

eThekwini Municipality and its Municipal Entities
Annual Financial statements
for the year ended 30 June 2023

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

GENERAL INFORMATION

| | |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES | 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. |
| ACCOUNTING OFFICER | Mr. T. B. Mbhele (appointed City Manager: 01 October 2022) |
| REGISTERED OFFICE | City Hall Dr. Pixley Kaseme Street Durban 4000 |
| POSTAL ADDRESS | P O Box 1014 Durban 4000 |
| BANKERS | Nedbank P O Box 5662, Durban, 4000 |
| AUDITORS | The Auditor-General, South Africa |

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Annual Financial Statements for the year ended 30 June 2023

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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 Interpretations Committee |

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended June 30, 2023

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 year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were 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 (accounting authority), 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 period ended 30 June 2024 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 56 Going Concern.

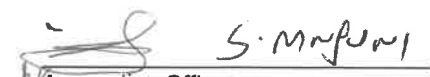
Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

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 reviewing and reporting on the municipality's annual financial statements.

The annual financial statements are set out on pages 5 to 176.


Accounting Officer
Date: 30/11/2023

eThekweni Municipality and its Municipal Entities

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Statement of Financial Position as at 30 June 2023

| Figures in Rand thousand | Note(s) | Group and Municipality | | Municipality | |
|--------------------------------------------------|---------|------------------------|-------------------|-------------------|-------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Assets | | | | | |
| Current Assets | | | | | |
| Inventories | 2 | 811 533 | 899 307 | 799 630 | 890 082 |
| Current tax receivable | | - | 165 | - | - |
| Receivables from exchange transactions | 3 | 2 737 552 | 2 752 937 | 2 725 778 | 2 740 025 |
| Receivables from non-exchange transactions | 4 | 129 487 | 129 857 | 129 487 | 129 857 |
| Consumer debtors | 5 | 10 503 833 | 8 046 693 | 10 578 289 | 8 134 898 |
| Current portion of long term receivables | 6 | 6 124 | 6 075 | 6 124 | 6 075 |
| Call investment deposits | 7 | 272 733 | 597 199 | 230 000 | 540 000 |
| Investments | 8 | 8 275 963 | 4 476 399 | 8 200 000 | 4 400 000 |
| Cash and bank balances | 8 | 263 704 | 222 176 | 209 466 | 189 359 |
| | | 23 000 929 | 17 130 808 | 22 878 774 | 17 030 296 |
| Non-Current Assets | | | | | |
| Investment property | 9 | 238 698 | 259 757 | 189 937 | 208 976 |
| Property, plant and equipment | 10 | 55 453 570 | 53 641 272 | 55 176 711 | 53 345 839 |
| Intangible assets | 11 | 460 395 | 498 109 | 460 147 | 497 664 |
| Heritage assets | 12 | 69 517 | 68 230 | 69 517 | 68 230 |
| Investments in Municipal Entities | 13 | - | - | 695 808 | 695 808 |
| Interest in Joint Ventures | 14 | 54 549 | 63 490 | 54 549 | 63 490 |
| Deferred tax | 61 | 43 396 | 41 599 | - | - |
| Deferred income | | 773 | 981 | - | - |
| Long term receivables | 6 | 29 614 | 39 449 | 29 614 | 39 449 |
| | | 56 350 512 | 54 612 887 | 56 676 283 | 54 919 456 |
| Total Assets | | 79 351 441 | 71 743 695 | 79 555 057 | 71 949 752 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| External borrowings | 15 | 921 997 | 915 874 | 921 997 | 915 874 |
| Current tax payable | | 272 | - | - | - |
| Payables from exchange transactions | 16 | 8 294 275 | 7 953 393 | 8 287 001 | 7 957 799 |
| Transfers payable from non-exchange transactions | 17 | 21 694 | 14 296 | 30 247 | 23 613 |
| VAT payable | 18 | 811 510 | 545 425 | 806 537 | 544 767 |
| Consumer deposits | 19 | 2 736 568 | 2 623 288 | 2 712 723 | 2 609 576 |
| Employee benefit obligation | 20 | 951 439 | 808 994 | 951 439 | 808 994 |
| Unspent conditional grants and receipts | 21 | 2 500 923 | 882 647 | 2 500 923 | 882 647 |
| Provisions | 22 | 1 047 336 | 1 082 652 | 1 037 426 | 1 073 256 |
| | | 17 286 014 | 14 826 569 | 17 248 293 | 14 816 526 |
| Non-Current Liabilities | | | | | |
| External borrowings | 15 | 8 966 938 | 8 341 193 | 8 966 938 | 8 341 193 |
| Employee benefit obligation | 20 | 3 397 289 | 3 246 652 | 3 397 289 | 3 246 652 |
| Provisions | 22 | 1 438 159 | 1 553 225 | 1 437 449 | 1 552 426 |
| | | 13 802 386 | 13 141 070 | 13 801 676 | 13 140 271 |
| Total Liabilities | | 31 088 400 | 27 967 639 | 31 049 969 | 27 956 797 |
| | | 48 263 041 | 43 776 056 | 48 505 088 | 43 992 955 |

* See Note 45

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

| Figures in Rand thousand | Note(s) | Group and Municipality | | Municipality | |
|--------------------------|---------|------------------------|-------------------|-------------------|-------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Housing Development Fund | 23 | 57 470 | 57 470 | 57 470 | 57 470 |
| Accumulated surplus | | 48 205 571 | 43 718 586 | 48 447 618 | 43 935 485 |
| Total net assets | | 48 263 041 | 43 776 056 | 48 505 088 | 43 992 955 |

* See Note 45

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

STATEMENT OF FINANCIAL PERFORMANCE

| Figures in Rand thousand | Note(s) | Group and Municipality | | Municipality | |
|----------------------------------------------------------------|---------|------------------------|---------------------|---------------------|---------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Revenue | | | | | |
| Revenue from exchange transactions | | | | | |
| Service charges | 24 | 24 182 584 | 22 469 609 | 24 249 245 | 22 525 368 |
| Housing development construction contract revenue | 25 | 528 221 | 672 026 | 528 221 | 672 026 |
| Rental of facilities and equipment | 26 | 884 790 | 756 701 | 859 296 | 730 387 |
| Other income | 27 | 594 133 | 429 530 | 423 082 | 313 091 |
| Interest received | 28 | 1 575 697 | 578 896 | 1 560 833 | 570 827 |
| Gains on disposal of assets | | 13 095 | 13 469 | 13 160 | 13 589 |
| Total revenue from exchange transactions | | 27 778 520 | 24 920 231 | 27 633 837 | 24 825 288 |
| Revenue from non-exchange transactions | | | | | |
| Taxation revenue | | | | | |
| Fines | 29 | 157 929 | 139 757 | 157 929 | 139 757 |
| Property rates | 30 | 11 934 712 | 9 834 214 | 11 943 619 | 9 842 739 |
| Property rates - penalties imposed | 30 | 452 220 | 152 625 | 452 220 | 152 625 |
| Licences and permits | | 61 399 | 44 220 | 61 399 | 44 220 |
| Transfer revenue | | | | | |
| Government grants and subsidies | 31 | 7 678 496 | 6 967 306 | 7 678 496 | 6 967 306 |
| Levies | 32 | 3 379 795 | 3 012 812 | 3 379 795 | 3 012 812 |
| Public contributions and donations | | 4 517 | 12 947 | 3 478 | 12 244 |
| Reversal of loss on impairment - Property, plant and equipment | 10 | 17 008 | 26 641 | 17 008 | 26 641 |
| Donations - Property, plant and equipment | | 34 642 | 3 232 | 34 642 | 3 232 |
| Reversal of loss on impairment - Investment properties | 9 | - | 4 015 | - | 4 015 |
| Total revenue from non-exchange transactions | | 23 720 718 | 20 197 769 | 23 728 586 | 20 205 591 |
| Total revenue | | 51 499 238 | 45 118 000 | 51 362 423 | 45 030 879 |
| Expenditure | | | | | |
| Employee related costs | 33 | (12 193 266) | (11 463 177) | (12 009 502) | (11 309 139) |
| Remuneration of councillors | 34 | (136 714) | (134 416) | (136 714) | (134 416) |
| Amortisation - Intangible assets | 11 | (146 605) | (125 371) | (146 406) | (124 985) |
| Depreciation - Property, plant and equipment | 10 | (2 707 256) | (2 604 081) | (2 672 375) | (2 563 734) |
| Impairment loss - Property, plant and equipment | 10 | (39 483) | (78 641) | (39 483) | (78 641) |
| Finance costs | 35 | (959 509) | (904 112) | (959 509) | (904 112) |
| Lease rentals on operating lease | | (141 143) | (155 375) | (140 886) | (155 048) |
| Debt impairment | 49 | (3 576 021) | (3 138 670) | (3 572 215) | (3 136 848) |
| Depreciation - Investment properties | 9 | (2 485) | (2 699) | (602) | (550) |
| Electricity and Water consumption | 36 | (16 226 869) | (15 547 969) | (16 226 869) | (15 547 969) |
| Contracted services | 37 | (5 691 655) | (5 132 710) | (5 672 545) | (5 119 008) |
| Grants and subsidies | 38 | (688 552) | (514 115) | (874 506) | (707 456) |
| Housing development construction contract expenditure | 25 | (528 221) | (672 026) | (528 221) | (672 026) |
| Share of losses from Joint Ventures | 14 | (8 941) | (3 850) | (8 941) | (3 850) |
| General expenses | 39 | (4 008 877) | (3 258 465) | (3 903 499) | (3 149 080) |
| Total expenditure | | (47 055 597) | (43 735 677) | (46 892 273) | (43 606 862) |
| Surplus before taxation | | 4 443 641 | 1 382 323 | 4 470 150 | 1 424 017 |
| Taxation | 58 | 1 361 | 4 331 | - | - |

* See Note 45

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

| Figures in Rand thousand | Note(s) | Group and Municipality | | Municipality | |
|--------------------------------------------------------|---------|------------------------|-------------------|------------------|-------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Surplus for the year from continuing operations | | 4 445 002 | 1 386 654 | 4 470 150 | 1 424 017 |
| Changes in estimates | 59 | 41 983 | (22 318) | 41 983 | (22 318) |
| Surplus for the year | | 4 486 985 | 1 364 336 | 4 512 133 | 1 401 699 |

* See Note 45

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

STATEMENT OF CHANGES IN NET ASSETS

| Figures in Rand thousand | Housing development fund | Accumulated surplus | Total net assets |
|----------------------------------------------|--------------------------------|------------------------|-------------------|
| Group and Municipality | | | |
| Opening balance as previously reported | 57 470 | 42 667 911 | 42 725 381 |
| Adjustments | | | |
| Prior year adjustments (prior to 2021/22) | - | (313 661) | (313 661) |
| Balance at July 1, 2021 as restated | 57 470 | 42 354 250 | 42 411 720 |
| Changes in net assets | | | |
| Surplus for the year as previously reported | - | 1 207 990 | 1 207 990 |
| Total changes | - | 1 207 990 | 1 207 990 |
| Opening balance | 57 470 | 43 562 240 | 43 619 710 |
| Adjustments | | | |
| Prior year adjustments (2021/22) | - | 156 346 | 156 346 |
| Balance at July 01, 2022 as restated* | 57 470 | 43 718 586 | 43 776 056 |
| Changes in net assets | | | |
| Surplus for the year | - | 4 486 985 | 4 486 985 |
| Total changes | - | 4 486 985 | 4 486 985 |
| Balance at 30 June 2023 | 57 470 | 48 205 571 | 48 263 041 |
| Municipality | | | |
| Opening balance as previously reported | 57 470 | 42 848 829 | 42 906 299 |
| Adjustments | | | |
| Prior year adjustments (prior to 2021/22) | - | (315 043) | (315 043) |
| Balance at July 1, 2021 as restated | 57 470 | 42 533 786 | 42 591 256 |
| Changes in net assets | | | |
| Surplus for the year as previously reported | - | 1 243 721 | 1 243 721 |
| Total changes | - | 1 243 721 | 1 243 721 |
| Opening balance | 57 470 | 43 777 507 | 43 834 977 |
| Adjustments | | | |
| Prior year adjustments (2021/22) | - | 157 978 | 157 978 |
| Balance at July 01, 2022 as restated* | 57 470 | 43 935 485 | 43 992 955 |
| Changes in net assets | | | |
| Surplus for the year | - | 4 512 133 | 4 512 133 |
| Total changes | - | 4 512 133 | 4 512 133 |
| Balance at 30 June 2023 | 57 470 | 48 447 618 | 48 505 088 |

* See Note 45

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

| Figures in Rand thousand | Note(s) | Group and Municipality | | Municipality | |
|--------------------------------------------------------------------------------------------|---------|------------------------|--------------------|--------------------|--------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Cash flows from operating activities | | | | | |
| Receipts | | | | | |
| Ratepayers, consumers, government and other | | 46 907 186 | 41 850 667 | 46 784 335 | 41 748 318 |
| Interest on investments | | 523 297 | 242 838 | 509 231 | 235 485 |
| | | 47 430 483 | 42 093 505 | 47 293 566 | 41 983 803 |
| Payments | | | | | |
| Employee costs and suppliers | | (39 038 774) | (37 727 477) | (38 924 745) | (37 665 854) |
| Finance costs | | (857 170) | (827 235) | (857 170) | (827 235) |
| | | (39 895 944) | (38 554 712) | (39 781 915) | (38 493 089) |
| Net cash flows from operating activities | 40 | 7 534 539 | 3 538 793 | 7 511 651 | 3 490 714 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 10 | (4 507 482) | (3 790 185) | (4 491 114) | (3 781 410) |
| Proceeds from sale of property, plant and equipment, intangibles and investment properties | 10 | 31 632 | 25 006 | 31 631 | 25 001 |
| Purchase of intangible assets | 11 | (108 891) | (69 958) | (108 889) | (69 925) |
| Purchases of heritage assets | 12 | (1 287) | (485) | (1 287) | (485) |
| Increase in non-current receivables | | (16 012) | (10 848) | (16 012) | (10 848) |
| Net cash flows from investing activities | | (4 602 040) | (3 846 470) | (4 585 671) | (3 837 667) |
| Cash flows from financing activities | | | | | |
| Proceeds from external borrowings | | 1 500 000 | 1 000 000 | 1 500 000 | 1 000 000 |
| Repayment of external borrowings | | (915 873) | (850 706) | (915 873) | (850 706) |
| Net cash flows from financing activities | | 584 127 | 149 294 | 584 127 | 149 294 |
| Net increase/(decrease) in cash and cash equivalents | | 3 516 626 | (158 383) | 3 510 107 | (197 659) |
| Cash and cash equivalents at the beginning of the year | | 5 295 774 | 5 454 157 | 5 129 359 | 5 327 018 |
| Cash and cash equivalents at the end of the year | 8 | 8 812 400 | 5 295 774 | 8 639 466 | 5 129 359 |

Purchases of capital assets exclude non-cash items such as donations valued at R34.6million in the current year (2022: R3.2million). Interest revenue received excludes accrued interest of R51.0million (2022: R17.0million). Finance costs paid excludes accrued finance costs of R47.7million (2022: R49.1million). In the prior year the interest received and finance costs paid included amounts accrued. Comparative figures have been adjusted.

* See Note 45

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Figures in Rand thousand

Group and Municipality

Statement of Financial Performance

Revenue

| | | | | | | |
|----------------------|-------------------|------------------|-------------------|-------------------|--------------------|------------|
| Property rates | 10 714 977 | 1 233 689 | 11 948 666 | 11 934 712 | (13 954) | 100% |
| Service charges | 24 751 487 | 100 000 | 24 851 487 | 24 182 584 | (668 903) | 97% |
| Investment revenue | 260 909 | 307 053 | 567 962 | 574 278 | 6 316 | 101% |
| Transfers recognised | 8 561 958 | (306 811) | 8 255 147 | 7 678 496 | (576 651) | 93% |
| Other revenue | 5 490 570 | 2 070 433 | 7 561 003 | 7 129 168 | (431 835) | 94% |
| Total revenue | 49 779 901 | 3 404 364 | 53 184 265 | 51 499 238 | (1 685 027) | 97% |

Expenditure

| | | | | | | |
|-----------------------------------|---------------------|--------------------|---------------------|---------------------|--------------------|------------|
| Employee related costs | (12 769 729) | 346 792 | (12 422 937) | (12 193 266) | 229 671 | 98% |
| Remuneration of councillors | (138 797) | 2 803 | (135 994) | (136 714) | (720) | 101% |
| Depreciation and asset impairment | (3 010 380) | 132 | (3 010 248) | (2 895 829) | 114 419 | 96% |
| Finance costs | (899 834) | (37 146) | (936 980) | (959 509) | (22 529) | 102% |
| Debt impairment | (1 957 158) | (1 564 347) | (3 521 505) | (3 576 021) | (54 516) | 102% |
| Materials and bulk purchases | (16 789 810) | (299 024) | (17 088 834) | (18 248 357) | (1 159 523) | 107% |
| Transfers and grants | (692 146) | 24 513 | (667 633) | (688 552) | (20 919) | 103% |
| Other expenditure | (9 580 040) | (2 120 631) | (11 700 671) | (8 348 408) | 3 352 263 | 71% |
| Total expenditure | (45 837 894) | (3 646 908) | (49 484 802) | (47 046 656) | 2 438 146 | 95% |

Operating surplus

| | | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Operating surplus | 3 942 007 | (242 544) | 3 699 463 | 4 452 582 | 753 119 | |
| Share of losses from Joint Ventures | - | - | - | (8 941) | (8 941) | |
| Taxation | - | - | - | 1 361 | 1 361 | |
| | - | - | - | (7 580) | (7 580) | |

| | | | | | | |
|----------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Surplus / (Deficit) | 3 942 007 | (242 544) | 3 699 463 | 4 445 002 | 745 539 | |
|----------------------------|------------------|------------------|------------------|------------------|----------------|--|

| | | | | | | |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Surplus for the year before changes in estimates | 3 942 007 | (242 544) | 3 699 463 | 4 445 002 | 745 539 | |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|----------------|--|

| | | | | | | |
|----------------------|---|---|---|--------|---------------|--|
| Changes in estimates | - | - | - | 41 983 | 41 983 | |
|----------------------|---|---|---|--------|---------------|--|

| | | | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Surplus for the year | 3 942 007 | (242 544) | 3 699 463 | 4 486 985 | 787 522 | |
|-----------------------------|------------------|------------------|------------------|------------------|----------------|--|

Capital expenditure and funds sources

| | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------|
| Transfers recognised - capital | 3 448 307 | (424 099) | 3 024 208 | 2 275 984 | (748 224) | 75% |
| Public contributions and donations | 5 000 | 170 | 5 170 | 2 783 | (2 387) | 54% |
| Borrowing | 1 500 000 | - | 1 500 000 | 1 500 000 | - | 100% |
| Internally generated funds | 636 204 | 139 758 | 775 962 | 985 242 | 209 280 | 127% |
| Total capital expenditure | 5 589 511 | (284 171) | 5 305 340 | 4 764 009 | (541 331) | 90% |

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

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 | Variance |
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|----------|
|--|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|----------|

Figures in Rand thousand

Municipality

Statement of Financial Performance

Revenue

| | | | | | | |
|----------------------|-------------------|------------------|-------------------|-------------------|--------------------|------------|
| Property rates | 10 714 977 | 1 233 689 | 11 948 666 | 11 943 619 | (5 047) | 100% |
| Service charges | 24 751 487 | 100 000 | 24 851 487 | 24 249 245 | (602 242) | 98% |
| Investment revenue | 257 600 | 300 763 | 558 363 | 560 212 | 1 849 | 100% |
| Transfers recognised | 8 560 754 | (306 691) | 8 254 063 | 7 678 496 | (575 567) | 93% |
| Other revenue | 5 078 174 | 2 015 346 | 7 093 520 | 6 930 851 | (162 669) | 98% |
| Total revenue | 49 362 992 | 3 343 107 | 52 706 099 | 51 362 423 | (1 343 676) | 97% |

Expenditure

| | | | | | | |
|-----------------------------------|---------------------|--------------------|---------------------|---------------------|--------------------|------------|
| Employee related costs | (12 616 288) | 373 236 | (12 243 052) | (12 009 502) | 233 550 | 98% |
| Remuneration of councillors | (138 797) | 2 803 | (135 994) | (136 714) | (720) | 101% |
| Depreciation and asset impairment | (2 956 523) | 132 | (2 956 391) | (2 858 866) | 97 525 | 97% |
| Finance costs | (899 834) | (37 146) | (936 980) | (959 509) | (22 529) | 102% |
| Debt impairment | (1 954 348) | (1 562 497) | (3 516 845) | (3 572 215) | (55 370) | 102% |
| Materials and bulk purchases | (16 758 225) | (290 548) | (17 048 773) | (18 229 355) | (1 180 582) | 107% |
| Transfers and grants | (692 104) | 27 752 | (664 352) | (874 506) | (210 154) | 132% |
| Other expenditure | (9 311 615) | (2 132 393) | (11 444 008) | (8 242 665) | 3 201 343 | 72% |
| Total expenditure | (45 327 734) | (3 618 661) | (48 946 395) | (46 883 332) | 2 063 063 | 96% |

Operating surplus

| | | | | | | |
|-------------------------------------|---|---|---|---------|----------------|--|
| Share of losses from Joint Ventures | - | - | - | (8 941) | (8 941) | |
|-------------------------------------|---|---|---|---------|----------------|--|

| | | | | | | |
|----------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Surplus / (Deficit) | 4 035 258 | (275 554) | 3 759 704 | 4 470 150 | 710 446 | |
|----------------------------|------------------|------------------|------------------|------------------|----------------|--|

| | | | | | | |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Surplus for the year before changes in estimates | 4 035 258 | (275 554) | 3 759 704 | 4 470 150 | 710 446 | |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|----------------|--|

| | | | | | | |
|----------------------|---|---|---|--------|---------------|--|
| Changes in estimates | - | - | - | 41 983 | 41 983 | |
|----------------------|---|---|---|--------|---------------|--|

| | | | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|----------------|--|
| Surplus for the year | 4 035 258 | (275 554) | 3 759 704 | 4 512 133 | 752 429 | |
|-----------------------------|------------------|------------------|------------------|------------------|----------------|--|

Capital expenditure and funds sources

| | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------|
| Transfers recognised - capital | 3 448 307 | (424 099) | 3 024 208 | 2 275 984 | (748 224) | 75% |
| Public contributions and donations | 5 000 | 170 | 5 170 | 2 783 | (2 387) | 54% |
| Borrowing | 1 500 000 | - | 1 500 000 | 1 500 000 | - | 100% |
| Internally generated funds | 579 054 | 146 308 | 725 362 | 968 069 | 242 707 | 133% |
| Total capital expenditure | 5 532 361 | (277 621) | 5 254 740 | 4 746 836 | (507 904) | 90% |

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 2023 were authorized for issue by the Accounting Officer on 29 September 2023 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 period 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 Financial Statements.

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

Interpretation: The Effect of Past Decisions on Materiality

This Interpretation addresses the following issues:

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Basis of preparation (continued)

- Whether past decisions about materiality affect subsequent reporting periods. The consensus is that materiality is period-specific and do not affect subsequent reporting periods unless an error occurred.

- Whether applying alternative accounting treatments based on materiality is a departure from the Standards of GRAP or an error. The consensus is that the application of materiality and alternative accounting treatments are not errors and are not departures from the Standards of GRAP.

The adoption of IGRAP 21 in future years when the Standard becomes effective will not have an impact on presentation and disclosure. The Standard mainly addresses issues pertaining to assets that were not capitalised in the prior reporting periods due to materiality considerations. The Municipality does not have a capitalization threshold and as a result an asset that meets the definition and recognition criteria is capitalised during that reporting period. Errors identified are accounted for in accordance with GRAP 3.

