)	505,749
Loss (reversal) on impairment: investment properties	(4,015)	132	(4,015)	132
Donations: PPE	(987)	(853)	(987)	(853)
Deferred taxation	(5,872)	(19,271)	-	-
Reversal of loss on impairment: PPE	(26,641)	-	(26,641)	-
Loss on impairment: Municipal Entity	-	-	-	75,847
<b>Changes in working capital:</b>				
Inventories	(287,421)	77,703	(282,933)	74,694
Receivables from exchange transactions	(557,492)	(419,602)	(554,738)	(407,935)
Consumer debtors	(3,126,236)	(3,041,602)	(3,141,024)	(3,075,231)
Other receivables from non-exchange transactions	8,971	(294,131)	7,054	(258,310)
Payables from exchange transactions	(89,184)	(34,094)	(108,034)	(39,711)
VAT	424,748	290,533	426,490	289,376
Unspent conditional grants and receipts	265,768	123,550	265,768	123,550
Transfers payable from non-exchange transactions	(32,975)	3,672	(46,733)	22,561
Consumer deposits	133,888	53,938	131,030	58,603
	<b>3,492,943</b>	<b>3,560,467</b>	<b>3,444,863</b>	<b>3,622,726</b>

### 41. Utilisation of long-term liabilities reconciliation

Long-term liabilities	9,257,067	9,058,700	9,257,067	9,058,700
Used to finance property, plant and equipment	(9,257,067)	(9,058,700)	(9,257,067)	(9,058,700)
	-	-	-	-

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>42. Commitments</b>				
<b>Commitments in respect of capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	2,022,477	2,071,700	2,022,477	2,071,700
• Community	1,962	36,303	1,962	36,303
• Land and buildings	89,571	82,290	88,911	82,290
• Other	807,902	931,998	804,987	931,171
	<b>2,921,912</b>	<b>3,122,291</b>	<b>2,918,337</b>	<b>3,121,464</b>
<b>Approved but not yet contracted for</b>				
• Infrastructure	746,098	599,109	746,098	599,109
• Other	-	2,530	-	2,530
	<b>746,098</b>	<b>601,639</b>	<b>746,098</b>	<b>601,639</b>
<b>Total capital commitments</b>				
Approved and contracted for	2,921,912	3,122,291	2,918,337	3,121,464
Approved but not yet contracted for	746,098	601,639	746,098	601,639
	<b>3,668,010</b>	<b>3,723,930</b>	<b>3,664,435</b>	<b>3,723,103</b>

Included in the capital commitments figure for Housing is Housing Agency commitments amounting to R751.6million (2021: R825million).

### Operating leases - as lessor (income)

#### Minimum lease payments due

	-	-	-	-
- within one year	11,422	24,631	-	-
- in second to fifth year inclusive	13,904	86,359	-	-
	<b>25,326</b>	<b>110,990</b>	-	-

**Durban Marine Theme Park Pty (Ltd):** The operating leases relate to rental contracts derived from Ushaka Village Walk. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 30 June 2028. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. All contracts that are on a month to month basis have been excluded from the projected income. The rental escalation percentage varies from lease to lease between 6% to 10%.

**Municipality:** Rental income recognised from operating leases has not been accounted for on the straight-line basis over the lease terms for the following reasons:

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;

Approximately 45% of long term lease income is based on turnover ie. subjective and not fixed.

Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

**Durban ICC:** The entity receives operating lease income for the use of the entity's premises. The period of the leases do not exceed one year and include month to month leases. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>42. Commitments (continued)</b>				
<b>Operating leases - as lessee (expenditure)</b>				
<b>Minimum lease payments due</b>				
- within one year	37,735	70,183	37,735	70,183
- in second to fifth year inclusive	23,471	28,514	23,471	28,514
- later than five years	-	201	-	201
	<b>61,206</b>	<b>98,898</b>	<b>61,206</b>	<b>98,898</b>
<b>Operating Commitments</b>				
<b>Minimum lease payments due</b>				
- payable within one year	1,054,980	844,988	1,054,980	844,988
- payable within two to three years	540,622	521,403	540,622	521,403
- payable after three years	634	603	634	603
	<b>1,596,236</b>	<b>1,366,994</b>	<b>1,596,236</b>	<b>1,366,994</b>

There are no operating commitments for external security as the contract is on a month to month basis. However, the 3 year budget forecast from 2022/23 to 2024/25 is R838million, R882million and R940million respectively.

The Municipality has units with various VAT statuses. Commitments are generally stated exclusive of VAT, except where VAT is claimable on an apportionment basis in which case the commitment will include the unclaimed VAT. Where VAT is denied, the commitment will be stated inclusive of VAT.

### 43. Contingencies

Contingent liability: Contractual disputes	465,795	432,834	465,795	432,834
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Various departments within the Municipality have price disputes with certain contractors.

Contingent liability: Self Insurance Reserve	1,177,078	1,049,704	1,177,078	1,049,704
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Various claims submitted to the Insurance department of the Municipality are under dispute. The estimated liability of such claims is disclosed.

Contingent liability: Property rates	353,595	503,646	353,595	503,646
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During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed. The prior year amount has been restated due to an appeal that was acknowledged in the current financial year. This appeal included rates that were levied in the prior years. As a result, prior year figures were restated to reflect the appeal acknowledged in the current financial year but related to reporting periods in the prior years.

Contingent liability: Bank guarantees	170,095	163,839	170,095	163,839
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# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 43. Contingencies (continued)

These guarantee's are issued in favour of the following:

- S.A. Post Office: R76 000 (Nedbank) - (June 2021: R76 000);
- S.A. Post Office: R3.800million (Nedbank) - (June 2021: R3.800million)
- S.A. Post Office: RR400 000 (Nedbank);
- Compensation Commissioner: R155.819million - (Nedbank) - (June 2021: R149.963million)
- Water and Sanitation - Demand guarantee: R10million - (Nedbank) - (June 2021: R10million)

Contingent liability: Legal claims	310,577	338,654	310,577	338,654
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Various claims submitted to the legal department of the Municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed. Costs and disbursements relating to litigation are included in the contingent liability where they can be reliably estimated. In most instances these cannot be reliably estimated due uncertainty about the number of instances the Municipality would need to appear at court.

Legal disputes relate to:

- Rates dispute: R7million (2021: R7.8million);
- Value of compensation in respect of expropriation of various properties: R226.1million (2021: R236.3million);
- Claims for damages - various\*: R77.5million (2021: R94.5million);

\*The prior year legal claims with a value of R19.5million were finalised in the current financial year.

Contingent liability: Claims - bus operator	1,418,505	1,321,293	1,418,505	1,321,293
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There is currently a dispute with respect to the amount owed to the bus operator. On the other hand, the bus operator owes the Municipality an amount of R821million, which is included in other receivables;

Contingent liability: 2020/21 Performance rewards to staff	187,053	-	187,053	-
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Performance rewards payable to qualifying staff of the Municipality for the 2020/2021 financial year have not been paid, due to the significant decline in the City's cash reserves. The City's cash reserves were substantially depleted over the past 3 years due to the impact of COVID 19, the July 2021 civil unrest and the April 2022 floods. The performance rewards may be paid in the future, subject to the improvement in the City's finances and the identification of funding from savings.

Contingent asset: Recovery of irregular expenditure	82,955	80,479	82,955	80,479
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Irregular, fruitless and wasteful expenditure amounting to R2.5million has been recommended for recovery by Council in the current financial year, resulting in a cumulative amount of R83.0million (June 2021: R80.5million). The R80.5million prior year balance relates to the 2019/20 financial year. The recovery process is pending the conclusion of disciplinary processes to be undertaken against the employees implicated from finalised investigations.

The irregular expenditure relates to the following departments:

- Water and sanitation - R79.9million (June 2021: R79.9million);
- eThekwini Municipal academy - R0.4million (June 2021: R0.4million);
- Human resources - R0.2million (June 2021: R0.2million);
- Health - R0.4million;
- Metro Police - R0.1million);
- Revenue - R2million.



# eThekwini Municipality and its Municipal Entities

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## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 43. Contingencies (continued)

Contingent asset: Claim for loss of revenue during national lockdown due to Covid - I.C.C. Durban	206,437	81,615	-	-
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The contingent asset relates to an insurance claim instituted by the entity against its insurers, Santam Limited for loss of profits and/or revenue in the sum of R206 437 454 (2021: R81 614 808), which the entity sustained pertaining to the resultant effects of the COVID-19 pandemic and/or the national lockdown. Santam Limited did accept the claim but limited total liability to R5m, for eThekwini Municipality and its entities. The entity is therefore considering instituting legal proceedings against Santam Limited, pending further legal advice from senior counsel. Furthermore, the entity's claim takes cognisance of similar actions against Santam Limited and other insurers, based on similar policy wording, wherein the High Court as well as the Appeal Court ruled against the insurers and ordered them to make payment in respect of the applicable insurance policies.

Durban Marine Theme Park SOC Limited:

In the prior year, After the announcement of a nationwide lockdown due to the COVID-19 pandemic, all operations of the entity were directly affected and led to a total shutdown of operations with immediate effect. A business interruption claim was lodged with the entity's insurers for the loss of profits due to the COVID-19 pandemic. The claim was approved in principle on 28 July 2021. However the offer of settlement has not been accepted subject to an ongoing legal dispute on the quantum of the amount receivable.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>44. Related parties</b>				
Relationships				
Municipal Entities (refer to note 14)			Durban Marine Theme Park SOC Limited ICC Durban (Pty) Ltd	
Special Purpose Entity			EtheKwini Transport Authority	
Joint Ventures (refer to note 15)			Effingham Development Joint Venture Durban Point Development Company	
Key Management Personnel (refer to notes 32 and 33)			Senior Management and Councillors	
<b>Related party balances as at 30 June 2022 and 30 June 2021:</b>				
<b>Loan accounts - Owning by related parties</b>				
Durban Point Development Company			151,498	147,094
Effingham Development Joint Venture			35,391	35,815
<b>Amounts included in trade receivables regarding related parties</b>				
Durban Marine Theme Park SOC Limited			80,439	58,998
ICC Durban (Pty) Ltd			10,710	11,541
Effingham Development Joint Venture			10,805	10,453
<b>Amounts included in trade payables regarding related parties</b>				
Durban Marine Theme Park SOC Limited			1,078	24,794
ICC Durban (Pty) Ltd			15,293	7,307
EtheKwini Transport Authority			23,023	32,211
<b>Consumer Deposits</b>				
ICC Durban (Pty) Ltd			1,647	1,647
<b>Sales to related parties</b>				
<b>ICC Durban (Pty) Ltd:</b>				
Electricity			-	-
Water and sanitation			13,646	8,037
Refuse			1,890	1,216
Rates			874	557
Insurance			4,350	4,160
			100	25
<b>Durban Marine Theme Park SOC Limited:</b>				
Electricity			-	-
Water and sanitation			28,069	23,837
Waste			10,308	7,827
Insurance			972	943
Rates			313	492
			4,175	3,977
<b>Durban Point Development Company:</b>				
Rates			-	-
Electricity and water			8,475	8,074
Surplus / (Deficit) from Joint Venture			-	136
			(4,070)	(4,092)
<b>Effingham Development Joint Venture:</b>				
Surplus / (Deficit) from Joint Venture			-	-
			(424)	16,475
<b>Purchases from related parties</b>				
<b>ICC Durban (Pty) Ltd:</b>				
General expenses			-	-
Grant-in-aid			33,865	21,139
			55,835	37,100
<b>Durban Marine Theme Park SOC Limited:</b>				
General expenses			-	-
Grant-in-aid			229	1,254
			137,679	138,856

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

#### 44. Related parties (continued)

EtheKweni Municipality granted Durban ICC (Pty) LTD a right of use of its building at a rental below market value. The market related rental for the year ended 30 June 2022 is deemed to be valued at R33.7million. The grant in aid of R55.8million includes the market related rental that relates to services in kind rather than a cash disbursement.

There is no interest charged by the Municipality on related party balances relating to municipal services.

Interest of R1million (2021: R1.3million) was capitalised to the ETA fund. This amount was incorrectly disclosed as general expenses in the prior year.

#### 45. Prior year adjustments

The following adjustments all relate to corrections of prior-period misstatements.

##### Consumer debtors

Balance previously reported (30 June 2021)	-	7,140,649	-	7,210,718
Rates adjustments	-	172,961	-	172,961
Electricity charges adjustments	-	(11,157)	-	(11,157)
Interest charges adjustments	-	(9,465)	-	(9,465)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>7,292,988</b>	<b>-</b>	<b>7,363,057</b>

##### Consumer deposits

Balance previously reported (30 June 2021)	-	2,559,002	-	2,547,961
Valuation appeal deposits adjustments	-	(499)	-	(499)
Reversal of interest previously raised	-	(14,570)	-	(14,570)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>2,543,933</b>	<b>-</b>	<b>2,532,892</b>

##### Inventories

Balance previously reported (30 June 2021)	-	614,346	-	609,609
Clean-up of unmatched receipts	-	(1,550)	-	(1,550)
Stores transfers	-	171	-	171
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>612,967</b>	<b>-</b>	<b>608,230</b>

##### Cash and bank balances

Balance previously reported (30 June 2021)	-	644,976	-	626,544
Stale cheques written back	-	474	-	474
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>645,450</b>	<b>-</b>	<b>627,018</b>

##### Payables from exchange transactions

Balance previously reported (30 June 2021)	-	7,995,380	-	8,013,101
Accruals adjustments	-	341,462	-	341,461
Retention written off	-	(18,651)	-	(18,651)
Trade payables adjustments	-	(29,526)	-	(29,526)
Payments received in advance adjustments	-	(16,001)	-	(16,001)
Bank deposits not yet receipted adjustments	-	(44,957)	-	(44,957)
Other payables adjustments	-	(35,262)	-	(35,262)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>8,192,445</b>	<b>-</b>	<b>8,210,165</b>

##### Intangible assets

Balance previously reported (30 June 2021)	-	507,980	-	507,056
Cost adjustments	-	10,370	-	10,369
Amortisation adjustments	-	15,619	-	15,619
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>533,969</b>	<b>-</b>	<b>533,044</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>45. Prior year adjustments (continued)</b>				
<b>Heritage assets</b>				
Balance previously reported (30 June 2021)	-	27,892	-	27,892
Cost adjustments	-	20,077	-	20,077
<b>Balance restated (30 June 2022)</b>	-	<b>47,969</b>	-	<b>47,969</b>
<b>Investment property</b>				
Balance previously reported (30 June 2021)	-	278,296	-	225,366
Cost adjustments	-	7,577	-	7,577
<b>Balance restated (30 June 2021)</b>	-	<b>285,873</b>	-	<b>232,943</b>
<b>Property, plant and equipment</b>				
Balance previously reported (30 June 2021)	-	53,246,796	-	52,919,793
Cost adjustments	-	(80,640)	-	(80,640)
Depreciation adjustments	-	76,746	-	76,746
<b>Balance restated (30 June 2021)</b>	-	<b>53,242,902</b>	-	<b>52,915,899</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>45. Prior year adjustments (continued)</b>				
<b>Accumulated surplus</b>				
Balance previously reported (30 June 2021)	-	42,049,863	-	42,230,781
<b>Adjustments applicable to full 2020/21 financial year:</b>				
Service charges	-	(2,249)	-	(2,249)
Other income	-	35,297	-	35,297
Property rates	-	172,961	-	172,961
Property rates - penalties imposed	-	(1)	-	(1)
Licences and permits	-	(15,673)	-	(15,673)
Government grants and subsidies	-	43,686	-	43,686
Public contributions and donations	-	2,530	-	2,530
Amortisation - Intangible assets	-	20,080	-	20,080
Depreciation - Property, plant and equipment	-	135,878	-	135,878
Finance costs	-	(24,125)	-	(24,125)
Electricity and water consumption (previously bulk purchases)	-	(287)	-	(287)
Contracted services	-	(38,913)	-	(38,913)
Grants and subsidies	-	761	-	761
Loss on disposal of assets	-	(15,571)	-	(15,571)
General expenses	-	5,466	-	5,466
<b>Adjustments applicable to financial years prior to 2020/21:</b>				
Property, plant and equipment - derecognition of assets	-	(123,824)	-	(123,824)
Property, plant and equipment - depreciation adjustments	-	(71,889)	-	(71,889)
Property, plant and equipment - work-in-progress corrections	-	14,016	-	14,016
Investment property - land take-on at fair value	-	27,079	-	27,079
Heritage assets valuations	-	12,824	-	12,824
Payables from exchange - private jobbing deposits	-	17,364	-	17,364
Payables from exchange - suspense account write-offs	-	50,611	-	50,611
Payables from exchange - land sales proceeds adjustments	-	18,975	-	18,975
Payables from exchange - DOHS accrual	-	(105,891)	-	(105,891)
Receivables from exchange - DOHS bad debts	-	(84,520)	-	(84,520)
Receivables from exchange - private jobbing costs	-	(24,303)	-	(24,303)
Receivables from exchange - VAT accruals	-	27,156	-	27,156
Unspent conditional grants - recognition of revenue	-	590,130	-	590,130
Long term receivables - housing selling scheme loans written off	-	(57,491)	-	(57,491)
Other adjustments applicable to periods prior to 2020/21	-	7,971	-	7,971
<b>Balance restated (30 June 2021)</b>	-	<b>42,667,911</b>	-	<b>42,848,829</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>45. Prior year adjustments (continued)</b>				
<b>Non-current long term receivables</b>				
Balance previously reported (30 June 2021)	-	60,032	-	60,032
Housing selling scheme loans written off	-	(57,490)	-	(57,490)
Reclassification of selling scheme loans debt impairment	-	53,726	-	53,726
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>56,268</b>	<b>-</b>	<b>56,268</b>
<b>Current long term receivables</b>				
Balance previously reported (30 June 2021)	-	65,135	-	65,135
Reclassification of selling scheme loans debt impairment	-	(53,726)	-	(53,726)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>11,409</b>	<b>-</b>	<b>11,409</b>
<b>Receivables from exchange transactions</b>				
Balance previously reported (30 June 2021)	-	2,687,693	-	2,675,033
Accruals adjustments	-	54,354	-	54,354
DOHS debtors adjustments	-	60,240	-	60,240
DOHS provision for bad debts adjustments	-	(84,520)	-	(84,520)
Other debtors adjustments	-	(22,040)	-	(22,040)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>2,695,727</b>	<b>-</b>	<b>2,683,067</b>
<b>VAT payable</b>				
Balance previously reported (30 June 2021)	-	98,139	-	95,739
VAT portion of adjustments	-	(12,301)	-	(12,301)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>85,838</b>	<b>-</b>	<b>83,438</b>
<b>Unspent conditional grants and receipts</b>				
Balance previously reported (30 June 2021)	-	1,347,403	-	1,347,403
Write back of DMOSS grant	-	(8,073)	-	(8,073)
Recognition of grants relating to Arts and Culture	-	(605,943)	-	(605,943)
Recognition of grants relating to Housing	-	(22,000)	-	(22,000)
<b>Balance restated (30 June 2021)</b>	<b>-</b>	<b>711,387</b>	<b>-</b>	<b>711,387</b>

The reasons for the various adjustments are summarised below:

### Cash and bank balances:

Stale cheques written back.