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).

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 2022 to 30 June 2023.

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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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 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 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 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 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 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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Materiality (continued)

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 Financial Statements that will enable them to make informed decisions.

| | |
|----------------------------------------------|-----------------|
| Element: | Total Assets |
| Baseline (R) - 30 June 2022 audited figures: | R72 365 163 000 |
| Percentage (%) | 0.375% |
| Materiality level (R) | R271 369 361 |

Overall materially at a Financial Statement level is R271 369 361.

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 30 June 2023

Accounting Policies

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 30 June 2023

Accounting Policies

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 a defined contribution fund.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 30 June 2023

Accounting Policies

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 30 June 2023

Accounting Policies

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. Damaged assets are tested for impairment only when there is a significant or permanent decline in the service potential of the asset. In determining whether a decline is significant, management considers the relative costs of providing the service before and after the decline, the percentage decline in service potential or other considerations. The decline is considered to be permanent when management has no reasonable expectation that the lost service potential will be replaced or restored. Significant or permanent decline in the service potential of the asset excludes minor damages that could be rectified through repairs and maintenance.

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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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Accounting Policies

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.

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Accounting Policies

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:

| Asset / Component | Useful life |
|--------------------------|--------------------|
| 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 30 June 2023

Accounting Policies

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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Property, plant and equipment (continued)

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

| Asset / Component | Useful Life (Years) |
|---------------------------------------------------------------|----------------------------|
| 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 30 June 2023

Accounting Policies

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 Municipal 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 30 June 2023

Accounting Policies

1.16 Investments in Municipal 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 proportionate consolidation method. Under the proportionate consolidation method the group's share of each of the assets, liabilities, revenue and expenses of the investment is combined line by line with similar items in the group annual financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity.

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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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Accounting Policies

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 30 June 2023

Accounting Policies

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.

eThekweni Municipality and its Municipal Entities

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Accounting Policies

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.

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Accounting Policies

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.

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Accounting Policies

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.

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Accounting Policies

1.27 Taxation (continued)

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.

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.

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Accounting Policies

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.

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.

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Accounting Policies

1.31 Impairment of cash-generating assets (continued)

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 receivables, 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.

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.

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1.34 Statutory receivables and payables (continued)

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 receivables, 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:

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.

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1.34 Statutory receivables and payables (continued)

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.

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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 23).

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.

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Accounting Policies

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. Further details are disclosed on accounting policy 1.19: Grants, Transfers and Donations.

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.

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Accounting Policies

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.

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Accounting Policies

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.

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Accounting Policies

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

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Accounting Policies

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 and waste management services.

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 Annual 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.

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Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 2. Inventories | | | | |
| Food and beverages | 5 072 | 3 918 | - | - |
| Consumable stores | 782 048 | 872 319 | 776 037 | 867 871 |
| Water for distribution | 23 593 | 22 211 | 23 593 | 22 211 |
| Merchandise | 820 | 859 | - | - |
| | 811 533 | 899 307 | 799 630 | 890 082 |

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

There are no inventory items with restrictions on title or held as security for liabilities.

3. Receivables from exchange transactions

| | | | | |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Prepayments | 92 273 | 114 685 | 89 533 | 112 461 |
| Other Debtors (mainly in respect of sundry services and interest on outstanding debt) | 2 917 652 | 2 542 372 | 2 899 801 | 2 526 666 |
| Provision for Bad debts - Other (mainly in respect of Sundry services and interest on outstanding debt) | (2 511 020) | (2 093 655) | (2 502 203) | (2 088 637) |
| Debtor - DOHS | 4 798 073 | 4 723 778 | 4 798 073 | 4 723 778 |
| Provision for Bad Debts - DOHS | (2 644 219) | (2 613 695) | (2 644 219) | (2 613 695) |
| Accruals | 84 793 | 79 452 | 84 793 | 79 452 |
| | 2 737 552 | 2 752 937 | 2 725 778 | 2 740 025 |

4. Receivables from non-exchange transactions

| | | | | |
|---------------------------------------------|----------------|----------------|----------------|----------------|
| Traffic fines | 256 068 | 201 525 | 256 068 | 201 525 |
| Provision for bad debts - traffic fines | (231 189) | (177 358) | (231 189) | (177 358) |
| Grants receivable | 104 985 | 105 690 | 104 985 | 105 690 |
| Provision for bad debts - grants receivable | (377) | - | (377) | - |
| | 129 487 | 129 857 | 129 487 | 129 857 |

Reconciliation of traffic fine debtors:

| Reconciliation of traffic fine debtors - 2023 | Opening balance | Write-off | Restated opening balance | Net increase / (decrease) | Change in estimate | Closing balance |
|-----------------------------------------------|-----------------|-----------|--------------------------|---------------------------|--------------------|-----------------|
| Fines | 201 525 | (63 547) | 137 978 | 131 340 | (13 250) | 256 068 |
| Provision for bad debts | (177 358) | 63 547 | (113 811) | (118 579) | 1 201 | (231 189) |
| | 24 167 | - | 24 167 | 12 761 | (12 049) | 24 879 |

| 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) |
| | 42 320 | - | 42 320 | 12 703 | (30 856) | 24 167 |

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

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 period | 140 256 | 114 251 | 140 256 | 114 251 |
| Fine revenue received for the period | (8 916) | (8 322) | (8 916) | (8 322) |
| | 131 340 | 105 929 | 131 340 | 105 929 |

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

- (1) Average % of fines disputed: 66.03% (June 2022: 70.00%);
- (2) Average success rate of disputed fines: 98.71% (June 2022: 98.63%);
- (3) Average collection rate: 9.72% (June 2022: 11.99%).

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 amount written off is in accordance with the 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. The amount written off has reduced from the previous year due to the following interventions that were introduced for the execution of Warrants / Service of summons by police officers:

- each member is required to undertake a minimum of five checks per day on motorists for outstanding warrants or fines
- regional executions are in progress for daily execution on motorists
- a dedicated team has been deployed to serve summons regionally (house calls)
- an additional team is working simultaneously on individuals on the top 100 fines outstanding list to serve summons or execute warrants. In cases where these individuals are taken to Court, the team members to ensure attendance to secure a successful finalisation of the warrants
- increase in number of roadblocks

The decrease in the change in estimate on fine debtors when compared to the previous year was mainly attributable to a decrease in the number of disputed fines. The value of traffic fines reduced and withdrawn has decreased substantially when compared to the previous year. The collection rate has deteriorated due to the tough economic conditions giving rise to high unemployment rates, increase in food and fuel prices, hike in interest rates and general decrease in disposable incomes, which collectively increases the value of traffic fines that become irrecoverable. The number of traffic violations have increased when compared to the previous financial year, which has resulted in an increase in outstanding fine debtors.

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Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|---------------------------------------------------------------------|------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 4. Receivables from non-exchange transactions (continued) | | | | |
| Grants receivable | | | | |
| Provincial Health subsidy | 104 608 | 105 313 | 104 608 | 105 313 |
| Local Government Finance Management grant | 377 | 377 | 377 | 377 |
| Provision for bad debts - Local Government Finance Management grant | (377) | - | (377) | - |
| | 104 608 | 105 690 | 104 608 | 105 690 |

In the previous financial year, the amount for grants receivable was disclosed under note 3 - receivables from exchange transactions. This amount has been reclassified to correctly reflect the nature of the receivable. The comparative figures have been restated accordingly.

Included in the R104.99million (2022: R105.69 million) is the amount of R377thousand relating to the portion of the Local Government Finance Management grant that was not received in the previous year. The collectability of this amount became doubtful in the current financial year, and accordingly, the impairment loss of R377thousand was recognised. No impairment loss was recognised in the previous year for this amount.

The Provincial Health subsidy is a reimbursive grant where the Municipality submits claims for payment based on expenditure incurred. Included in the grant receivable is an amount of R104.6million (2022: R105.3million) relating to claims submitted based on expenditure incurred, where the Municipality is awaiting payment from the Provincial Health Department upon finalisation of the claims.

5. Consumer debtors

Gross balances

| | | | | |
|----------------|-------------------|-------------------|-------------------|-------------------|
| Rates | 6 456 967 | 5 093 409 | 6 492 965 | 5 124 872 |
| Electricity | 5 123 513 | 4 399 038 | 5 169 645 | 4 445 765 |
| Water | 9 907 927 | 7 396 253 | 9 908 283 | 7 408 595 |
| Refuse | 840 028 | 586 411 | 840 182 | 588 055 |
| Housing rental | 166 332 | 128 432 | 166 332 | 128 432 |
| Waste water | 1 638 191 | 1 148 571 | 1 638 255 | 1 151 593 |
| ICC debtors | 8 399 | 7 137 | - | - |
| | 24 141 357 | 18 759 251 | 24 215 662 | 18 847 312 |

Less: Allowance for impairment

| | | | | |
|----------------|---------------------|---------------------|---------------------|---------------------|
| Rates | (1 146 091) | (1 256 645) | (1 146 091) | (1 256 645) |
| Electricity | (2 622 505) | (2 134 112) | (2 622 505) | (2 134 112) |
| Water | (7 790 512) | (5 856 022) | (7 790 512) | (5 856 022) |
| Refuse | (681 024) | (467 785) | (681 024) | (467 785) |
| Housing rental | (155 319) | (117 737) | (155 319) | (117 737) |
| Waste water | (1 241 922) | (880 113) | (1 241 922) | (880 113) |
| ICC debtors | (151) | (144) | - | - |
| | (13 637 524) | (10 712 558) | (13 637 373) | (10 712 414) |

Net balance

| | | | | |
|----------------|-------------------|------------------|-------------------|------------------|
| Rates | 5 310 876 | 3 836 764 | 5 346 874 | 3 868 227 |
| Electricity | 2 501 008 | 2 264 926 | 2 547 140 | 2 311 653 |
| Water | 2 117 415 | 1 540 231 | 2 117 771 | 1 552 573 |
| Refuse | 159 004 | 118 626 | 159 158 | 120 270 |
| Housing rental | 11 013 | 10 695 | 11 013 | 10 695 |
| Waste water | 396 269 | 268 458 | 396 333 | 271 480 |
| ICC debtors | 8 248 | 6 993 | - | - |
| | 10 503 833 | 8 046 693 | 10 578 289 | 8 134 898 |

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Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|----------------------------------------------------------------------------------------------|------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 5. Consumer debtors (continued) | | | | |
| Included in above is receivables from exchange transactions | | | | |
| Electricity | 2 501 008 | 2 264 926 | 2 547 140 | 2 311 653 |
| Water | 2 117 415 | 1 540 231 | 2 117 771 | 1 552 573 |
| Waste water | 396 269 | 268 458 | 396 333 | 271 480 |
| Refuse | 159 004 | 118 626 | 159 158 | 120 270 |
| Housing rental | 11 013 | 10 695 | 11 013 | 10 695 |
| ICC debtors | 8 248 | 6 993 | - | - |
| | 5 192 957 | 4 209 929 | 5 231 415 | 4 266 671 |
| Included in above is receivables from non-exchange transactions (taxes and transfers) | | | | |
| Rates | 5 310 876 | 3 836 764 | 5 346 874 | 3 868 227 |
| Net balance | 10 503 833 | 8 046 693 | 10 578 289 | 8 134 898 |
| Rates | | | | |
| Current (0 -30 days) | 782 148 | 583 588 | 818 146 | 615 051 |
| 31 - 60 days | 388 693 | 275 709 | 388 693 | 275 709 |
| 61 - 90 days | 206 145 | 142 172 | 206 145 | 142 172 |
| 91 - 120 days | 184 509 | 129 766 | 184 509 | 129 766 |
| > 120 days | 4 895 472 | 3 962 174 | 4 895 472 | 3 962 174 |
| | 6 456 967 | 5 093 409 | 6 492 965 | 5 124 872 |
| Electricity, Water, Refuse and Waste Water | | | | |
| Current (0 -30 days) | 3 803 990 | 2 933 930 | 3 850 696 | 2 997 665 |
| 31 - 60 days | 811 702 | 649 089 | 811 702 | 649 089 |
| 61 - 90 days | 595 252 | 500 497 | 595 252 | 500 497 |
| 91 - 120 days | 327 148 | 423 621 | 327 148 | 423 621 |
| > 120 days | 11 971 567 | 9 023 136 | 11 971 567 | 9 023 136 |
| | 17 509 659 | 13 530 273 | 17 556 365 | 13 594 008 |
| Housing rental | | | | |
| Current (0 -30 days) | 6 386 | 7 058 | 6 386 | 7 058 |
| 31 - 60 days | 4 127 | 3 636 | 4 127 | 3 636 |
| 61 - 90 days | 3 916 | 3 039 | 3 916 | 3 039 |
| 91 - 120 days | 3 850 | 2 988 | 3 850 | 2 988 |
| > 120 days | 148 053 | 111 711 | 148 053 | 111 711 |
| | 166 332 | 128 432 | 166 332 | 128 432 |
| ICC debtors | | | | |
| Current (0 -30 days) | 5 968 | 5 845 | - | - |
| 31 - 60 days | 2 065 | 977 | - | - |
| 61 - 90 days | 12 | 87 | - | - |
| > 90 days | 354 | 228 | - | - |
| | 8 399 | 7 137 | - | - |

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|---------------------------------------------------|------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 5. Consumer debtors (continued) | | | | |
| Reconciliation of allowance for impairment | | | | |
| Balance at beginning of the year | 10 712 558 | 8 046 684 | 10 712 414 | 8 045 839 |
| Contributions to allowance | 3 011 865 | 2 730 363 | 3 011 858 | 2 731 064 |
| Debt impairment written off against allowance | (86 899) | (64 489) | (86 899) | (64 489) |
| | 13 637 524 | 10 712 558 | 13 637 373 | 10 712 414 |

The main reason for the increase in the outstanding debtor balances is due to slow payment patterns from customers. Many factors contribute to customers not being able to service outstanding debt, such as the declining state of the economy in general, tariff increases and outstanding litigation matters. The Municipality also introduced surcharges on water and sanitation services during the current year, which contributed to the increase in the outstanding debtor balances. Further details on these surcharges are explained in the note on service charges. The declining state of the economy also resulted in an increase in interest rates in an attempt to fight against the rise in inflation rates. The prime interest rate increased from 8.25% during the previous reporting period to 11.75% in the current year, which resulted in a significant increase in interest raised on outstanding debt as disclosed in the note relating to interest revenue.

The last general valuation came into effect on 1 July 2022, which contributed to an increase in rates debtors and revenue due to an increase in the valuation of properties. The Municipality also introduced a new rates randage for properties used for Public Service purposes and increased the rates randage for vacant land, which contributed to an increase in both property rates debtors and revenue. Further details are disclosed on the note relating to property rates.

In order to reduce the debtor balances, the Council is using measures such as disconnections, tampering and investigations, appointment of debt collectors, focus on high debtors, one on one sessions with state owned entities and government departments, one on one sessions with major debtors and legal processes. A task team comprising of KZN CoGTA, eThekwini Municipality and Ingonyama Trust has been established to deal with the growing Ingonyama Trust related debt.

6. Long-term receivables

| | | | | |
|-----------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Loan: Durban Point Development Company Proprietary Limited | 144 196 | 124 043 | 144 196 | 124 043 |
| Housing selling scheme loans | 73 737 | 73 366 | 73 737 | 73 366 |
| First Metro housing loans | 17 188 | 15 989 | 17 188 | 15 989 |
| Study assistance schemes | 22 387 | 29 085 | 22 387 | 29 085 |
| Debt impairment: Durban Point Development Company Proprietary Limited | (144 196) | (124 043) | (144 196) | (124 043) |
| Debt impairment: Housing selling scheme loans | (60 386) | (56 927) | (60 386) | (56 927) |
| Debt impairment: First Metro housing loans | (17 188) | (15 989) | (17 188) | (15 989) |
| | 35 738 | 45 524 | 35 738 | 45 524 |

Less: Current portion transferred to current receivables

| | | | | |
|-----------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Loan: Durban Point Development Company Proprietary Limited | 144 196 | - | 144 196 | - |
| Housing selling scheme loans | 62 840 | 60 564 | 62 840 | 60 564 |
| First Metro housing loans | 15 174 | 12 366 | 15 174 | 12 366 |
| Study assistance schemes | 2 685 | 2 438 | 2 685 | 2 438 |
| Debt impairment: Durban Point Development Company Proprietary Limited | (144 196) | - | (144 196) | - |
| Debt impairment: Housing selling scheme loans | (59 401) | (56 927) | (59 401) | (56 927) |
| Debt impairment: First Metro housing loans | (15 174) | (12 366) | (15 174) | (12 366) |
| | 6 124 | 6 075 | 6 124 | 6 075 |

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Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|---------------------------------------------|------------------------|--------|--------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| 6. Long-term receivables (continued) | | | | |
| Non-current portion | 29 614 | 39 449 | 29 614 | 39 449 |
| Current portion | 6 124 | 6 075 | 6 124 | 6 075 |

Study assistance schemes

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. The rates receivable amount has been reclassified to current portion since the whole balance has become due and payable within the next period of 12 months. The deferral arrangement in place was not renewed.

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.

7. Call investment deposits

| | | | | |
|-----------------|---------|---------|---------|---------|
| 30 Day deposits | 272 733 | 597 199 | 230 000 | 540 000 |
|-----------------|---------|---------|---------|---------|

8. Cash and bank balances

Cash and cash equivalents consist of:

| | | | | |
|--------------------------|------------------|------------------|------------------|------------------|
| Cash on hand | 14 223 | 21 483 | 13 661 | 20 892 |
| Bank balances | 534 573 | 1 541 882 | 480 897 | 1 509 656 |
| Bank overdraft | (285 092) | (1 341 189) | (285 092) | (1 341 189) |
| | 263 704 | 222 176 | 209 466 | 189 359 |
| Call Investment Deposits | 272 733 | 597 199 | 230 000 | 540 000 |
| Investments | 8 275 963 | 4 476 399 | 8 200 000 | 4 400 000 |
| | 8 812 400 | 5 295 774 | 8 639 466 | 5 129 359 |

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.

eThekweni Municipality and its Municipal Entities

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

9. Investment property

| Group and Municipality | 2023 | | | 2022 | | |
|------------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Revenue Generating | 148 593 | (65 418) | 83 175 | 148 739 | (62 943) | 85 796 |
| Non-revenue Generating | 158 200 | (2 677) | 155 523 | 232 638 | (58 677) | 173 961 |
| Total | 306 793 | (68 095) | 238 698 | 381 377 | (121 620) | 259 757 |

| Municipality | 2023 | | | 2022 | | |
|------------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Revenue generating | 59 354 | (24 941) | 34 413 | 59 353 | (24 338) | 35 015 |
| Non-revenue generating | 158 201 | (2 677) | 155 524 | 232 639 | (58 678) | 173 961 |
| Total | 217 555 | (27 618) | 189 937 | 291 992 | (83 016) | 208 976 |

Reconciliation of investment property - Group and Municipality - 2023

| | Opening balance | Disposals | Transfers | Depreciation | Total |
|------------------------|-----------------|-----------------|----------------|----------------|----------------|
| Revenue Generating | 85 796 | - | (136) | (2 485) | 83 175 |
| Non-revenue Generating | 173 961 | (17 035) | (1 403) | - | 155 523 |
| | 259 757 | (17 035) | (1 539) | (2 485) | 238 698 |

Reconciliation of investment property - Group and Municipality - 2022

| | Opening balance | Disposals | Transfers | Impairment reversal | Depreciation | Total |
|------------------------|-----------------|----------------|-----------------|---------------------|----------------|----------------|
| Revenue Generating | 87 268 | - | 1 227 | - | (2 699) | 85 796 |
| Non-revenue Generating | 199 550 | (8 599) | (21 005) | 4 015 | - | 173 961 |
| | 286 818 | (8 599) | (19 778) | 4 015 | (2 699) | 259 757 |

Reconciliation of investment property - Municipality - 2023

| | Opening balance | Disposals | Transfers | Depreciation | Total |
|------------------------|-----------------|-----------------|----------------|--------------|----------------|
| Revenue generating | 35 015 | - | - | (602) | 34 413 |
| Non-revenue generating | 173 961 | (17 034) | (1 403) | - | 155 524 |
| | 208 976 | (17 034) | (1 403) | (602) | 189 937 |

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

9. Investment property (continued)

Reconciliation of investment property - Municipality - 2022

| | Opening balance | Disposals | Transfers | Impairment reversal | Depreciation | Total |
|------------------------|-----------------|----------------|-----------------|---------------------|--------------|----------------|
| Revenue generating | 34 338 | - | 1 227 | - | (550) | 35 015 |
| Non-revenue generating | 199 550 | (8 599) | (21 005) | 4 015 | - | 173 961 |
| | 233 888 | (8 599) | (19 778) | 4 015 | (550) | 208 976 |

Other information

The Municipality lets properties under operating leases. Property rental income earned during the year was R137.33million (2022: R121.27million) - (refer note 25). The operating costs related to the rental of these properties amounted to R16.87million (2022: R20.48million). 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 R0.325million in the current financial year (2022: R0.451million). 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 in the prior year is attributable to changes in the market values of investment properties based on open market value for existing use. There was no impairment loss reported for the current financial year.

Proceeds from the disposal of investment properties amounted to R18.88 million, being the carrying value of the disposed assets of R17.03million and the profit on the disposals of assets amounting to R1.85 million of the profit of R13.12 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 R26.73million (2022: R28.58million). The operating costs related to the rental of these properties amounted to R21.43million (2022: R17.64million). There is no item of investment property with restrictions on title or held as security for liabilities. There were no proceeds realised from the sale of investment property relating to Durban Marine Theme Park.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

10. Property, plant and equipment

| Group and Munici | 2023 | | | 2022 | | |
|---------------------------------|---------------------|-----------------------------------------------------------------|-------------------|---------------------|-----------------------------------------------------------------|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land and buildings | 5 889 174 | (2 143 588) | 3 745 586 | 5 641 521 | (1 988 646) | 3 652 875 |
| Plant and machinery | 2 561 122 | (2 089 715) | 471 407 | 2 445 765 | (1 949 587) | 496 178 |
| Furniture and fixtures | 549 367 | (469 177) | 80 190 | 540 814 | (418 729) | 122 085 |
| Motor vehicles | 5 697 137 | (3 781 615) | 1 915 522 | 4 949 580 | (3 536 419) | 1 413 161 |
| IT equipment | 1 460 692 | (1 166 334) | 294 358 | 1 416 505 | (1 078 115) | 338 390 |
| Infrastructure | 60 227 570 | (18 807 131) | 41 420 439 | 57 357 569 | (17 232 509) | 40 125 060 |
| Community | 12 137 712 | (4 698 718) | 7 438 994 | 11 758 676 | (4 336 767) | 7 421 909 |
| Living resources | 744 | (643) | 101 | 647 | (622) | 25 |
| Housing Development Fund assets | 156 987 | (70 014) | 86 973 | 140 378 | (68 789) | 71 589 |
| Total | 88 680 505 | (33 226 935) | 55 453 570 | 84 251 455 | (30 610 183) | 53 641 272 |

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Figures in Rand thousand

10. Property, plant and equipment (continued)

| Municipality | 2023 | | | 2022 | | |
|---------------------------------|---------------------|-----------------------------------------------------------------|-------------------|---------------------|-----------------------------------------------------------------|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land and buildings | 5 307 829 | (1 793 497) | 3 514 332 | 5 066 603 | (1 660 116) | 3 406 487 |
| Plant and machinery | 2 397 205 | (1 953 982) | 443 223 | 2 287 030 | (1 820 561) | 466 469 |
| Furniture and fixtures | 476 011 | (410 934) | 65 077 | 469 133 | (365 016) | 104 117 |
| Motor vehicles | 5 695 303 | (3 780 521) | 1 914 782 | 4 948 341 | (3 535 286) | 1 413 055 |
| IT equipment | 1 450 869 | (1 158 078) | 292 791 | 1 406 432 | (1 069 303) | 337 129 |
| Infrastructure | 60 227 575 | (18 807 138) | 41 420 437 | 57 357 543 | (17 232 484) | 40 125 059 |
| Community | 12 137 713 | (4 698 718) | 7 438 995 | 11 758 676 | (4 336 767) | 7 421 909 |
| Living resources | 744 | (643) | 101 | 647 | (622) | 25 |
| Housing Development Fund assets | 156 987 | (70 014) | 86 973 | 140 378 | (68 789) | 71 589 |
| Total | 87 850 236 | (32 673 525) | 55 176 711 | 83 434 783 | (30 088 944) | 53 345 839 |

Reconciliation of property, plant and equipment - Group and Municipality - 2023

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

10. Property, plant and equipment (continued)

| | Opening balance | Additions | Disposals | Transfers | Work-in-progress | Depreciation | Impairment loss | Impairment reversal | Total |
|--------------------------|-------------------|------------------|----------------|--------------|------------------|--------------------|-----------------|---------------------|-------------------|
| Land and buildings | 3 652 875 | 177 588 | (23) | 231 | 69 893 | (153 632) | (1 346) | - | 3 745 586 |
| Plant and machinery | 496 178 | 109 050 | (16) | (40) | 8 198 | (141 963) | - | - | 471 407 |
| Furniture and fixtures | 122 085 | 13 485 | (114) | (1 528) | - | (53 738) | - | - | 80 190 |
| Motor vehicles | 1 413 161 | 840 442 | (363) | (1 030) | (21 061) | (315 627) | - | - | 1 915 522 |
| IT equipment | 338 390 | 57 666 | (920) | 2 359 | 555 | (103 692) | - | - | 294 358 |
| Infrastructure | 40 125 060 | 2 150 337 | (65) | 1 403 | 722 556 | (1 559 561) | (19 291) | - | 41 420 439 |
| Community | 7 421 909 | 215 651 | - | - | 181 093 | (377 821) | (18 846) | 17 008 | 7 438 994 |
| Living resources | 25 | 97 | - | - | - | (21) | - | - | 101 |
| Housing development fund | 71 589 | - | (1) | 12 | 16 574 | (1 201) | - | - | 86 973 |
| | 53 641 272 | 3 564 316 | (1 502) | 1 407 | 977 808 | (2 707 256) | (39 483) | 17 008 | 55 453 570 |

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 | 3 667 428 | 119 294 | - | 2 905 | 21 206 | (156 153) | (1 805) | - | 3 652 875 |
| Plant and machinery | 523 515 | 89 762 | (266) | 637 | 11 943 | (129 413) | - | - | 496 178 |
| Furniture and fixtures | 154 010 | 16 780 | (500) | (692) | (3 736) | (43 768) | (9) | - | 122 085 |
| Motor vehicles | 1 297 044 | 427 434 | (989) | - | - | (308 689) | (1 639) | - | 1 413 161 |
| IT equipment | 346 074 | 81 171 | (1 171) | 170 | 83 | (87 937) | - | - | 338 390 |
| Infrastructure | 39 130 559 | 1 894 964 | (4) | (138) | 701 536 | (1 528 598) | (73 259) | - | 40 125 060 |
| Community | 7 301 500 | 364 953 | - | 17 077 | 61 949 | (348 282) | (1 929) | 26 641 | 7 421 909 |
| Living resources | 33 | - | - | - | - | (8) | - | - | 25 |
| Housing development fund | 66 753 | 19 | (8) | - | 6 058 | (1 233) | - | - | 71 589 |
| | 52 486 916 | 2 994 377 | (2 938) | 19 959 | 799 039 | (2 604 081) | (78 641) | 26 641 | 53 641 272 |

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Figures in Rand thousand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2023

| | Opening balance | Additions | Disposals | Transfers | Work-in-progress | Depreciation | Impairment loss | Impairment reversal | Total |
|----------------------------------|-------------------|------------------|----------------|--------------|------------------|--------------------|-----------------|---------------------|-------------------|
| Land and buildings | 3 406 487 | 172 222 | - | 237 | 68 767 | (132 035) | (1 346) | - | 3 514 332 |
| Plant and machinery | 466 469 | 103 600 | (13) | (51) | 8 199 | (134 981) | - | - | 443 223 |
| Furniture and fixtures | 104 117 | 10 718 | (76) | (1 529) | - | (48 153) | - | - | 65 077 |
| Motor vehicles | 1 413 055 | 839 780 | (363) | (1 030) | (21 061) | (315 599) | - | - | 1 914 782 |
| IT equipment | 337 129 | 56 669 | (919) | 2 359 | 555 | (103 002) | - | - | 292 791 |
| Infrastructure | 40 125 059 | 2 150 337 | (65) | 1 403 | 722 555 | (1 559 562) | (19 290) | - | 41 420 437 |
| Community | 7 421 909 | 215 651 | - | - | 181 095 | (377 821) | (18 847) | 17 008 | 7 438 995 |
| Living resources | 25 | 97 | - | - | - | (21) | - | - | 101 |
| Housing Development Fund assets* | 71 589 | - | (1) | 12 | 16 574 | (1 201) | - | - | 86 973 |
| | 53 345 839 | 3 549 074 | (1 437) | 1 401 | 976 684 | (2 672 375) | (39 483) | 17 008 | 55 176 711 |

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 | 3 399 781 | 117 796 | - | 2 905 | 21 221 | (133 411) | (1 805) | - | 3 406 487 |
| Plant and machinery | 488 631 | 84 980 | (176) | 637 | 11 944 | (119 547) | - | - | 466 469 |
| Furniture and fixtures | 131 755 | 14 316 | (465) | (819) | (3 737) | (36 924) | (9) | - | 104 117 |
| Motor vehicles | 1 296 860 | 427 434 | (989) | - | - | (308 611) | (1 639) | - | 1 413 055 |
| IT equipment | 344 041 | 81 126 | (1 171) | 170 | 83 | (87 120) | - | - | 337 129 |
| Infrastructure | 39 130 558 | 1 894 964 | (4) | (138) | 701 536 | (1 528 598) | (73 259) | - | 40 125 059 |
| Community | 7 301 500 | 364 953 | - | 17 077 | 61 949 | (348 282) | (1 929) | 26 641 | 7 421 909 |
| Living resources | 33 | - | - | - | - | (8) | - | - | 25 |
| Housing Development Fund assets* | 66 753 | 19 | (8) | - | 6 058 | (1 233) | - | - | 71 589 |
| | 52 159 912 | 2 985 588 | (2 813) | 19 832 | 799 054 | (2 563 734) | (78 641) | 26 641 | 53 345 839 |

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| | 2023 | 2022 | 2023 | 2022 |

10. Property, plant and equipment (continued)

Other information

Included in the impairment loss of R39.48million incurred in the current year is an amount of R 17.70million that relates to the City's old and damaged building. This low-rise office building is still capital work-in-progress. Based on a valuation performed by an expert on this building, there is no expected economic value for existing use, thus resulting in no recoverable amount. The Income Capitalisation Method was deemed as the most appropriate approach for such commercial properties as the approach also takes into account capital restoration costs.

The remaining impairment loss of R21.78million mainly relates to the damaged infrastructure as a result of the recent heavy rains that occurred in the month of June 2023 within the eThekwini Municipality region. Based on the functionality assessment performed on these assets and extent of damage, the majority of these assets were fully impaired since there was no value in use given that these assets were not providing service delivery. Due to the nature of the municipality's infrastructure assets, it is impractical to calculate the fair value less cost to sell.

The impairment loss reversal of R17.01million in the current year relates to the Durban Exhibition Centre and International Conventional Centre property which was impaired in the prior years 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 resulting in a decrease in the market values of these assets. Due to the improvement in the economic conditions, impairment losses of R17.01million were reversed in the prior year. The recoverable amount in both the current and prior year was calculated using a market valuation performed by technical experts in determining the fair value less costs to sell based on the Income Capitalization Method.

The repairs and maintenance cost for property, plant and equipment was R2.16billion (2022: R2.15billion) 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 R34.64million relating to donated assets. The donation mainly consists of R29.31million, amongst other donations, relating to property donated by the KZN Department of Public Works to the City's Human Settlement department and also an amount of R4.9million relating to a micro-hydroelectric plant donated to the City's Water and Sanitation department by a foreign donor.

Proceeds from the disposal of property, plant and equipment amounted to R12.75million, being the carrying value of the disposed assets of R1.44million and the profit on the disposals of assets amounting to R11.31million of the profit of R13.12million 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 in note 66.

The repairs and maintenance cost for property, plant and equipment relating to Durban Marine Theme Park was R3.57million for the year (2022: R5.83million). Durban ICC incurred repairs and maintenance for property, plant and equipment of R10.03million (2022: R4.96million). 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 negligible.

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| | 2023 | 2022 | 2023 | 2022 |

11. Intangible assets

| Group and Municipi | 2023 | | | 2022 | | |
|--------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Servitudes | 202 915 | - | 202 915 | 83 557 | - | 83 557 |
| Computer software | 1 799 929 | (1 542 449) | 257 480 | 1 934 335 | (1 519 783) | 414 552 |
| Total | 2 002 844 | (1 542 449) | 460 395 | 2 017 892 | (1 519 783) | 498 109 |

| Municipality | 2023 | | | 2022 | | |
|-------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Servitudes | 202 914 | - | 202 914 | 83 557 | - | 83 557 |
| Computer software | 1 793 704 | (1 536 471) | 257 233 | 1 928 042 | (1 513 935) | 414 107 |
| Total | 1 996 618 | (1 536 471) | 460 147 | 2 011 599 | (1 513 935) | 497 664 |

Reconciliation of intangible assets - Group and Municipality - 2023

| | Opening balance | Additions | Work-in-progress | Amortisation | Total |
|-------------------|-----------------|----------------|------------------|------------------|----------------|
| Servitudes | 83 557 | 119 358 | - | - | 202 915 |
| Computer software | 414 552 | 703 | (11 170) | (146 605) | 257 480 |
| | 498 109 | 120 061 | (11 170) | (146 605) | 460 395 |

Reconciliation of intangible assets - Group and Municipality - 2022

| | Opening balance | Additions | Transfers | Work-in-progress | Amortisation | Total |
|-------------------|-----------------|---------------|--------------|------------------|------------------|----------------|
| Servitudes | 80 235 | 3 322 | - | - | - | 83 557 |
| Computer software | 473 467 | 18 039 | (181) | 48 598 | (125 371) | 414 552 |
| | 553 702 | 21 361 | (181) | 48 598 | (125 371) | 498 109 |

Reconciliation of intangible assets - Municipality - 2023

| | Opening balance | Additions | Work-in-progress | Amortisation | Total |
|-------------------|-----------------|----------------|------------------|------------------|----------------|
| Servitudes | 83 557 | 119 357 | - | - | 202 914 |
| Computer software | 414 107 | 702 | (11 170) | (146 406) | 257 233 |
| | 497 664 | 120 059 | (11 170) | (146 406) | 460 147 |

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

11. Intangible assets (continued)

Reconciliation of intangible assets - Municipality - 2022

| | Opening balance | Additions | Transfers | Work-in-progress | Amortisation | Total |
|-------------------|-----------------|---------------|-------------|------------------|------------------|----------------|
| Servitudes | 80 235 | 3 322 | - | - | - | 83 557 |
| Computer software | 472 543 | 18 005 | (54) | 48 598 | (124 985) | 414 107 |
| | 552 778 | 21 327 | (54) | 48 598 | (124 985) | 497 664 |

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.

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| | 2023 | 2022 | 2023 | 2022 |

12. Heritage assets

| Group and Municipality | 2023 | | | 2022 | | |
|-------------------------------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | 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, antiquities and exhibits | 62 264 | - | 62 264 | 60 977 | - | 60 977 |
| Total | 69 517 | - | 69 517 | 68 230 | - | 68 230 |

| Municipality | 2023 | | | 2022 | | |
|----------------------------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | 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 | 62 264 | - | 62 264 | 60 977 | - | 60 977 |
| Total | 69 517 | - | 69 517 | 68 230 | - | 68 230 |

Reconciliation of heritage assets - Group and Municipality - 2023

| | Opening balance | Work-in-progress | Total |
|-------------------------------------------|-----------------|------------------|---------------|
| Culturally significant buildings | 7 253 | - | 7 253 |
| Art Collections, antiquities and exhibits | 60 977 | 1 287 | 62 264 |
| | 68 230 | 1 287 | 69 517 |

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

12. Heritage assets (continued)

Reconciliation of heritage assets - Group and Municipality - 2022

| | Opening balance | Additions | Total |
|-------------------------------------------|-----------------|------------|---------------|
| Culturally significant buildings | 7 253 | - | 7 253 |
| Art Collections, antiquities and exhibits | 60 492 | 485 | 60 977 |
| | 67 745 | 485 | 68 230 |

Reconciliation of heritage assets - Municipality - 2023

| | Opening balance | Work-in-progress | Total |
|----------------------------------------|-----------------|------------------|---------------|
| Culturally significant buildings | 7 253 | - | 7 253 |
| Art collections, antiques and exhibits | 60 977 | 1 287 | 62 264 |
| | 68 230 | 1 287 | 69 517 |

Reconciliation of heritage assets - Municipality - 2022

| | Opening balance | Additions | Total |
|----------------------------------------|-----------------|------------|---------------|
| Culturally significant buildings | 7 253 | - | 7 253 |
| Art collections, antiques and exhibits | 60 492 | 485 | 60 977 |
| | 67 745 | 485 | 68 230 |

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

12. Heritage assets (continued)

Other information

During the previous 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 accounting policy in the prior year 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.

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

Included in the carrying value of heritage assets is an amount of R21.06million relating to Work-in-progress for statues for O.R. Tambo and Nelson Mandela. The statues are awaiting the installation tender to be approved before they are capitalised when they have been completed in the condition intended by management. In the prior year the work-in-progress was erroneously included as part of property, plant and equipment. Comparative figures have been restated accordingly. Of the R21.06million, R1.29million relates to the current year and the balance of R19.77million relates to financial years prior to the comparative year (prior to 30 June 2022).

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| | 2023 | 2022 | 2023 | 2022 |

12. Heritage assets (continued)

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 68 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.

| Category: | Quantity: |
|------------------------------|------------------|
| Agricultural implements | 18 |
| Archaeological | 433 |
| Audio visual collection | 1 257 |
| Books and documents | 41 920 |
| Domestic utensils | 1 750 |
| Equipments | 590 |
| Ethnographic | 4 273 |
| Exhibitions | 1 195 |
| Firearms | 154 |
| Furniture | 37 |
| Lighting and ventilation | 74 |
| Metalware | 451 |
| Militaria and memorials | 432 |
| Needlework and sewing | 419 |
| Numismatic | 2 355 |
| Organic material | 37 |
| Paintings and drawings | 394 |
| Personal items | 1 490 |
| Philately | 2 480 |
| Photographic | 225 176 |
| Stationery | 236 |
| Textile and costume | 516 |
| Toys | 4 592 |
| Transport | 6 |
| Rare collection | 7 807 |
| Durban Art Gallery - artwork | 12 |
| Research specimens | 244 777 |

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| | 2023 | 2022 | 2023 | 2022 |

13. Investments in Municipal Entities

| Name of company | % holding 2023 | % holding 2022 | Carrying amount 2023 | Carrying amount 2022 |
|--------------------------------------------------------|-------------------|-------------------|-------------------------|-------------------------|
| 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 Municipal Entities | | | (493 779) | (493 779) |
| | | | 695 808 | 695 808 |

Impairment of Investments in Municipal Entities are reviewed on an annual basis. The balances above are reflective of estimations as at 30 June 2023. There was no impairment loss recognised in the 2022/23 year (2022: Nil) 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 market value of the entity's land, building and investment property compared to the previous financial year. The recoverable amount (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) was determined to be higher than the carrying amount of the investment by R11.6million. This did not lead to the reversal of impairment losses recognised in previous years since there has not been a significant improvement in conditions that led to the impairment loss recognition i.e., the entity continues to generate losses and a significant amount of its total revenue is made up of grants-in-aid from the Municipality.

At its meeting on 13 July 2023 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) | 30 454 | 28 069 |
| Water and sanitation income (R'000) | 13 200 | 10 308 |
| Rates income (R'000) | 4 534 | 4 175 |
| Refuse removal (R'000) | 758 | 972 |
| Insurance (R'000) | 366 | 313 |

ICC Durban (Proprietary) Limited

| | | |
|-------------------------------------|---------|---------|
| Issued Share Capital (R'000) | 226 591 | 226 591 |
| Percentage owned by Council (%) | 100 | 100 |
| Electricity income (R'000) | 18 406 | 13 646 |
| Water and sanitation income (R'000) | 2 695 | 1 890 |
| Rates income (R'000) | 4 373 | 4 350 |
| Refuse removal (R'000) | 1 147 | 874 |
| Insurance (R'000) | 133 | 100 |
| Sundry charges (R'000) | 1 162 | - |

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

14. Interest in Joint Ventures

| Name of company | % share | Carrying amount 2023 | Carrying amount 2022 |
|--------------------------------------------|---------|----------------------|----------------------|
| Effingham Development | 66.74% | 36 833 | 36 035 |
| Durban Point Development Company (Pty) Ltd | 50.00% | 17 716 | 27 455 |
| | | 54 549 | 63 490 |

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 Tongaat-Hulett Development (previously Moreland Developments (Pty) Ltd), which is a subsidiary of the Tongaat-Hulett Group. Tongaat-Hulett entered voluntary business rescue on the 27th of October 2022. Based on the latest report from the business rescue practitioner, the business rescue proceedings have not been concluded, however the company stands a reasonable chance of being rescued. The impact of the business rescue on the Joint Venture will be assessed as more information is received given that the business rescue proceedings are still underway. The Joint Venture was profitable during the current financial year amid the business rescue as further disclosed in the reconciliations below indicating a share of surplus of R0.8million for the year. 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

Assets

| | | |
|-------------------------------------------------|---------------|---------------|
| Non-current assets - township property | 35 355 | 31 978 |
| Current assets - debtors | 3 | 327 |
| Current assets - bank balances and cash on hand | 37 249 | 41 355 |
| Total assets | 72 607 | 73 660 |

Equity and Liabilities

| | | |
|------------------------------------------------------------|---------------|---------------|
| Equity - members loan accounts | 36 833 | 36 035 |
| Current liabilities - trade, provisions and other payables | 35 774 | 37 625 |
| Total equity and liabilities | 72 607 | 73 660 |

Reconciliation of Investment in Joint Venture

| | | |
|----------------------------------------------|---------------|---------------|
| Balance at beginning of the reporting period | 36 035 | 35 815 |
| Share of surplus / (loss) | 798 | (424) |
| Prior-year adjustment | - | 644 |
| Balance at end of reporting period | 36 833 | 36 035 |

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

Assets

| | | |
|----------------------------------------------------|----------------|----------------|
| Non-current assets - rates asset | 3 706 | 3 706 |
| Non current assets - property, plant and equipment | 15 | 23 |
| Current assets - debtors | - | 460 |
| Current assets - inventory | 93 346 | 93 346 |
| Current assets - bank balances and cash on hand | 7 668 | 5 755 |
| Total assets | 104 748 | 103 290 |

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| | 2023 | 2022 | 2023 | 2022 |

14. Interest in Joint Ventures (continued)

Equity and liabilities

| | | | | |
|------------------------------------------------------------|--|--|----------------|----------------|
| Equity - loans from shareholders and accumulated losses | | | 17 716 | 27 456 |
| Non-current liability - rates liability | | | 72 098 | 62 022 |
| Current liabilities - trade, provisions and other payables | | | 14 934 | 13 812 |
| Total equity and liabilities | | | 104 748 | 103 290 |

Reconciliation of investment in Joint Venture

| | | | | |
|----------------------------------------------|--|--|---------------|---------------|
| Balance at beginning of the reporting period | | | 27 455 | 31 526 |
| Share of loss | | | (9 739) | (4 071) |
| Balance at end of reporting period | | | 17 716 | 27 455 |

The net share of losses from Joint Ventures in the current reporting period is R8.94million, of which a surplus of R0.80million relates to Effingham and a loss of R9.74million to DPDC. In the prior year the net share of losses from Joint Ventures was R3.85million, of which a surplus of R0.22million relates to Effingham and a loss of R4.07million to DPDC. The significant increase in the share of loss from DPDC is due to the increase in the rates imposed by the Municipality on DPDC's vacant land. The rates randage on vacant land have increased from R0.058966 in the prior year to R0.117932 in the current year, thus resulting in further losses incurred by the Joint Venture given that no sales of properties took place during the current financial year. The property, plant and equipment balances for DPDC relate to the purchase of aircons, which were previously disclosed as part of the inventory stock. These property, plant and equipment balances have been separately disclosed on the financial statements, with comparative disclosures restated.

15. External borrowings

At amortised cost

| | | | | |
|-------------------------|-----------|-----------|-----------|-----------|
| Annuity loans and bonds | 9 888 935 | 9 257 067 | 9 888 935 | 9 257 067 |
|-------------------------|-----------|-----------|-----------|-----------|

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 R669.820million balance outstanding from the RMB R1billion 20 year loan was ceded to Sanlam Life Insurance Limited in April 2019.

The loan amount of R332.867million owing to ABSA at 30 June 2023 was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in August 2020.

The loan amount of R433.817million owing to ABSA at 30 June 2023 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 2023/24 financial year and R1billion per annum for the next two financial years thereafter.

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

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| | 2023 | 2022 | 2023 | 2022 |
| 15. External borrowings (continued) | | | | |
| Non-current liabilities | | | | |
| At amortised cost | 8 966 938 | 8 341 193 | 8 966 938 | 8 341 193 |
| Current liabilities | | | | |
| At amortised cost | 921 997 | 915 874 | 921 997 | 915 874 |
| 16. Payables from exchange transactions | | | | |
| Trade payables | 951 441 | 860 386 | 984 112 | 913 357 |
| Payments received in advance | 97 180 | 27 587 | 97 180 | 27 587 |
| Income received in advance - D.O.H.S | 750 049 | 893 377 | 750 049 | 893 377 |
| Accruals | 4 275 624 | 3 800 354 | 4 275 624 | 3 800 354 |
| Other payables | 1 427 455 | 1 681 176 | 1 387 510 | 1 632 611 |
| Retentions | 452 591 | 411 429 | 452 591 | 411 429 |
| Bank deposits not yet receipted | 317 852 | 256 248 | 317 852 | 256 248 |
| Deferred expenditure (straight-lining of leases) | 22 083 | 22 836 | 22 083 | 22 836 |
| | 8 294 275 | 7 953 393 | 8 287 001 | 7 957 799 |

Payments received in advance

The City signed a memorandum of agreement with the Department of Transport to perform repairs and maintenance on the road that was damaged during the disaster floods. The road belongs to the Department of Transport, and at year-end, the deposit was received but no work was performed, thus resulting in the increase in the income received in advance amount. There was also an increase in private jobbing deposits received for electricity related jobs for which the work is yet to be performed.

Income received in advance - D.O.H.S

The significant reduction in the DOHS income received in advance is mainly due to the implementation of the storm damage project which resulted in a spend of R175million for the current year. Amid the increase in the storm damage related expenditure, the overall construction contract related revenue and expenditure decreased when compared to the previous year due to delays in SCM processes ,slow progress by service providers and NHBRC project enrolment for projects under construction.

Accruals

The significant increase in accrued expenses is mainly due to the vehicles delivered in June 2023 and receipted for payment after the financial year-end. The increase in the disaster grant funding and delays in implementation of projects have both contributed to the increase in invoices being recorded as accruals at year-end. Generally, there was a significant value of invoices submitted after the cut-off period for payments had closed in which case the invoices needed to be accrued.