Consumer debtors:

Rates valuation adjustments, electricity adjustments and interest and penalty reversals.

Payables from exchange transactions:

Reversal of items incorrectly accrued for. Write-off of retentions no longer payable. Raising of accruals erroneously omitted in previous reporting periods.

Property, plant and equipment:

Capitalisation of assets received or completed in prior periods but not accrued for. Depreciation adjustments due to changes in useful lives. Derecognition of assets.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021

### 45. Prior year adjustments (continued)

Intangible assets:

Cost / amortization adjustments and work-in-progress corrections.

Receivables from exchange transactions:

Accruals previously not accounted for. Department of Human Settlements debtors and bad debts provision adjustments.

VAT payable:

VAT portions relating to prior year adjustments.

Heritage assets:

Refer to note 13 for full details of what led to these adjustments.

Consumer deposits:

Adjustment for writing back of valuation deposits that have prescribed. Adjustments for interest previously erroneously capitalized.

Inventories:

Adjustments relating to unmatched receipts for prior periods for goods received vouchers. Stock and materials taken on from completed work-in-progress projects.

Investment properties:

Cost adjustments relating to prior periods.

Long term receivables:

Write off of Housing selling scheme loans. Re-classification of debt impairment between non-current and current portions (relating to Housing selling scheme loans).

Unspent conditional grants and receipts:

Recognition of revenue relating to prior periods in respect of unused portion of DMOSS grant which was also not required to be paid back. Recognition of grants relating to Arts and Culture which had been spent in prior periods but had not been recognised as revenue.

Re-classification of Income and Expenditure items:

Several items have been re-classified within the Income Statement in order to bring the disclosure in line with the correct MSCOA categorization. Examples of these include the re-classification of agency fees income from "Licences and permits" to "Other income" and costs incurred on alien vegetation from "General expenses – other" to "Contracted services".

Cash flow statement:

The adjustments above have resulted in restatement in the comparative cash flow.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand	Group and Municipality		Municipality	
	2022	2021	2022	2021
<b>46. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	15,696	15,012	15,696	15,012
Amount paid - current year	(15,696)	(15,012)	(15,696)	(15,012)
	-	-	-	-
<b>Audit fees</b>				
Opening balance - previous year fees	1,438	1,484	495	666
Current year audit fees	23,919	23,895	21,365	21,864
Amount paid for current year	(22,016)	(22,212)	(20,570)	(21,369)
Amount paid for previous year	(1,438)	(1,729)	(495)	(666)
	<b>1,903</b>	<b>1,438</b>	<b>795</b>	<b>495</b>
<b>PAYE, UIF and SDL</b>				
Current year payroll deductions	2,082,484	1,899,127	2,063,266	1,881,717
Amount paid - current year	(2,082,484)	(1,899,127)	(2,063,266)	(1,881,717)
	-	-	-	-
<b>Pension and Medical Aid Deductions</b>				
Current year expenditure	2,942,252	2,873,708	2,916,276	2,847,926
Amount paid - current year: Defined Benefit Pension Funds	(183,521)	(197,621)	(183,521)	(197,621)
Amount paid - current year: Defined Contribution Pension Funds	(1,628,094)	(1,576,087)	(1,612,580)	(1,560,653)
Amount paid - current year: Medical Aid	(1,130,637)	(1,100,000)	(1,120,175)	(1,089,652)
	-	-	-	-
<b>VAT</b>				
VAT received for the year	909,565	526,241	905,703	522,020
VAT paid	(31,350)	(23,212)	-	(2,857)
	<b>878,215</b>	<b>503,029</b>	<b>905,703</b>	<b>519,163</b>

VAT output payable and VAT input receivable are shown in note 5.

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



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

### 46. 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 during the reporting periods ended June 30, 2022 and June 30, 2021:

June 30, 2022	Amount outstanding (Rands)	Month
Councillor MH. Zwane	-	Nov-21
Councillor B. Mngwengwe	884	Mar-22
Councillor S. Moonsamy	599	Aug-21
Councillor Y. Govender	13,008	Nov-21
Councillor M. Mkhize	52	Nov-21
Councillor PL. Hlengwa	226	Nov-21
Councillor SG. Dlamini	2,431	Aug-21
Councillor HP. Shozi	65	Mar-22
Councillor ON. Mthembu	1,340	Jun-22
Councillor P. Mfeka	218	Nov-21
Councillor SP. Mfeka	49	Jun-22
Councillor ZS. Ndzoyiya	21,838	Nov-21
Councillor SB. Mngadi	15,205	Nov-21
Councillor MM. Ngiba	12,755	Jun-22
Councillor T. Sabelo	13,651	Jun-22
Councillor Ndlela	3	Feb-22
Councillor MS. Nkosi	921	Jun-22
Councillor NN. Nesta	2,838	Jun-22
Councillor BA. Fortein	188	Jun-22
Councillor S. Brijmohan	38,464	Sep-21
Councillor A. Mkhize	379	Jun-22
Councillor H. Mkhize	50,247	Sep-21
Councillor K. Mkhize	4,889	Jun-22
Councillor MS. Mhlongo	6,701	May-22
Councillor B. Qhantsi	542	Oct-21
Councillor B. Zulu	9,216	Nov-21
Councillor S.Hlela	22	Sep-21
Councillor MT. Mabaso	26,008	Aug-21
Councillor AN. Shabalala	9,189	Aug-21
Councillor MH. Khan	204,010	Jun-22
Councillor SM. Mkhize	1,072	Jun-22
Councillor SR. Moodley	250	Jul-21
Councillor TM. Mthethwa	347	Aug-21
Councillor MP. Dlomo	1,169	Aug-21
Councillor P. Pillay	1,221	Aug-21
Councillor Windvogel	578	Feb-22
Councillor NY. Young	337	Mar-22
Councillor ZRT. Gumede	5,173	Aug-21
Councillor E. Jameel	64,863	Jun-22
Councillor N. Tyelinzima	942	Feb-22
Councillor PG. Mavundla	127,208	Jun-22
Councillor M. Thusi	125	Feb-22
Councillor TJ. Mnguni	6,315	Mar-22
Councillor I. Syed	9,434	Feb-22
Councillor BM. Gwala	59,540	Jun-22
Councillor JB. Maphumulo	236	Feb-22
Councillor V. Ndlovu	11,336	Jun-22
Councillor TD. Mthethwa	353	Mar-22
Councillor M. Thusi	1,355	Jun-22
Councillor D. Ngubane	16,915	Mar-22
Councillor SSS. Mthethwa	30,215	Jun-22

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

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

Councillor DF. Mngadi	-	-	3,041	Apr-22
Councillor WP. Ndiweni	-	-	3,077	Feb-22
Councillor Mngonyama	-	-	342	Mar-22
Councillor SD. Hlongwa	-	-	6,792	Mar-22
Councillor J. Singh	-	-	4,214	Mar-22
Councillor K. Mbhele	-	-	4,426	Mar-22
Councillor T. Shezi	-	-	4,903	Mar-22
Councillor M. Mbambo	-	-	57	May-22
Councillor JT. Mkhize	-	-	3,384	Mar-22
Councillor MB. Khoza	-	-	988	Mar-22
Councillor N. Jili	-	-	2,991	Mar-22
Councillor LI. Msomi	-	-	878	Mar-22
Councillor R. Mbonambi	-	-	21,929	Jun-22
Councillor G. Gasa	-	-	421	Mar-22
Councillor F. Ismail	-	-	22,248	Jun-22
Councillor N. Sibiyi	-	-	6,651	Jun-22
Councillor TE. Nyawose	-	-	1,398	Jun-22
Councillor CN. Sisoka	-	-	1,327	Jun-22
Councillor Sibisi	-	-	2,099	May-22
Councillor SE. Mhlongo	-	-	6,544	Jun-22
Councillor SNC. Khwela	-	-	12,378	Jun-22
	-	-	<b>888,195</b>	

June 30, 2021

			Amount outstanding (Rands)	Month
Councillor MH. Zwane	-	-	56	Feb-21
Councillor MM. Mthembu	-	-	602	Aug-20
Councillor B. Ndlela	-	-	4,824	Jun-21
Councillor S. Moonsamy	-	-	3,555	Feb-21
Councillor Y. Govender	-	-	9,056	Apr-21
Councillor B. Majola	-	-	8,258	Feb-21
Councillor M. Mkhize	-	-	1,189	Nov-20
Councillor SS. Butelezi	-	-	255	Mar-21
Councillor PL. Hlengwa	-	-	593	Jun-21
Councillor SG. Dlamini	-	-	1,701	Jun-21
Councillor HP. Shozi	-	-	229	Jun-21
Councillor X. Mkhize	-	-	147,405	Jul-20
Councillor ON. Mthembu	-	-	29	Apr-21
Councillor P. Mfeka	-	-	244	Mar-21
Councillor ZS. Ndzoyiya	-	-	46,063	Jun-21
Councillor SB. Mngadi	-	-	39,724	Jun-21
Councillor MM. Ngiba	-	-	4,961	Nov-20
Councillor T. Sabelo	-	-	612	Jun-21
Councillor Ndlela	-	-	3	Jun-21
Councillor MS. Nkosi	-	-	14,744	Jun-21
Councillor TT. Nzuzi	-	-	480	Sep-20
Councillor SNC. Khwela	-	-	16,334	Jun-21
Councillor G. Govender	-	-	341	Jul-20
Councillor E. Mngadi	-	-	77	Sep-20
Councillor NN. Nyanisa	-	-	15,048	Jun-21
Councillor S. Bhanprakash	-	-	36,363	Sep-20
Councillor BA. Fortein	-	-	988	Aug-20
Councillor S. Brijmohan	-	-	41,600	Jun-21
Councillor A. Mkhize	-	-	315	May-21
Councillor MS. Madiba	-	-	92	Nov-20
Councillor H. Mkhize	-	-	68,907	Jun-21

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

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

Councillor R. Gokool	-	-	119	Jul-20
Councillor KV. Mkhize	-	-	4,849	Jun-21
Councillor MS. Mhlongo	-	-	7,339	Jun-21
Councillor ES. Khanyile	-	-	13,294	Dec-20
Councillor A. Ngcobo	-	-	5,243	Nov-20
Councillor B. Qhantsi	-	-	2,608	Feb-21
Councillor S. Mkhwanazi	-	-	85	Jul-20
Councillor T. Biyela	-	-	2,038	Jun-21
Councillor B. Zulu	-	-	11,878	Jun-21
Councillor S. Hlela	-	-	23	Jun-21
Councillor MS. Khuzwayo	-	-	1,140	Jun-21
Councillor DM. Shoji	-	-	2,711	Oct-20
Councillor MT. Mabaso	-	-	27,036	Jun-21
Councillor NB. Iyir	-	-	1,004	Sep-20
Councillor AN. Shabalala	-	-	3,160	Jun-21
Councillor TK. Phohlo	-	-	42	Aug-20
Councillor MH. Khan	-	-	3,637	Jan-21
Councillor NT. Cele	-	-	17,149	Mar-21
Councillor B. Nhlangulela	-	-	2,886	Jun-21
Councillor NE. Mnguni	-	-	25,306	Dec-20
Councillor SE. Mhlongo	-	-	28,805	Jun-21
Councillor AB. Mvubu	-	-	1,227	May-21
Councillor SM. Mkhize	-	-	10,955	Jun-21
Councillor SR. Moodley	-	-	572	Apr-21
Councillor TM. Mthethwa	-	-	135	Jun-21
Councillor MP. Dlomo	-	-	1,068	Jun-21
Councillor P. Pillay	-	-	422	Jun-21
	-	-	<b>639,379</b>	

In accordance with section 124 of the Municipal Finance Management Act, the notes to the Annual Financial Statements of a Municipality must include particulars of any arrears owed by individual councillors to the Municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors. The figures disclosed are in Rand values and indicate the month in which the councillor's municipal account was in arrears for more than 90 days.

Item 14 of Schedule 7 (Code of Conduct for Councillors) to the Systems Act provides that a Councillor may not be in arrears to a Municipality for rates and service charges for a period longer than three months. A breach of the Code must be reported to the Speaker for the matter to be dealt with.

Information relating to Councillors in arrears for more than 90 days is provided to the Speaker of Council by the Revenue department. Once the information is received, the Speaker engages such Councillors in line with the Councillors' Code of Conduct. A report is thereafter referred to the Ethics Committee for consideration, and where applicable, appropriate recommendations are made to Council.

Item 15 of Schedule 7 (Code of Conduct for Councillors) to the Systems Act deals with breaches of the Code of Conduct for Councillors.

### 47. Comparative figures

Certain comparative figures have been restated (refer note 45 for details).

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 48. Deviation from supply chain management regulations

Municipality: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) and Section 58 of the Supply Chain Management Policy amounted to R569.6million (2021: R1 606million).

Details of the awards are summarised in the tables below:

Durban Marine Theme Park: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R7.9million (2021: R2.3million).

ICC (Proprietary) Limited: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) and Section 58 of the Supply Chain Management Policy amounted to R3.1million (2021: R1.4million).

<b>Group - 2022: Categories per SCM regulations</b>	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	23	14.74 %	272,368	46.91 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	24	15.39 %	75,716	13.04 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	2	1.28 %	5,354	0.92 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	59	37.82 %	171,027	29.46 %
Minor deviation from the standard process	36(1)(a)(vi)	4	2.56 %	722	0.12 %
Deviation from the standard process	58	44	28.21 %	55,443	9.55 %
		<b>156</b>		<b>580,630</b>	

<b>Group - 2021: Categories per SCM regulations</b>	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	32	15.53 %	29,428	1.83 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	20	9.71 %	174,991	10.87 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	1	0.49 %	500	0.03 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	126	61.16 %	1,389,639	86.33 %
Deviation from the standard process	58	27	13.11 %	15,165	0.94 %
		<b>206</b>		<b>1,609,723</b>	

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 48. Deviation from supply chain management regulations (continued)

<b>Municipality - 2022: Categories per SCM regulations</b>	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	20	22.22 %	272,087	47.77 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	8	8.89 %	71,974	12.64 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	2	2.22 %	5,354	0.94 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	46	51.11 %	166,970	29.31 %
Deviation from the standard process	58	14	15.56 %	53,192	9.34 %
		<b>90</b>		<b>569,577</b>	

<b>Municipality - 2021: Categories per SCM regulations</b>	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	32	18.50 %	29,428	1.83 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	11	6.36 %	173,392	10.80 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	1	0.58 %	500	0.03 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	120	69.36 %	1,388,748	86.47 %
Deviation from the standard process	58	9	5.20 %	13,974	0.87 %
		<b>173</b>		<b>1,606,042</b>	

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 49. Financial instruments

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the Municipality's operations.

#### Financial risk management

The Municipality has exposure to the following risks from its use of Financial Instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these annual financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.

As part of managing the Municipality's liquidity risk, promissory notes have been issued to facilitate the timely repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment. To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, eThekwini Municipality plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that eThekwini Municipality's credit rating is maintained.
- Ensuring sustainable financial viability of eThekwini Municipality by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting eThekwini's financial position.
- To provide the Council with reasonable assurance that financial risks the Municipality is exposed to are identified and, to the best extent possible, mitigated and controlled.

For each financial year, the Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and medium / short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments. Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term loans.

The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 49. Financial instruments (continued)

#### Carrying amounts:

The carrying amounts of financial assets and liabilities shown in the statement of financial position are as follows:

	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Investments	4,476,399	4,634,562	4,400,000	4,550,000
Long-term receivables (current and non-current)	52,236	67,677	52,236	67,677
Consumer Debtors	7,688,861	7,292,988	7,773,017	7,363,057
Receivables from exchange transactions	2,964,427	2,695,727	2,951,536	2,683,067
Receivables from non-exchange transactions	24,332	157,385	24,167	155,303
Long-term liabilities (current and non-current)	9,257,067	9,058,700	9,257,067	9,058,700
Payables from exchange transactions	8,103,259	8,192,445	8,102,130	8,210,165
Transfers payable from non-exchange transactions	14,296	47,271	23,613	70,346

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# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Financial instruments (continued)

#### Liquidity risk

Liquidity risk is the risk that the Municipality will encounter in raising funds to meet its short term cash commitments. The Municipality experienced a R200million reduction in its total cash from June 2021 to June 2022. The decrease was mainly due to the financial impact of the April 2022 floods that destroyed majority of the Municipality's infrastructure. The overdraft facility in place was not utilised. The Municipality is managing the liquidity risk through an ongoing review of future commitments and credit facilities. Cashflow forecasts are thoroughly prepared and borrowing facilities are closely monitored.

#### Nedbank:

Ethekewini Municipality - Primary overdraft	20,000
Ethekewini Municipality - Performance letters of guarantees	170,500
Ethekewini Municipality - Fleet management	68
Ethekewini Municipality - Secondary overdraft facility	491,000

<b>The total of these facilities amount to</b>	<b>681,568</b>
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#### Group and Municipality

##### At June 30, 2022

	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,257,067	9,257,067	915,874	8,341,193
Trade and other payables	8,117,555	8,117,555	8,117,555	-

##### At June 30, 2021

	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,058,700	9,058,700	850,705	8,207,995
Trade and other payables	8,239,716	8,239,716	8,239,716	-

#### Municipality

##### At June 30, 2022

	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,257,067	9,257,067	915,874	8,341,193
Trade and other payables	8,125,743	8,125,743	8,125,743	-

##### At June 30, 2021

	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,058,700	9,058,700	850,705	8,207,995
Trade and other payables	8,280,511	8,280,511	8,280,511	-



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Financial instruments (continued)

#### Group and Municipality

##### At June 30, 2022

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term investments	4,476,399	-	-	-
• Call deposits	597,199	-	-	-

##### At June 30, 2021

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term investments	4,634,562	-	-	-
• Call deposits	174,145	-	-	-

#### Municipality

##### At June 30, 2022

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term investments	4,400,000	-	-	-
• Call deposits	540,000	-	-	-

##### At June 30, 2021

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term investments	4,550,000	-	-	-
• Call deposits	150,000	-	-	-

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Financial instruments (continued)

#### Market Risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the eThekwini Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimizing the eThekwini Municipality's service delivery objectives. GRAP 104 encourages entities to disclose sensitivity analysis for each type of market risk. However, the Municipality has not adopted these encouraged disclosures given that the Municipality has minimum exposure to market risk.

#### Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates have material impact on the Municipality's investments and borrowings. The Municipality's 2021/2022 -2023/2024 MTREF indicated a budget of R1.0 billion borrowings from external funding for 2021/2022 financial year. The Municipality has traditionally borrowed funds through loans from Commercial Banks and/or Development Finance Institutions (DFI's). The Municipality is now diversifying its sources of borrowings. Therefore the Municipality issued two bonds in the Debt Capital Market under its Domestic Medium Term Note Programme for a total amount of R1billion for the 2021/2022 financial year. The borrowings were concluded at the cost effective interest rates. The 2022/2023 -2024/2025 MTREF has a budget of R1.5 billion borrowings for the 2022/2023 financial year and R1billion per annum for the following 2 financial years. The Municipality's income and operating cash are substantially independent of changes in interest rates.