Other payables

The significant decrease in other payables is attributable to the improvement in the tracing and allocation of cash deposits in the current year compared to the prior year. Salaries and related liabilities decreased due to timeous payments made.

Bank deposits not yet receipted

The was an increase in the amount of deposits received towards the end of financial year. Due to insufficient information provided when some of the customers make deposits, the automatic allocation/receipting couldn't be performed. As a result, the tracing and receipting of such deposits is generally completed in subsequent months.

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| | 2023 | 2022 | 2023 | 2022 |

17. Transfers payable from non-exchange transactions

| | | | | |
|-----------------------------------|--------|--------|--------|--------|
| Transfers payable - grants in aid | 21 694 | 14 296 | 30 247 | 23 613 |
|-----------------------------------|--------|--------|--------|--------|

The outstanding transfers payable from non-exchange transactions balances relates to grant-in-aid approvals to Municipal Entities and other qualifying beneficiaries. The grants-in-aid have been approved by Council but awaiting payment in accordance with the municipality's payment processes. The increase in the outstanding transfers payable from non-exchange transactions balances is due to the timing differences in the finalisation of payments and the increase in the value of grants-in-aid approved to qualifying beneficiaries.

18. VAT

| | | | | |
|-----------------------------------------|------------------|------------------|------------------|------------------|
| VAT receivable (payable) - SARS | 92 681 | (21 441) | 97 654 | (20 783) |
| VAT on invoices raised but not yet paid | (904 191) | (523 984) | (904 191) | (523 984) |
| | (811 510) | (545 425) | (806 537) | (544 767) |

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.

19. Consumer deposits

| | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|
| I.C.C.: Clients deposits | 23 136 | 13 022 | - | - |
| Electricity and water deposits | 2 710 172 | 2 606 423 | 2 711 819 | 2 608 070 |
| Other deposits | 904 | 1 506 | 904 | 1 506 |
| Ushaka: Rental deposits | 2 356 | 2 337 | - | - |
| | 2 736 568 | 2 623 288 | 2 712 723 | 2 609 576 |

20. Employee benefit obligations

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

Carrying value

| | | | | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Post-employment medical benefits | (4 364 391) | (4 063 460) | (4 364 391) | (4 063 460) |
| Post-employment pension benefits | 15 663 | 7 814 | 15 663 | 7 814 |
| | (4 348 728) | (4 055 646) | (4 348 728) | (4 055 646) |
| Non-current liabilities | (3 397 289) | (3 246 652) | (3 397 289) | (3 246 652) |
| Current liabilities | (951 439) | (808 994) | (951 439) | (808 994) |
| | (4 348 728) | (4 055 646) | (4 348 728) | (4 055 646) |

Actuarial valuations:

The actuarial valuations were done as at 30 June 2023 by Independent Actuaries & Consultants (30 June 2022: ARCH Actuarial Consulting). The firm is an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. .

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 20. Employee benefit obligations (continued) | | | | |
| Net Actuarial Gain / (Loss): Post-employment Medical Benefits | | | | |
| Actuarial gain on financial assumptions | 340 360 | - | 340 360 | - |
| Actuarial loss on experience | (164 134) | - | (164 134) | - |
| Changes to membership profile different to assumed | - | 413 946 | - | 413 946 |
| Change in discount rates | - | 448 631 | - | 448 631 |
| Application of post-employment mortality improvement | - | (364 250) | - | (364 250) |
| Subsidy increases lower than assumed | - | 236 898 | - | 236 898 |
| | 176 226 | 735 225 | 176 226 | 735 225 |
| Net Actuarial Gain / (Loss): Post-employment Pension Benefits | | | | |
| Change in economic assumptions | 377 836 | (42 557) | 377 836 | (42 557) |
| Experience adjustments | 720 363 | (684 816) | 720 363 | (684 816) |
| | 1 098 199 | (727 373) | 1 098 199 | (727 373) |
| Statement of Financial Performance obligation for: | | | | |
| Contribution to Post-employment medical benefits | 300 931 | (310 439) | 300 931 | (310 439) |
| Pension Benefits: Contribution to Funds | (7 849) | 506 | (7 849) | 506 |
| Total, included in employee benefits expense | 293 082 | (309 933) | 293 082 | (309 933) |
| 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 | 4 063 460 | 4 373 899 | 4 063 460 | 4 373 899 |
| Current service cost | 164 563 | 152 627 | 164 563 | 152 627 |
| Interest cost | 480 514 | 526 206 | 480 514 | 526 206 |
| Actuarial (gains) losses | (176 226) | (735 225) | (176 226) | (735 225) |
| Benefit payments | (167 920) | (254 047) | (167 920) | (254 047) |
| Balance at end of year | 4 364 391 | 4 063 460 | 4 364 391 | 4 063 460 |
| Net expense recognised in the Statement of Financial Performance | | | | |
| Current service cost | 164 563 | 152 627 | 164 563 | 152 627 |
| Interest cost | 480 514 | 526 206 | 480 514 | 526 206 |
| Benefit payments | (167 920) | (254 047) | (167 920) | (254 047) |
| Total, included in employee benefits expense | 477 157 | 424 786 | 477 157 | 424 786 |

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

20. Employee benefit obligations (continued)

Trend Information - Disclosure Requirement in terms of GRAP 25

| | 30 June 2019 | 30 June 2020 | 30 June 2021 | 30 June 2022 | 30 June 2023 |
|-------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Present Value of Obligations | (3 955 760) | (3 805 019) | (4 373 899) | (4 063 460) | (4 364 391) |
| Present Value of Obligations in excess of Plan Assets | (3 955 760) | (3 805 019) | (4 373 899) | (4 063 460) | (4 364 391) |
| Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions) | | | | | |
| In respect of Present Value of Obligations | 227 189 | (81 779) | 210 507 | 650 844 | (164 134) |

Disclosure Requirement in terms of GRAP 25

| Sensitivity Results from Current Valuation | Health Care cost Inflation | | |
|----------------------------------------------------|-----------------------------|-----------|-----------|
| | Central Assumption 9.79% | -1% | +1% |
| Accrued Liability June 30, 2023 | 4 364 391 | 3 889 487 | 4 872 700 |
| Service Cost + Interest Cost | 723 598 | 637 145 | 814 109 |
| Sensitivity Results from Previous Valuation | | | |
| Sensitivity Results from Previous Valuation | Health Care cost Inflation | | |
| | Central Assumption 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 |

Disclosure Requirement in terms of GRAP 25:

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 R207million (30 June 2022: R166.5million).

eThekweni Municipality and its Municipal Entities

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|-----------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 20. Employee benefit obligations (continued) | | | | |
| Key assumptions used | | | | |
| Assumptions used at the reporting date: | | | | |
| Discount rates used | 13,76 % | 11,83 % | 13,76 % | 11,83 % |
| General increases to medical aid contributions | 9,79 % | 8,44 % | 9,79 % | 8,44 % |
| Maximum subsidy increase rate | 5,40 % | 5,96 % | 5,40 % | 5,96 % |
| 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) | 3,61 % | 3,13 % | 3,61 % | 3,13 % |
| General inflation | 8,29 % | 6,94 % | 8,29 % | 6,94 % |
| 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 % |
| Pension benefits | | | | |
| The amounts recognised in the Statement of Financial Position were determined as follows: | | | | |
| Present value of funded obligations | 9 339 297 | 10 002 145 | 9 339 297 | 10 002 145 |
| Fair value of plan assets | (11 427 043) | (11 408 786) | (11 427 043) | (11 408 786) |
| Unrecognised due to paragraph 68 limit | 2 072 083 | 1 398 827 | 2 072 083 | 1 398 827 |
| Liability (Surplus) in the Statement of Financial Position | (15 663) | (7 814) | (15 663) | (7 814) |
| Net expense recognised in the Statement of Financial Performance | | | | |
| Service cost | (70 786) | (74 355) | (70 786) | (74 355) |
| Interest cost | (1 112 377) | (1 052 491) | (1 112 377) | (1 052 491) |
| Expected return on assets | 1 271 985 | 1 235 929 | 1 271 985 | 1 235 929 |
| Net actuarial gains / (losses) recognised in the year | 549 177 | (227 868) | 549 177 | (227 868) |
| | 637 999 | (118 785) | 637 999 | (118 785) |

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

20. Employee benefit obligations (continued)

Movement in the defined benefit obligation is as follows:

| | | | | |
|----------------------------------|--------------------|---------------------|--------------------|---------------------|
| Balance at beginning of the year | (10 002 145) | (8 813 490) | (10 002 145) | (8 813 490) |
| Current service cost | (70 786) | (74 355) | (70 786) | (74 355) |
| Actuarial gains / (losses) | 1 098 199 | (727 373) | 1 098 199 | (727 373) |
| Interest cost | (1 112 377) | (1 052 491) | (1 112 377) | (1 052 491) |
| Benefit payments | 747 812 | 665 564 | 747 812 | 665 564 |
| Balance at end of year | (9 339 297) | (10 002 145) | (9 339 297) | (10 002 145) |

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

| | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Balance at beginning of the year | 11 408 786 | 10 276 200 | 11 408 786 | 10 276 200 |
| Actuarial gains / (losses) | (549 022) | 499 505 | (549 022) | 499 505 |
| Contributions received | 43 106 | 62 716 | 43 106 | 62 716 |
| Benefit payments | (747 812) | (665 564) | (747 812) | (665 564) |
| Expected return on assets | 1 271 985 | 1 235 929 | 1 271 985 | 1 235 929 |
| Balance at end of year | 11 427 043 | 11 408 786 | 11 427 043 | 11 408 786 |

Disclosure in terms GRAP 25

| | | | | |
|-----------------------------------------------------|-------------|--------------|-------------|--------------|
| Defined benefit obligation | (9 339 297) | (10 002 145) | (9 339 297) | (10 002 145) |
| Plan assets | 11 427 043 | 11 408 786 | 11 427 043 | 11 408 786 |
| Funded status (before applying the net asset limit) | 2 087 746 | 1 406 641 | 2 087 746 | 1 406 641 |
| Experience adjustments on plan liabilities | 720 363 | (684 816) | 720 363 | (684 816) |
| Experience adjustments on plan assets | (549 022) | 499 505 | (549 022) | 499 505 |
| | - | - | - | - |

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 12.15% per annum has been used. The source is the Johannesburg Stock Exchange through IRESS data services.

eThekwini Municipality and its Municipal Entities

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

20. Employee benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

| | | | | |
|--------------------------------|---------|---------|---------|---------|
| Discount rate | 12,15 % | 11,50 % | 12,15 % | 11,50 % |
| Expected return on plan assets | 12,15 % | 11,50 % | 12,15 % | 11,50 % |
| General inflation | 6,85 % | 6,66 % | 6,85 % | 6,66 % |
| Salary inflation | 7,85 % | 7,66 % | 7,85 % | 7,66 % |
| Pension increase provision | 6,85 % | 6,66 % | 6,85 % | 6,66 % |
| Post retirement interest rate | 4,96 % | 4,54 % | 4,96 % | 4,54 % |

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 2023 the Fund had a membership of approximately 23 600 with just over R22.5billion in assets. Included in the membership is approximately 720 members, as at 30 June 2023, 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 (570 members) of which the Fund Credits of these members now amount to a substantial R 1 227million as at 30 June 2023 up from R 9 510 million as at 30 June 2022. The Trustees are also investigating offering other types of annuities to members.

Investments:

Best of breed Asset Managers (Coronation, Ninety One, M&G, Blackrock, Argon, MAZI, Mergence, Lima Mbeu, Satrix, Mianzo, Stanlib, Vunani, Truffle, Camissa, Old Mutual, ATA Capital, Alexander Forbes Investments, Prescient, Mahlako, Vuna Partners, and MSM) are mandated to invest the savings of members. The investment managers have remained largely the same since last year but the Trustees have added transformed asset managers to the local equity and local bond mandates during the year. The Fund has also up-weighted its exposure to private market strategies over the period.

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 2023, 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

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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 and 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 during the Covid-19 period, the Fund had adapted to using telephone communication and virtual communication significantly more. These additional modes of communication has become an integral way of communicating to members by the Fund. It is also pleasing to report that the Annual Seminars and face to face meetings have resumed in full force since early last year. 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 Philisiwe Mbatha, Xolani Gabela, Connie Ndlovu.

eThekwini Municipality and its Municipal Entities

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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 interim valuation as at 2023-01-01 revealed that the Fund was 106.7% 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 statutory valuation as at 2022-01-01. The shortfall in actual contributions are being funded from the reserve accounts held within the Fund.

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

| | 2023 | 2022 | 2023 | 2022 |
|-------------|------------|------------|---------------|-----------------|
| SA Equities | 10,20 % | 11,60 % | 10,20 % | 11,60 % |
| SA Bonds | 72,70 % | 71,70 % | 72,70 % | 71,70 % |
| SA Property | 2,90 % | 3,10 % | 2,90 % | 3,10 % |
| Foreign | 14,20 % | 13,60 % | 14,20 % | 13,60 % |
| | 100 | 100 | 100,00 | 100,00 % |

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 | 120 | 85 | 120 | 85 |
| Department of Co Operative Governance and Traditional Affairs | 3 649 | 3 649 | 3 649 | 3 649 |
| Department of Transport and Public Transport Infrastructure | 308 428 | - | 308 428 | - |
| Department of Environmental Affairs | 7 838 | 7 838 | 7 838 | 7 838 |
| Neighbourhood Development Partnership | - | 14 823 | - | 14 823 |
| Department of Arts and Culture | - | 14 820 | - | 14 820 |
| Department of Human Settlements | 371 631 | 404 145 | 371 631 | 404 145 |
| European Union | 1 542 | 1 461 | 1 542 | 1 461 |
| Donations and Public Contributions | 36 538 | 36 729 | 36 538 | 36 729 |
| Infrastructure Skills Grant | 5 980 | 6 432 | 5 980 | 6 432 |
| Primary Health Care Provincial Subsidy | 78 616 | 70 377 | 78 616 | 70 377 |
| Department of Sports and Recreation | 525 | 10 525 | 525 | 10 525 |
| DBSA | - | 5 293 | - | 5 293 |
| Municipal Disaster Grant | 1 569 677 | - | 1 569 677 | - |
| Program and Project Preparation Support Grant | 48 901 | 48 322 | 48 901 | 48 322 |
| Public Employment Programme | 32 982 | 237 029 | 32 982 | 237 029 |
| Other Grants and Subsidies | 34 496 | 21 119 | 34 496 | 21 119 |
| | 2 500 923 | 882 647 | 2 500 923 | 882 647 |

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

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

22. Provisions

Reconciliation of provisions - Group and Municipality - 2023

| | Opening Balance | Additions / (reversals) | Utilised during the year | Interest charged | Change in estimate | Total |
|----------------------------------------------|------------------|-------------------------|--------------------------|------------------|--------------------|------------------|
| Current | | | | | | |
| Staff leave | 956 038 | 77 543 | (112 385) | - | - | 921 196 |
| Performance bonus | 5 340 | 79 386 | (79 185) | - | - | 5 541 |
| Long service awards | 121 274 | 90 949 | (91 624) | - | - | 120 599 |
| Non-current | | | | | | |
| Environmental rehabilitation: landfill sites | 425 330 | - | - | 35 090 | (150 437) | 309 983 |
| Long service awards | 1 127 895 | 281 | - | - | - | 1 128 176 |
| | 2 635 877 | 248 159 | (283 194) | 35 090 | (150 437) | 2 485 495 |

Reconciliation of provisions - Group and Municipality - 2022

| | Opening Balance | Additions / (reversals) | Utilised during the year | Interest charged | Change in estimate | Total |
|----------------------------------------------|------------------|-------------------------|--------------------------|------------------|--------------------|------------------|
| Current | | | | | | |
| 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 |
| Non-current | | | | | | |
| Environmental rehabilitation: landfill sites | 358 905 | - | - | 25 123 | 41 302 | 425 330 |
| Long service awards | 1 199 961 | (72 066) | - | - | - | 1 127 895 |
| | 2 765 765 | 67 623 | (263 936) | 25 123 | 41 302 | 2 635 877 |

Reconciliation of provisions - 2023

| | Opening Balance | Additions | Utilised during the year | Interest charged | Change in estimate | Total |
|----------------------------------------------|------------------|----------------|--------------------------|------------------|--------------------|------------------|
| Current | | | | | | |
| Staff leave | 950 782 | 71 440 | (106 421) | - | - | 915 801 |
| Performance bonus | 1 310 | 73 190 | (73 339) | - | - | 1 161 |
| Long service awards | 121 164 | 90 821 | (91 521) | - | - | 120 464 |
| Non-current | | | | | | |
| Environmental rehabilitation: landfill sites | 425 330 | - | - | 35 090 | (150 437) | 309 983 |
| Long service awards | 1 127 096 | 370 | - | - | - | 1 127 466 |
| | 2 625 682 | 235 821 | (271 281) | 35 090 | (150 437) | 2 474 875 |

Reconciliation of provisions - 2022

| | Opening Balance | Additions / (reversals) | Utilised during the year | Interest charged | Change in estimate | Total |
|---------------------|-----------------|-------------------------|--------------------------|------------------|--------------------|---------|
| Current | | | | | | |
| 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 |
| Non-current | | | | | | |

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

22. Provisions (continued)

| | | | | | | |
|----------------------------------------------|------------------|---------------|------------------|------------------|------------------|------------------|
| Environmental rehabilitation: landfill sites | 358 905 | - | - | 25 123 | 41 302 | 425 330 |
| Long service awards | 1 199 253 | (72 157) | - | - | - | 1 127 096 |
| | 2 758 550 | 60 663 | (259 956) | 25 123 | 41 302 | 2 625 682 |
| Non-current liabilities | | | 1 438 159 | 1 553 225 | 1 437 449 | 1 552 426 |
| Current liabilities | | | 1 047 336 | 1 082 652 | 1 037 426 | 1 073 256 |
| | | | 2 485 495 | 2 635 877 | 2 474 875 | 2 625 682 |

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 2021/22 nor the 2022/23 financial year due to the current unaffordability thereof.

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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 10.5% for landfill sites with a remaining useful life between 2 to 3 years and 11.79% for the landfill sites with a useful life greater than 10 years as at 30 June 2023 based on the market rates for government bonds. The expected future costs are calculated using an inflation rate of 7.04%, which is linked to the expected increase in the underlying costs to rehabilitate the landfill provisions. In the prior year the discount rate was based on the prime lending rate and the inflation rate was based on the Consumer Price Index rates. The current year assumptions reflect the risks specific to the various landfill site provisions in accordance with the guidance issued by the Accounting Standards Board on accounting for landfill sites. If the principles applied in the prior year were used in calculating the provision for the current year, the effect would not have been material as the provision would have been less by R 26.19million. 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 10.5% (2 to 3 years) and 11.79% (greater than 10 years); (June 2022: 8.25%);
- (2) Inflation rate 7.04% (June 2022: 7.40%);
- (3) Total area expected to be rehabilitated: 948 955 square metres (June 2022: 976 955 square meters);
- (4) Rate per square metre: R505.71 (June 2022: R489.25);
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

| | 30 June 2023 | 30 June 2022 |
|--------------|-------------------------|-------------------------|
| Bisasar | 332 000 | 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 | 122 780 |

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 R150.4million, thereby decreasing the provision. This change is mainly attributable to significant increases in interest rates during the current financial year which were in an attempt to keep inflation rates low. Interest rates increased by 3.5% during the current financial year. This resulted in an increase in the market rates for government bonds and a significant decrease in the landfill provision due to a higher rate used to discount the future estimated rehabilitation costs. The rate per square meter also increased to reflect current prices. The changes in the area to be rehabilitated and remaining useful lives is due to the usage of the landfill sites during the current financial year. These estimates are revised on an annual basis and any resulting changes in estimates are adjusted against the landfill site provision and the related asset. Due to the changes being assessed on an annual basis, there is no projection of estimates in the future.

The total rehabilitation can be reconciled as follows:

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Figures in Rand thousand

22. Provisions (continued)

| Name | Opening balance | Interest | Change in estimate | Closing balance |
|---------------|-----------------|---------------|--------------------|-----------------|
| Bisasar | 176 906 | 14 595 | (35 141) | 156 360 |
| Marianhill | 95 147 | 7 850 | (11 472) | 91 525 |
| Wyebank | 18 599 | 1 534 | (1 563) | 18 570 |
| Shallcross | 17 953 | 1 481 | (1 458) | 17 976 |
| Buffelsdraai | 67 370 | 5 558 | (65 250) | 7 678 |
| Lovu | 49 355 | 4 072 | (35 553) | 17 874 |
| Totals | 425 330 | 35 090 | (150 437) | 309 983 |

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 849.26 (2022: R1 762.88).

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

22. Provisions (continued)

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2023 (2022: 30 June 2022). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 12.15% (2022: 11.37%) was used based on internal rate of return.

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

| | | |
|---------------------------------|--------------------------------|--------------------------------|
| Gross discount rate | 12.15% | 11.37% |
| Salary inflation | 7.85% | 7.54% |
| Net discount rate | 3.98% | 3.57% |
| 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 | 23 927 | 24 330 |
| Average age of employees | 44.2 | 43.9 |
| Average years of past service | 12.9 | 12.5 |
| Average annual salary (R) | 292 991 | 278 480 |

Reconciliation of Defined Benefit Obligation

| | | |
|----------------------------------------------------------|------------------|------------------|
| Opening Balance | 1 248 260 | 1 306 479 |
| Current service cost | 100 432 | 102 304 |
| Interest cost | 140 429 | 123 901 |
| Actuarial (gains) / losses - changes to earnings | - | (3 352) |
| Actuarial (gains) / losses - changes to employee profile | - | (10 731) |
| Actuarial (gains) / losses on assumptions | (41 917) | (163 115) |
| Actuarial (gains) / losses on experience | (71 757) | - |
| Cash movements - Benefit payments | (127 517) | (107 226) |
| | 1 247 930 | 1 248 260 |

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|--------------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 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 | 91 984 | 75 036 | 91 984 | 75 036 |
| Housing selling scheme loans | 4 426 | 58 336 | 4 426 | 58 336 |
| Investment properties | 13 850 | 11 009 | 13 850 | 11 009 |
| Housing rental debtors | 11 013 | 10 694 | 11 013 | 10 694 |
| Housing other debtors | 154 477 | 252 538 | 154 477 | 252 538 |
| Long term receivables | - | 5 283 | - | 5 283 |
| Housing inventory | 50 | 33 | 50 | 33 |
| Investments | 7 489 | 7 489 | 7 489 | 7 489 |
| Assets | 283 289 | 420 418 | 283 289 | 420 418 |
| Unspent conditional grants | (155 505) | (216 615) | (155 505) | (216 615) |
| Creditors | (10 162) | (9 767) | (10 162) | (9 767) |
| Consumer deposits | - | (344) | - | (344) |
| Bank overdraft | (402 247) | (323 266) | (402 247) | (323 266) |
| VAT payable | (10 489) | (11 130) | (10 489) | (11 130) |
| Accumulated deficit | 352 584 | 198 174 | 352 584 | 198 174 |
| Liabilities and accumulated deficit | (225 819) | (362 948) | (225 819) | (362 948) |
| Housing Development Fund | 57 470 | 57 470 | 57 470 | 57 470 |

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|---------------------------------|------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 24. Service charges | | | | |
| Sale of electricity | 15 522 752 | 14 881 054 | 15 571 612 | 14 922 769 |
| Sale of water | 6 165 549 | 5 469 732 | 6 177 842 | 5 479 280 |
| Solid waste | 964 325 | 823 758 | 966 230 | 825 604 |
| Sewerage and sanitation charges | 1 529 958 | 1 295 065 | 1 533 561 | 1 297 715 |
| Total service charges | 24 182 584 | 22 469 609 | 24 249 245 | 22 525 368 |

Included in the service charges is the revenue from sale of prepaid electricity for R1.11billion (2021/22: R1.12billion) 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.