#### Cash flow interest rate risk

Counterparty class	Exposure limits	Cash deposits	Medium/short term deposits	Long term deposits
Domestic Banks	17,245,000	540,000	4,400,000	-

  

Credit quality investments	Long term ratings: AA	Long term ratings: A	Long term ratings: BBB	Short term ratings: A1+	Short term ratings: A1	Short term ratings: A2
Domestic Banks	5	2	0	6	0	1

#### Valuation of Financial Instruments

##### Municipality

Financial institution	Group 30 June 2022	Group 30 June 2021	Municipality 30 June 2022	Municipality 30 June 2021
ABSA	1,822,919	1,788,533	1,800,000	1,750,000
Standard Bank	400,000	-	400,000	-
Nedbank	2,222,923	2,574,063	2,200,000	2,550,000
FNB	-	250,000	-	250,000
Grindrod Bank	7,645	11,112	-	-
Investec	22,912	10,854	-	-
<b>Total investments</b>	<b>4,476,399</b>	<b>4,634,562</b>	<b>4,400,000</b>	<b>4,550,000</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Financial instruments (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality 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. The Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts. The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- Through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- Through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- Reviewing the Municipality's Credit Control Policy annually to ensure that it is updated for current practices that enhance revenue collection.

Long term receivables and other debtors are individually evaluated annually at Statement of Financial Position date for impairment.

The Municipality experienced a decline in debtors collection rate due to the lockdown imposed in response to the Covid 19 pandemic. In response to the Covid 19 pandemic the Municipality approved a number of relief programmes to the consumers that impacted on recoverability of debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows:

<b>Financial instrument</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Consumer debtors	7,688,861	7,292,988	7,773,017	7,363,057
Receivables from exchange transactions	2,964,427	2,695,727	2,951,536	2,683,067
Receivables from non-exchange transactions	24,332	157,385	24,167	155,303
Cash and cash equivalents	5,294,025	5,454,157	5,127,610	5,327,018
<b>Contribution to bad debts provisions</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Consumer debtors	2,730,363	1,973,165	2,731,064	1,972,663
Other (exchange and non-exchange transactions)	408,307	183,649	405,784	179,659
	<b>3,138,670</b>	<b>2,156,814</b>	<b>3,136,848</b>	<b>2,152,322</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 49. Financial instruments (continued)

The ageing of trade receivables at the reporting date was as follows:

#### Consumer debtors:

<b>Gross</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
0 - 30 days	3,292,002	3,015,985	3,377,306	3,086,072
31 - 120 days	2,131,580	1,713,941	2,130,516	1,713,078
More than 120 days	12,977,837	10,609,746	12,977,609	10,609,746
Less: Provision for Bad Debts	(10,712,558)	(8,046,684)	(10,712,414)	(8,045,839)
<b>Net consumer debtors</b>	<b>7,688,861</b>	<b>7,292,988</b>	<b>7,773,017</b>	<b>7,363,057</b>

#### Movement in the provision for bad debts:

<b>Consumers</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Balance at beginning of year	8,046,684	6,096,736	8,045,839	6,096,393
Contribution	2,730,363	1,973,165	2,731,064	1,972,663
Bad debts written off	(64,489)	(23,217)	(64,489)	(23,217)
<b>Balance at year end</b>	<b>10,712,558</b>	<b>8,046,684</b>	<b>10,712,414</b>	<b>8,045,839</b>

#### Movement in the provision for Bad Debts:

<b>Other (exchange and non-exchange transactions)</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Balance at beginning of year	4,824,381	4,931,321	4,818,432	4,929,362
Contribution	408,307	183,649	405,784	179,659
Bad debts written off	(99,181)	(292,945)	(95,729)	(292,945)
Accounting estimate changes	(51,840)	2,356	(51,840)	2,356
<b>Balance at year end</b>	<b>5,081,667</b>	<b>4,824,381</b>	<b>5,076,647</b>	<b>4,818,432</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 50. Bank balances

Account number - Bank - Account nature	Cash book balance	Bank statement balance	Cash book balance	Bank statement balance
Description	June 30, 2022	June 30, 2022	June 30, 2021	June 30, 2021
1107821231 - Nedbank - Main Expenditure	160,905	(913,849)	156,092	(795,956)
1107821010 - Nedbank - Main Expenditure EFT	(2,784)	(2,485,445)	99	(2,533,248)
1107821061 - Nedbank - Direct Deposit	17,079	42,893	20,558	271,586
1107821126 - Nedbank - Electronic Deposit	84,546	255,308	87,181	2,562,581
1107821134 - Nedbank - Cashiers Deposit	(8,985)	1,953,204	(8,644)	72,462
1107821002 - Nedbank - Government Deposit	67,405	188,457	16,125	41,869
1107821398 - Nedbank - Electricity Income	1,733	14,078	720	6,385
1107821401 - Nedbank - Electricity Prepaid	509	144,181	5,472	308,592
Vendor Deposits				
1107821304 - Nedbank - SARS E-Filing	-	784	1,025	67
1107821088 - Nedbank - Direct Debit Collections	(51)	107,123	(2,662)	101,938
1107821118 - Nedbank - Agents Deposit	11,968	20,597	24,315	40,289
1107821169 - Nedbank - Metro Police Deposit	4,948	9,977	3,518	7,018
1107821177 - Nedbank - Parks, Recreation and Culture Deposit	10,722	11,265	3,268	4,521
1107821185 - Nedbank - City Engineers	4,920	7,307	1,705	5,390
1107821193 - Nedbank - Durban Tourism Deposit	-	1,090	196	196
1107821347 - Nedbank - Central Foreign Rand	-	(240)	-	(557)
1107821207 - Nedbank - Virginia Airport	-	5,122	1,216	1,215
1107821215 - Nedbank - Department of Housing	-	4,806	-	3,296
1107821290 - Nedbank - Wages Sundry PAYE	19	19	281	281
1107821312 - Nedbank - Cash Payments	-	(157)	-	(236)
1107821029 - Nedbank - Salaries	109,565	(664,202)	107,494	(644,552)
1107821371 - Nedbank - Durban Fresh Produce Market	27,482	27,467	29,509	29,492
1107821339 - Nedbank - DMTN Bonds	1,000,000	1,000,000	-	-
1107821320 - Nedbank - General Bank	(1,317,988)	159,567	167,442	866,927
1107821487 - Nedbank - E- Ticketing	1,063	683	915	900
1107821274 - Nedbank - Bank Charges	-	(12)	-	(1,156)
1107821223 - Nedbank - Moses Mabhida Stadium Deposit	160	252	68	261
1107821460 - Nedbank - Pay @ Deposit	(11,378)	271,352	(11,065)	254,559
1107821444 - Nedbank - Consolidated Investment Fund	(3)	(3)	-	-
1107821452 Nedbank - Consolidated Investment Fund (EFT)	3	2	-	(1)
1107821517 - Nedbank - E-Services	297	1,214	470	1,111
1107821509 - Nedbank - Reforestation Project	4,583	4,583	4,436	4,436
1107821525 - Nedbank - Disaster Relief	-	25	-	-
<b>Totals: eThekwini Municipality</b>				
<b>Bank balances</b>	<b>1,507,907</b>	<b>4,231,356</b>	<b>632,105</b>	<b>4,585,372</b>
<b>Bank overdraft</b>	<b>(1,341,189)</b>	<b>(4,063,908)</b>	<b>(22,371)</b>	<b>(3,975,706)</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 50. Bank balances (continued)

The following accounts had nil balances or balances less than R100 at end of reporting periods and were therefore excluded from the listing above:

1107821053 - Nedbank - Durban Fresh Produce Market EFT; 1107821150 - Nedbank - Metro Police Transwitch Deposit; 1107821533 - Nedbank - FG Township Establishment; 1107821495 - Nedbank - Auctions; 1107821266 - Nedbank - Refunds Expenditure; 1107821479 - Nedbank - Syntell Deposit; 1107821096 - Nedbank - Transwitch Deposit; 1107821282 - Nedbank - Water and Sanitation.

Bank balances are disclosed on a net basis based on the set-off agreement with Nedbank. The intention of the agreement is to set-off favourable and unfavourable bank balances and as a result interest is calculated on a net basis.

The Municipality operates on a Cash Management set-off agreement with Nedbank. This means that although the individual expenditure accounts would run in overdraft on a daily basis (due to ongoing payments to suppliers, employees, refunds etc.), the overall cash flow position is based on the daily net balance of all the bank accounts. This profile with the bank is called "notional pooling" which enables the bank to aggregate the daily balances of all the bank accounts (which is always favourable). Due to extremely high volumes of transactions processed through the various bank accounts, it is necessary to operate multiple bank accounts which allows for ease of reconciliations. Bank accounts are reconciled daily with all funds for the month being swept just after month end into the main eThekwini bank account. This process of sweeping is controlled via the bank reconciliation process via online bank transfers.

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2022	June 30, 2022	June 30, 2021	June 30, 2021
Durban Marine Theme Park (State Owned Company) Limited:				
1108788564 - Nedbank - Online Account	95	95	82	82
1107821045 - Nedbank - Rope Account	143	143	302	302
1107821606 - Nedbank - Schools Account	527	527	16	16
1107821592 - Nedbank - Retail Account	3,101	3,101	2,700	2,700
1108788556 - Nedbank - Salary Account	453	453	346	346
1107821584 - Nedbank - Main Account	4,351	4,351	6,487	6,487
I.C.C. Durban (Proprietary) Limited:	21,957	21,957	7,197	7,197
1107821541 - Nedbank - Deposits Account				
1107821568 - Nedbank - Payroll Account	1	1	1	1
1107821576 - Nedbank - Payments Account	1,590	1,590	1,080	1,080
4341815100225748 - Nedbank - Purchasing Card	8	8	3	3
<b>Totals: MUNICIPAL ENTITIES</b>				
<b>Bank balances</b>	<b>32,226</b>	<b>32,226</b>	<b>18,214</b>	<b>18,214</b>
<b>Totals: GROUP</b>				
<b>Bank balances</b>	<b>1,540,133</b>	<b>4,263,582</b>	<b>650,319</b>	<b>4,603,586</b>
<b>Bank overdraft</b>	<b>(1,341,189)</b>	<b>(4,063,908)</b>	<b>(22,371)</b>	<b>(3,975,706)</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

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### 51. Material losses

#### Water:

There are various initiatives and targets contained within the Water Conservation Water Demand Management (WCWDM) 10 year strategic plan and these initiatives are being executed by the WDNRW, Water Operations, Customer Services, Auxiliary Services and Office of the Head departments collectively. The key initiatives undertaken impact the reduction of NRW by either promoting the increase of the Billed Metered Consumptions or the reduction of the System input volume. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses).

The key results for the 2021/22 FY are as follows:

- The total bulk water System Input Volume for 2021/22 FY was 1100.1 ML/day, which showed an increase of 4.4% when compared to the 2020/21 FY which was an average of 1053.7 ML/day.
- There was a decrease of 19.2% in the volume of water produced by eThekwini Water's internal water treatment plants from 16.71 ML/day in 2020/2021 FY to 13.5 ML/day in the 2021/2022 FY. This was primarily due to the flood damage to the Tongaat Water Treatment Plant, which resulted in non-production from mid-April to June. The plant is currently undergoing repairs, with planned start up September/October for production.
- There was a significant decrease of 10.5% in the recorded Consumer Sales volume of water on RMS, from an average of 538.4 ML/day in 2020/2021 FY to 481.6 ML/day in the 2021/2022 FY. A primary contributor to the drop in sales volumes over this FY was due to the floods that occurred in April 2022. Water supply in large areas of the north and south are on intermittent supply due to infrastructure damage on the raw water pipeline that is owned and operated by Umgeni Water. No billing was possible in the Tongaat area as the flood caused severe damage to the water treatment plant resulting in no piped water supply to this area.
- Percentage NRW by Volume for the FY closed at 56.2%, which showed an increase from the closing figure of 48.90% at the end of 2020/21 FY.

Water losses of 618 465 kl/day (2020/21: 515,325 kl/day) occurred during the FY under review, which resulted in revenue losses to the Municipality. The estimated water losses amounting to R1,989,060,389 (2020/2021: R1,750,023,475) are primarily due mainly to losses as a result of ageing and deteriorating infrastructure, uncontrolled, unplanned rapid rural expansion, illegal connections and partial contribution due to flooding which caused damage to water infrastructure.

In line with the current WCWDM Strategic Plan, EWS is implementing a number of initiatives, the highlights of which for the period under review is as follows:

1. During the period 1 345 Pressure Reducing Valves (PRV's) were maintained to ensure that it operated at its designed minimum pressure setting. There is a shortage of vehicles for artisans which is affecting performance under this initiative.
2. The office of the Head has in the last quarter let and awarded a contract to undertake leak detection using satellite technology. This project is scheduled to target poor performing areas and results of this project will be presented in 2022/23 FY.
3. The programme for the installation of meters in the Rural Areas (ITB land) was executed with a total of 574 (which were all applications received) out of a targeted 2 040 (planned) meters been installed.
4. In terms of the programme for meter replacement for domestic consumers a total of 964 out of a target of 2 268 (planned) has been achieved. There is a shortage of meter installation fittings and budget has been depleted for this initiative.
5. The program for the replacement of Institutional, Commercial and Industrial (ICI) meters was executed with a total of 313 out of the targeted 360 meters been achieved. All work was carried out in-house.

There have been significant challenges experienced during the FY which had a negative impact and resulted in the increasing of the NRW% to 56.2% for the 2021/22 FY.

The main challenges that were experienced during the financial year can be categorised into the following main headings:

- Shortage of vehicles for staff which directly affects response times to attending to leaks and bursts and planned

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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maintenance activities;

- Shortage of meter installation fittings which impacts on sales volumes;
- Limitations on budget (both operational and capital) impact on initiative to assist with NRW reductions;
- Long standing vacancies for key positions within the Unit which impacts on the Units effectiveness to implement and drive key initiatives to control NRW;
- Uncontrolled, unplanned rapid rural expansion is a major problem. The household and indigent count has been determined to be 1,207,536 households within eThekwini Municipality. Approximately 84% of these households within the eThekwini Municipalities supply area has access to water. The Unit faces various challenges in providing bulk and reticulation supply in areas where there is no spatial development plan – all of these areas fall outside the urban edge. Metering households with access to reticulated water is challenging;
- Security is another concern when staff try to attend to problems in volatile areas within the Municipality's supply area. This negatively impacts the Units response times to attending to leaks and bursts;
- Vandalism and theft of equipment and resources supporting the water infrastructure (key components like telemetry equipment, pumps, motors, MCCs etc) is on a steep increase and this directly impacts NRW;
- April 2022 flood event resulted in damage to major infrastructure across the city, including the Tongaat Water Treatment Works and bulk water distribution pipelines. In addition, sections of Umgeni Water's Raw Water Aqueducts supplying Durban Heights Water Treatment plant, were also washed away. The damaged Aqueducts resulted in a forced reduction to the volumes being supplied to the major eThekwini reservoirs supplying the city and consequently a reduction in sales due to the intermittent supply.

### **Electricity:**

Estimated Electricity losses of 1 147 003 822 kWh (2021: 1 221 950 037.89kWh) occurred during the period under review which resulted in revenue losses to the Municipality. These estimated kWh losses amounted to R 1 359.3million (2021: R1 223million). The national norm for electricity losses ranges from 5% to 12%. The loss incurred by the municipality is 11.28% (June 2021: 11.53%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

### **Bad Debts written off:**

Debt of R160.2million (2021: R316.2million) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, water, housing and sundry debts. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on the debt that can still be recovered.

Included in the bad debts written off figure is an amount of R109.8million (2021: R137.7million) relating to traffic fines following a directive issued by the National Prosecuting Authority to withdraw traffic fines in respect of summons not served within eighteen months from the dates of the offence and withdrawal of warrants not executed within two years from date of issue.

### **City integrity and investigations unit:**

During the year 4 (June 2021: 23) of the 652 (June 2021: 729) cases that were finalised by the City Integrity and Investigations Unit, R46.6million (June 2021: R85.9million) was recommended for recovery resulting from potential losses. The recovery thereof is pending the conclusion of disciplinary and legal processes to be undertaken against the employees implicated from finalised investigations.



# eThekweni Municipality and its Municipal Entities

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### 52. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

<b>Irregular expenditure reported:</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Irregular expenditure arising through finalised investigations - CIU	316,736	104,693	316,736	104,693
Inappropriate use of regulation 36	459	214,860	459	214,860
Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, 3 quotations not being obtained and adverts not being adequately advertised.	119,324	68,396	119,324	68,396
Non-compliance with SCM - Local content	495,248	-	495,248	-
Non-compliance with MFMA - Section 116	273,940	371,018	273,940	371,018
Non-compliance with MFMA - Section 32	248,850	-	248,850	-
Non-compliance with MFMA - Section 29	23,609	-	23,609	-
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekweni Municipality	858	1,205	858	1,205
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	18,655	6,299	18,655	6,299
Non-compliance with S.C.M. regulations - Identified by Internal Audit processes	-	3,853	-	3,853
Durban Marine Theme Park: Non-compliance with S.C.M. - various	1,382	6,885	-	-
ICC Durban: Non-compliance with S.C.M. - various	-	7,920	-	-
ICC Durban: Prior year adjustment	-	(7,920)	-	-

Investigations are still in progress regarding 503 cases (June 2021: 809 cases). 652 cases were completed during the reporting period (2020 / 2021 financial year: 729 cases).

<b>Irregular expenditure reconciliation</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Opening balance	3,903,938	3,586,517	3,867,301	3,513,043
Irregular expenditure - current period	1,039,751	534,971	1,038,369	525,786
Irregular expenditure - prior periods	142,574	140,647	142,574	139,845
Irregular expenditure arising from finalised investigations	316,736	109,511	316,736	104,693
Prior year error adjustment	-	(7,920)	-	-
Amount certified as irrecoverable by ICC Board	-	(43,722)	-	-
Amount certified as irrecoverable by Council	(554,720)	(416,066)	(554,720)	(416,066)
<b>Irregular expenditure awaiting write-off / recovery.</b>	<b>4,848,279</b>	<b>3,903,938</b>	<b>4,810,260</b>	<b>3,867,301</b>

A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers.

The amounts above are inclusive of VAT in the current year but exclusive in the prior year.

The CIU irregular expenditure was incurred in prior years, however the investigations were finalised in 21/22. Since this irregular expenditure was finalised in the current year when Circular 68 was effective, the expenditure is reported inclusive of VAT.

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### 52. Unauthorised, irregular, fruitless and wasteful expenditure disallowed (continued)

<b>Fruitless and Wasteful expenditure reconciliation</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Opening balance	48,240	38,667	48,240	38,667
Fruitless and Wasteful expenditure - current period	2,058	9,573	2,058	9,573
Amount certified as irrecoverable by Council	(1,982)	-	(1,982)	-
<b>Fruitless and Wasteful expenditure awaiting write-off / recovery.</b>	<b>48,316</b>	<b>48,240</b>	<b>48,316</b>	<b>48,240</b>

The fruitless and wasteful expenditure relates to interest on late payments, penalties, breach of contract, settlements and vehicle damages not claimed from Insurance.

<b>Unauthorised expenditure reconciliation</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Opening balance	-	1,778,772	-	1,778,772
Funded via Final Adjustment Budget	-	(1,778,772)	-	(1,778,772)
	-	-	-	-

### 53. Events after the reporting date (non-adjusting)

#### **Bus operator claim::**

As disclosed in note: 42 – Contingencies, there is currently a dispute with respect to the amount owed to the bus operator. The adjudicator handling the dispute issued a determination on the claims on 30 September 2022. A Notice of Motion was subsequently submitted by the bus operator for the review and setting aside of the arbitration award.