Included in the water and sanitation revenue are surcharges of R195.43 million and R137.20 million relating to water and sanitation respectively amounting to a total value of R332.63 million. Council resolved in the prior year in terms of Section 75A of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000), that with effect from 2022-07-01, an additional infrastructure surcharge of R1,50/kl for both water and sewage disposal be charged for the three (3) financial years 2022/2023, 2023/2024 and 2024/2025 in conjunction with the base tariffs. The surcharges are for the purpose of maintaining, securing, and replacing Water and Sanitation Infrastructure. The surcharges are directly linked to the provision of sanitation services and sale of water and as a result the Municipality has classified the revenue as part of revenue from exchange transactions.

The surcharges for water and sanitation account for the variances when comparing to the figures disclosed in the prior year, together with an increase in tariffs.

The variance on solid waste is mainly due to the introduction of the new valuation roll on the 1st of July 2022 which resulted in a significant increase in property values. Some of the solid waste tariffs are linked to property values. There was also an increase in tariffs year on year.

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

25. Housing development construction contracts

| | | | | |
|-------------|-----------|-----------|-----------|-----------|
| Revenue | 528 221 | 672 026 | 528 221 | 672 026 |
| Expenditure | (528 221) | (672 026) | (528 221) | (672 026) |
| | - | - | - | - |

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.

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 15: Payables from exchange transactions.

26. Rental of facilities and equipment

| | | | | |
|------------------------|----------------|----------------|----------------|----------------|
| Sporting Bodies | 313 548 | 295 139 | 313 548 | 295 139 |
| Investment Properties | 128 340 | 116 144 | 137 334 | 121 273 |
| Business and Ancillary | 124 665 | 116 656 | 124 665 | 116 656 |
| Housing Rental | 89 088 | 83 769 | 89 088 | 83 769 |
| Other | 229 149 | 144 993 | 194 661 | 113 550 |
| | 884 790 | 756 701 | 859 296 | 730 387 |

The income from investment properties has increased due to the increase in rental for turnover-based leases.

There was an increase in other rental of facilities and equipment in the current year due to the lifting of Covid 19 restrictions for hosting of events, which resulted in the increase in stadium bookings and attendances compared to 2021/22 financial year that was affected by Covid 19 restrictions for hosting of events. In the current year, the Municipality also received an income of R26.9million for Transitional Emergency Accommodation for the provision of shelters to the flood victims. The increase in other rental of facilities and equipment income is also attributable to the implementation of a new tariff for the one hundred and fifty eight (158) CCTV sites occupied by various companies.

27. Other income

| | | | | |
|---------------|----------------|----------------|----------------|----------------|
| Sundry Income | 593 396 | 428 626 | 422 345 | 312 187 |
| Moses Mabhida | 737 | 904 | 737 | 904 |
| | 594 133 | 429 530 | 423 082 | 313 091 |

The significant increase in other income is attributable to the following:

- Recognition of income from the overpayments made by customers during the 2019/20 financial year and remained unclaimed at year end. The recognition of this income was done in line with Paragraph .80 of GRAP 104: Financial Instruments and Section 11(d) of the Prescriptions Act.
- The increase in transaction handling fees and commission income is due to high amount of fees collected for Water loss insurance, and the increase in the number of traders and related transactions at Bulk Markets.

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|----------------------------------------|------------------------|----------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 28. Interest revenue | | | | |
| Interest earned - external investments | 574 278 | 259 830 | 560 212 | 252 477 |
| Interest earned - outstanding debtors | 1 001 419 | 319 066 | 1 000 621 | 318 350 |
| | 1 575 697 | 578 896 | 1 560 833 | 570 827 |

The Municipality's total cash increased by approximately R3,5billion from June 2022 to June 2023 mainly due to cash collections and a cash injection of R1.7billion relating to the Disaster Recovery grant received from national government for relief and repair efforts to the damaged infrastructure caused by the April 2022 floods. The increase in total cash resulted in an increase in the interest earned on investments. The increase in interest rates in the South African economic environment during the financial year also had an impact on the increased interest earned on investments.

Effective from 1 January 2022, interest was charged on outstanding debt in line with the debt collection and credit control policy after the Covid-19 economic relief packages came to an end. This has resulted in a significant increase in the interest raised on outstanding debtors since the interest for the current year reflects a full period of 12 months, compared to 6 months in the previous year. The increase in the interest raised on outstanding debtors is also attributable to the current economic environment which has been characterised by interest rate hikes when compared to the previous financial year in an attempt to keep the inflation rates low. The gross outstanding debtors have also increased as a result of the current economic conditions that have resulted in consumers struggling to pay the outstanding debt owed to the City.

29. Fines

| | | | | |
|----------------------|----------------|----------------|----------------|----------------|
| Traffic fine revenue | 140 256 | 114 251 | 140 256 | 114 251 |
| Other fine revenue | 17 673 | 25 506 | 17 673 | 25 506 |
| | 157 929 | 139 757 | 157 929 | 139 757 |

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, including the reason for the increase in traffic fine revenue.

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|--------------------------------------|------------------------|------------------|-------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 30. Property rates | | | | |
| Rates revenue | | | | |
| Residential | 3 373 528 | 3 273 722 | 3 373 528 | 3 273 722 |
| Business / Commercial | 3 671 848 | 3 524 161 | 3 680 755 | 3 532 686 |
| Unauthorised / Illegal development | 250 462 | 90 905 | 250 462 | 90 905 |
| Sectional title right of development | 280 | - | 280 | - |
| Development Phasing line | 2 691 | 2 103 | 2 691 | 2 103 |
| Agricultural | 13 470 | 11 777 | 13 470 | 11 777 |
| Vacant land | 1 324 345 | 537 141 | 1 324 345 | 537 141 |
| Industrial | 2 685 405 | 2 369 867 | 2 685 405 | 2 369 867 |
| Public Service purposes | 596 797 | - | 596 797 | - |
| Public Benefit activities | 2 017 | - | 2 017 | - |
| Public Service infrastructure | 6 869 | 24 538 | 6 869 | 24 538 |
| Mining property | 7 000 | - | 7 000 | - |
| Total Assessment Rates | 11 934 712 | 9 834 214 | 11 943 619 | 9 842 739 |

Valuations

| | | | | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Residential | 413 694 276 | 346 027 961 | 413 694 276 | 346 027 961 |
| Business / Commercial | 123 726 163 | 118 701 986 | 123 726 163 | 118 701 986 |
| Unauthorised / Illegal development | 1 058 015 | 768 008 | 1 058 015 | 768 008 |
| Sectional title right of development | 2 370 | - | 2 370 | - |
| Development Phasing line | 138 287 | 108 074 | 138 287 | 108 074 |
| Agricultural | 4 552 341 | 3 581 711 | 4 552 341 | 3 581 711 |
| Vacant land | 11 873 339 | 9 690 501 | 11 873 339 | 9 690 501 |
| Industrial | 69 779 779 | 61 580 590 | 69 779 779 | 61 580 590 |
| Public Service purposes | 20 013 306 | - | 20 013 306 | - |
| Public Benefit activities | 681 745 | - | 681 745 | - |
| Public Service Infrastructure | 3 287 933 | 15 354 499 | 3 287 933 | 15 354 499 |
| Mining property | 181 904 | - | 181 904 | - |
| Total Property Valuations | 648 989 458 | 555 813 330 | 648 989 458 | 555 813 330 |

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.011837 (2022: R0.013152); Agriculture - R0.002959 (2022: R0.003288); Vacant Land - R0.117932 (2022: R0.058966); Industrial - R0.038484 (2022: R0.038484); Business and Commercial - R0.029820 (2022: R0.029820); Public Service Infrastructure - R0.002959 (2022: R0.003288); Unauthorised / Illegal Development - R0.236728 (2022:R0.118364); Development Phasing line - R0.019459 (2022: R0.019459); Sectional Title right of development - R0.117932 (2022: R0.058966); Mining Property - R0.038484 (2022: R0.038484); Public Service purposes (new) - R0.029820; Public Benefit activities (new) - R0.002959. In addition to the statutory reduction of R15 000, a further reduction of R105 000 was approved for property values exceeding R350 000 (2022: R230 000). In addition to the R350 000, senior citizens, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R5 290p.a. (2022: R5 290p.a.). The Senior Citizens rebate is restricted to a maximum limit of R2.5million (2022: R2million) 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 2022. 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 R452.2million (2022: R152.6million) refers to interest charged on outstanding property rates debtors. Further details explaining the increase in interest on outstanding debtors are disclosed in Note 27 relating to Interest revenue as these reasons are similar in nature. The separation of interest on property rates debtors from that relating to other debtors is due to classification of revenue since interest on other debtors is classified as revenue from exchange transactions, whereas interest on property rates is classified as revenue from non-exchange transactions.

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|---------------------------------------------------------------------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies | | | | |
| Included in grants revenue is R336.211million recognised for VAT claimed relating to DORA grants. | | | | |
| Equitable Share | 4 057 157 | 3 580 447 | 4 057 157 | 3 580 447 |
| Expanded Public Works Programme Incentive | 61 257 | 81 691 | 61 257 | 81 691 |
| European Union | 912 | 5 435 | 912 | 5 435 |
| Primary Health Care Provincial Subsidy | 260 560 | 263 199 | 260 560 | 263 199 |
| Department of Transport and Public Transport infrastructure | 454 965 | 772 712 | 454 965 | 772 712 |
| Department of Sports and Recreation | 10 000 | - | 10 000 | - |
| Electricity Demand Side Management Grant | 8 880 | 9 000 | 8 880 | 9 000 |
| Urban Settlement Development Grant | 1 179 036 | 1 288 158 | 1 179 036 | 1 288 158 |
| Other Grants and Subsidies | 10 619 | 2 178 | 10 619 | 2 178 |
| Donations and Public Contributions | 191 | - | 191 | - |
| Neighbourhood Development Partnership | 49 886 | 33 984 | 49 886 | 33 984 |
| Department of Human Settlements | 134 169 | 64 058 | 134 169 | 64 058 |
| Grant Accreditation | 21 342 | 14 479 | 21 342 | 14 479 |
| Department of Arts and Culture | 85 271 | 70 981 | 85 271 | 70 981 |
| DBSA | 782 | 1 647 | 782 | 1 647 |
| Local Finance Management Grant | 1 000 | 1 000 | 1 000 | 1 000 |
| Urban Informal Settlement Upgrade Partnership Grant | 819 371 | 716 553 | 819 371 | 716 553 |
| Program and Project Preparation Support Grant | 12 423 | 1 627 | 12 423 | 1 627 |
| Infrastructure Skills Grant | 6 520 | 3 818 | 6 520 | 3 818 |
| Public Employment Programme | 354 047 | 56 339 | 354 047 | 56 339 |
| Municipal Disaster Grant | 150 108 | - | 150 108 | - |
| | 7 678 496 | 6 967 306 | 7 678 496 | 6 967 306 |

Equitable Share

| | | | | |
|-----------------------------------------|-------------|-------------|-------------|-------------|
| Current-year receipts | 4 057 157 | 3 580 447 | 4 057 157 | 3 580 447 |
| Conditions met - transferred to revenue | (4 057 157) | (3 580 447) | (4 057 157) | (3 580 447) |
| | - | - | - | - |

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

Department of Environmental Affairs

| | | | | |
|--------------------------------------------------|-------|-------|-------|-------|
| Balance unspent at beginning of reporting period | 7 838 | 7 838 | 7 838 | 7 838 |
|--------------------------------------------------|-------|-------|-------|-------|

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.

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------------------------------------------------|------------------------|-----------|----------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies (continued) | | | | |
| Department of Transport and Public Transport Infrastructure | | | | |
| Current-year receipts | 763 393 | 772 712 | 763 393 | 772 712 |
| Conditions met - transferred to revenue | (399 626) | (675 372) | (399 626) | (675 372) |
| VAT recognised - transferred to revenue | (55 339) | (97 340) | (55 339) | (97 340) |
| | 308 428 | - | 308 428 | - |

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

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

Neighbourhood Development Partnership

| | | | | |
|--------------------------------------------------|----------|---------------|----------|---------------|
| Balance unspent at beginning of reporting period | 14 823 | 9 084 | 14 823 | 9 084 |
| Current-year receipts | 42 924 | 40 364 | 42 924 | 40 364 |
| Conditions met - transferred to revenue | (47 474) | (29 967) | (47 474) | (29 967) |
| Paid back | (7 861) | (641) | (7 861) | (641) |
| VAT recognised - transferred to revenue | (2 412) | (4 017) | (2 412) | (4 017) |
| | - | 14 823 | - | 14 823 |

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 reporting period | 1 461 | 4 043 | 1 461 | 4 043 |
| Current-year receipts | 993 | 2 422 | 993 | 2 422 |
| Conditions met - transferred to revenue | (912) | (5 435) | (912) | (5 435) |
| Accrued receipts | - | 431 | - | 431 |
| | 1 542 | 1 461 | 1 542 | 1 461 |

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

Funds used for Capacity Enhancement / Knowledge Management.

Other Grants and Subsidies

| | | | | |
|--------------------------------------------------|---------------|---------------|---------------|---------------|
| Balance unspent at beginning of reporting period | 21 119 | 29 107 | 21 119 | 29 107 |
| Current-year receipts | 23 996 | 5 277 | 23 996 | 5 277 |
| Conditions met - transferred to revenue | (10 619) | (2 178) | (10 619) | (2 178) |
| Prior-year adjustments | - | (11 081) | - | (11 081) |
| Paid back | - | (6) | - | (6) |
| | 34 496 | 21 119 | 34 496 | 21 119 |

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

Other grants and subsidies were utilised during the year to fund various Council projects.

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------------------------------------|------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies (continued) | | | | |
| Department of Human Settlements | | | | |
| Balance unspent at beginning of reporting period | 404 145 | 399 286 | 404 145 | 399 286 |
| Current-year receipts | 121 969 | 62 164 | 121 969 | 62 164 |
| Conditions met - transferred to revenue | (134 169) | (64 058) | (134 169) | (64 058) |
| DOHS debtors adjustment | (20 314) | - | (20 314) | - |
| Prior-year adjustments | - | 6 753 | - | 6 753 |
| | 371 631 | 404 145 | 371 631 | 404 145 |

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.

In 2018, DOHS and the Municipality reached an agreement to utilise the subsequent grant funds on a 60/40 ratio basis (60% towards remedial work and 40% towards offsetting the R293 debtor). The prior year and DOHS debtor adjustments were recognised based on this agreement.

Grant Accreditation

| | | | | |
|-----------------------------------------|----------|----------|----------|----------|
| Current-year receipts | 21 342 | 14 479 | 21 342 | 14 479 |
| Conditions met - transferred to revenue | (21 342) | (14 479) | (21 342) | (14 479) |
| | - | - | - | - |

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

Department of Co-operative Governance and Traditional Affairs

| | | | | |
|--------------------------------------------------|--------------|--------------|--------------|--------------|
| Balance unspent at beginning of reporting period | 3 649 | 5 649 | 3 649 | 5 649 |
| Prior-year adjustments | - | (2 000) | - | (2 000) |
| | 3 649 | 3 649 | 3 649 | 3 649 |

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. COGTA is exploring the prospects of repurposing the Youth Summit grant to assist the youth of eThekwini with the Driver's Licence programme. There are still on-going engagements to iron out the processes of implementation of this newly considered view.

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|--------------------------------------------------------|------------------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies (continued) | | | | |
| Donations and Public Contributions | | | | |
| Balance unspent at beginning of reporting period | 36 729 | 36 729 | 36 729 | 36 729 |
| Conditions met - transferred to revenue | (191) | (17 487) | (191) | (17 487) |
| Re-allocation - April 2022 | - | 17 487 | - | 17 487 |
| | 36 538 | 36 729 | 36 538 | 36 729 |

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

The grants were received from various organisations to finance various developments.

Department of Arts and Culture

| | | | | |
|--------------------------------------------------|----------|---------------|----------|---------------|
| Balance unspent at beginning of reporting period | 14 820 | 10 847 | 14 820 | 10 847 |
| Current-year receipts | 70 712 | 74 954 | 70 712 | 74 954 |
| Conditions met - transferred to revenue | (85 271) | (70 981) | (85 271) | (70 981) |
| Paid back | (261) | - | (261) | - |
| | - | 14 820 | - | 14 820 |

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 mandate of the provincial government.

Electricity Demand Side Management Grant

| | | | | |
|--------------------------------------------------|------------|-----------|------------|-----------|
| Balance unspent at beginning of reporting period | 85 | 8 863 | 85 | 8 863 |
| Current-year receipts | 9 000 | 9 000 | 9 000 | 9 000 |
| Conditions met - transferred to revenue | (7 722) | (8 006) | (7 722) | (8 006) |
| Paid back | (85) | (8 778) | (85) | (8 778) |
| VAT recognised - transferred to revenue | (1 158) | (994) | (1 158) | (994) |
| | 120 | 85 | 120 | 85 |

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

The grant is utilised for energy saving initiatives i.e., supply and installation of electrical and mechanical energy efficient items to reduce electricity consumption.

Infrastructure Skills Grants

| | | | | |
|--------------------------------------------------|--------------|--------------|--------------|--------------|
| Balance unspent at beginning of reporting period | 6 432 | 5 122 | 6 432 | 5 122 |
| Current-year receipts | 35 500 | 33 500 | 35 500 | 33 500 |
| Conditions met - transferred to revenue | (6 408) | (3 818) | (6 408) | (3 818) |
| Grant transferred - Umgeni Water | (23 000) | (23 250) | (23 000) | (23 250) |
| Paid back | (6 432) | (5 122) | (6 432) | (5 122) |
| VAT recognised - transferred to revenue | (112) | - | (112) | - |
| | 5 980 | 6 432 | 5 980 | 6 432 |

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. Funds that remained unutilised from the previous financial year were paid back following the rollover denial.

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

31. Government grants and subsidies (continued)

Urban Settlements Development Grant

| | | | | |
|-----------------------------------------|-------------|-------------|-------------|-------------|
| Current-year receipts | 1 179 036 | 1 288 158 | 1 179 036 | 1 288 158 |
| Conditions met - transferred to revenue | (1 025 632) | (1 123 039) | (1 025 632) | (1 123 039) |
| VAT recognised - transferred to revenue | (153 404) | (165 119) | (153 404) | (165 119) |
| | - | - | - | - |

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

Expanded Public Works Programme Incentive

| | | | | |
|-----------------------------------------|----------|----------|----------|----------|
| Current-year receipts | 61 257 | 81 691 | 61 257 | 81 691 |
| Conditions met - transferred to revenue | (61 257) | (81 691) | (61 257) | (81 691) |
| | - | - | - | - |

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.

Primary Health Care Provincial Subsidy

| | | | | |
|--------------------------------------------------|---------------|---------------|---------------|---------------|
| Balance unspent at beginning of reporting period | 70 377 | 88 480 | 70 377 | 88 480 |
| Current-year receipts | 155 952 | 157 886 | 155 952 | 157 886 |
| Conditions met - transferred to revenue | (260 560) | (263 199) | (260 560) | (263 199) |
| Stock medicine | 8 239 | (18 102) | 8 239 | (18 102) |
| Accrued receipts | 104 608 | 105 312 | 104 608 | 105 312 |
| | 78 616 | 70 377 | 78 616 | 70 377 |

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

The Municipality renders health services on behalf of the Provincial Government and receives a Primary Health Care Provincial Subsidy on a reimbursive basis in terms of claims submitted. This grant has been used exclusively to fund clinic services. The balance relates to the closing medicine stock held by the Municipality, which has increased when compared to the previous reporting period.

Total receipts were R261.3million, of which R105.3million relates to prior year income that was accrued in the previous reporting date and only received in the current year. Of the R261.3million received, R156.0million relates to income received for the current financial year. The current year accrual of R104.6million represents claims submitted based on expenditure incurred.

Department of Sports and Recreation

| | | | | |
|--------------------------------------------------|------------|---------------|------------|---------------|
| Balance unspent at beginning of reporting period | 10 525 | 10 525 | 10 525 | 10 525 |
| Conditions met - transferred to revenue | (10 000) | - | (10 000) | - |
| | 525 | 10 525 | 525 | 10 525 |

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.

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|--------------------------------------------------------|------------------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies (continued) | | | | |
| DBSA | | | | |
| Balance unspent at beginning of reporting period | 5 293 | 95 039 | 5 293 | 95 039 |
| Current-year receipts | 106 | 148 | 106 | 148 |
| Conditions met - transferred to revenue | (782) | (1 714) | (782) | (1 714) |
| Paid back | (4 617) | - | (4 617) | - |
| Prior-year adjustments | - | (88 180) | - | (88 180) |
| | - | 5 293 | - | 5 293 |

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

The funds are utilised for various community reforestation projects, rehabilitation of the Palmiet River projects, Western and Northern aqueduct projects. The grant conditions on Western and Northern aqueduct projects were met in the previous years. The figures have been restated to reflect the revenue recognised as a correction of prior year error.

Municipal Emergency Housing Grant

| | | | | |
|--------------------------------------------------|---|-------|---|-------|
| Balance unspent at beginning of reporting period | - | 360 | - | 360 |
| Conditions met - transferred to revenue | - | (360) | - | (360) |
| | - | - | - | - |

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

Local Finance Management Grant

| | | | | |
|--------------------------------------------------|---------|---------|---------|---------|
| Balance unspent at beginning of reporting period | - | 415 | - | 415 |
| Current-year receipts | 1 000 | 1 000 | 1 000 | 1 000 |
| Conditions met - transferred to revenue | (1 000) | (1 000) | (1 000) | (1 000) |
| Paid back | - | (415) | - | (415) |
| | - | - | - | - |

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 | 819 371 | 829 536 | 819 371 | 829 536 |
| Conditions met - transferred to revenue | (716 283) | (625 630) | (716 283) | (625 630) |
| Prior-year re-imbursment of Municipal Disaster Grant | - | (112 983) | - | (112 983) |
| VAT recognised - transferred to revenue | (103 088) | (90 923) | (103 088) | (90 923) |
| | - | - | - | - |

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.

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|--------------------------------------------------------|------------------------|----------|------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies (continued) | | | | |
| Municipal Disaster Grant | | | | |
| Current-year receipts | 1 719 785 | - | 1 719 785 | - |
| Conditions met - transferred to revenue | (129 840) | - | (129 840) | - |
| VAT recognised - transferred to revenue | (20 268) | - | (20 268) | - |
| | 1 569 677 | - | 1 569 677 | - |

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

The grant is utilised to rebuild or repair the infrastructure that was damaged in the April / May 2022 floods disaster.

The unspent balance relates to the following funds received:

- R185million – this was the Municipal Disaster Management Grant (MDRG) for emergency work to restore service, which was received in September 2022, the duration of the work to be undertaken under this grant allocation is six months and the City was given an extension up to 30 June 2023. The unspent portion at year end amounted to R34.89million.
- R1.5billion – this was for the Reconstruction and Recovery Grant (R&R) for reconstruction work that will take longer than 6 months but less than 12 months, the funds were received in March 2023 and the work is expected to be completed by February 2024. The full amount was not spent at year end and the Municipality is to submit the rollover application.

Program and Project Preparation Support Grant

| | | | | |
|--------------------------------------------------|---------------|---------------|---------------|---------------|
| Balance unspent at beginning of reporting period | 48 322 | - | 48 322 | - |
| Current-year receipts | 61 324 | 49 949 | 61 324 | 49 949 |
| Conditions met - transferred to revenue | (12 080) | (1 478) | (12 080) | (1 478) |
| VAT recognised - transferred to revenue | (343) | (149) | (343) | (149) |
| Paid back | (48 322) | - | (48 322) | - |
| | 48 901 | 48 322 | 48 901 | 48 322 |

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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|--------------------------------------------------------|------------------------|----------------|---------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 31. Government grants and subsidies (continued) | | | | |
| Public Employment Programme | | | | |
| Balance unspent at beginning of reporting period | 237 029 | - | 237 029 | - |
| Current-year receipts | 150 000 | 293 368 | 150 000 | 293 368 |
| Conditions met - transferred to revenue | (353 960) | (56 325) | (353 960) | (56 325) |
| VAT recognised - transferred to revenue | (87) | (14) | (87) | (14) |
| | 32 982 | 237 029 | 32 982 | 237 029 |

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.