#### **Municipal Disaster Response Grant:**

The KwaZulu-Natal April 2022 floods resulted in a strain on the Municipality's cash flow position given that there was no grant funding allocated to the Municipality during the financial year ended 30 June 2022. Government Gazette No. 46837 was issued on the 31st of August 2022, allocating an amount of R185million to eThekweni Municipality as part of the Municipal Disaster Response Grant to respond to the flood disasters that occurred in KwaZulu-Natal. The amount was received by the Municipality on the 6th of September 2022.

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### 54. Budget disclosure

#### Differences between budget and actual amounts basis of preparation and presentation

Variances above 10% are considered material. The following are reasons provided for material variances:

Materials and Bulk purchases:

The difference is due to Water losses amounting to R1 898.8million budgeted as general expenses as per budget alignment (MSCOA chart- items 29835, 29840, 29860, 29870, 29880, 29885, 29890) but AFS treatment is by function.

Transfer and grants:

The difference is due to grant to Ushaka (R145.1million) and ICC (R49.3million) budgeted as general expenses as per budget alignment (MSCOA chart – item 22710.10) but AFS treatment is by function.

Other Expenditure:

The difference is due to Water losses amounting to R1 898.8million budgeted as general expenses as per budget alignment (MSCOA chart- items 29835, 29840, 29860, 29870, 29880, 29885, 29890) but AFS treatment is by function

Capital Expenditure:

Grants and transfers

Variance will be that VAT is not taken into account in these figures.

Internal Funding

- Delays in procurement processes from the various departments.
- Due to Ukraine and Russia conflicts, the 70 Buses that were ordered could not be delivered in full but only 28 buses, the balance will be brought forward to 2022/23.
- Social Facilities Upgrade (region 1): Project terminated due to poor performance by the main contractor. Mkhizwane, sub 5 Wyebank, KwaDabeka kk, Bottlebrush/Madiba, KwaMashu G and Newtown A halls.
- Delay in awarding of contract. SCM to Start. Project provisionally on hold due to social issues. Project community opposing project being implemented as an urban model rather they prefer rural. – Housing
- There were some construction delays which resulted in slow progress on site. This was mainly due to the contractor experiencing cashflow constraints and defaulting from his contractual obligations. - Water
- There were some construction delay on site when the year started as a result of numerous work stoppages that were experienced on site due to community unrest - Water
- The delays in the finalization of the procurement process for computers - Finance
- The project has been put on hold temporarily as the work done by the contractor needs to be rectified by the contractor at its own cost. The contractor is currently reviewing defects and snags lists and preparing the programme for repairs - Finance
- There are litigations on two major Rehab contracts - Engineering
- Some projects were delayed at BAC and were rejected Project had to be re-advertised. - Engineering
- Smart vending project with the value of R22.9M is delayed due to submission of budget re-prioritisation to meet funding request. Project still at BEC. - Electricity
- Delays in delivery and installation of ICAP equipment for projects - Electricity

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### 54. Budget disclosure (continued)

- Site issues for Austerville and Tshelimnyama clinics - Health

- Project activity however has been affected greatly at Ocean's development due to the decision to find alternative cheaper Public Transport Facility (PTF) solution by uMhlanga Village business property owners and subsequent approval of the revised Traffic Road Layout (TRL).

Budget policy is aligned with GRAP in terms of disclosure.

Operational grants recognised for the year were R4.61billion and capital grants were R2.36billion.

A comparison of the budget and actual information has been disclosed in the Statement of Comparison of Budget and Actual amounts and not in columnar format as required due to the classification as per budget regulations as prescribed by National Treasury differing to the GRAP disclosure requirements.

An adjustments budget is the mechanism to amend an approved budget under certain conditions and is legislated in terms of Section 28 of the MFMA of 2003 and the Municipal Budgeting and Reporting Regulations. The main reasons for the adjustments to the budget are as follows:

- reallocation of budgets between votes to ensure operational efficiencies,
- adjustments in respect of grant funding to the Municipality, and,
- re-prioritisation of capital projects for various reasons.

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### 55. Enhancements to accounting policies

There have been no changes in the standards of GRAP for the 30 June 2022 financial year. The prior year accounting policies have been amended to incorporate the following enhancements to the existing accounting policies:

- The significant judgements used to calculate the provision for impairment of trade receivables have been expanded to further clarify the basis of the calculation, which is the default history of the debtor and not the collection rate. Amongst others, factors such as past collection rates per category of debtors, significant financial difficulty of the debtor, default or delinquency in interest or principal payments are used as mitigating or aggravating factors in determining the impairment loss, rather than being the basis of the calculation.
- The materiality figure on the accounting policy for materiality has been updated based on the latest audited financial statements. In order to provide relevant information to the users in terms of how the materiality figure was calculated, disclosures pertaining to the element, baseline figure, materiality percentage and materiality level have been incorporated on the accounting policy. A prudent and conservative approach has been applied in arriving at the materiality percentage of 0.375% by using the average of the municipality's specific materiality ranges of 0.25% - 0.5% of total assets as a percentage that represents the average of the upper and lower limits of materiality. This approach has not increased the risk of misstatements given that the municipality applies a separate transactional and aggregate materiality in assessing the risk of misstatements at an operational level. Furthermore, the parameters set in the Practice Note used to calculate materiality have already been adjusted by applying a factor of 25% to arrive at the municipality's specific materiality ranges of 0.25% - 0.5% of total assets, which significantly reduces the risk of material misstatements.
- The heritage asset accounting policy has been expanded to clarify that where no evidence is available to determine the market value in an active market of a heritage asset at initial measurement, a valuation technique may be used to determine its fair value. If a fair value cannot be determined for a heritage asset because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, a fair value is not determined, but rather the relevant and useful information about the heritage asset is disclosed on the notes to the annual financial statements.

All other changes were cosmetic in nature.

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### 56. Accounting by principals and agents

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

Durban Point Precinct and Water Main Project:

In the prior years, Durban Point Development Company (Pty) LTD (DPDC) entered into a Development Framework Agreement with the Municipality undertaking to work together to promote the development of the Point Precinct for the mutual benefit of both parties and the ratepayers of the City. In terms of this arrangement, the municipality was responsible for providing at its cost the infrastructure and basic services to the Point Precinct. The parties agreed that DPDC be appointed as the implementing agent at no cost to the municipality in respect to the construction works and the project management thereof, with the cost including the design fees, the procurement of the various reports from professions and the actual construction costs. This was all in an attempt to fast-track the development within the Point Precinct using a system that is fair, equitable, transparent, cost-effective and competitive.

The Municipality was considered as a principal in terms of this arrangement, which was explicit in the Development Framework Agreement, with no judgement applied in making this assessment. The municipality was then responsible for making payments to DPDC on receipt of invoices for work performed. Any disputes between the parties were to be referred to arbitration. There had been no changes in the previous reporting periods in terms of the significant terms and conditions of the arrangement.

Expenditure incurred on behalf of the Municipality relating to the Point Precinct project in which DPDC was an implementing agent amounted to R391.3million. The Promenade infrastructure relating to this project was capitalised in the prior years.

The commitment balance of R74.59million relates to the Watermain Project that has a separate implementing agent under the same conditions as DPDC where the municipality is a principal to the arrangement.

Costs incurred in the current year relating to the Watermain Project amounted to R105.39million (30 June 2021: R115.24million), with spending to date of R264.45million (30 June 2021: R159.06million). The project was completed in year current expenditure, which resulted in the capitalization of R264.45million as an asset. There is no further commitment.

There is an accrual amounting to R12.67million relating to work done during the current financial year where the related invoices are not yet payable. There are no resources under the custodianship of the implementing agent, costs recognised by the implementing agent nor any resources to be remitted to the Municipality. The arrangement has since terminated since the project is complete.

### 57. Going concern

Covid 19 Pandemic

The Corona virus pandemic continues to have an impact on cash flows, cash collections, capital and operating expenditure, amidst the lifting of the Covid-19 related restrictions. The current adverse economic conditions have resulted in consumers defaulting on paying municipal accounts due to a reduction in their disposable income, retrenchments and unemployment.

Storm Disaster

The City of eThekwini was ravaged by floods which occurred in April 2022. This followed alerts by the South African Weather Services together with the eThekwini Flood Early Warning Systems (FEWS) regarding localized flooding in some Regions of KwaZulu-Natal, including the area of eThekwini.

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### 57. Going concern (continued)

The floods resulted to loss of human life and infrastructural damages. As such, some parts of the City were experiencing access challenges due to road damages, power outages and water supply cut. Some residents were displaced due to floods and accommodated in temporary shelters.

Various interventions have been implemented to provide social relief and interim measures to provide access routes and urgent repair to infrastructural damages. A call for collaborative initiatives was made for stakeholders to share resources and meet overwhelming needs of the residents as a result of the flood damages. The Municipality also provided burial assistance to support the bereaved families.

The Municipality incurred an estimated cost of R107.27million in its operating budget for the current financial year mainly relating to the repair of its infrastructure assets and hiring of facilities to assist community members. Included in the R107.27million is an amount of R27.86million relating to the hiring of water tankers. The capital projects for the current financial year relating to the storm damage had an estimated cost of R136.39million.

Flood damages also impacted the business fraternity, it being recalled that the City is still recovering from the impact of the Covid-19 pandemic as well as the looting incident.

The storm disaster resulted in a strain on the municipality's cash flow position given that there was no additional grant funding, nor any funds received from external stakeholders. In response to the storm disaster and impact of the Covid 19 pandemic, the municipality embarked on the reprioritisation of its budget, including the reprioritisation of grants and internal funding whilst awaiting the outcome of the disaster management grant application.

The collection rate was 95% as reported on the July 2022 Budget Statement, which is within National Treasury's norm of 95%. The following interventions have been implemented from 1 January 2022 which have resulted in the improvement of the collection rates:

- Full implementation of credit control procedures including disconnections
- Encouraging customers to enter into payment arrangements
- Consolidation of accounts
- Profiling of customers and their property portfolio within the municipality
- Transfer of payments within the portfolio of properties for a customer
- Attaching rentals on leased properties
- Continuing with implementation of legal process

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### 57. Going concern (continued)

Amid the current economic conditions, the Municipality is still able to pay its creditors as and when payments are due and still maintains a sound financial position.

Capital budget reprioritization:

The tabled capital budget had the following prioritization:

- Contractual commitments,
- Trading Services and
- Economic Development

The above reprioritization is aimed at ensuring that there is a reduction in distribution losses, a return to profitability for Trading Services and to increase the revenue base through catalytic projects as these projects have a direct impact on property prices and bring in new properties into the rate base, combined with the additional usage of municipal services.

Various committees continue to deal with major expenditure items, including the approval and budget allocation for these items. This is to ensure that:

- the budget is funded,
- there is focus on cost containment,
- there is focus on essential service delivery, and
- the budget is realistic considering the current economic conditions.

Operating budget

There is close monitoring of operating expenditure and implementation of austerity measures to reduce spending to ensure that the budget is sustainable and realistic. When the budget for 2022/23 MTREF was prepared, there was a budget cut that was applied to all controllable operating items (telephones, consumables, travelling, seminars and training, etc.) to improve the financial position. The budget for 2022/23 is balanced and fully funded, with revenue projections that are realistic.

Conclusion:

Based on the above the Municipality will continue operating in the foreseeable future, thus supporting the going concern basis of accounting.

### 58. Covid related expenditure

The following table highlights the amounts spent per category on Covid related expenditure by the Municipality:



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### 58. Covid related expenditure (continued)

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
<b>Operating expenditure</b>				
Employee related costs	8,136	21,882	8,136	21,882
Building contractors	3,194	5,287	3,194	5,287
Poverty relief	-	2,516	-	2,516
Grant in aid	65,430	77,048	65,430	77,048
Hire charges	70	18,921	70	18,921
Consumables	3,543	17,972	3,543	17,972
General expenses	1,112	1,278	1,112	1,278
Medical requisites	239	17,408	239	17,408
External security	5,956	9,806	5,956	9,806
Cleaning materials	126	1,152	126	1,152
Operating leases	-	208	-	208
Uniforms and protective clothing	1,234	2,464	1,234	2,464
Contracted services	2,841	30,180	2,841	30,180
Inventory	10,050	13,902	10,050	13,902
<b>Capital expenditure</b>				
Computer equipment	-	8,714	-	8,714
Covid protective screens	334	8,952	334	8,952
Static water tanks	-	5,934	-	5,934
Frame tents	-	284	-	284
Storage containers	-	46	-	46
	<b>102,265</b>	<b>243,954</b>	<b>102,265</b>	<b>243,954</b>

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### 58. Covid related expenditure (continued)

In addition to the above the City has approved the following relief packages to the residents as well as business that have been unable to operate since the COVID-19 lockdown:

- No interest was charged on arrear accounts up to and including December 2021.
- No credit control in the form of disconnection of services was conducted during the lockdown periods.
- Special COVID-19 interest relief to customers who entered into a payment arrangement of their arrears on or before 30 June 2021. This entailed the write-off of all accrued interest on the bill of that customer. The relief was only for customers with debt of 90 days and older. The balance of the outstanding debt will be paid over a maximum period of 24 months. The relief scheme is for the period up to 30 June 2022.
- Special rates relief granted to bed and breakfasts and guesthouse, to ensure their sustainability until the COVID-19 lockdown is relaxed to an Alert Level 3 determination or a lower determination.
- A 6 months rental holiday for tenants at Moses Mabhida Stadium was provided from April 2020 to September 2020. The rental relief package exclude any monies owed to the Stadium prior to the COVID-19 lockdown period, and is subject to settling the account within the contractual period or payment arrangement plan not exceeding 24 months.
- A rental holiday for Informal Traders and Retail Markets effective from 1 July 2021 to 31 December 2022.
- A waiver of business license payments for all types of license applications and also rescinded the decision to implement a 5% increment for the financial year 2021/2022.
- Grant in aid amount of R43.3million and R22.1million were disbursed to Durban Marine Theme Park and Durban International Convention Centre, respectively, to ensure that they continue to function as going concerns.
- Further interest free deferment of rental payable over 6 to 9 months from 1 July 2020 was also made available to the tenants occupying municipal properties subject to the same limiting conditions as were applicable on the rental reduction.

Effective from April 2022, when a customer signs an arrangement for the following periods a certain percentage of capital debt to be written off at the end of the payment arrangement:

- 3 months: 15% of capital debt to be written off;
- 6 months: 10% of capital debt to be written off;
- 12 months: 7.5% of capital debt to be written off;
- 18 months: 5% of capital debt to be written off;
- 24 months: 2.5% of capital debt to be written off.

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### 58. Covid related expenditure (continued)

The following table highlights the value of income foregone due to Covid relief measures:

Nature of relief	Income foregone for 2021/22	Income foregone for 2020/21	Income foregone for 2021/22	Income foregone for 2020/21
No interest or penalty charges on arrear accounts	490,654	599,437	490,654	599,437
Writing off of interest on overdue accounts from business customers	45,641	20,600	45,641	20,600
Increase of rebate to Bed and breakfasts / Guest houses to change their tax liability to Residential rates	-	3,279	-	3,279
Rental holiday for informal traders licenses and permits	2,462	1,587	2,462	1,587
Rental holiday for retail markets rentals	6,305	1,480	6,305	1,480
Rental holiday for business licencing trade licenses	1,240	319	1,240	319
12 month tariff waiver of development and planning fees	-	27,899	-	27,899
Capital amount written off	134	-	134	-
	<b>546,436</b>	<b>654,601</b>	<b>546,436</b>	<b>654,601</b>

### 59. Taxation

#### Major components of the tax credit

#### Deferred taxation

Originating and reversing temporary differences	3,085	(63)	-	-
Assessed loss utilised	2,787	19,334	-	-
	<b>5,872</b>	<b>19,271</b>	-	-

#### Reconciliation of the tax credit

Reconciliation between accounting deficit and taxable income:

Accounting deficit	(20,982)	(68,935)	-	-
Tax at the applicable tax rate of 28% (2021: 28%)	5,875	19,302	-	-
<b>Tax effect of adjustments on taxable income</b>				
Donations	-	(24)	-	-
Loss on disposal of assets	(3)	(7)	-	-
	<b>5,872</b>	<b>19,271</b>	-	-

The assessed loss utilised of R5.87million relates to Durban ICC and is based on the probability that there will be future taxable surpluses against which the unused tax losses can be utilised.

No provision has been made for the taxation of Durban Marine Theme Park SOC Limited as they have an estimated loss of R357.24million (2021: assessed loss of R357.24million) which is available for set-off against future taxable income. No deferred tax asset has been raised since there is no probability that there will be future taxable surpluses against which the unused tax losses can be utilised.

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### 60. Change in estimate

Changes in estimates relate to the following:

Traffic fines	(30,856)	(34,742)	(30,856)	(34,742)
Landfill sites	8,538	-	8,538	-
	<b>(22,318)</b>	<b>(34,742)</b>	<b>(22,318)</b>	<b>(34,742)</b>

The change in estimate has been fully recognised against the carrying value of both the landfill provision and traffic fine debtor. There is therefore no impact in the future reporting periods. Changes in assumptions resulting in potential changes in estimates are assessed annually. Further details in respect of these changes can be found in notes 4 (Receivables from non-exchange) and 22 (Provisions).

### 61. Statutory receivables and payables

Fines receivable - (refer to note 4)	24,167	42,320	24,167	42,320
VAT receivable / (payable) - (refer to note 5)	(22,938)	101,340	(22,279)	103,740
Property rates receivable - (refer to note 6)	3,737,708	3,512,551	3,769,171	3,539,476
Current tax receivable - (refer to note 4)	165	2,082	-	-
	<b>3,739,102</b>	<b>3,658,293</b>	<b>3,771,059</b>	<b>3,685,536</b>

Statutory receivables have been disclosed on the Statement of Financial Position separately based on the nature of the asset or liability. There was no interest charged on outstanding traffic fine debtors. Based on the various Council resolutions adopted by the Municipality, no interest was charged on outstanding debtors during the prior year, other than that relating to existing arrangements entered with the City such as credit authorities. Further details are disclosed in Note 57 relating to Covid-19 relief packages granted to consumers.