32. Levies

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| Fuel levy | 3 379 795 | 3 012 812 | 3 379 795 | 3 012 812 |
|-----------|-----------|-----------|-----------|-----------|

National Treasury shared revenue generated by the general fuel levy.

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|--------------------------------------------------------------------------------|------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 33. Employee related costs | | | | |
| Employee related costs - salaries and wages | 7 121 985 | 6 928 984 | 6 975 631 | 6 806 149 |
| Medical aid and pension benefits | 2 416 737 | 1 753 933 | 2 411 547 | 1 749 032 |
| UIF and workmans compensation | 67 563 | 68 399 | 51 291 | 52 284 |
| Contribution to provisions (leave pay, performance bonus, long service awards) | 248 159 | 67 623 | 235 821 | 60 663 |
| Travel, motor car, accommodation, subsistence and other allowances | 549 964 | 515 946 | 549 964 | 515 946 |
| Overtime payments | 1 102 859 | 1 371 504 | 1 099 791 | 1 368 676 |
| Housing benefits and allowances | 42 375 | 39 251 | 42 375 | 39 251 |
| Holiday bonus (13th cheque) | 566 728 | 556 957 | 566 728 | 556 957 |
| Other | 129 969 | 128 301 | 129 427 | 127 902 |
| Non-pensionable allowance (once-off) | 51 | 79 828 | 51 | 79 828 |
| Less: Employee costs relating to capitalisation and maintenance of PPE | (53 124) | (47 549) | (53 124) | (47 549) |
| | 12 193 266 | 11 463 177 | 12 009 502 | 11 309 139 |

The R79.8million once-off non-pensionable allowance in the prior period relates to a settlement agreement that was concluded during the bargaining process in terms of municipal staff increases for 3 financial years, payable only in year 1 of this agreement, which was for the 2021/22 financial year. The current year figure relates to the total of once-off non-pensionable allowances paid to the Municipal Manager, Chief Financial Officer and 5 Deputy City Managers (R7 272.00 each).

The large increase 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 2021/22 this obligation had reduced by R310.4million whereas in 2022/23 it increased by R300.9million, resulting in the large year-on-year variance.

Contributions to the various provisions were also substantially increased when compared to the prior year. For staff leave R71.4million was required (2021/22: R32.8million), for long service awards (based on actuarial reports) an amount of R91.2million was contributed (2021/22: R27.9million) and R73.2million was contributed for performance bonuses (2021/22: Nil).

Municipal Manager - (appointed 1 October 2022; previously Chief Operating Officer and acting Municipal Manager from 01 July 2021 to 30 September 2022)

| | | | | |
|------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 1 827 | 1 891 | 1 827 | 1 891 |
| Car allowance | 572 | 468 | 572 | 468 |
| Performance bonuses | - | 147 | - | 147 |
| Holiday bonus (13th cheque) | 198 | 200 | 198 | 200 |
| Cellphone allowance | 12 | 12 | 12 | 12 |
| Other allowances (backpay, non-pensionable, acting, subsistence) | 128 | 208 | 128 | 208 |
| Contributions to UIF and SDL | 23 | 27 | 23 | 27 |
| | 2 760 | 2 953 | 2 760 | 2 953 |

Chief Financial Officer - (appointed 01 August 2021)

| | | | | |
|----------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 2 318 | 2 106 | 2 318 | 2 106 |
| Car allowance | 857 | 779 | 857 | 779 |
| Other allowances (backpay, non-pensionable, subsistence) | 83 | - | 83 | - |
| Contributions to UIF and SDL | 33 | 29 | 33 | 29 |
| | 3 291 | 2 914 | 3 291 | 2 914 |

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| | 2023 | 2022 | 2023 | 2022 |

33. Employee related costs (continued)

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

| | | | | |
|--------------------------------------------------------|---|------------|---|------------|
| Annual remuneration | - | 274 | - | 274 |
| Performance bonuses (more than one performance period) | - | 480 | - | 480 |
| Other allowances (leave cashing) | - | 75 | - | 75 |
| Contributions to UIF, SDL, medical and pension funds | - | 8 | - | 8 |
| | - | 837 | - | 837 |

D.C.M: Community and Emergency Services

| | | | | |
|------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 1 805 | 1 789 | 1 805 | 1 789 |
| Car allowance | 109 | 108 | 109 | 108 |
| Holiday bonus (13th cheque) | 158 | 158 | 158 | 158 |
| Cellphone allowance | 12 | 12 | 12 | 12 |
| Other allowances (backpay, non-pensionable, leave cashing) | 194 | - | 194 | - |
| Contributions to UIF and SDL | 21 | 19 | 21 | 19 |
| | 2 299 | 2 086 | 2 299 | 2 086 |

D.C.M: Governance

| | | | | |
|----------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 2 098 | 1 983 | 2 098 | 1 983 |
| Car allowance | 727 | 687 | 727 | 687 |
| Performance bonuses (more than one performance period) | - | 439 | - | 439 |
| Holiday bonus (13th cheque) | 175 | 167 | 175 | 167 |
| Market allowance | 121 | 121 | 121 | 121 |
| Cellphone allowance | 12 | 12 | 12 | 12 |
| Other allowances (backpay, leave cashing, subsistence, acting) | 76 | 96 | 76 | 96 |
| Contributions to UIF, SDL, medical and pension funds | 471 | 454 | 471 | 454 |
| | 3 680 | 3 959 | 3 680 | 3 959 |

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|-----------------------------------------------------------------------|------------------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| 33. Employee related costs (continued) | | | | |
| D.C.M: Trading Services | | | | |
| Annual remuneration | 2 073 | 2 055 | 2 073 | 2 055 |
| Cellphone allowance | 12 | 12 | 12 | 12 |
| Other allowances (backpay, non-pensionable, subsistence) | 84 | - | 84 | - |
| Contributions to UIF and SDL | 24 | 23 | 24 | 23 |
| | 2 193 | 2 090 | 2 193 | 2 090 |
| Head: City Integrity and Investigation | | | | |
| Annual remuneration | 1 418 | 1 343 | 1 418 | 1 343 |
| Car allowance | 491 | 464 | 491 | 464 |
| 4 | - | 119 | - | 119 |
| Holiday bonus (13th cheque) | 118 | 113 | 118 | 113 |
| Cellphone allowance | 9 | 9 | 9 | 9 |
| Other allowances (backpay, long service) | 4 | 10 | 4 | 10 |
| Contributions to UIF, SDL, medical and pension funds | 337 | 321 | 337 | 321 |
| | 2 377 | 2 379 | 2 377 | 2 379 |
| D.C.M: Corporate and Human Resources | | | | |
| Annual remuneration | 1 757 | 1 767 | 1 757 | 1 767 |
| Car allowance | 434 | 430 | 434 | 430 |
| Performance bonus | - | 101 | - | 101 |
| Holiday bonus (13th cheque) | 186 | 183 | 186 | 183 |
| Cellphone allowance | 12 | 12 | 12 | 12 |
| Other allowances (backpay, leave cashing, non-pensionable) | 73 | 107 | 73 | 107 |
| Contributions to UIF, SDL, medical and pension funds | 383 | 403 | 383 | 403 |
| | 2 845 | 3 003 | 2 845 | 3 003 |
| D.C.M: Human Settlements - (contract terminated 30 April 2023) | | | | |
| Annual remuneration | 1 588 | 2 014 | 1 588 | 2 014 |
| Car allowance | 150 | 177 | 150 | 177 |
| Performance bonuses (more than one performance period) | - | 399 | - | 399 |
| Cellphone allowance | 10 | 12 | 10 | 12 |
| Other allowances (backpay, non-pensionable) | 65 | 46 | 65 | 46 |
| Contributions to UIF and SDL | 17 | 26 | 17 | 26 |
| | 1 830 | 2 674 | 1 830 | 2 674 |

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| | 2023 | 2022 | 2023 | 2022 |

33. Employee related costs (continued)

D.C.M: Economic Development and Planning - (contract expired 31 December 2022)

| | | | | |
|-------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 744 | 1 611 | 744 | 1 611 |
| Car allowance | 206 | 412 | 206 | 412 |
| Performance bonuses (more than one performance period) | - | 455 | - | 455 |
| Holiday bonus (13th cheque) | (79) | 158 | (79) | 158 |
| Cellphone allowance | 6 | 12 | 6 | 12 |
| Other allowances (backpay, leave cashing, non-pensionable, subsistence) | 337 | 42 | 337 | 42 |
| Contributions to UIF and SDL | 12 | 25 | 12 | 25 |
| | 1 226 | 2 715 | 1 226 | 2 715 |

The recovery of the holiday bonus (13th cheque) in the current period relates to half of the payment in advance that was made during the prior year due to the resignation of the member on 31 December 2022.

Chief Audit Executive

| | | | | |
|------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 1 486 | 1 400 | 1 486 | 1 400 |
| Car allowance | 515 | 494 | 515 | 494 |
| Holiday bonus (13th cheque) | 124 | 118 | 124 | 118 |
| Cellphone allowance | 9 | 9 | 9 | 9 |
| Other allowances (backpay) | - | 24 | - | 24 |
| Contributions to UIF, SDL, medical and pension funds | 334 | 318 | 334 | 318 |
| | 2 468 | 2 363 | 2 468 | 2 363 |

Head: Information Management Unit / Chief Information Officer

| | | | | |
|-------------------------------------------------------|--------------|--------------|--------------|--------------|
| Annual remuneration | 1 431 | 1 355 | 1 431 | 1 355 |
| Car allowance | 496 | 469 | 496 | 469 |
| Holiday bonus (13th cheque) | 119 | 114 | 119 | 114 |
| Cellphone allowance | 9 | 9 | 9 | 9 |
| Other allowances (backpay, long service, subsistence) | 34 | 29 | 34 | 29 |
| Contributions to UIF, SDL, medical and pension funds | 342 | 325 | 342 | 325 |
| | 2 431 | 2 301 | 2 431 | 2 301 |

Municipal Manager - (contract terminated 30 June 2021)

| | | | | |
|-------------------|---|-----|---|-----|
| Performance bonus | - | 214 | - | 214 |
|-------------------|---|-----|---|-----|

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

33. Employee related costs (continued)

Chief Strategic Officer - (retired 30 June 2022)

| | | | | |
|-----------------------------------------------------------------------------------|------------|--------------|------------|--------------|
| Annual remuneration | | 1 844 | - | 1 844 |
| Car allowance | | 634 | - | 634 |
| Performance bonus | | 188 | - | 188 |
| Holiday bonus (13th cheque) | | 155 | - | 155 |
| Market allowance | | 524 | - | 524 |
| Cellphone allowance | - | 12 | - | 12 |
| Other allowances (leave cashing, backpay, entertainment, telephone, long service) | 392 | 46 | 392 | 46 |
| Contributions to UIF, SDL, medical and pension funds | - | 395 | - | 395 |
| | 392 | 1 954 | 392 | 5 642 |

Durban Marine Theme Park (State Owned Company) Limited

| | | | | |
|----------------------------------------------------------------|---------------|--------------|---|---|
| Chief Executive Officer: N. Khoza | 2 223 | 2 189 | - | - |
| Chief Financial Officer: L. Khumalo (appointed 01 August 2021) | 1 924 | 1 665 | - | - |
| Chief Operating Officer: P. Pillay | 2 023 | 1 992 | - | - |
| Food and Beverage Executive: R. Crow | 1 417 | 1 073 | - | - |
| Human Resources Executive: H. Ndlovu | 1 417 | 1 103 | - | - |
| Marketing Executive: B. Malunga | 1 480 | 1 458 | - | - |
| | 10 484 | 9 480 | - | - |

ICC Durban (Proprietary) Limited

| | | | | |
|----------------------------------------------------------------------------|--------------|--------------|---|---|
| Chief Executive Officer: L. Rakharebe | 4 116 | 3 471 | - | - |
| Chief Financial Officer: M. Rambally | 2 680 | 2 324 | - | - |
| Chief Operations Officer: J. Aritho (appointed 01 February 2023) | 1 032 | - | - | - |
| Chief Corporate Services Officer: B. Chettiar (appointed 01 December 2022) | 1 438 | - | - | - |
| Facilities Director: S. Khuzwayo* | - | 1 679 | - | - |
| | 9 266 | 7 474 | - | - |

*The entity's reviewed executive structure was implemented effective 01 June 2022. The Facilities Director post was revised to Facilities and Infrastructure Support Executive, which is no longer part of the executive structure.

34. Remuneration of councillors

| | | | | |
|----------------------------------------|----------------|----------------|----------------|----------------|
| Mayor | 1 595 | 1 439 | 1 595 | 1 439 |
| Deputy Mayor | 1 099 | 968 | 1 099 | 968 |
| Speaker | 1 205 | 1 199 | 1 205 | 1 199 |
| Mayoral Committee Members | 12 010 | 9 621 | 12 010 | 9 621 |
| Councillors | 119 980 | 120 684 | 119 980 | 120 684 |
| Traditional Leaders | 825 | 505 | 825 | 505 |
| Total Councillors' Remuneration | 136 714 | 134 416 | 136 714 | 134 416 |

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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|----------------------------------------------------|------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 34. Remuneration of councillors (continued) | | | | |
| Mayor | | | | |
| Remuneration allowances | 1 490 | 1 398 | 1 490 | 1 398 |
| Motor vehicle allowance | 64 | - | 64 | - |
| Cellphone allowance | 41 | 41 | 41 | 41 |
| | 1 595 | 1 439 | 1 595 | 1 439 |
| Deputy Mayor | | | | |
| Remuneration allowances | 895 | 816 | 895 | 816 |
| Motor vehicle allowance | 16 | - | 16 | - |
| Cellphone allowance | 37 | 41 | 37 | 41 |
| Medical aid | 12 | - | 12 | - |
| Pension fund | 139 | 111 | 139 | 111 |
| | 1 099 | 968 | 1 099 | 968 |
| Speaker | | | | |
| Remuneration allowances | 949 | 1 042 | 949 | 1 042 |
| Cellphone allowance | 41 | 41 | 41 | 41 |
| Medical aid | 69 | 33 | 69 | 33 |
| Pension fund | 146 | 83 | 146 | 83 |
| | 1 205 | 1 199 | 1 205 | 1 199 |
| Mayoral Committee Members | | | | |
| Remuneration allowances | 8 581 | 7 213 | 8 581 | 7 213 |
| Motor vehicle allowance | 1 436 | 932 | 1 436 | 932 |
| Cellphone allowance | 431 | 408 | 431 | 408 |
| Medical aid | 253 | 272 | 253 | 272 |
| Pension fund | 1 309 | 796 | 1 309 | 796 |
| | 12 010 | 9 621 | 12 010 | 9 621 |
| Councillors | | | | |
| Remuneration allowances | 77 713 | 79 011 | 77 713 | 79 011 |
| Motor vehicle allowance | 15 946 | 16 579 | 15 946 | 16 579 |
| Cellphone allowance | 8 418 | 8 436 | 8 418 | 8 436 |
| Medical aid | 6 485 | 6 509 | 6 485 | 6 509 |
| Pension fund | 11 418 | 10 149 | 11 418 | 10 149 |
| | 119 980 | 120 684 | 119 980 | 120 684 |
| Traditional Leaders | | | | |
| Allowances | 825 | 505 | 825 | 505 |

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|------------------------------------------|------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 35. Finance costs | | | | |
| Non-current borrowings | 904 911 | 876 308 | 904 911 | 876 308 |
| Trade and other payables | 19 508 | 2 681 | 19 508 | 2 681 |
| Landfill provision unwinding of interest | 35 090 | 25 123 | 35 090 | 25 123 |
| | 959 509 | 904 112 | 959 509 | 904 112 |

Included in the interest on trade and other payables is an amount of R18.1million incurred as a result of a court order that was finalised in the current financial year. The amount has been disclosed as part of fruitless and wasteful expenditure, and accounts for the significant variance when comparing to the interest disclosed in the prior year on trade and other payables.

The finance costs incurred in relation to the unwinding of interest on landfill sites represent a non-cash expense since these costs are recognised in accordance with the accounting standards on provisions and do not represent a disbursement of funds. The increase in the finance costs relating to the landfill site provision is attributable to an increase in the discount rates used to calculate this provision given the rising trends of interest rates hikes when compared to previous years.

36. Electricity and Water consumption

| | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Electricity - Eskom | 12 740 253 | 12 052 719 | 12 740 253 | 12 052 719 |
| Water - Umgeni Water | 3 486 616 | 3 495 250 | 3 486 616 | 3 495 250 |
| | 16 226 869 | 15 547 969 | 16 226 869 | 15 547 969 |

Electricity and water consumption include distribution losses that are separately disclosed in detail in note 49: Material losses, and also directly attributable costs.

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|----------------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 37. Contracted services | | | | |
| Outsourced Services | | | | |
| Administrative and support staff | 746 614 | 439 199 | 746 614 | 439 199 |
| Cleaning services | 175 722 | 158 445 | 168 148 | 154 160 |
| Clearing and grass cutting services | 174 703 | 165 194 | 174 703 | 165 194 |
| Hygiene services | 119 216 | 76 484 | 119 216 | 76 484 |
| Meter management | 78 670 | 52 136 | 78 670 | 52 136 |
| Refuse removal | 308 282 | 295 416 | 308 282 | 295 416 |
| External security | 1 224 850 | 1 103 770 | 1 217 582 | 1 098 569 |
| Other | 90 271 | 87 630 | 90 271 | 87 630 |
| Consultants and Professional Services | | | | |
| Engineering and other technical services | 46 883 | 43 523 | 46 303 | 42 965 |
| Auditors remuneration | 29 367 | 24 076 | 27 465 | 21 687 |
| IT systems support | 165 507 | 135 326 | 165 507 | 135 326 |
| Legal expenses | 56 993 | 61 719 | 56 993 | 61 719 |
| Research and advisory | 43 520 | 54 440 | 43 520 | 54 440 |
| Project management | 16 660 | 9 101 | 16 660 | 9 101 |
| Other | 24 417 | 45 459 | 24 417 | 45 459 |
| Contractors | | | | |
| Artists and performers | 13 940 | 14 477 | 13 940 | 14 477 |
| Catering services | 43 600 | 28 835 | 43 600 | 28 835 |
| Event promoters | 14 946 | 10 566 | 14 946 | 10 566 |
| Repairs and maintenance | 2 162 740 | 2 151 369 | 2 162 740 | 2 151 143 |
| Recycling | 22 885 | 24 774 | 22 885 | 24 774 |
| Stage and sound crew | 10 767 | 29 100 | 10 767 | 29 100 |
| Other | 121 102 | 121 671 | 119 316 | 120 628 |
| | 5 691 655 | 5 132 710 | 5 672 545 | 5 119 008 |

The significant variances in the above figures are mainly due to the following:

- Outsourced Services: The funds for the Public Employment Programme were not fully spent in the prior year, and as a result of the grant rollover approval, the majority of the expenditure was incurred in the current year (refer to Note 30). New contracts for cleaning services and meter sweeps were awarded in October 2022 and February 2022, respectively. Security costs increased due to the increase in vandalism in various sites which resulted in need for additional security.

- Consultants and Professional Services: The auditors remuneration and IT support costs fluctuate based on the extent of work performed. The support contract for the Ellipse system expired in March 2022 and was renewed in August 2022. Hence, there was less expenditure incurred in the prior year compared to the current year. Delays in supply chain management process and implementation of capacitation projects resulted in lower expenditure on research and advisory expenditure compared to the prior year. Project management expenditure increased due to the increase in conditional assessments performed on ablution blocks compared to the prior year. The variance on other consultants cost is due to the expiry of the contract for negotiations facilitator in relation to the IRPTN projects.

- Contractors: Expenditure on catering services is largely driven by the number of events requiring catering to be provided i.e., community participation programs. There was also an increase in event promotions in the current year compared to the prior year. There was less utilisation of stage hire and sound crew in the current year events compared to the prior year.

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| Figures in Rand thousand | Group and Municipality | | Municipality | |
|--------------------------------------------------------------------|------------------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 38. Grants and subsidies paid | | | | |
| Grant Paid: Point Precinct Trust | 2 500 | 2 421 | 2 500 | 2 421 |
| Grant Paid: Sporting Organisations | 313 548 | 295 139 | 313 548 | 295 139 |
| Grant Paid: ICC Durban (Proprietary) Limited | - | - | 50 727 | 55 835 |
| Grant Paid: Durban Marine Theme Park (State Owned Company) Limited | - | - | 135 227 | 137 506 |
| Grant Paid: Natal Philharmonic Orchestra | 7 681 | 7 681 | 7 681 | 7 681 |
| Grant Paid: SEDA eThekwini | 1 232 | 1 800 | 1 232 | 1 800 |
| Grant Paid: Other | 348 003 | 178 403 | 348 003 | 178 403 |
| Grant paid: Green Corridor | 11 588 | 24 671 | 11 588 | 24 671 |
| Grant Paid: KZN Sharks (Pty) Ltd | 4 000 | 4 000 | 4 000 | 4 000 |
| | 688 552 | 514 115 | 874 506 | 707 456 |

The decrease in the Green Corridor NPC grant is due to the expiry of the memorandum of agreement (MOA). There was only one payment made in the current financial year. The process of concluding the new MOA is still underway.

The increase in other grants and subsidies paid is attributable to the high number of disaster emergency operations and relief packages provided compared to the prior year. This includes the provision of mattresses, food parcels and meals to the families displaced as a result of fire incidents, storms, etc.

Included in other grants and subsidies is an amount of R122.36million (2022: R20.15million) relating to social assistance relating to sanitation services. Alternative sanitation technology costs were incurred to replace pit toilets. The full rollout of the project was implemented in the current year, resulting in the variance from the previous financial year. Given that the facilities are owned by the beneficiaries, the costs incurred are expensed by the Municipality as a grant-in-aid since this is a non-exchange transaction.