### 62. Deferred tax

Reconciliation of deferred tax asset

Balance at beginning of year	37,267	17,996	-	-
Tax loss available	2,787	19,334	-	-
Deductible temporary differences movement on Statement of Financial Position items	3,085	(63)	-	-
	<b>43,139</b>	<b>37,267</b>	<b>-</b>	<b>-</b>

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**NOTE 63: EXTERNAL BORROWINGS FOR THE YEAR ENDED 30 JUNE 2022**

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-21 R 000's	RECEIVED DURING THE PERIOD R 000's	INTEREST ACCRUED DURING THE PERIOD R 000's	REDEEMED DURING THE PERIOD R 000's	BALANCE AT 30-Jun-22 R 000's
<b>ANNUITY LOANS</b>								
Nedbank R900m 15 Years	8.47%	1/67	3/31/2021	0	0	0	0	0
DBSA Ph 5 15 Years	8.90%	P5	9/30/2020	0	0	0	0	0
DBSA Ph 6 15 Years	8.75%	P6	6/30/2022	90,837	0	0	(90,837)	0
DBSA Ph 7 20 Years	8.30%	P7	6/30/2028	1,570,529	0	0	(173,560)	1,396,969
DBSA Ph 8 15 Years	9.85%	P8	6/30/2029	1,054,371	0	0	(91,898)	962,473
DBSA - IIPSA 50%	11.31%	IIPSA	12/31/2031	245,000	0	0	(23,333)	221,667
RMB R 1b 15 Years	10.21%	1/72	6/30/2025	424,355	0	0	(91,176)	333,179
ABSA 15 Years	10.19%	1/74	6/30/2026	505,617	0	0	(82,086)	423,531
RMB R1B 20 Years	9.53%	1/75	6/30/2032	758,183	0	0	(42,141)	716,043
NEDBANK R1bn 15 YEARS	10.58%	1/76	6/30/2030	768,675	207	207	(54,810)	714,073
AFD - IIPSA 50%	11.31%	IIPSA	11/30/2031	247,278	2,061	2,061	(25,611)	223,727
NEDBANK 2018 NEW LOAN	10.22%		7/31/2033	957,575	37,198	37,198	(77,774)	916,999
NEDBANK 2019 NEW LOAN	9.97%		6/28/2034	935,925	735	735	(38,405)	898,255
ABSA R500m 2021	9.67%		6/30/2031	500,132	0	0	(31,663)	468,470
DBSA R1bn 2021	10.77%		12/31/2036	1,000,220	0	0	(27,411)	972,808
				<b>9,058,698</b>	<b>0</b>	<b>40,201</b>	<b>(850,705)</b>	<b>8,248,194</b>
<b>LISTED BONDS</b>								
ETK001 Bond 2032	10.91%		6/3/2032	0	500,000	4,185	0	504,185
ETK002 Bond 2037	12.22%		6/3/2037	0	500,000	4,687	0	504,687
				<b>0</b>	<b>1,000,000</b>	<b>8,872</b>	<b>0</b>	<b>1,008,872</b>
<b>TOTAL EXTERNAL BORROWINGS</b>				<b>9,058,698</b>	<b>1,000,000</b>	<b>49,073</b>	<b>(850,705)</b>	<b>9,257,066</b>

**Legend:**

- N1** - The loan amount of R423,531 owing to ABSA at 30 June 2022 was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in August 2020.
- N2** - A portion of the R716,043 owing to RMB was ceded to Sanlam Life Insurance Limited in April 2019, however repayments are managed by RMB
- N3** - The loan amount of R468,470 owing to ABSA at 30 June 2022 was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in October 2021.
- N4** - eThekweni Municipality has a R10 billion Domestic Medium Term Note (DMTN) programme that was listed on the Johannesburg Stock Exchange (JSE) in September 2020. During the 2021/22 financial period, The Municipality issued its inaugural bonds, R500 million for 10 years and R500 million for 15 years.

**NOTE:**

- The Municipality did not meet the following financial covenants:
- The Gross Consumer Debt Movement (ABSA 15 Year Loan)
  - Debt Service Coverage Ratio (AFD IIPSA 50%) and (DBSA IIPSA 50%)
  - Debt to Operating Cashflow (AFD IIPSA 50%)

The Lenders have been informed accordingly. The Municipality has good professional relationships with the Lenders, with meetings held to provide feedback on the financial standing of the Municipality. As a result, the Lenders have not demanded immediate payment of outstanding loan balances where covenants are not met given the reasons provided by the Municipality.

**eThekwini Municipality and its Municipal entities**  
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**NOTE 64: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

**WORK IN PROGRESS FOR PROPERTY, PLANT AND EQUIPMENT**

	Opening Balance R'000	Actual Expenditure R'000	Capitalisation R'000	Closing Balance R'000
Computer Equipment	1,332	13,016	(12,933)	1,415
Furniture & Office Equipment	3,993	463	(4,200)	256
Community Assets	576,626	302,307	(240,164)	638,769
Coastal Infrastructure	161,952	107,602	(264,459)	5,095
Electrical Infrastructure	1,502,668	564,531	(165,408)	1,901,791
Information and Communication Infrastructure	27,738	7,797	(10,509)	25,026
Other Assets	112,886	46,890	(19,571)	140,205
Roads Infrastructure	2,534,060	1,323,622	(1,241,674)	2,616,008
Sanitation Infrastructure	883,880	301,915	(136,108)	1,049,687
Storm water Infrastructure	62,108	69,992	(37,529)	94,571
Solid Waste Infrastructure	16,372	66,194	-	82,566
Water Supply Infrastructure	504,430	310,465	(194,815)	620,080
Machinery and Equipment	22,217	21,826	(7,008)	37,035
<b>TOTAL</b>	<b>6,410,262</b>	<b>3,136,620</b>	<b>(2,334,378)</b>	<b>7,212,504</b>

The net movement of R802 million, being the actual expenditure less capitalisation, is disclosed in Note 11: Property, plant and equipment.

**NOTE 65: ANALYSIS OF INTANGIBLE ASSETS - GROUP**

	Cost						Accumulated Depreciation						Carrying Value	
	Opening Balance	Opening Balance	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Impairments	Transfers		Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Servitudes	69,358	0	3,322	0	0	0	72,680	0	0	0	0	0	0	72,680
RMS	698,640	0	0	0	0	0	698,640	(527,597)	(26,407)				(554,004)	144,636
Computer Software	1,125,260	46,668	17,838	48,598	(615)	(2,093)	1,235,657	(878,361)	(116,871)	615	1,911	(992,706)	242,951	
<b>Total</b>	<b>1,893,258</b>	<b>46,668</b>	<b>21,160</b>	<b>48,598</b>	<b>(615)</b>	<b>(2,093)</b>	<b>2,006,977</b>	<b>(1,405,958)</b>	<b>(143,278)</b>	<b>615</b>	<b>1,911</b>	<b>(1,546,710)</b>	<b>460,267</b>	

The weighted average remaining useful life of RMS is 182 months  
Included in the carrying value of Intangible Assets is an amount of R95.21 million relating to Work-in-Progress for Computer Software

NOTE 65: ANALYSIS OF INTANGIBLE ASSETS - MUNICIPALITY

	Cost						Accumulated Depreciation						Carrying Value	
	Opening Balance	Opening Balance	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Impairments	Transfers		Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Servitudes	69,358	0	3,322	0	0	0	72,680	0	0	0	0	0	0	72,680
RMS	698,640	0	0	0	0	0	698,640	(527,597)	(26,407)	(554,004)				144,636
Computer Software	1,118,347	46,668	17,804	48,540	(89)	(1,965)	1,229,305	(872,372)	(116,429)	89	1,911	(986,800)		242,505
<b>Total</b>	<b>1,886,345</b>	<b>46,668</b>	<b>21,126</b>	<b>48,540</b>	<b>(89)</b>	<b>(1,965)</b>	<b>2,000,625</b>	<b>(1,399,969)</b>	<b>(142,835)</b>	<b>89</b>	<b>1,911</b>	<b>(1,540,804)</b>		<b>459,821</b>

The weighted average remaining useful life of RMS is 182 months  
Included in the carrying value of Intangible Assets is an amount of R95.21 million relating to Work-in-Progress for Computer Software



**NOTE 66: DISCLOSURES OF MATERIAL PROJECTS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND THOSE THAT ARE HALTED**

Project Number	Department	Description of project	Asset category	Halted/Taking significantly longer to complete	Reason	Carrying value (R'000)
S3070	EDP-Business Support	Dalton Office Business Hive	Community Assets	Halted	Budget required to complete project	11,712
S3072	EDP-Business Support		Community Assets	Halted	Contract expired	3,766
S3102	EDP-Business Support	Kwamashu Hostel Bus Hive	Community Assets	Halted	Budget required to complete project	8,525
S3084	EDP-Business Support	Business Hive Anton Lemb St	Community Assets	Halted	Contract expired	17,702
S3068AZ1	EDP-Business Support	Kwamashu Hostel Bus Hive	Community Assets	Halted	Budget required to complete project	6,507
S3049	EDP-Business Support	Kwamakutha Business Hive	Community Assets	Halted	Contract expired	3,909
MV010	TRC-Electricity	MV/LV Distribution Automation	Electrical Infrastructure	Taking significantly longer to complete	The project has been delayed due to the supplier change of ownership. eThekweni Electricity Contracts branch has not approved the cession agreement, hence current orders have been cancelled. Subsequent procurement shall be continued upon contractual consensus	8,732
CN021	TRC-Electricity	Distribution Automation	Electrical Infrastructure	Taking significantly longer to complete	The project has been delayed due to the supplier change of ownership. eThekweni Electricity Contracts branch has not approved the cession agreement, hence current orders have been cancelled. Subsequent procurement shall be continued upon contractual consensus	8,384
HV057TR	TRC-Electricity	Ntuzuma substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay - CTs for 11 kV switchgear stolen while awaiting ICAP contract. New CT's had to be ordered with OEM and had been delivered. Awaiting HV Substation branch to install thereafter P&T will carry out the commissioning.	8,637
S1058	EDP-Economic Dev & Facilitation	Umlazi Glebelands NIMT	Road Infrastructure	Halted	Poor performance by the contractor which resulted to subsequent termination of contract	11,539
Y6525	TRC-Sanitation	Community Ablution Blocks	Sanitation infrastructure	Halted	Contract (PM, Consultants & Contractors) ended with some work incomplete. Decision yet to be made by the unit as to whether this project will go ahead or not.	388,400
C2486	CES-Parks, Recr, Cem & Cul	Inanda Swimming Pool	Community Assets	Halted	Contract terminated	18,606
HV016TR	TRC-Electricity	K E Masinga Rd Substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. Contract E.9358 was declared non-award in May 2017. E9587 BEC report was submitted in November 2018 and BEC again recommended a non-award. EE.170 was approved on section 36 for ICAP equipment in December 2019 and equipment ordered. Equipment was delayed due to Covid and July unrest amongst others but has now been delivered and commissioning should be completed before the end of June 2022. Further delayed by the non renewal of EE.170 which ended at the end of April 2022 and the delay in awarding CSA3259 for diluge system which is handled by architecture. Currently awaiting budget transfers and approval of EE.145 before it can go ahead.	31,326

NOTE 66: DISCLOSURES OF MATERIAL PROJECTS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND THOSE THAT ARE HALTED (continued)

Project Number	Department	Description of project	Asset category	Halted/Taking significantly longer to complete	Reason	Carrying value (R'000)
HV016EQ	TRC-Electricity	K E Masinga Rd Substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. Contract E:9358 was declared non-award in May 2017. E9587 BEC report was submitted in November 2018 and BEC again recommended a non-award. EE.170 was approved on section 36 for ICAP equipment in December 2019 and equipment ordered. Equipment was delayed due to Covid and July unrest amongst others but has now been delivered and commissioning should be completed before the end of June 2022.	20,094
HV016CA	TRC-Electricity	K E Masinga Rd Substation	Electrical Infrastructure	Taking significantly longer to complete	Further delayed by the non renewal of EE.170 which ended at the end of April 2022 and the delay in awarding CSA3259 for diluge system which is handled by architecture. Currently awaiting budget transfers and approval of EE.145 before it can go ahead.	8,301
HV016Z1	TRC-Electricity	K E Masinga Rd Substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. Contract E:9358 was declared non-award in May 2017. E9587 BEC report was submitted in November 2018 and BEC again recommended a non-award. EE.170 was approved on section 36 for ICAP equipment in December 2019 and equipment ordered. ICAP equipment delivered and commissioning should be completed by July 2022.	14,743
HV015CAZ1	TRC-Electricity	Jameson Park Substation	Electrical Infrastructure	Taking significantly longer to complete	Transformers consultant delay. First Consultant contract was non award but current contract E.9732 was awarded in 2021. Further delayed by the non renewal of EE170 which ended at the end of April 2022. Currently awaiting budget transfers and the approval of EE. 145 before it can go ahead.	19,855
HV015CA	TRC-Electricity	Jameson Park Substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. Contract E:9358 was declared non-award in May 2017. E9587 BEC report was submitted in November 2018 and BEC again recommended a non-award. EE.170 was approved on section 36 for ICAP equipment in December 2019 and equipment ordered. ICAP equipment delivered and commissioning should be completed by July 2022.	14,722
HV015Z1	TRC-Electricity	Jameson Park Substation	Electrical Infrastructure	Taking significantly longer to complete	Transformers consultant delay. First Consultant contract was non award but current contract E.9732 was awarded in 2021. Further delayed by the non renewal of EE170 which ended at the end of April 2022. Currently awaiting budget transfers and the approval of EE. 145 before it can go ahead.	3,947
HV004CAZ1A	TRC-Electricity	TRC-Electricity	Electrical Infrastructure	Taking significantly longer to complete	Awaiting for ICAP Contract award. Contract E:9358 was declared non-award in May 2017. E9587 BEC report was submitted in November 2018 and BEC again recommended a non-award. New ICAP contract currently under evaluation 11 kV switchgear to be ordered. 11 kV switchgear was ordered on E.9159 but had to be cancelled due to unavailability of ICAP contract. E.9311 was advertised. The contract is at the BEC stage.	29,858
HV004CA	TRC-Electricity	TRC-Electricity	Electrical Infrastructure	Taking significantly longer to complete		26,764
HV004TR	TRC-Electricity	TRC-Electricity	Electrical Infrastructure	Taking significantly longer to complete		12,968
HV004	TRC-Electricity	TRC-Electricity	Electrical Infrastructure	Taking significantly longer to complete		18,258
HV004CAZ1	TRC-Electricity	TRC-Electricity	Electrical Infrastructure	Taking significantly longer to complete		8,326

**NOTE 66: DISCLOSURES OF MATERIAL PROJECTS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND THOSE THAT ARE HALTED (continued)**

Project Number	Department	Description of project	Asset category	Halted/Taking significantly longer to complete	Reason	Carrying value (R'000)
HV037CA	TRC-Electricity	Underwood Substation	Electrical Infrastructure	Taking significantly longer to complete	132 kV cable delays due to Transnet wayleave issue. ICAP contract delay. Contract E.9358 was declared non-award in May 2017. E9587 BEC report was submitted in November 2018 and BEC again recommended a non-award. New ICAP contract currently under evaluation. 11 kV switchgear delay. 11 kV switchgear was ordered on E.9159 but had to be cancelled due to unavailability of ICAP contract. E9311 was advertised and closed on the 25/02/2022. Evaluation is underway .	42,124
HV037EQ	Electrical Infrastructure		Taking significantly longer to complete	26,594		
HV037TR	Electrical Infrastructure		Taking significantly longer to complete	24,951		
HV037CAZ1	Electrical Infrastructure		Taking significantly longer to complete	17,691		
HV037TRZ1	Electrical Infrastructure		Taking significantly longer to complete	7,844		
HV037	Electrical Infrastructure		Taking significantly longer to complete	10,185		
HV093TR	TRC-Electricity		Springpark 132/11 kV Substation	Electrical Infrastructure		Taking significantly longer to complete
HV093CA	Electrical Infrastructure	Taking significantly longer to complete		4,862		
HV018TR	TRC-Electricity	KLAARWATER S/STN TRANSFORMER	Electrical Infrastructure	Taking significantly longer to complete	132 kV switchgear delay. Emergency contract EE.156 awarded but contractor went into business rescue. Main 132 kV switchgear contract E.9565 was also a non-award due to preferred bidder going into business rescue. Contract E.9731 was advertised in March 2022. and the evaluation is in progress.	23,078
HV018C	Electrical Infrastructure		Taking significantly longer to complete	17,913		
HV045TR	TRC-Electricity	La Mercy Substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. CTs for 11 kV switchgear stolen while awaiting ICAP contract. New CTs had to be ordered with OEM. There have been delivered and installed. Commissioning is now 90% done.	4,822
HV045Z1	Electrical Infrastructure		Taking significantly longer to complete	11,500		

**NOTE 66: DISCLOSURES OF MATERIAL PROJECTS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND THOSE THAT ARE HALTED (continued)**

Project Number	Department	Description of project	Asset category	Halted/Taking significantly longer to complete	Reason	Carrying value (R'000)
HV061PL	TRC-Electricity	Avoca 132/11KV Substation	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. CT's for 11 kv switchgear stolen while awaiting ICAP contract. Still awaiting the replacement CT's and associated materials by HV Substations.	13,181
HV060TR	TRC-Electricity	Addington 132/11kv Substa	Electrical Infrastructure	Taking significantly longer to complete	ICAP contract delay. Currently ordered on EE.170 however, commissioning delayed by fault on the existing 132 kv GIS. Further delayed by the non renewal of EE.170 which ended at the end of April 2022 and the delay in awarding CSA3259 for diluge system which is handled by architecture. Currently awaiting budget transfers and approval of EE.145 before it can go ahead.	8,393
HV099TR	TRC-Electricity	Claremont Substation	Electrical Infrastructure	Taking significantly longer to complete	Commissioning of P&T department is in progress. There is a problem with copper theft. Sets of all 11 kv CT's were stolen in the new Transformer incomers (within the 11 kv switchboard at the back). The replacement CT's delivered. however, there has been further theft on the 11kv Incomer panel. Awaiting HV Substation branch to resolve.	7,293
HV100CA	TRC-Electricity	Umdloti Beach Transformer	Electrical Infrastructure	Taking significantly longer to complete	Commissioning of P&T department is in progress. There is a problem with copper theft. Sets of all 11 kv CT's were stolen in the new Transformer incomers (within the 11 kv switchboard at the back). The replacement CT's delivered but HV Substation Branch still needs to install and there after P&T will do the commissioning.	14,801
HV025TR	TRC-Electricity	Ottawa Substation	Electrical Infrastructure	Taking significantly longer to complete	132kv switchgear to be ordered. Contract E.9565 was a non-award due to preferred bidder going into business rescue. New contract E.9731 advertised in March 2022. Transformers consultant delay- first consultant was non-award but new contract E9732 has now been awarded and the orders will be done based on budget availability. The project is on hold due to budget cuts in 2022/2023.	14,556
<b>Total</b>						<b>982,987</b>

The Work-in-Progress halted or taking significantly longer to complete is reflective of the balances as at 30 June 2022. No impairment losses have been recognised in relation to the disclosed projects. During the financial year, an exercise was conducted to review the status of work-in-progress for the entire population. Projects were analysed and classified in terms of whether they are continuing as normal, taking significantly longer, or halted.