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|-----------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 39. General expenses | | | | |
| Advertising | 97 565 | 106 064 | 95 691 | 105 073 |
| Bank charges | 17 468 | 13 627 | 15 821 | 12 268 |
| Cleaning | 24 320 | 23 229 | 21 332 | 21 231 |
| Commission paid | 52 136 | 54 149 | 51 036 | 53 728 |
| Software licences | 177 763 | 139 293 | 171 481 | 131 050 |
| Delivery expenses | 1 331 | 2 312 | 1 331 | 2 311 |
| Civic entertainment | 446 | 89 | 25 | 44 |
| Hire of facilities, plant and equipment | 356 545 | 249 914 | 356 545 | 249 914 |
| Insurance | 167 806 | 156 515 | 167 618 | 156 355 |
| Inventory - materials and supplies | 1 328 104 | 926 942 | 1 328 104 | 926 942 |
| Conferences and seminars | 17 050 | 13 143 | 17 050 | 13 143 |
| IT expenses | 30 403 | 39 773 | 30 009 | 38 957 |
| Marketing | 9 150 | 12 325 | 5 567 | 10 454 |
| Management fees | 429 939 | 366 844 | 429 939 | 366 844 |
| Levies | 1 418 | 1 237 | - | - |
| Magazines, books and periodicals | 5 815 | 5 567 | 5 815 | 5 567 |
| Medical requisites | 4 052 | 3 397 | 4 052 | 3 397 |
| Fuel and oil | 566 258 | 440 829 | 566 258 | 440 829 |
| Postage and courier | 25 807 | 32 782 | 25 807 | 32 782 |
| Printing and stationery | 36 573 | 45 249 | 35 607 | 44 535 |
| Promotions | 9 746 | 9 803 | 9 713 | 9 803 |
| Protective clothing | 55 708 | 58 611 | 55 708 | 58 611 |
| Project maintenance costs | 8 945 | 10 846 | - | - |
| Secretarial fees | 1 375 | 1 026 | - | - |
| Subscriptions and membership fees | 26 623 | 24 561 | 26 272 | 24 419 |
| Telephone and fax | 61 508 | 74 694 | 59 576 | 72 583 |
| Transport and freight | 9 609 | 6 483 | 9 609 | 6 483 |
| Training | 98 668 | 100 613 | 98 365 | 100 275 |
| Travel - local | 8 411 | 3 918 | 7 322 | 3 560 |
| Travel - overseas | 8 659 | 1 370 | 7 319 | 1 223 |
| Title deed search fees | 637 | 1 990 | 637 | 1 990 |
| Refuse bags | 60 866 | 66 525 | 60 866 | 66 525 |
| Small plant and tools | 9 281 | 10 656 | 9 281 | 10 656 |
| Other expenses | 298 892 | 254 089 | 229 743 | 177 528 |
| | 4 008 877 | 3 258 465 | 3 903 499 | 3 149 080 |

The significant increase in general expenses is attributable to the following:

- Operating costs for computer services have increased due to the recent three-year tender awarded for provision of Microsoft services.
- The City has increased the supply of water tankers due to lengthy interruptions of water supply in various areas. This has resulted in the increase in hire charges. With the change in weather patterns, the City is experiencing a lot of interruptions. The council-owned tankers are not sufficient to cover the demand, thus placing heavy reliance on external hire.
- The number of events hosted by the City at the Durban International Convention Centre, which include council meetings and business workshops, have increased in the current financial year. This resulted in the increase in intercompany expenditure.
- Expenditure on materials and supplies have increased due to the rollout of smart metering project.
- Fuel price and vehicle utilisation increases have both contributed to the higher expenditure on management fees and fuel expenditure in the current year.

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|----------------------------------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 40. Cash generated from operations | | | | |
| Surplus | 4 486 985 | 1 364 336 | 4 512 133 | 1 401 699 |
| Adjustments for: | | | | |
| Depreciation on PPE | 2 707 256 | 2 604 081 | 2 672 375 | 2 563 734 |
| Loss / (gain) on sale of PPE and Investment property | (13 095) | (13 469) | (13 160) | (13 589) |
| Amortisation of Intangible assets | 146 605 | 125 371 | 146 406 | 124 985 |
| Depreciation: investment properties | 2 485 | 2 699 | 602 | 550 |
| Loss (profit) from Joint Ventures | 8 941 | 3 850 | 8 941 | 3 850 |
| Transfer of assets | 132 | - | - | - |
| Deferred income | 208 | (904) | - | - |
| Reversal of loss on impairment: PPE | (17 008) | (26 641) | (17 008) | (26 641) |
| Impairment PPE | 39 483 | 78 641 | 39 483 | 78 641 |
| Debt impairment | 3 576 021 | 3 138 670 | 3 572 215 | 3 136 848 |
| Change in estimates | (41 983) | 22 318 | (41 983) | 22 318 |
| Movements in retirement benefit assets and liabilities | 293 082 | (309 933) | 293 082 | (309 933) |
| Movements in provisions | (96 350) | (121 350) | (96 775) | (124 330) |
| Loss (reversal) on impairment: investment properties | - | (4 015) | - | (4 015) |
| Donations: PPE | (34 642) | (3 232) | (34 642) | (3 232) |
| Deferred taxation | (1 797) | (4 332) | - | - |
| Accrued finance costs | 47 741 | 49 073 | 47 741 | 49 073 |
| Accrued interest on investments | (50 981) | (16 992) | (50 981) | (16 992) |
| Changes in working capital: | | | | |
| Inventories | 87 774 | (287 422) | 90 452 | (282 934) |
| Receivables from exchange transactions | (353 035) | (358 501) | (350 374) | (355 726) |
| Consumer debtors | (5 469 005) | (3 206 821) | (5 455 249) | (3 225 658) |
| Other receivables from non-exchange transactions | (130 636) | (96 593) | (130 636) | (98 636) |
| Payables from exchange transactions | 340 882 | (65 282) | 329 202 | (79 978) |
| VAT | 266 085 | 429 009 | 261 770 | 430 751 |
| Current tax | 437 | (165) | - | - |
| Unspent conditional grants and receipts | 1 618 276 | 189 978 | 1 618 276 | 189 978 |
| Transfers payable from non-exchange transactions | 7 398 | (32 936) | 6 634 | (46 733) |
| Consumer deposits | 113 280 | 79 355 | 103 147 | 76 684 |
| | 7 534 539 | 3 538 793 | 7 511 651 | 3 490 714 |
| 41. Utilisation of long-term liabilities reconciliation | | | | |
| Long-term liabilities | 9 888 935 | 9 257 067 | 9 888 935 | 9 257 067 |
| Used to finance property, plant and equipment – at cost | (9 888 935) | (9 257 067) | (9 888 935) | (9 257 067) |
| | - | - | - | - |

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|------------------------------------------------------|------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 42. Commitments | | | | |
| Commitments in respect of capital expenditure | | | | |
| Approved and contracted for: | | | | |
| • Infrastructure | 3 086 854 | 2 022 477 | 3 086 854 | 2 022 477 |
| • Community | 29 402 | 1 962 | 29 402 | 1 962 |
| • Land and buildings | 163 623 | 89 571 | 162 661 | 88 911 |
| • Other | 875 889 | 807 902 | 866 968 | 804 987 |
| | 4 155 768 | 2 921 912 | 4 145 885 | 2 918 337 |
| Approved but not yet contracted for: | | | | |
| • Infrastructure | 411 527 | 746 098 | 411 527 | 746 098 |
| Total capital commitments | | | | |
| Approved and contracted for | 4 155 768 | 2 921 912 | 4 145 885 | 2 918 337 |
| Approved but not yet contracted for | 411 527 | 746 098 | 411 527 | 746 098 |
| | 4 567 295 | 3 668 010 | 4 557 412 | 3 664 435 |

Included in the approved and contracted for (Other) figure is the commitment in relation to the Housing Agency amounting to R823.1million (2022: R751.6million). The significant variances in the commitment amounts are due to the timing differences in procurement processes ie. contracts approved at Bid Adjudication Committee, issuing of new Letters of Awards and expiry of old contracts.

Operating leases - as lessor (income)

Minimum lease payments due

| | | | | |
|-------------------------------------|---------------|---------------|---|---|
| | - | - | - | - |
| - within one year | 12 573 | 11 702 | - | - |
| - in second to fifth year inclusive | 12 206 | 13 904 | - | - |
| | 24 779 | 25 606 | - | - |

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 31 July 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 and those that are on a turnover 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 these leases, include month to month lease agreements, as well as lease terms of between one to three years.

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|---------------------------------------------------|------------------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| 42. Commitments (continued) | | | | |
| Operating leases - as lessee (expenditure) | | | | |
| Minimum lease payments due | | | | |
| - within one year | 64 892 | 37 735 | 64 892 | 37 735 |
| - in second to fifth year inclusive | 18 092 | 23 471 | 18 092 | 23 471 |
| | 82 984 | 61 206 | 82 984 | 61 206 |

The minimum lease payments due within one year have increased due to the new short-term lease agreements that commenced in the current financial year. There was also a decrease in the minimum lease payments due between the second and fifth year due to a number of lease agreements that are nearing their expiry dates.

Operating Commitments

| | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Minimum amounts due: | | | | |
| - payable within one year | 1 229 809 | 1 054 980 | 1 229 809 | 1 054 980 |
| - payable within two to three years | 266 601 | 540 622 | 266 601 | 540 622 |
| - payable after three years | - | 634 | - | 634 |
| | 1 496 410 | 1 596 236 | 1 496 410 | 1 596 236 |

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 2023/24 to 2025/26 is R872million, R961million and R1.01billion 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.

The significant variances in the commitment amounts are due to the timing differences in procurement processes ie. contracts approved at Bid Adjudication Committee, issuing of new Letters of Awards and expiry of old contracts.

43. Contingencies

| | | | | |
|--------------------------------------------|-----------|---------|-----------|---------|
| Contingent liability: Contractual disputes | 2 499 029 | 465 795 | 2 499 029 | 465 795 |
|--------------------------------------------|-----------|---------|-----------|---------|

Various departments within the Municipality have price disputes with certain contractors.

The increase is due to the additional claims received in the current financial year. The amount of R2.5billion includes a claim of R1.65billion for an alleged withdrawal of tender for supply of single-phase electricity split-type energy dispensers.

| | | | | |
|----------------------------------------------|-----------|-----------|-----------|-----------|
| Contingent liability: Self Insurance Reserve | 1 233 609 | 1 177 078 | 1 233 609 | 1 177 078 |
|----------------------------------------------|-----------|-----------|-----------|-----------|

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 | 907 953 | 353 595 | 907 953 | 353 595 |
|--------------------------------------|---------|---------|---------|---------|

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|--------------------------|------------------------|------|--------------|------|
| | 2023 | 2022 | 2023 | 2022 |

43. Contingencies (continued)

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.

The increase in the contingent figures is due to the revaluation of all Property Market Values, effective 1 July 2022, which resulted in large numbers of objections and appeals since the property valuations are used in the computation of the ratepayers property rates charge.

| | | | | |
|---------------------------------------|---------|---------|---------|---------|
| Contingent liability: Bank guarantees | 131 458 | 170 095 | 131 458 | 170 095 |
|---------------------------------------|---------|---------|---------|---------|

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

- S.A. Post Office: R76 000 (Nedbank) - (June 2022: R76 000);
- S.A. Post Office: R3.800million (Nedbank) - (June 2022: R3.800million);
- S.A. Post Office: R400 000 (Nedbank) - (June 2022: R400 000);
- Compensation Commissioner: R117.182million - (Nedbank) - (June 2022: R155.819million);
- Water and Sanitation - Demand guarantee: R10million - (Nedbank) - (June 2022: R10million)

The Compensation Commissioner guaranteed amount has been reduced by R38.637million due to the decrease in the capitalised value of the Municipality and changes in assumptions.

| | | | | |
|------------------------------------|---------|---------|---------|---------|
| Contingent liability: Legal claims | 277 430 | 310 577 | 277 430 | 310 577 |
|------------------------------------|---------|---------|---------|---------|

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 to uncertainty about the number of instances the Municipality would need to appear at court. The decrease in the total value of claims is due to the matters that were settled through court order or out of court in the current year.

Legal disputes relate to:

- Rates dispute: R8.1million (2022: R7million);
- Value of compensation in respect of expropriation of various properties: R207.4million (2022: R226.1million);
- Claims for damages - various: R62.5million (2022: R77.5million).

| | | | | |
|---------------------------------------------|---------|-----------|---------|-----------|
| Contingent liability: Claims - bus operator | 389 151 | 1 418 505 | 389 151 | 1 418 505 |
|---------------------------------------------|---------|-----------|---------|-----------|

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, which will result in the claim being reduced to R389million. However, the bus operator is of the view that the claim of R1.4billion is still valid. A Motion of Notice was subsequently submitted by the bus operator for the review and setting aside of the arbitration award. The outcome of the motion of notice will be monitored and changes made on the amount disclosed as a contingent liability pending new information received. On the other hand, the bus operator owes the Municipality an amount of R1.05billion, which is included in other receivables.

| | | | | |
|---------------------------------------------------------------------------------------------------|---------|--------|---|---|
| Contingent asset: Claim for loss of revenue during national lockdown due to Covid - I.C.C. Durban | 148 556 | 81 615 | - | - |
|---------------------------------------------------------------------------------------------------|---------|--------|---|---|

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| | 2023 | 2022 | 2023 | 2022 |

43. Contingencies (continued)

The contingent asset relates to an insurance claim instituted by the entity against its insurers, Santam Limited, for loss of profits and/or revenue which the entity sustained pertaining to the resultant effects of the COVID-19 pandemic and/or the national lockdown. The entity has instituted action against Santam Limited under case number D1320/2023.

Durban Marine Theme Park:

After the announcement by the President 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 has been lodged with the entity's insurers for the loss of profits due to the pandemic. The claim was approved in principle on 28 July 2021. An amount of R5million was approved to be shared equally between ICC and DMTP. However, the offer of settlement has not been accepted by ICC subject to an ongoing legal dispute on the quantum of the amount receivable. DMTP can therefore not receive any of the amount until the finalisation of the matter.

| | | | | |
|----------------------------------------------------|---|---------|---|---------|
| Contingent liability: Performance rewards to staff | - | 187 053 | - | 187 053 |
|----------------------------------------------------|---|---------|---|---------|

Performance rewards of R73.2 million were paid during the current year to qualifying staff of the Municipality for the 2020/2021 financial year as disclosed on the note on provisions. No provision has been made or contingent liability disclosed towards the payment of 2021/22 performance rewards given that performance rewards are payable subject to affordability and therefore the value cannot be reliably measured.

| | | | | |
|-----------------------------------------------------|---------|--------|---------|--------|
| Contingent asset: Recovery of irregular expenditure | 107 569 | 82 955 | 107 569 | 82 955 |
|-----------------------------------------------------|---------|--------|---------|--------|

Irregular, fruitless and wasteful expenditure amounting to R24.6million (June 2022: R2.5million) has been recommended for recovery by Council in the current financial year, resulting in a cumulative amount of R107.6million (June 2022: R83.0million). 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 - R80million (June 2022: R79.9million);
- eThekwini Municipal academy - R0.4million (June 2022: R0.4million);
- Human resources - R0.2million (June 2022: R0.2million);
- Health - R0.4million (June 2022: R0.4million);
- Metro Police - R0.1million (June 2022: R0.1million);
- Revenue - R2.2million (June 2022: R2million);
- Business support, Markets and Tourism - R11.1million (June 2022: Nil);
- Human settlements - R11.3million (June 2022: Nil);
- EPWP - R1.8million (June 2022: Nil);
- City Hall Administration and Secretariat - R0.1million (June 2022: Nil).

| | | | | |
|------------------------------------------|--------|--------|--------|--------|
| Contingent asset: Self Insurance Reserve | 16 731 | 17 329 | 16 731 | 17 329 |
|------------------------------------------|--------|--------|--------|--------|

The Municipality has submitted claims to third parties in relation to the following matters:

- External motor vehicle assessor claims: R6.8million (2022: R6.9million);
- Legal claims: R6million (2022: R6.4million);
- Road Accident Fund claims: R3.9million (2022: R4.1million).

The information above on contingent assets was erroneously not disclosed in the previous financial year. The comparative information on contingent assets pertaining to insurance claims have also been disclosed.

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| | 2023 | 2022 | 2023 | 2022 |

44. Related parties

| | |
|-----------------------------------------------------|-------------------------------------------------------------------------|
| Relationships | |
| Municipal Entities (refer to note 13) | Durban Marine Theme Park SOC Limited ICC Durban (Pty) Ltd 13 |
| Special Purpose Entity | Ethekwini Transport Authority |
| Joint Ventures (refer to note 13) | Effingham Development Joint Venture Durban Point Development Company |
| Key Management Personnel (refer to notes 32 and 33) | Senior Management and Councillors |

Related party balances as at 30 June 2023 and 30 June 2022:

Loan accounts - Owing by related parties

| | | |
|-------------------------------------|--------|--------|
| Durban Point Development Company | 17 716 | 27 455 |
| Effingham Development Joint Venture | 36 833 | 36 035 |

Amounts included in trade receivables regarding related parties

| | | |
|--------------------------------------|---------|---------|
| Durban Marine Theme Park SOC Limited | 79 441 | 84 489 |
| ICC Durban (Pty) Ltd | 4 651 | 10 710 |
| Effingham Development Joint Venture | 11 498 | 10 805 |
| Durban Point Development Company | 144 196 | 124 043 |

The prior year balance for the Durban Marine Theme Park SOC Limited has been adjusted to account for charges relating to water and electricity consumption (R4.050 million) which were omitted. The amount of R144.2million (2022: R124.0million) for the Durban Point Development Company relates to the outstanding rates owed to the Municipality. The significant increase in the rates receivables balance is due to the increase in the rates randage on vacant land from R0.058966 in the prior year to R0.117932 in the current year. In the previous year, this amount was disclosed under loans accounts. The comparative balances have been restated accordingly.

The accumulated impairment loss of R144.2million (2022: R124.0million) has been recognised in relation to the Durban Point Development Company. The impairment loss for the year amounted to R20.2million (2022: R8.5million). There are no other material impairment losses in relation to other receivables.

Amounts included in trade payables regarding related parties

| | | |
|--------------------------------------|--------|--------|
| Durban Marine Theme Park SOC Limited | 8 679 | 1 078 |
| ICC Durban (Pty) Ltd | 12 463 | 15 293 |
| Ethekwini Transport Authority | 15 863 | 23 023 |

Consumer Deposits

| | | |
|----------------------|-------|-------|
| ICC Durban (Pty) Ltd | 1 647 | 1 647 |
|----------------------|-------|-------|

Sales to related parties

ICC Durban (Pty) Ltd:

| | | |
|----------------------|--------|--------|
| Electricity | 18 406 | 13 646 |
| Water and sanitation | 2 695 | 1 890 |
| Refuse | 1 147 | 874 |
| Rates | 4 373 | 4 350 |
| Insurance | 133 | 100 |
| Sundry charges | 1 162 | - |

Durban Marine Theme Park SOC Limited:

| | | |
|----------------------|--------|--------|
| Electricity | 30 454 | 28 069 |
| Water and sanitation | 13 200 | 10 308 |
| Waste | 758 | 972 |
| Insurance | 366 | 313 |
| Rates | 4 534 | 4 175 |

Durban Point Development Company:

| | | |
|----------------------------------------|---------|---------|
| Rates | 20 153 | 8 475 |
| Surplus / (Deficit) from Joint Venture | (9 739) | (4 071) |

Effingham Development Joint Venture:

| | | |
|--|---|---|
| | - | - |
|--|---|---|

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| | 2023 | 2022 | 2023 | 2022 |
| 44. Related parties (continued) | | | | |
| Surplus / (Deficit) from Joint Venture | | | 798 | 220 |
| <p>The prior year amount has been restated to account for the additional share of surplus for the Effingham Development Joint Venture.</p> | | | | |
| Purchases from related parties | | | | |
| ICC Durban (Pty) Ltd: | | | | |
| General expenses | | | - | - |
| Grant-in-Aid | | | 72 566 | 33 865 |
| Durban Marine Theme Park SOC Limited: | | | | |
| General expenses | | | 50 727 | 55 835 |
| Grant-in-Aid | | | - | - |
| | | | 482 | 229 |
| | | | 135 227 | 137 506 |

The prior year amount for grant-in-aid to Durban Marine Theme Park SOC Limited has been restated to account for the credit note that was received at the end of prior financial year.

Ethekewini 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 period ended 30 June 2023 is deemed to be valued at R35.7million (2022: R33.7million). The grant in aid of R50.7million includes the market related rental that relates to services in kind rather than a cash disbursement. The cash disbursement amounted to R15.0million (2022: R22.1million).

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

Interest of R1.2million (2022: R1.0million) was capitalised to the ETA fund.

45. Prior year adjustments

The following adjustments all relate to corrections of prior-period misstatements.

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|-------------------------------------------------------------------|------------------------|------------------|--------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 45. Prior year adjustments (continued) | | | | |
| Consumer debtors | | | | |
| Balance previously reported (30 June 2022) | - | 7 688 861 | - | 7 773 017 |
| Rates adjustments | - | 99 056 | - | 99 056 |
| Electricity adjustments | - | 7 568 | - | 10 522 |
| Water adjustments | - | 216 855 | - | 217 950 |
| Waste water adjustments | - | 34 353 | - | 34 353 |
| Balance restated (30 June 2022) | - | 8 046 693 | - | 8 134 898 |
| Long-term receivables - Non-current | | | | |
| Balance previously reported (30 June 2022) | - | 46 161 | - | 46 161 |
| Housing selling scheme adjustment | - | (6 712) | - | (6 712) |
| Balance restated (30 June 2022) | - | 39 449 | - | 39 449 |
| Investment property | | | | |
| Balance previously reported (30 June 2022) | - | 259 744 | - | 208 963 |
| Cost adjustments | - | (118) | - | (117) |
| Depreciation adjustments | - | 131 | - | 130 |
| | - | 259 757 | - | 208 976 |
| Inventories | | | | |
| Balance previously reported (30 June 2022) | - | 900 388 | - | 891 163 |
| Stock adjustments | - | (1 081) | - | (1 081) |
| Balance restated (30 June 2022) | - | 899 307 | - | 890 082 |
| VAT payable | | | | |
| Balance previously reported (30 June 2022) | - | 510 586 | - | 509 928 |
| VAT portion of adjustments | - | 34 839 | - | 34 839 |
| Balance restated (30 June 2022) | - | 545 425 | - | 544 767 |
| Current tax receivable | | | | |
| Balance previously reported (30 June 2022) | - | - | - | - |
| Re-classification from Receivables from non-exchange transactions | - | 165 | - | - |
| Balance restated (30 June 2022) | - | 165 | - | - |
| Deferred tax | | | | |
| Balance previously reported (30 June 2022) | - | 43 139 | - | - |
| Tax rate change adjustment | - | (1 540) | - | - |
| Balance restated (30 June 2022) | - | 41 599 | - | - |
| Deferred income | | | | |
| Balance previously reported (30 June 2022) | - | 1 382 | - | - |
| Deferred rentals correction | - | (401) | - | - |
| Balance restated (30 June 2022) | - | 981 | - | - |

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| | 2023 | 2022 | 2023 | 2022 |
| 45. Prior year adjustments (continued) | | | | |
| Payables from exchange transactions | | | | |
| Balance previously reported (30 June 2022) | - | 8 103 259 | - | 8 102 130 |
| Trade payables adjustments | - | (19 759) | - | (14 225) |
| Payments received in advance adjustments | - | (2 529) | - | (2 529) |
| DOHS adjustments - Income received in advance | - | (46 025) | - | (46 025) |
| Accruals adjustments | - | 56 895 | - | 56 895 |
| Retentions written off | - | (59 516) | - | (59 516) |
| Adjustments to bank deposits not yet receipted | - | (263 517) | - | (263 517) |
| Other payables adjustments | - | 184 585 | - | 184 586 |
| Balance restated (30 June 2022) | - | 7 953 393 | - | 7 957 799 |
| Intangible assets | | | | |
| Balance previously reported (30 June 2022) | - | 460 267 | - | 459 821 |
| Cost adjustments | - | 10 915 | - | 10 974 |
| Amortisation adjustments | - | 26 927 | - | 26 869 |
| Balance restated (30 June 2022) | - | 498 109 | - | 497 664 |
| Property, plant and equipment | | | | |
| Balance previously reported (30 June 2022) | - | 54 364 977 | - | 54 069 542 |
| Cost adjustments | - | (825 210) | - | (825 235) |
| Depreciation adjustments | - | 121 281 | - | 121 308 |
| Re-classification to Heritage assets | - | (19 776) | - | (19 776) |
| Balance restated (30 June 2022) | - | 53 641 272 | - | 53 345 839 |
| Heritage assets | | | | |
| Balance previously reported (30 June 2022) | - | 48 454 | - | 48 454 |
| Re-classification from Property, plant and equipment | - | 19 776 | - | 19 776 |
| Balance restated (30 June 2022) | - | 68 230 | - | 68 230 |
| Cash and Bank balances | | | | |
| Balance previously reported (30 June 2022) | - | 220 427 | - | 187 610 |
| Adjustment to E-ticketing reconciliation | - | 1 749 | - | 1 749 |
| Balance restated (30 June 2022) | - | 222 176 | - | 189 359 |