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2022 - GROUP**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>ASSETS</b>						
<b>Current Assets</b>						
Inventories	49	722,294	130,927	853,270	47,118	900,388
Investments	-	76,399	39,808	116,207	4,360,192	4,476,399
Receivables from exchange transactions	34,209	202,869	2,695,536	2,932,614	31,813	2,964,427
Receivables from non exchange transactions	-	165	24,167	24,332	-	24,332
Consumer debtors	-	3,940,458	10,695	3,951,153	3,737,708	7,688,861
Current portion of long term receivables	-	1,980	4,095	6,075	-	6,075
Cash and bank balances	(6,326,898)	(17,430,247)	(74,523,809)	(98,280,954)	98,501,381	220,427
Call investment deposits	-	57,199	-	57,199	540,000	597,199
<b>Total Current Assets</b>	<b>(6,292,640)</b>	<b>(12,428,883)</b>	<b>(71,618,581)</b>	<b>(90,340,104)</b>	<b>107,218,212</b>	<b>16,878,108</b>
<b>Non Current Assets</b>						
Investment property	11,284	50,781	14,000	76,065	183,679	259,744
Property, plant and equipment	1,832,444	24,808,707	25,591,280	52,232,431	2,132,546	54,364,977
Intangible assets	204	160,041	44,977	205,222	255,045	460,267
Heritage assets	7,069	-	41,378	48,447	7	48,454
Interest in Joint ventures	62,846	-	-	62,846	-	62,846
Deferred tax	-	43,139	-	43,139	-	43,139
Deferred income	-	1,382	-	1,382	-	1,382
Long-term receivables	-	15,439	30,538	45,977	184	46,161
<b>Total Non Current Assets</b>	<b>1,913,847</b>	<b>25,079,489</b>	<b>25,722,173</b>	<b>52,715,509</b>	<b>2,571,461</b>	<b>55,286,970</b>
<b>Total Assets</b>	<b>(4,378,793)</b>	<b>12,650,606</b>	<b>(45,896,408)</b>	<b>(37,624,595)</b>	<b>109,789,673</b>	<b>72,165,078</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2022 - GROUP**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
External borrowings	-	(559,476)	-	(559,476)	(356,398)	(915,874)
Payables from exchange transactions	(216,435)	(3,392,375)	(2,270,763)	(5,879,573)	(2,223,686)	(8,103,259)
Payables from non-exchange transactions	(14,296)	-	-	(14,296)	-	(14,296)
Consumer deposits	(1,160)	(2,676,316)	(71)	(2,677,547)	(274)	(2,677,821)
Employee benefit obligation	-	-	-	-	(808,994)	(808,994)
Unspent conditional grants and receipts	(286,758)	(89,299)	(541,241)	(917,298)	(59,857)	(977,155)
Provisions	-	(9,396)	-	(9,396)	(1,073,256)	(1,082,652)
Vat payable	18,383	(626,846)	265,808	(342,655)	(167,931)	(510,586)
Bank overdraft	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>(500,266)</b>	<b>(7,353,708)</b>	<b>(2,546,267)</b>	<b>(10,400,241)</b>	<b>(4,690,396)</b>	<b>(15,090,637)</b>
<b>Non - Current Liabilities</b>						
External borrowings	-	(4,693,655)	-	(4,693,655)	(3,647,538)	(8,341,193)
Employee benefit obligation	-	-	-	-	(3,246,652.00)	(3,246,652)
Provisions	-	(426,129)	-	(426,129)	(1,127,096.00)	(1,553,225)
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>(5,119,784)</b>	<b>-</b>	<b>(5,119,784)</b>	<b>(8,021,286)</b>	<b>(13,141,070)</b>
<b>Total Liabilities</b>	<b>(500,266)</b>	<b>(12,473,492)</b>	<b>(2,546,267)</b>	<b>(15,520,025)</b>	<b>(12,711,682)</b>	<b>(28,231,707)</b>
<b>Net Assets</b>						
Housing Development Fund	-	-	(57,470)	(57,470)	-	(57,470)
Accumulated surplus	4,879,059	(177,114)	48,500,145	53,202,090	(97,077,991)	(43,875,901)
<b>Total Net Assets</b>	<b>(4,879,059)</b>	<b>177,114</b>	<b>(48,442,675)</b>	<b>(53,144,620)</b>	<b>97,077,991</b>	<b>43,933,371</b>

The sum of the segments and non-segments reconciles to the individual items disclosed on the Statement of Financial Position in accordance with the requirements of GRAP 18.

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2022 - MUNICIPALITY**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>ASSETS</b>						
<b>Current Assets</b>						
Inventories	49	713,069	130,927	844,045	47,118	891,163
Investments	-	-	39,808	39,808	4,360,192	4,400,000
Receivables from exchange transactions	34,209	189,978	2,695,536	2,919,723	31,813	2,951,536
Receivables from non exchange transactions	-	-	24,167	24,167	-	24,167
Consumer debtors	-	3,993,151	10,695	4,003,846	3,769,171	7,773,017
Current portion of long term receivables	-	1,980	4,095	6,075	-	6,075
Cash and bank balances	(6,326,898)	(17,463,065)	(74,523,809)	(98,313,772)	98,501,382	187,610
Call investment deposits	-	-	-	-	540,000	540,000
<b>Total Current Assets</b>	<b>(6,292,640)</b>	<b>(12,564,887)</b>	<b>(71,618,581)</b>	<b>(90,476,108)</b>	<b>107,249,676</b>	<b>16,773,568</b>
<b>Non Current Assets</b>						
Investment property	11,284	-	14,000	25,284	183,679	208,963
Property, plant and equipment	1,832,444	24,513,272	25,591,280	51,936,996	2,132,546	54,069,542
Intangible assets	204	159,595	44,977	204,776	255,045	459,821
Heritage assets	7,069	-	41,378	48,447	7	48,454
Investment in Municipal entities	695,808	-	-	695,808	-	695,808
Interest in Joint ventures	62,846	-	-	62,846	-	62,846
Long-term receivables	-	15,439	30,538	45,977	184	46,161
<b>Total Non Current Assets</b>	<b>2,609,655</b>	<b>24,688,306</b>	<b>25,722,173</b>	<b>53,020,134</b>	<b>2,571,461</b>	<b>55,591,595</b>
<b>Total Assets</b>	<b>(3,682,985)</b>	<b>12,123,419</b>	<b>(45,896,408)</b>	<b>(37,455,974)</b>	<b>109,821,137</b>	<b>72,365,163</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2022 - MUNICIPALITY**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
External borrowings	-	(559,476)	-	(559,476)	(356,398)	(915,874)
Payables from exchange transactions	(209,579)	(3,370,731)	(2,297,554)	(5,877,864)	(2,224,266)	(8,102,130)
Payables from non-exchange transactions	(23,613)	-	-	(23,613)	-	(23,613)
Consumer deposits	(1,160)	(2,662,417)	(71)	(2,663,648)	(274)	(2,663,922)
Employee benefit obligation	-	-	-	-	(808,994)	(808,994)
Unspent conditional grants and receipts	(286,758)	(89,299)	(541,241)	(917,298)	(59,857)	(977,155)
Provisions	-	-	-	-	(1,073,256)	(1,073,256)
Vat payable	18,383	(626,188)	265,808	(341,997)	(167,931)	(509,928)
<b>Total Current Liabilities</b>	<b>(502,727)</b>	<b>(7,308,111)</b>	<b>(2,573,058)</b>	<b>(10,383,896)</b>	<b>(4,690,976)</b>	<b>(15,074,872)</b>
<b>Non - Current Liabilities</b>						
External borrowings	-	(4,693,655)	-	(4,693,655)	(3,647,538)	(8,341,193)
Employee benefit obligation	-	-	-	-	(3,246,652.00)	(3,246,652)
Provisions	-	(425,330)	-	(425,330)	(1,127,096.00)	(1,552,426)
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>(5,118,985)</b>	<b>-</b>	<b>(5,118,985)</b>	<b>(8,021,286)</b>	<b>(13,140,271)</b>
<b>Total Liabilities</b>	<b>(502,727)</b>	<b>(12,427,096)</b>	<b>(2,573,058)</b>	<b>(15,502,881)</b>	<b>(12,712,262)</b>	<b>(28,215,143)</b>
<b>Net Assets</b>						
Housing Development Fund	-	-	(57,470)	(57,470)	-	(57,470)
Accumulated surplus	4,185,712	303,677	48,526,936	53,016,325	(97,108,875)	(44,092,550)
<b>Total Net Assets</b>	<b>(4,185,712)</b>	<b>(303,677)</b>	<b>(48,469,466)</b>	<b>(52,958,855)</b>	<b>97,108,875</b>	<b>44,150,020</b>



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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2021 - GROUP**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>ASSETS</b>						
<b>Current Assets</b>						
Inventories	77	436,682	134,381	571,140	41,827	612,967
Investments	-	84,562	39,808	124,370	4,510,192	4,634,562
Receivables from exchange transactions	30,394	180,168	2,469,380	2,679,942	15,785	2,695,727
Receivables from non exchange transactions	-	2,082	42,320	44,402	112,983	157,385
Consumer debtors	-	3,745,881	7,630	3,753,511	3,539,477	7,292,988
Current portion of long term receivables	-	1,627	9,782	11,409	-	11,409
Cash and bank balances	(6,334,584)	(14,704,113)	(64,093,371)	(85,132,068)	85,777,518	645,450
Call investment deposits	-	24,145	-	24,145	150,000	174,145
<b>Total Current Assets</b>	<b>(6,304,113)</b>	<b>(10,228,966)</b>	<b>(61,390,070)</b>	<b>(77,923,149)</b>	<b>94,147,782</b>	<b>16,224,633</b>
<b>Non Current Assets</b>						
Investment property	11,485	52,930	11,106	75,521	210,352	285,873
Property, plant and equipment	2,660,803	24,134,858	24,305,991	51,101,652	2,141,250	53,242,902
Intangible assets	292	135,148	63,563	199,003	334,966	533,969
Heritage assets	7,069	-	40,893	47,962	7	47,969
Interest in Joint ventures	67,341	-	-	67,341	-	67,341
Deferred tax	-	37,267	-	37,267	-	37,267
Deferred income	-	77	-	77	-	77
Long-term receivables	-	15,329	40,867	56,196	72	56,268
<b>Total Non Current Assets</b>	<b>2,746,990</b>	<b>24,375,609</b>	<b>24,462,420</b>	<b>51,585,019</b>	<b>2,686,647</b>	<b>54,271,666</b>
<b>Total Assets</b>	<b>(3,557,123)</b>	<b>14,146,643</b>	<b>(36,927,650)</b>	<b>(26,338,130)</b>	<b>96,834,429</b>	<b>70,496,299</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2021 - GROUP**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
External borrowings	-	(484,655)	-	(484,655)	(366,050)	(850,705)
Payables from exchange transactions	(200,040)	(3,058,314)	(2,599,957)	(5,858,311)	(2,334,134)	(8,192,445)
Payables from non-exchange transactions	(46,816)	-	-	(46,816)	(455)	(47,271)
Consumer deposits	(1,160)	(2,542,016)	(462)	(2,543,638)	(295)	(2,543,933)
Employee benefit obligation	-	-	-	-	(919,611)	(919,611)
Unspent conditional grants and receipts	(50,988)	(89,414)	(560,535)	(700,937)	(10,450)	(711,387)
Provisions	-	(6,507)	-	(6,507)	(1,200,392)	(1,206,899)
Vat payable	22,108	(421,465)	278,560	(120,797)	34,959	(85,838)
<b>Total Current Liabilities</b>	<b>(276,896)</b>	<b>(6,602,371)</b>	<b>(2,882,394)</b>	<b>(9,761,661)</b>	<b>(4,796,428)</b>	<b>(14,558,089)</b>
<b>Non - Current Liabilities</b>						
External borrowings	-	(4,829,630)	-	(4,829,630)	(3,378,365)	(8,207,995)
Employee benefit obligation	-	-	-	-	(3,445,968.00)	(3,445,968)
Provisions	-	(359,613)	-	(359,613)	(1,199,253.00)	(1,558,866)
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>(5,189,243)</b>	<b>-</b>	<b>(5,189,243)</b>	<b>(8,023,586)</b>	<b>(13,212,829)</b>
<b>Total Liabilities</b>	<b>(276,896)</b>	<b>(11,791,614)</b>	<b>(2,882,394)</b>	<b>(14,950,904)</b>	<b>(12,820,014)</b>	<b>(27,770,918)</b>
<b>Net Assets</b>						
Housing Development Fund	-	-	(57,470)	(57,470)	-	(57,470)
Accumulated surplus	3,834,019	(2,355,029)	39,867,514	41,346,504	(84,014,415)	(42,667,911)
<b>Total Net Assets</b>	<b>(3,834,019)</b>	<b>2,355,029</b>	<b>(39,810,044)</b>	<b>(41,289,034)</b>	<b>84,014,415</b>	<b>42,725,381</b>

The sum of the segments and non-segments reconciles to the individual items disclosed on the Statement of Financial Position in accordance with the requirements of GRAP 18. The changes in prior year audited figures is attributable to the changes as disclosed in the prior year adjustments note. These changes include the unbundling of other debtors which were reported as part of other non-segments. These debtors have been reclassified per the respective segment.

**eThekweni Municipality and its Municipal entities**  
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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2021 - MUNICIPALITY**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>ASSETS</b>						
<b>Current Assets</b>						
Inventories	77	431,945	134,381	566,403	41,827	608,230
Investments	-	-	39,808	39,808	4,510,192	4,550,000
Receivables from exchange transactions	30,394	167,076	2,469,380	2,666,850	16,217	2,683,067
Receivables from non exchange transactions	-	-	42,320	42,320	112,983	155,303
Consumer debtors	-	3,815,950	7,630	3,823,580	3,539,477	7,363,057
Current portion of long term receivables	-	1,627	9,782	11,409	-	11,409
Cash and bank balances	(6,334,584)	(14,722,543)	(64,093,371)	(85,150,498)	85,777,516	627,018
Call investment deposits	-	-	-	-	150,000	150,000
<b>Total Current Assets</b>	<b>(6,304,113)</b>	<b>(10,305,945)</b>	<b>(61,390,070)</b>	<b>(78,000,128)</b>	<b>94,148,212</b>	<b>16,148,084</b>
<b>Non Current Assets</b>						
Investment property	11,485	-	11,106	22,591	210,352	232,943
Property, plant and equipment	2,660,803	23,807,855	24,305,991	50,774,649	2,141,250	52,915,899
Intangible assets	292	134,223	63,563	198,078	334,966	533,044
Heritage assets	7,069	-	40,893	47,962	7	47,969
Investment in Municipal entities	695,808	-	-	695,808	-	695,808
Interest in Joint ventures	67,341	-	-	67,341	-	67,341
Long-term receivables	-	15,329	40,867	56,196	72	56,268
<b>Total Non Current Assets</b>	<b>3,442,798</b>	<b>23,957,407</b>	<b>24,462,420</b>	<b>51,862,625</b>	<b>2,686,647</b>	<b>54,549,272</b>
<b>Total Assets</b>	<b>(2,861,315)</b>	<b>13,651,462</b>	<b>(36,927,650)</b>	<b>(26,137,503)</b>	<b>96,834,859</b>	<b>70,697,356</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2021 - MUNICIPALITY**

	Economic and Environmental	Trading Services	Community and Public Safety	Total segments	Other non-segments	Total agreeing to Entity amount
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
External borrowings	-	(484,655)	-	(484,655)	(366,050)	(850,705)
Payables from exchange transactions	(200,040)	(3,034,429)	(2,632,167)	(5,866,636)	(2,343,529)	(8,210,165)
Payables from non-exchange transactions	(69,891)	-	-	(69,891)	(455)	(70,346)
Consumer deposits	(1,160)	(2,530,975)	(462)	(2,532,597)	(295)	(2,532,892)
Employee benefit obligation	-	-	-	-	(919,611)	(919,611)
Unspent conditional grants and receipts	(50,988)	(89,414)	(560,535)	(700,937)	(10,450)	(711,387)
Provisions	-	-	-	-	(1,200,392)	(1,200,392)
Vat payable	22,108	(419,065)	278,560	(118,397)	34,959	(83,438)
<b>Total Current Liabilities</b>	<b>(299,971)</b>	<b>(6,558,538)</b>	<b>(2,914,604)</b>	<b>(9,773,113)</b>	<b>(4,805,823)</b>	<b>(14,578,936)</b>
<b>Non - Current Liabilities</b>						
External borrowings	-	(4,829,630)	-	(4,829,630)	(3,378,365)	(8,207,995)
Employee benefit obligation	-	-	-	-	(3,445,968.00)	(3,445,968)
Provisions	-	(358,905)	-	(358,905)	(1,199,253.00)	(1,558,158)
<b>Total Non Current Liabilities</b>	<b>-</b>	<b>(5,188,535)</b>	<b>-</b>	<b>(5,188,535)</b>	<b>(8,023,586)</b>	<b>(13,212,121)</b>
<b>Total Liabilities</b>	<b>(299,971)</b>	<b>(11,747,073)</b>	<b>(2,914,604)</b>	<b>(14,961,648)</b>	<b>(12,829,409)</b>	<b>(27,791,057)</b>
<b>Net Assets</b>						
Housing Development Fund	-	-	(57,470)	(57,470)	-	(57,470)
Accumulated surplus	3,161,286	(1,904,389)	39,899,724	41,156,621	(84,005,450)	(42,848,829)
<b>Total Net Assets</b>	<b>(3,161,286)</b>	<b>1,904,389</b>	<b>(39,842,254)</b>	<b>(41,099,151)</b>	<b>84,005,450</b>	<b>42,906,299</b>

The sum of the segments and non-segments reconciles to the individual items disclosed on the Statement of Financial Position in accordance with the requirements of GRAP 18. The changes in prior year audited figures is attributable to the changes as disclosed in the prior year adjustments note. These changes include the unbundling of other debtors which were reported as part of other non-segments. These debtors have been reclassified per the respective segment.

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2022 - GROUP**

	Economic and Environmental Services R'000	Trading Services R'000	Community and Public Safety R'000	Total segments	Other non segments R'000	Total agreeing to Entity amount R'000
<b>REVENUE</b>						
<b>Revenue from Exchange Transactions</b>						
Service charges	0	22,360,280	0	22,360,280	0	22,360,280
Housing development construction contract revenue	0	0	672,026	672,026	0	672,026
Rental of facilities and equipment	46,073	81,219	255,207	382,499	386,728	769,227
Other Income	110,294	151,730	72,692	334,716	72,412	407,128
Interest received	0	273,172	4,221	277,393	302,720	580,113
Gains on disposal of assets	34	1,958	282	2,274	13,225	15,499
<b>Total Revenue from Exchange Transactions</b>	<b>156,401</b>	<b>22,868,359</b>	<b>1,004,428</b>	<b>24,029,188</b>	<b>775,085</b>	<b>24,804,273</b>
<b>Revenue from non-exchange transactions</b>						
<b>Taxation Revenue</b>						
Fines	50	0	139,707	139,757	0	139,757
Property rates	0	0	0	0	9,737,673	9,737,673
Property rates - penalties imposed	0	0	0	0	168,576	168,576
Licences and permits	2,907	0	41,313	44,220	0	44,220
<b>Transfer Revenue</b>						
Government grants & subsidies	194,165	3,301,454	2,138,898	5,634,517	1,332,856	6,967,373
Levies	0	0	0	0	3,012,812	3,012,812
Public contributions and donations	0	12,947	0	12,947	0	12,947
Reversal of loss on impairment - PPE	0	0	0	0	26,641	26,641
Donations - Property, plant and equipment	0	0	87	87	900	987
Reversal of loss on impairment - Inv. Properties	0	0	2,991	2,991	1,024	4,015
<b>Total revenue from non-exchange transactions</b>	<b>197,122</b>	<b>3,314,401</b>	<b>2,322,996</b>	<b>5,834,519</b>	<b>14,280,482</b>	<b>20,115,001</b>
<b>Total Revenue excluding Recoveries</b>	<b>353,523</b>	<b>26,182,760</b>	<b>3,327,424</b>	<b>29,863,707</b>	<b>15,055,567</b>	<b>44,919,274</b>
<b>Recoveries</b>	<b>2,302</b>	<b>3,495,995</b>	<b>183,929</b>	<b>3,682,226</b>	<b>3,589,476</b>	<b>7,271,703</b>
<b>Total Revenue</b>	<b>355,825</b>	<b>29,678,755</b>	<b>3,511,353</b>	<b>33,545,933</b>	<b>18,645,043</b>	<b>52,190,977</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2022 - GROUP**

	Economic and Environmental Services R'000	Trading Services R'000	Community and Public Safety R'000	Total segments	Other non segments R'000	Total agreeing to Entity amount R'000
<b>EXPENDITURE</b>						
Employee related costs	(455,368)	(3,990,095)	(5,160,461)	(9,605,924)	(1,827,559)	(11,433,483)
Remuneration of councillors	0	0	0	0	(134,416)	(134,416)
Amortisation - Intangible assets	(87)	(31,794)	(21,217)	(53,098)	(90,179)	(143,277)
Depreciation - Property, plant and equipment	(92,386)	(1,125,534)	(1,105,444)	(2,323,364)	(316,860)	(2,640,224)
Impairment Loss - Property, plant and equipment	0	(47,808)	(30,768)	(78,576)	(230)	(78,806)
Finance costs	0	(538,452)	(4)	(538,456)	(365,656)	(904,112)
Lease rentals on operating leases	(12,976)	(16,536)	(71,671)	(101,183)	(52,347)	(153,530)
Debt impairment	(3,919)	(2,432,300)	(416,201)	(2,852,420)	(286,250)	(3,138,670)
Depreciation - Investment properties	(201)	(2,149)	(97)	(2,447)	(252)	(2,699)
Electricity and Water consumption	0	(15,495,608)	0	(15,495,608)	0	(15,495,608)
Contracted services	(276,039)	(2,374,503)	(1,479,572)	(4,130,114)	(839,070)	(4,969,184)
Grants and subsidies	(69,415)	0	(314,311)	(383,726)	(110,235)	(493,961)
Housing development construction contract expenditure	0	0	(672,026)	(672,026)	0	(672,026)
Share of losses from Joint Ventures	(4,494)	0	0	(4,494)	0	(4,494)
General expenses	(128,513)	(1,641,253)	(757,364)	(2,527,130)	(903,218)	(3,430,348)
<b>Total Expenditure excluding Charges</b>	<b>(1,043,398)</b>	<b>(27,696,032)</b>	<b>(10,029,136)</b>	<b>(38,768,566)</b>	<b>(4,926,272)</b>	<b>(43,694,838)</b>
<b>Charges</b>	<b>(179,059)</b>	<b>(4,291,729)</b>	<b>(2,079,283)</b>	<b>(6,550,072)</b>	<b>(721,631)</b>	<b>(7,271,703)</b>
<b>Surplus before taxation</b>	<b>(866,632)</b>	<b>(2,309,006)</b>	<b>(8,597,066)</b>	<b>(11,772,704)</b>	<b>12,997,140</b>	<b>1,224,436</b>
<b>Taxation</b>	<b>0</b>	<b>5,872</b>	<b>0</b>	<b>5,872</b>	<b>0</b>	<b>5,872</b>
<b>Surplus for the year from continuing operations</b>	<b>(866,632)</b>	<b>(2,303,134)</b>	<b>(8,597,066)</b>	<b>(11,766,832)</b>	<b>12,997,140</b>	<b>1,230,308</b>
<b>Changes in estimates</b>	<b>0</b>	<b>8,538</b>	<b>(30,856)</b>	<b>(22,318)</b>	<b>0</b>	<b>(22,318)</b>
<b>Surplus for the year</b>	<b>(866,632)</b>	<b>(2,294,596)</b>	<b>(8,627,922)</b>	<b>(11,789,150)</b>	<b>12,997,140</b>	<b>1,207,990</b>

The sum of the segments and non-segments reconciles to the individual items disclosed on the Statement of Financial Performance in accordance with the requirements of GRAP 18. As disclosed on the accounting policy on segment reporting, departmental charges are eliminated on the municipality's Statement of Financial Performance.

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2022 - MUNICIPALITY**

	Economic and Environmental Services R'000	Trading Services R'000	Community and Public Safety R'000	Total segments	Other non segments R'000	Total agreeing to Entity amount R'000
<b>REVENUE</b>						
<b>Revenue from Exchange Transactions</b>						
Service charges	0	22,416,039	0	22,416,039	0	22,416,039
Housing development construction contract revenue	0	0	672,026	672,026	0	672,026
Rental of facilities and equipment	46,073	21,201	255,206	322,480	420,433	742,913
Other income	110,294	35,510	72,060	217,864	72,825	290,689
Interest received	0	266,129	3,195	269,324	302,720	572,044
Gains on disposal of assets	34	2,077	282	2,393	13,226	15,619
<b>Total Revenue from Exchange Transactions</b>	<b>156,401</b>	<b>22,740,956</b>	<b>1,002,769</b>	<b>23,900,126</b>	<b>809,204</b>	<b>24,709,330</b>
<b>Revenue from non-exchange transactions</b>						
<b>Taxation Revenue</b>						
Fines	50	0	139,707	139,757	0	139,757
Property rates	0	0	0	0	9,746,198	9,746,198
Property rates - Penalties imposed	0	0	0	0	168,576	168,576
Licences and permits	2,907	0	41,313	44,220	0	44,220
<b>Transfer Revenue</b>						
Government grants & subsidies	194,165	3,301,456	2,138,897	5,634,518	1,332,855	6,967,373
Levies	0	0	0	0	3,012,812	3,012,812
Public contributions and donations	0	12,244	0	12,244	0	12,244
Reversal of loss on impairment - PPE	0	0	0	0	26,641	26,641
Donations - Property, plant and equipment	0	0	87	87	900	987
Reversal of loss on impairment - Inv. Properties	0	0	2,991	2,991	1,024	4,015
<b>Total revenue from non-exchange transactions</b>	<b>197,122</b>	<b>3,313,700</b>	<b>2,322,995</b>	<b>5,833,817</b>	<b>14,289,006</b>	<b>20,122,823</b>
<b>Total Revenue excluding Recoveries</b>	<b>353,523</b>	<b>26,054,656</b>	<b>3,325,764</b>	<b>29,733,943</b>	<b>15,098,210</b>	<b>44,832,153</b>
<b>Recoveries</b>	<b>2,302</b>	<b>3,495,995</b>	<b>183,929</b>	<b>3,682,226</b>	<b>3,589,476</b>	<b>7,271,703</b>
<b>Total Revenue</b>	<b>355,825</b>	<b>29,550,651</b>	<b>3,509,693</b>	<b>33,416,169</b>	<b>18,687,687</b>	<b>52,103,856</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2022 - MUNICIPALITY**

	Economic and Environmental Services R'000	Trading Services R'000	Community and Public Safety R'000	Total segments	Other non segments R'000	Total agreeing to Entity amount R'000
<b>EXPENDITURE</b>						
Employee related costs	(455,367)	(3,836,058)	(5,160,461)	(9,451,886)	(1,827,559)	(11,279,445)
Remuneration of councillors	0	0	0	0	(134,416)	(134,416)
Amortisation - Intangible assets	(88)	(31,409)	(21,217)	(52,714)	(90,179)	(142,893)
Depreciation - Property, plant and equipment	(92,386)	(1,085,186)	(1,105,445)	(2,283,017)	(316,861)	(2,599,878)
Impairment Loss - Property, plant and equipment	0	(47,808)	(30,768)	(78,576)	(230)	(78,806)
Finance costs	0	(538,453)	(3)	(538,456)	(365,656)	(904,112)
Lease rentals on operating leases	(12,976)	(16,210)	(71,671)	(100,857)	(52,346)	(153,203)
Debt impairment	(3,918)	(2,430,479)	(416,201)	(2,850,598)	(286,250)	(3,136,848)
Depreciation - Investment properties	(201)	0	(97)	(298)	(252)	(550)
Electricity and Water consumption	0	(15,495,608)	0	(15,495,608)	0	(15,495,608)
Contracted services	(276,039)	(2,363,190)	(1,479,572)	(4,118,801)	(839,070)	(4,957,871)
Grants and subsidies	(229,225)	0	(314,310)	(543,535)	(143,940)	(687,475)
Housing development construction contract expenditure	0	0	(672,026)	(672,026)	0	(672,026)
Share of losses from Joint Ventures	(4,494)	0	0	(4,494)	0	(4,494)
General expenses	(128,513)	(1,506,146)	(746,518)	(2,381,177)	(937,312)	(3,318,489)
<b>Total Expenditure excluding Charges</b>	<b>(1,203,207)</b>	<b>(27,350,547)</b>	<b>(10,018,289)</b>	<b>(38,572,043)</b>	<b>(4,994,071)</b>	<b>(43,566,114)</b>
<b>Charges</b>	<b>(179,059)</b>	<b>(4,291,729)</b>	<b>(2,079,283)</b>	<b>(6,550,072)</b>	<b>(721,631)</b>	<b>(7,271,703)</b>
<b>Total Expenditure</b>	<b>(1,382,266)</b>	<b>(31,642,276)</b>	<b>(12,097,572)</b>	<b>(45,122,115)</b>	<b>(5,715,702)</b>	<b>(50,837,817)</b>
<b>Surplus for the year from continuing operations</b>	<b>(1,026,441)</b>	<b>(2,091,625)</b>	<b>(8,587,879)</b>	<b>(11,705,945)</b>	<b>12,971,985</b>	<b>1,266,039</b>
<b>Changes in estimates</b>	<b>0</b>	<b>8,538</b>	<b>(30,856)</b>	<b>(22,318)</b>	<b>0</b>	<b>(22,318)</b>
<b>Surplus for the year</b>	<b>(1,026,441)</b>	<b>(2,083,087)</b>	<b>(8,618,735)</b>	<b>(11,728,263)</b>	<b>12,971,985</b>	<b>1,243,721</b>

The sum of the segments and non-segments reconciles to the individual items disclosed on the Statement of Financial Performance in accordance with the requirements of GRAP 18. As disclosed on the accounting policy on segment reporting, departmental charges are eliminated on the municipality's Statement of Financial Performance.



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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2021 - GROUP**

	Economic and Environmental Services R'000	Trading Services R'000	Community and Public Safety R'000	Total	Other non segments R'000	Total R'000
<b>REVENUE</b>						
<b>Revenue from Exchange Transactions</b>						
Service charges	0	20,991,176	0	20,991,176	0	20,991,176
Housing development construction contract revenue	0	0	392,653	392,653	0	392,653
Rental of facilities and equipment	45,009	45,529	249,311	339,849	367,675	707,524
Other Income	98,173	98,388	59,619	256,180	69,542	325,722
Interest received	-12	9,359	3,471	12,818	225,474	238,292
Share of Income from Joint Ventures	12,383	0	0	12,383	0	12,383
<b>Total Revenue from Exchange Transactions</b>	<b>155,553</b>	<b>21,144,452</b>	<b>705,054</b>	<b>22,005,059</b>	<b>662,691</b>	<b>22,667,750</b>
<b>Revenue from non-exchange transactions</b>						
<b>Taxation Revenue</b>						
Fines	60	0	189,846	189,906	0	189,906
Property rates	0	0	0	0	9,404,246	9,404,246
Property rates - Penalties imposed	0	0	0	0	742	742
Licences and permits	2,275	0	32,465	34,740	11	34,751
<b>Transfer Revenue</b>						
Government grants & subsidies	156,717	2,812,378	1,943,084	4,912,179	2,052,158	6,964,337
Levies	0	0	0	0	2,854,469	2,854,469
Public contributions and donations	0	6,722	0	6,722	0	6,722
Donations - Property, plant and equipment	0	0	853	853	0	853
<b>Total revenue from non-exchange transactions</b>	<b>159,052</b>	<b>2,819,100</b>	<b>2,166,248</b>	<b>5,144,400</b>	<b>14,311,626</b>	<b>19,456,026</b>
<b>Total Revenue excluding Recoveries</b>	<b>314,605</b>	<b>23,963,552</b>	<b>2,871,302</b>	<b>27,149,459</b>	<b>14,974,317</b>	<b>42,123,776</b>
<b>Recoveries</b>	<b>(56)</b>	<b>3,833,998</b>	<b>157,345</b>	<b>3,991,287</b>	<b>3,797,380</b>	<b>7,788,667</b>
<b>Total Revenue</b>	<b>314,549</b>	<b>27,797,550</b>	<b>3,028,647</b>	<b>31,140,746</b>	<b>18,771,697</b>	<b>49,912,443</b>

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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2021 - GROUP**

	<b>Economic and Environmental Services R'000</b>	<b>Trading Services R'000</b>	<b>Community and Public Safety R'000</b>	<b>Total</b>	<b>Other non segments R'000</b>	<b>Total R'000</b>
<b>EXPENDITURE</b>						
Employee related costs	(438,728)	(3,807,105)	(5,095,774)	(9,341,607)	(3,289,534)	(12,631,141)
Remuneration of councillors	0	0	0	0	(128,509)	(128,509)
Amortisation - Intangible assets	(88)	(30,516)	(21,241)	(51,845)	(61,602)	(113,447)
Impairment Loss - Investment properties	0	0	0	0	(132)	(132)
Depreciation - Property, plant and equipment	(98,196)	(1,003,201)	(999,235)	(2,100,632)	(325,247)	(2,425,879)
Impairment Loss - Property, plant and equipment	0	(1,405)	(3)	(1,408)	(154,747)	(156,155)
Finance costs	3	(513,755)	(41,402)	(555,154)	(293,193)	(848,347)
Lease rentals on operating leases	(13,179)	(14,778)	(59,930)	(87,887)	(44,790)	(132,677)
Debt impairment	(3,367)	(2,249,482)	(17,668)	(2,270,517)	113,703	(2,156,814)
Depreciation - Investment properties	(201)	(1,894)	(97)	(2,192)	(252)	(2,444)
Electricity and Water consumption	0	(14,169,075)	0	(14,169,075)	0	(14,169,075)
Contracted services	(207,612)	(1,910,009)	(1,467,677)	(3,585,298)	(870,724)	(4,456,022)
Grants and subsidies	(94,306)	0	(306,316)	(400,622)	(143,830)	(544,452)
Housing development construction contract expenditure	0	0	(392,653)	(392,653)	0	(392,653)
Loss on disposal of assets	(154)	(380)	(405)	(939)	(15,975)	(16,914)
General expenses	(116,704)	(1,358,270)	(756,485)	(2,231,459)	(885,853)	(3,117,312)
<b>Total Expenditure excluding Charges</b>	<b>(972,532)</b>	<b>(25,059,870)</b>	<b>(9,158,886)</b>	<b>(35,191,288)</b>	<b>(6,100,685)</b>	<b>(41,291,973)</b>
<b>Charges</b>	<b>(139,715)</b>	<b>(4,501,183)</b>	<b>(2,419,013)</b>	<b>(7,059,911)</b>	<b>(728,756)</b>	<b>(7,788,667)</b>
<b>Total Expenditure</b>	<b>(1,112,247)</b>	<b>(29,561,053)</b>	<b>(11,577,899)</b>	<b>(42,251,199)</b>	<b>(6,829,441)</b>	<b>(49,080,640)</b>
Surplus before taxation	-810,081	-1,763,503	-8,549,252	-11,122,836	11,954,639	831,803
Taxation	0	19,271	0	19,271	0	19,271
<b>Surplus for the year from continuing operations</b>	<b>(810,081)</b>	<b>(1,763,503)</b>	<b>(8,549,252)</b>	<b>(11,122,836)</b>	<b>11,954,639</b>	<b>851,074</b>
Changes in estimates	0	0	(34,742)	(34,742)	0	(34,742)
<b>Surplus for the year</b>	<b>(810,081)</b>	<b>(1,763,503)</b>	<b>(8,583,994)</b>	<b>(11,157,578)</b>	<b>11,954,639</b>	<b>816,332</b>

**eThekweni Municipality and its Municipal entities**  
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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2021 - MUNICIPALITY**

	Economic and Environmental Services R'000	Trading Services R'000	Community and Public Safety R'000	Total segments	Other non segments R'000	Total R'000
<b>REVENUE</b>						
<b>Revenue from Exchange Transactions</b>						
Service charges	0	21,033,593	0	21,033,593	0	21,033,593
Housing development construction contract revenue	0	0	392,653	392,653	0	392,653
Rental of facilities and equipment	45,009	17,151	249,311	311,471	399,775	711,246
Other income	98,173	45,987	59,206	203,366	70,059	273,425
Interest received	-12	1,489	3,471	4,948	224,194	229,142
Share of Income from Joint Ventures	12,383	0	0	12,383	0	12,383
<b>Total Revenue from Exchange Transactions</b>	<b>155,553</b>	<b>21,098,220</b>	<b>704,641</b>	<b>21,958,414</b>	<b>694,028</b>	<b>22,652,442</b>
<b>Revenue from non-exchange transactions</b>						
<b>Taxation Revenue</b>						
Fines	60	0	189,846	189,906	0	189,906
Property rates	0	0	0	0	9,412,383	9,412,383
Property rates - Penalties imposed	0	0	0	0	742	742
Licences and permits	2,275	0	32,465	34,740	11	34,751
<b>Transfer Revenue</b>						
Government grants & subsidies	156,717	2,812,378	1,943,085	4,912,180	2,052,157	6,964,337
Levies	0	0	0	0	2,854,469	2,854,469
Public contributions and donations	0	6,056	0	6,056	0	6,056
Donations - Property, plant and equipment	0	0	853	853	0	853
<b>Total revenue from non-exchange transactions</b>	<b>159,052</b>	<b>2,818,434</b>	<b>2,166,249</b>	<b>5,143,735</b>	<b>14,319,762</b>	<b>19,463,497</b>
<b>Total Revenue excluding Recoveries</b>	<b>314,605</b>	<b>23,916,654</b>	<b>2,870,890</b>	<b>27,102,149</b>	<b>15,013,790</b>	<b>42,115,939</b>
<b>Recoveries</b>	<b>(56)</b>	<b>3,833,998</b>	<b>157,345</b>	<b>3,991,287</b>	<b>3,797,380</b>	<b>7,788,667</b>
<b>Total Revenue</b>	<b>314,549</b>	<b>27,750,652</b>	<b>3,028,235</b>	<b>31,093,436</b>	<b>18,811,170</b>	<b>49,904,606</b>

**eThekweni Municipality and its Municipal entities**  
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**NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2021 - MUNICIPALITY**

	<b>Economic and Environmental Services R'000</b>	<b>Trading Services R'000</b>	<b>Community and Public Safety R'000</b>	<b>Total segments</b>	<b>Other non segments R'000</b>	<b>Total R'000</b>
<b>EXPENDITURE</b>						
Employee related costs	(438,728)	(3,683,521)	(5,095,774)	(9,218,023)	(3,289,533)	(12,507,556)
Remuneration of councillors	0	0	0	0	(128,509)	(128,509)
Amortisation - Intangible assets	(88)	(30,331)	(21,240)	(51,659)	(61,603)	(113,262)
Impairment Loss - Investment properties	0	0	0	0	(132)	(132)
Depreciation - Property, plant and equipment	(98,196)	(971,884)	(999,235)	(2,069,315)	(325,247)	(2,394,562)
Impairment Loss - Property, plant and equipment	0	(1,405)	(2)	(1,407)	(154,748)	(156,155)
Finance costs	3	(513,756)	(41,402)	(555,155)	(293,192)	(848,347)
Lease rentals on operating leases	(13,179)	(14,359)	(59,930)	(87,468)	(44,790)	(132,258)
Debt impairment	(3,367)	(2,244,990)	(17,667)	(2,266,024)	113,702	(2,152,322)
Depreciation - Investment properties	(201)	0	(97)	(298)	(252)	(550)
Electricity and Water consumption	0	(14,169,075)	0	(14,169,075)	0	(14,169,075)
Contracted services	(207,611)	(1,900,437)	(1,467,677)	(3,575,725)	(870,724)	(4,446,449)
Grants and subsidies	(238,162)	0	(306,316)	(544,478)	(175,930)	(720,408)
Housing development construction contract expenditure	0	0	(392,653)	(392,653)	0	(392,653)
Loss on disposal of assets	(154)	(8)	(405)	(567)	(15,975)	(16,542)
Impairment loss - Investment in Municipal Entities	0	0	0	0	(75,847)	(75,847)
General expenses	(116,703)	(1,227,204)	(746,839)	(2,090,746)	(908,245)	(2,998,991)
<b>Total Expenditure excluding Charges</b>	<b>(1,116,386)</b>	<b>(24,756,970)</b>	<b>(9,149,237)</b>	<b>(35,022,593)</b>	<b>(6,231,025)</b>	<b>(41,253,618)</b>
<b>Charges</b>	<b>(139,715)</b>	<b>(4,501,183)</b>	<b>(2,419,013)</b>	<b>(7,059,911)</b>	<b>(728,756)</b>	<b>(7,788,667)</b>
<b>Total Expenditure</b>	<b>(1,256,101)</b>	<b>(29,258,153)</b>	<b>(11,568,250)</b>	<b>(42,082,504)</b>	<b>(6,959,781)</b>	<b>(49,042,285)</b>
<b>Surplus for the year from continuing operations</b>	<b>(941,553)</b>	<b>(1,507,501)</b>	<b>(8,540,015)</b>	<b>(10,989,069)</b>	<b>11,851,389</b>	<b>862,321</b>
<b>Changes in estimates</b>	<b>0</b>	<b>0</b>	<b>(34,742)</b>	<b>(34,742)</b>	<b>0</b>	<b>(34,742)</b>
<b>Surplus for the year</b>	<b>(941,553)</b>	<b>(1,507,501)</b>	<b>(8,574,757)</b>	<b>(11,023,811)</b>	<b>11,851,389</b>	<b>827,579</b>

The sum of the segments and non-segments reconciles to the individual items disclosed on the Statement of Financial Performance in accordance with the requirements of GRAP 18. As disclosed on the accounting policy on segment reporting, departmental charges are eliminated on the municipality's Statement of Financial Performance.

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**Note 68: Awards to close family members of person in service of Municipality**  
The details of total awards (29) to close family members amounting to R101.788million that transacted with the Municipality are as follows:

NO	SUPPL_NAME	SPOUSE ID	EMPL_NO	TOTAL R'000
1	NCKIZWA	5906095674084	2171983	35
2	AMANZIMASE MULTI-PURPOSE CO-OP	7106145772081	2164311	156
3	CORAL BLUE TRADING 103	7106145772081	2164311	10
4	SIHLAYIYA MULTI-PURPOSE PRIMAR	7106145772081	2164311	440
5	SIZAMELE NATHI TRADING PRIMARY	8004041237086	5018609	191
6	1010 PLUMBERS	8105195550081	2153660	110
7	LENS PLUMBERS	8105195550081	2153660	688
8	MSADWIYANA PROJECT	8105195550081	2153660	164
9	MZAYIFANI PROJECTS	8105195550081	2153660	54
10	MANSINGH CORPORATION PTY LTD	8602285353087	8677905	216
11	NGEDE TRADING	7708035398081	5177006	42
12	MAMTIMANDE	6410160467085	3210707	49
13	AYIZE CATERING SERVICES AND MU	8207010509084	5755107	174
14	D SQUARED GENERAL MAINTENANCE	7701090073087	425001	29
15	SPECTRUM	7809155849083	9165401	50
16	DEZZO DEVELOPMENT HOLDINGS	6510145463081	3823008	4,692
17	SECURECO METSU (PTY) LTD	6510145463081	3823008	93,624
18	SMANGOKUHLE PRIMARY CO-OPERATI	7711250848087	5101000	159
19	EZINOMVUZO PRIMARY CO-OPERATIV	8402245855085	2165122	466
20	UYASIBEKELA CONTRACTING AND TR	7508310376087	5433703	77
21	SASHLYNN PTY LTD	8705225171087	6772005	5
22	KWAME PHAKADE TRADING	8011145473087	9172106	79
23	SIZISENZO TRADING ENTERPRISES	8011145473087	9172106	74
24	SOMPISI MANAGEMENT SERVICES	7007305527085	7088302	35
25	NGAPHAKATHI INVESTMENTS	8606260418088	2154986	73
26	SAFEHOUSE SECURITY	8511040087080	2155755	41
27	TAZECO TRADING	8511040087080	2155755	39
28	ISIBANIESIHLE	8410165409080	2168755	3
29	NOMAVUSO	8003040679082	2168781	15
				<b>101,788</b>

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**Note 69: ADDITIONAL DISCLOSURES ON HERITAGE ASSETS**

<b>Category</b>	<b>Description</b>	<b>Reasons for Assets Could Not Be Measured Realibly</b>	<b>No. of Assets</b>
Agricultural implements	Artefacts that were used for agricultural purposes such as yoke, sickle and garden forks.	The items under this category were acquired from non-exchange transactions such as donations or were bequeathed. These items had no details nor costing information available when they were received from their previous owners. The items are held and preserved for future generation and the cost of hiring valuers would exceed the benefit for which they are held and would not be an economical decision to hire a valuer.	17
Archaeological	Items dug up on the ground, mainly in archaeological excavations.	These items have sentimental value which cannot be valued but are valuable for research purposes.	342
Audio Visual Collection	Historical electronic media that has sound and visual component such as radio, TV, audio recordings.	This category includes different assets which are similar in nature, and these assets, i.e audio recordings, have no monetary value as they are held for the benefit of future generations. The cost to value these assets will exceed the benefit of holding these assets.	1,255
Books and Documents	Includes artefact such as books, magazines, newspapers, journals and drawings.	There are different measurements techniques and experts being used, since there are different kinds of assets that are similar in nature, which results in different values for these assets. The cost of valuing these assets would exceed the benefit of holding these assets. Some assets i.e newspapers, have sentimental value as they are held for educational purposes for the future generations.	41,523
Domestic utensils	Artefacts that were previously used in households such as washing basin, bed warming pan, bowls, ceramics, ornaments and crockery.	The items in this category were acquired through donations and bequests, of which some had no details nor costing information when they were acquired from the previous owners. The monetary value for these items is not significant as they are held for demonstration purposes for the benefit of the future generations.	1,743
Equipments	Tools used in different industries to achieve a certain objective such as stethoscopes, guitars, sundial, microscope and tennis rackets.	There are different kinds of assets which are similar in nature in this category, these require different measurements techniques and experts which results in different values for these assets. The cost of valuing these assets would exceed the benefit of holding these assets. Some assets, i.e sundial, have sentimental value as they are held for educational purposes for the future generations.	355
Ethnographic	Under this category are artefacts relating to African culture.	No monetary value associated with these items as the intention is to educate the future generations.	4,272
Exhibitions	A collection of items that are unique and irreplaceable that were either donated to the museum; or collected by researchers or curators. These collections are considered heritage assets as these are important resources that will be beneficial for future generations with respect to Knowledge gain and Education.	These assets are unique and irreplaceable, due to this nature it would be challenging to find a reliable market and the related costs would outweigh the benefits	1,183

**Note 69: ADDITIONAL DISCLOSURES ON HERITAGE ASSETS (continued)**

Category	Description	Reasons for Assets Could Not Be Measured Realibly	No. of Assets
Firearms	Includes firearms and all that is linked to firearms.	Different markets exist, such as collectors, antique shops and museums. These create a volatility with no clear advantageous market. The cost of valuing these items would outweigh the benefits as the firearms are kept for educational purposes.	154
Furniture	Includes different types of artefacts that were designed as furniture such as chairs, dressers, tables.	There are different assets which are similar in nature in this category. The cost of valuing them would outweigh the benefit as different valuers would need to be appointed.	25
Lighting & ventilation	Items used to bring light such as lamps.	These items are similar in nature, but some are from different materials and this affects the valuation required. The cost of assigning valuers would outweigh the benefit as the value is of no significance to the intended market.	74
Metalware	Items made from metal material such as brass, metal, enamel	There are different assets which are similar in nature in this category, they would require different valuation techniques. The cost of valuing them would outweigh the benefit as different valuers would need to be appointed.	448
Militaria and Memorials	Artefacts that serve as a focus of a memory or commemoration relating to history.	These items have sentimental value which cannot be valued but are valuable for research purposes. These items have no market as they were only used for specific events in the past and are currently for educational purposes, the valuation would not be beneficial.	430
Needlework & sewing	Items that were used for sewing such as darning boards, samples of stitches.	Items are held for cultural and historical significance and are there for future generations to know the type of needlework and sewing which were used in the past. Valuing the asset would be at high cost than the service potential they are held for.	419
Numismatic	Collections of medals, coins, badges and money	These items have a historical value and importance in the history of the country, due to the significant differences in their fair values, valuing the items would not provide more useful information to the users as they are mainly held to serve as a reminder of history to the future generations and not held for monetary purposes.	2,335
Organic material	Items that are made from natural material such as bones and ivory.	The items in this category are for research purposes and for the history of the country. Hiring valuers for these items would outweigh the benefits.	37
Paintings & drawings	All items that can be described as paintings and drawings and accessories relating to them	The paintings and drawings are unique and must be assessed individually, each of these capture different stories. Undertaking a process of determining the Fair Value of the heritage assets in this category involves a separate valuation for each artwork, the cost implication outweighs the benefit.	390
Personal items	Items for personal use and to accessorize such as purses, cosmetics, jewellery and spectacles	The personal items were items used and worn by ancient people and are held for educational purposes and for cultural history, the cost of valuing them would outweigh the benefits	1,484
Philately	Artefacts that are for postage such as postage stamps and postcards.	These artefacts are important to provide information about type of postage which were used in the past, due to the obscurity of the postal services the focus is not in the monetary value but the cultural and historical value provided by preservation of the items.	2,480

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**Note 69: ADDITIONAL DISCLOSURES ON HERITAGE ASSETS (continued)**

<b>Category</b>	<b>Description</b>	<b>Reasons for Assets Could Not Be Measured Realibly</b>	<b>No. of Assets</b>
Photographic	Consists of photographs and items that were used to create photographs such as negatives, slides, images, cameras, transparencies.	Each artwork is unique and must be individually assessed and valued. Each of these works capture different stories about Durban, its people, its social, cultural, political and artistic history revealing the complexity of the City's past. Undertaking a process of determining the Fair Value of the heritage assets in this category involves a separate valuation for each artwork, the cost implication outweighs the benefit.	225,113
Stationery	Commercially manufactured writing material or related items, such as pens, paper clips etc.	Items are held for demonstration purposes for the upcoming generation. The cost of valuing these assets would exceed the benefit as the monetary value is not useful to the intended users.	236
Textile & costume	Items made of textile such as clothing.	This category contain variety of items that would result in different valuation techniques and high costs, increasing the fruitless and wasteful expenditure since there are no returns attached to items.	506
Toys	Artefacts that were used mainly by children as toys, includes dolls, board games.	The items in this category are held to serve a cultural history and preservation for the future. The cost to value these assets will exceed the benefit of holding these assets.	4,592
Transport	Items relating to travelling such as ox-wagons and boats.	Items in this category are parts of historical transport which will be used for educational purposes. They are not complete figures and the cost of valuing these items would exceed the benefit in which the assets are held for	5
Rare Collection	Rare items which consist of South African heritage value. These items are used for reference and research purposes.	These items are fragile and brittle, they are preserved and kept for educational and research purposes. The library's intention is to digitalize their system for the collection to be online, the value would therefor not be relevant to the user and therefor valuing these items would outweigh the benefit.	5,016
Durban Art Gallery - Artwork	The collection includes paintings, etchings, graphics, photographs, porcelain, glass, silverware and contemporary SA art.	Each artwork is unique and must be individually assessed and valued. Each of these works capture different stories about Durban, its people, its social, cultural, political and artistic history revealing the complexity of the City's past. Undertaking a process of determining the Fair Value of the heritage assets in this category involves a separate valuation for each artwork therefore a cost implication exists.	12
Research Specimens	This category includes specimens that are unique and irreplaceable that were either donated to the museum; or collected by researchers or curators. These includes amphibians, reptiles, shells, fish, spiders, echinoderm, fossils, insects and taxidermy.	These items are held for research purposes and are not openly traded, thus the market for these items do not exist. These items have no commercial value.	244,332

**TOTAL**

**538,778**



**APPENDIX A: DISCLOSURE OF GRANTS AND SUBSIDIES INTERMS OF SECTION 123 MFMA.56 OF 2003**

GRANT DESCRIPTION	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS				QUARTERLY PAYMENTS				GRANTS AND SUBSIDIES DELAYED/WITHHELD / PAID BACK / ACCRUED / ACCRUED				GRANTS DELAYED/WITHHELD	MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF	REASON FOR NON COMPLIANCE			
		SEPT	DEC	MAR	JUNE	TOTAL	SEP	DEC	MAR	JUNE	TOTAL	SEP	DEC				Mar	June	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Yes/No		
EQUITABLE SHARE	NATIONAL TREASURY	1,491,853	1,193,482	895,112	3,580,447	1,491,853	1,193,482	895,112	3,580,447	0	1,491,853	1,193,482	895,112	3,580,447			Yes	N/A	
URBAN SETTLEMENT DEVELOPMENT GRANT	HUMAN SETTLEMENTS	374,632	257,684	655,842	1,288,158	156,927	340,739	238,722	551,770	1,288,158							Yes	N/A	
FINANCIAL MANAGEMENT GRANT	NATIONAL TREASURY	1,000	-	-	1,000	626,00	212,00	162,00	-	1,000							Yes	N/A	
INFORMAL SETTLEMENT UPGRADING PARTNERSHIP GRANT	NATIONAL TREASURY	170,435	1,71,707.00	487,394	829,536	38,988.00	166,690.00	275,864.00	347,994	829,536							Yes	N/A	
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	NATIONAL TREASURY	20,250	-	13,250	33,500	14,069	855	10,879	1,265	27,068	5,122	23,250					Yes	N/A	
GOVERNMENT HEALTH SUBSIDY	KZN DEPT OF HEALTH	79,093	70,831	7,962	157,886	79,093	70,831	7,963	-	157,887							Yes	N/A	
PUBLIC TRANSPORT NETWORK GRANT	NATIONAL DEPARTMENT OF TRANSPORT	261,179	207,086	156,087	772,712	224,639	193,247	146,177	208,649	772,712							Yes	N/A	
NEIGHBOUR HOOD DEVELOPMENT GRANT	NATIONAL TREASURY	40,364	0	0	40,364	432	5,450	2,101	26,001	33,984	641	21,380					Yes	N/A	
PUBLIC EMPLOYMENT PROGRAMME	NATIONAL TREASURY	0	0	293,368	293,368	0	0	0	56,339	56,339	0	0					Yes	N/A	
PROGRAM & PROJECT PREP SUPPORT GRANT	NATIONAL TREASURY	18,300	15,000	49,949	49,949	0	0	905	722	1,627							Yes	N/A	
EXPANDED PUBLIC WORKS PROGRAMME-EPWP	DEPARTMENT OF PUBLIC WORKS	20,423	36,760	24,508	81,691	61,634	20,057	15,542	21,870	57,798							Yes	N/A	
DEPARTMENT OF HUMAN SETTLEMENTS - DOH	DEPARTMENT OF HUMAN SETTLEMENTS	-	8,355	29,612	62,164	6,006	14,380	15,542	3,404	3,404							Yes	N/A	
GRANT ACCREDITATION	DEPARTMENT OF HUMAN SETTLEMENTS	1,172	2,232	2,729	14,479				5,472	5,472							Yes	N/A	
EUROPEAN UNION	DEPARTMENT OF HUMAN SETTLEMENTS			2,852	2,852													Yes	N/A
DEPARTMENT OF MINERAL AND ENERGY (EEDSM)	DEPARTMENT OF MINERALS AND ENERGY	2,000	4,000	3,000	9,000	-	-	2,653.00	6347	9,000	8,778						Yes	N/A	
DEPARTMENT OF ARTS AND CULTURE	KZN DEPARTMENT OF ARTS AND CULTURE	-	-	74,954	74,954	10,933	14,472	11,538	34,038	70,981							Yes	N/A	
<b>GRAND TOTAL</b>		<b>2,462,401</b>	<b>1,970,437</b>	<b>2,661,670</b>	<b>180,903</b>	<b>7,292,060</b>	<b>2,020,415</b>	<b>1,607,618</b>	<b>1,263,871</b>	<b>6,977,104</b>	<b>14,541</b>	<b>44,630</b>	<b>0</b>	<b>44,630</b>					

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**APPENDIX B: MOSES MABHIDA STADIUM & STADIA - DETAILED STATEMENT OF FINANCIAL PERFORMANCE**

	2022 R'000	2021 R'000
<b>REVENUE</b>		
<b>Rental of facilities and equipment</b>	<b>18,125</b>	<b>12,571</b>
Rent - Bowl & non bowl events	9,104	3,332
Rent - Shops	4,917	8,344
Suites & business clubs	80	390
Hire - Hall / civic / rec cnt	3,325	496
Rent - Buildings	699	9
<b>Discounts received</b>	<b>44</b>	<b>38</b>
<b>Other revenue</b>	<b>7</b>	<b>21</b>
<b>Other income - Attractions</b>	<b>904</b>	<b>248</b>
Adventure walk	0	0
MMS attractions	668	0
Stadium tours	236	248
<b>Total operating revenue</b>	<b>19,079</b>	<b>12,877</b>
<b>EXPENDITURE</b>		
<b>Depreciation - Property, Plant and Equipment &amp; Intangible Assets</b>	<b>114,157</b>	<b>115,216</b>
Depreciation & amortisation	114,157	115,216
<b>General expenses</b>	<b>124,817</b>	<b>127,315</b>
Electricity	16,365	14,425
Employee related costs	52,852	55,222
Fuel & oil: Vehicles	876	646
Other materials	3,400	2,324
Operating leases	424	291
Contracted services	40,624	37,931
OHS Employ wellness	6	12
Stadium operational costs	2,612	5,708
Refuse removal	390	281
Hire of city fleet	80	500
Water & sanitation	7,189	9,975
<b>Total operating expenditure</b>	<b>238,974</b>	<b>242,531</b>
<b>DEFICIT FOR THE YEAR</b>	<b>(219,895)</b>	<b>(229,654)</b>