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|--------------------------------------------------------------------|------------------------|-------------------|--------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 45. Prior year adjustments (continued) | | | | |
| Accumulated surplus | | | | |
| Balance previously reported (30 June 2022) | - | 43 875 901 | - | 44 092 550 |
| Adjustments applicable to full 2021/22 financial year: | - | - | - | - |
| Service charges | - | 109 329 | - | 109 329 |
| Rental of facilities and equipment | - | (12 526) | - | (12 526) |
| Other income | - | 22 402 | - | 22 402 |
| Interest received | - | (1 217) | - | (1 217) |
| Gains on disposal of assets | - | (2 030) | - | (2 030) |
| Property rates | - | 96 541 | - | 96 541 |
| Property rates - penalties imposed | - | (15 951) | - | (15 951) |
| Government grants and subsidies | - | (67) | - | (67) |
| Donations - Property, plant and equipment | - | 2 245 | - | 2 245 |
| Employee related costs | - | (29 694) | - | (29 694) |
| Amortisation - Intangible assets | - | 17 906 | - | 17 908 |
| Depreciation - Property, plant and equipment | - | 36 143 | - | 36 144 |
| Impairment loss - Property, plant and equipment | - | 165 | - | 165 |
| Lease rentals on operating lease | - | (1 845) | - | (1 845) |
| Electricity and Water consumption | - | (52 361) | - | (52 361) |
| Contracted services | - | (163 526) | - | (161 137) |
| Grants and subsidies | - | (20 154) | - | (19 981) |
| Share of losses from Joint Ventures | - | 644 | - | 644 |
| General expenses | - | 171 883 | - | 169 409 |
| Taxation | - | (1 541) | - | - |
| Adjustments applicable to financial years prior to 2021/22: | - | (313 661) | - | (315 043) |
| Balance restated (30 June 2022) | - | 43 718 586 | - | 43 935 485 |
| Interest in Joint Ventures | | | | |
| Balance previously reported (30 June 2022) | - | 62 846 | - | 62 846 |
| Effingham Development adjustment | - | 644 | - | 644 |
| Balance restated (30 June 2022) | - | 63 490 | - | 63 490 |
| Consumer deposits | | | | |
| Balance previously reported (30 June 2022) | - | 2 677 821 | - | 2 663 922 |
| Electricity and Water adjustments | - | (54 346) | - | (54 346) |
| Rental deposits | - | (187) | - | - |
| Balance restated (30 June 2022) | - | 2 623 288 | - | 2 609 576 |
| Receivables from exchange transactions | | | | |
| Balance previously reported (30 June 2022) | - | 2 964 427 | - | 2 951 536 |
| DOHS debtors adjustments | - | (1 515) | - | (1 515) |
| Accruals adjustments | - | 1 814 | - | 1 814 |
| Prepayments adjustments | - | 91 343 | - | 91 343 |
| Other debtors adjustments | - | (197 442) | - | (197 463) |
| Re-classification to Receivables from non-exchange transactions | - | (105 690) | - | (105 690) |
| Balance restated (30 June 2022) | - | 2 752 937 | - | 2 740 025 |

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| | 2023 | 2022 | 2023 | 2022 |
| 45. Prior year adjustments (continued) | | | | |
| Receivables from non-exchange transactions | | | | |
| Balance previously reported (30 June 2022) | - | 24 332 | - | 24 167 |
| Re-classification from Receivables from exchange transactions | - | 105 690 | - | 105 690 |
| Re-classification to current tax receivable | - | (165) | - | - |
| Balance restated (30 June 2022) | - | 129 857 | - | 129 857 |
| Unspent conditional grants and receipts | | | | |
| Balance previously reported (30 June 2022) | - | 977 155 | - | 977 155 |
| DOHS grants adjustments | - | 6 753 | - | 6 753 |
| DBSA grants adjustments | - | (88 180) | - | (88 180) |
| COGTA grant write-off | - | (2 000) | - | (2 000) |
| Other grants adjustments | - | (11 081) | - | (11 081) |
| Balance restated (30 June 2022) | - | 882 647 | - | 882 647 |

The reasons for the various adjustments are summarised below:

Consumer debtors:

Rates adjustments, including deferred rates as well as changes stemming from re-valuations backdated to previous financial years. Electricity, Water and Sanitation adjustments relating to service charges on "not in use" accounts. Raising of Water and Sanitation charges due to incorrect tariffs having been applied on Revenue Management System (RMS).

Payables from exchange transactions:

Reversal of items incorrectly accrued for. Adjustments for items correctly accrued for but never reversed. Raising of accruals erroneously omitted in previous reporting periods. Write-back of retention monies no longer payable. Re-classification between Bank deposits not yet receipted and Other payables.

Property, plant and equipment:

Cost adjustments includes capitalisation of assets received or completed in prior periods but not accrued for and the derecognition of assets where there are no expected future economic benefits. Included in the cost adjustment of R825.2 million is an amount of R507.7 million relating to the derecognition of assets with no expected future economic benefits. Depreciation adjustments due to changes in useful lives. Re-classification of items to Heritage assets.

Heritage assets:

Re-classification of items from Property, plant and equipment.

Intangible assets:

Cost and amortization adjustments and work-in-progress corrections.

Receivables from exchange transactions:

Accruals previously not accounted for. Consumer deposits overstatement adjustment. Re-classification of Grants receivable to Receivables from non-exchange transactions.

Receivables from non-exchange transactions:

Re-classification of Grants receivable from Receivables from exchange transactions.

Long-term receivables:

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| | 2023 | 2022 | 2023 | 2022 |

45. Prior year adjustments (continued)

Adjustments to Housing Selling scheme loans.

VAT payable:

VAT portions relating to prior year adjustments.

Cash and bank balances:

Adjustment for a historical reconciling item relating to the E-ticketing bank account.

Consumer deposits:

Adjustment for rectifying overstated consolidated consumer deposits to bring ledger account balance in line with RMS balances.

Interest in Joint Ventures:

Adjustment for the recognition of an additional surplus amount included in the revised management accounts of the Effingham Development JV as supplied by the administrator of the JV, Tongaat Hulett.

Investment properties:

Cost and depreciation adjustments relating to prior periods.

Unspent conditional grants and receipts:

Recognition of revenue relating to prior periods in respect of unused portion of various grants which were also not required to be paid back. Recognition of grants relating to prior periods that had been spent in terms of the conditions of the grants but had not been recognised as revenue in those periods.

Inventories:

Consumable stores adjustments due to work-in-progress corrections.

Current tax receivable:

This item relates to the ICC and has been re-classified from receivables from non-exchange transactions.

Deferred tax:

An adjustment was processed by the ICC as a result of the tax rate change.

Deferred income:

An adjustment was processed by Durban Marine Theme Park relating to deferred rentals that had been incorrectly accounted for.

Re-classification of Expenditure items:

Several items have been re-classified within the Statement of Financial Performance in order to bring the disclosure in line with the correct MSCOA categorization. These include the re-classification of operating expenditure relating to audit fees and IT support systems from "General expenses" to "Contracted services".

Cash flow statement:

The adjustments above have resulted in restatement in the comparative cash flow.

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| | 2023 | 2022 | 2023 | 2022 |
| 46. Additional disclosure in terms of Municipal Finance Management Act | | | | |
| Contributions to organised local government | | | | |
| Current year subscription / fee | 16 921 | 15 696 | 16 921 | 15 696 |
| Amount paid - current year | (16 921) | (15 696) | (16 921) | (15 696) |
| | - | - | - | - |
| Audit fees | | | | |
| Opening balance - previous year fees | 795 | 495 | 795 | 495 |
| Current year audit fees | 29 293 | 23 754 | 27 390 | 21 365 |
| Amount paid for current year | (27 900) | (22 959) | (26 031) | (20 570) |
| Amount paid for previous year | (795) | (495) | (795) | (495) |
| Amount accrued | (29) | - | - | - |
| | 1 364 | 795 | 1 359 | 795 |
| PAYE, UIF and SDL | | | | |
| Opening balance | 160 840 | 156 335 | 160 840 | 156 335 |
| Current year payroll deductions | 2 000 835 | 2 082 484 | 1 976 057 | 2 063 266 |
| Amount paid - current year | (1 837 749) | (1 921 644) | (1 813 864) | (1 902 426) |
| Amount paid - previous years | (160 840) | (156 335) | (160 840) | (156 335) |
| | 163 086 | 160 840 | 162 193 | 160 840 |
| Pension and Medical Aid Deductions | | | | |
| Opening balance | (1 386) | - | - | - |
| Current year expenditure | 3 007 805 | 2 942 263 | 2 981 642 | 2 916 276 |
| Amount paid - current year: Defined Benefit Pension Funds | (175 439) | (183 521) | (175 439) | (183 521) |
| Amount paid - current year: Defined Contribution Pension Funds | (1 665 552) | (1 628 996) | (1 649 897) | (1 612 580) |
| Amount paid - current year: Medical Aid | (1 166 178) | (1 131 132) | (1 156 306) | (1 120 175) |
| | (750) | (1 386) | - | - |
| VAT | | | | |
| VAT received for the year | 607 781 | 909 565 | 604 702 | 905 703 |
| VAT paid | (33 618) | (31 350) | - | - |
| | 574 163 | 878 215 | 604 702 | 905 703 |

VAT output payables and VAT input receivables are shown in note 18.

All VAT returns have been submitted by the due date throughout the year.

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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 period ended 30 June 2023

| 30 June 2023 | | Amount outstanding (Rands) | Month |
|-----------------------------------------------------|---|----------------------------------|--------|
| Councillor B. Mngwengwe | - | 1 402 | Apr-23 |
| Councillor R. Cloete | - | 4 049 | Jun-23 |
| Councillor ON. Mthembu | - | 3 093 | Jun-23 |
| Councillor SP. Mfeka | - | 186 | Feb-23 |
| Councillor MM. Ngiba | - | 12 355 | Jun-23 |
| Councillor T. Sabelo | - | 4 469 | Jun-23 |
| Councillor MS. Nkosi | - | 7 598 | Jun-23 |
| Councillor SNC. Khwela | - | 26 031 | Jun-23 |
| Councillor NN. Nesta | - | 14 564 | Jun-23 |
| Councillor BA. Fortein | - | 67 | Apr-23 |
| Councillor A. Mkhize | - | 2 078 | May-23 |
| Councillor K. Mkhize | - | 7 104 | Jun-23 |
| Councillor MS. Mhlongo | - | 21 942 | Jun-23 |
| Councillor T. Biyela | - | 705 | Jun-23 |
| Councillor MH. Khan | - | 314 596 | Jun-23 |
| Councillor SM. Mkhize | - | 110 665 | Jun-23 |
| Councillor NY. Young | - | 11 773 | Jun-23 |
| Councillor E. Jameel | - | 51 357 | Jun-23 |
| Councillor PG. Mavundla (resigned 24 February 2023) | - | 48 517 | Feb-23 |
| Councillor M. Thusi | - | 24 | Jun-23 |
| Councillor TJ. Mnguni | - | 447 | Mar-23 |
| Councillor I. Syed | - | 10 721 | Feb-23 |
| Councillor BM. Gwala | - | 74 916 | Jun-23 |
| Councillor JB. Maphumulo | - | 110 | Jun-23 |
| Councillor V. Ndlovu | - | 3 168 | May-23 |
| Councillor TD. Mthethwa | - | 118 | Feb-23 |
| Councillor M. Thusi | - | 5 811 | Jun-23 |
| Councillor D. Ngubane | - | 7 495 | Jun-23 |
| Councillor SSS. Mthethwa | - | 49 780 | Jun-23 |
| Councillor DF. Mngadi | - | 3 493 | Jun-23 |
| Councillor WP. Ndiweni | - | 1 490 | Jun-23 |
| Councillor Mngonyama | - | 61 | Feb-23 |
| Councillor SD. Hlongwa | - | 11 129 | Jun-23 |
| Councillor K. Mbhele | - | 1 713 | Apr-23 |
| Councillor T. Shezi | - | 6 006 | Apr-23 |
| Councillor M. Mbambo | - | 1 764 | Jun-23 |
| Councillor JT. Mkhize | - | 101 | Feb-23 |
| Councillor N. Jili | - | 4 172 | Jun-23 |
| Councillor R. Mbonambi | - | 455 | Nov-22 |
| Councillor G. Gasa | - | 118 | Feb-23 |
| Councillor F. Ismail | - | 44 448 | Jun-23 |
| Councillor N. Sibiya | - | 20 840 | Feb-23 |
| Councillor O. Mthembu | - | 1 139 | Jun-23 |
| Councillor TE. Nyawose | - | 300 | Jul-22 |
| Councillor CN. Sisoka | - | 455 | Mar-23 |
| Councillor Sibisi | - | 112 | Feb-23 |
| Councillor D. Pillay | - | 199 | Apr-23 |
| Councillor TM. Kaunda | - | 5 888 | Jun-23 |
| Councillor J. van den Berg | - | 10 014 | Jun-23 |
| Councillor AD. Snyman | - | 9 623 | Jan-23 |

eThekweni Municipality and its Municipal Entities

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Figures in Rand thousand

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

| | | | | |
|-------------------------|---|---|------------------|--------|
| Councillor KS. Sibisi | - | - | 4 208 | Jun-23 |
| Councillor D. Msweli | - | - | 88 238 | Jun-23 |
| Councillor S. Mpanza | - | - | 1 518 | Apr-23 |
| Councillor SR. Moodley | - | - | 356 | Apr-23 |
| Councillor ZM. Mncwango | - | - | 1 367 | Jun-23 |
| Councillor HP. Shozi | - | - | 17 | May-23 |
| Councillor SE. Mhlongo | - | - | 11 290 | Jun-23 |
| | - | - | 1 025 655 | |

| 30 June 2022 | | | Amount outstanding (Rands) | Month |
|--------------------------|---|---|----------------------------------|--------|
| Councillor MH. Zwane | - | - | 3 185 | 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 |

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Figures in Rand thousand

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

| | | | | |
|--------------------------|---|---|----------------|--------|
| 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 |
| 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. Sibiya | - | - | 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 |
| | - | - | 888 195 | |

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 30 June 2023

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 R2.004billion (2022: R569.6million).

Durban Marine Theme Park: Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) and Section 58 of the Supply Chain Management Policy amounted to R9.6million (2022: R7.9million).

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 R6.5million (2022: R3.1million).

Details of the awards are summarised in the tables below:

| Group - 2023: Categories per SCM regulations | SCM Regulation Reference | Number of cases | % of Total | Value (R000's) | % of Rand Value |
|------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|------------|------------------|-----------------|
| In an emergency | 36(1)(a)(i) | 45 | 17,79 % | 266 512 | 13,19 % |
| If such goods or services are produced or available from a single provider only | 36(1)(a)(ii) | 35 | 13,83 % | 296 584 | 14,68 % |
| In any other exceptional case where it is impractical or impossible to follow the official procurement processes | 36(1)(a)(v) | 103 | 40,71 % | 1 340 723 | 66,37 % |
| Minor deviation from the standard process | 36(1)(a)(vi) | 1 | 0,40 % | 25 | 0,01 % |
| Deviation from the standard process | 58 | 69 | 27,27 % | 116 240 | 5,75 % |
| | | 253 | | 2 020 084 | |

| Group - 2022: Categories per SCM regulations | 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 % |
| | | 156 | | 580 630 | |

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

48. Deviation from supply chain management regulations (continued)

| Municipality - 2023: Categories per SCM regulations | SCM Regulation Reference | Number of cases | % of Total | Value (R000's) | % of Rand Value |
|------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|------------|------------------|-----------------|
| In an emergency | 36(1)(a)(i) | 43 | 25,00 % | 266 172 | 13,28 % |
| If such goods or services are produced or available from a single provider only | 36(1)(a)(ii) | 19 | 11,05 % | 295 702 | 14,76 % |
| In any other exceptional case where it is impractical or impossible to follow the official procurement processes | 36(1)(a)(v) | 97 | 56,40 % | 1 329 629 | 66,35 % |
| Deviation from the standard process | 58 | 13 | 7,56 % | 112 555 | 5,62 % |
| | | 172 | | 2 004 058 | |

| Municipality - 2022: Categories per SCM regulations | 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 % |
| | | 90 | | 569 577 | |

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial instruments (continued)

Carrying amounts:

The carrying amounts of financial assets and liabilities shown in the Statement of Financial Position are as follows:

| Financial assets: | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|-------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Investments | 8 275 963 | 4 476 399 | 8 200 000 | 4 400 000 |
| Call investment deposits | 272 733 | 597 199 | 230 000 | 540 000 |
| Long-term receivables (current and non-current) | 35 738 | 45 524 | 35 738 | 45 524 |
| Consumer debtors | 10 503 833 | 8 046 693 | 10 578 289 | 8 134 898 |
| Receivables from exchange transactions | 2 737 552 | 2 752 937 | 2 725 778 | 2 740 025 |
| Receivables from non-exchange transactions | 129 487 | 129 857 | 129 487 | 129 857 |
| Cash and bank balances | 263 704 | 222 176 | 209 466 | 189 359 |
| Financial liabilities: | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Long-term liabilities (current and non-current) | 9 888 935 | 9 257 067 | 9 888 935 | 9 257 067 |
| Payables from exchange transactions | 8 294 275 | 7 953 393 | 8 287 001 | 7 957 799 |
| Payables from non-exchange transactions | 21 694 | 14 296 | 30 247 | 23 613 |
| Consumer deposits | 2 736 568 | 2 623 288 | 2 712 723 | 2 609 576 |

The carrying amounts of financial instruments in relation to call investment deposits, cash and bank balances and consumer deposits were not included in the prior year disclosure. These have been incorporated in the current financial period as per the requirement of GRAP 104 - financial instruments. The comparative figures have also been updated.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

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's total cash increased by approximately R 3.5billion from June 2022 to June 2023. The increase was mainly due to cash collections and a cash injection of R1.7billion relating to the Disaster Recovery grant received from national government for relief and repair efforts to the damaged infrastructure caused by the April 2022 floods. The overdraft facility in place was not utilised during 2022/2023 financial year. 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.

The following are details of the contractual maturities of financial liabilities:

Nedbank:

| | |
|------------------------------------------------------------|----------------|
| Ethekwini Municipality - Primary overdraft | 20 000 |
| Ethekwini Municipality - Performance letters of guarantees | 170 500 |
| Ethekwini Municipality - Fleet management | 68 |
| Ethekwini Municipality - Secondary overdraft facility | 491 000 |
| The total of these facilities amount to | 681 568 |

Group and Municipality

| At 30 June 2023 | Carrying amount | Contractual cash flows | 12 months or less | More than 12 months |
|--------------------------|-----------------|------------------------|-------------------|---------------------|
| Borrowings | 9 888 935 | 9 888 935 | 921 997 | 8 966 938 |
| Trade and other payables | 8 315 969 | 8 315 969 | 8 315 969 | - |

| At 30 June 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 | 7 967 689 | 7 967 689 | 7 967 689 | - |

Municipality

| At 30 June 2023 | Carrying amount | Contractual cash flows | 12 months or less | More than 12 months |
|--------------------------|-----------------|------------------------|-------------------|---------------------|
| Borrowings | 9 888 935 | 9 888 935 | 921 997 | 8 966 938 |
| Trade and other payables | 8 317 248 | 8 317 248 | 8 317 248 | - |

| At 30 June 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 | 7 981 412 | 7 981 412 | 7 981 412 | - |

Group and Municipality

| At 30 June 2023 | Less than 1 year | Between 1 and 3 years | Between 3 and 5 years | Over 5 years |
|--------------------------|------------------|-----------------------|-----------------------|--------------|
| Investments | | | | |
| • Short-term investments | 8 275 963 | - | - | - |
| • Call deposits | 272 733 | - | - | - |

| At 30 June 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 | - | - | - |

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand thousand

49. Financial instruments (continued)

Municipality

| At 30 June 2023 | Less than 1 year | Between 1 and 3 years | Between 3 and 5 years | Over 5 years |
|--------------------------|-------------------------|------------------------------|------------------------------|---------------------|
| Investments | | | | |
| • Short-term investments | 8 200 000 | - | | |
| • Call deposits | 230 000 | - | | |
| At 30 June 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 | - | | |

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 2022/2023 - 2024/2025 MTREF indicated a budget of R1.5billion borrowings from external funding for 2022/2023 financial year. The Municipality, when sourcing borrowed funds utilises a combination of bilateral long-term loans from commercial banks and Development Finance Institutions (DFI's) as well as bond issuances through the Domestic Medium Term Note (DMTN) Programme. The borrowings are concluded at the cost effective interest rates at all times. The Municipality is budgeted to borrow R1.5billion for 2023/2024 and R1.0billion for 2024/2025 financial years as indicated in the 2023/2024 – 2025/2026 MTREF.

Cash flow interest rate risk

| Counterparty class | Exposure limits | Cash deposits | Medium/short term deposits | Long term deposits | | |
|----------------------------|-----------------------|----------------------|----------------------------|-------------------------|------------------------|------------------------|
| Domestic Banks | 19 355 000 | 230 000 | 8 200 000 | - | | |
| 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 |

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Financial instruments (continued)

Valuation of Financial Instruments

Group and Municipality

| Investments: Financial institution | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| ABSA | 3 624 902 | 1 822 919 | 3 600 000 | 1 800 000 |
| FNB | 2 100 000 | - | 2 100 000 | - |
| Nedbank | 2 518 408 | 2 222 923 | 2 500 000 | 2 200 000 |
| Standard Bank | - | 400 000 | - | 400 000 |
| Investec Bank | 24 906 | 22 912 | - | - |
| Grindrod Bank | 7 747 | 7 645 | - | - |
| Total investments | 8 275 963 | 4 476 399 | 8 200 000 | 4 400 000 |

| Call deposits: Financial institution | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|---------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| ABSA | 86 | 165 082 | - | 165 000 |
| Standard Bank | 90 000 | 165 000 | 90 000 | 165 000 |
| Nedbank | 132 640 | 222 114 | 90 000 | 165 000 |
| Grindrod | 50 007 | 45 003 | 50 000 | 45 000 |
| Total call deposits | 272 733 | 597 199 | 230 000 | 540 000 |

In the current financial year, additional information in relation to financial institutions where call deposits are held has been disclosed. Prior year comparative figures have also been disclosed.

eThekwini Municipality and its Municipal Entities

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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:

| Financial instrument | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|------------------------------------------------|------------------|------------------|------------------|------------------|
| Consumer Debtors | 10 503 833 | 8 046 693 | 10 578 289 | 8 134 898 |
| Receivables from exchange transactions | 2 737 552 | 2 752 937 | 2 725 778 | 2 740 025 |
| Receivables from non-exchange transactions | 129 487 | 129 857 | 129 487 | 129 857 |
| Cash and cash equivalents | 8 812 400 | 5 295 774 | 8 639 466 | 5 129 359 |
| Contribution to bad debts provisions | 3 011 865 | 2 730 363 | 3 011 858 | 2 731 064 |
| Consumer Debtors | 3 011 865 | 2 730 363 | 3 011 858 | 2 731 064 |
| Other (exchange and non-exchange transactions) | 564 156 | 408 307 | 560 357 | 405 784 |
| | 3 576 021 | 3 138 670 | 3 572 215 | 3 136 848 |

The ageing of trade receivables at the reporting date was as follows:

Consumer debtors:

| Gross | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|-------------------------------|-------------------|------------------|-------------------|------------------|
| 0 - 30 days | 4 598 492 | 3 530 420 | 4 675 228 | 3 619 773 |
| 31 - 120 days | 2 527 774 | 2 131 808 | 2 525 343 | 2 130 516 |
| More than 120 days | 17 015 091 | 13 097 023 | 17 015 091 | 13 097 023 |
| Less: Provision for Bad Debts | (13 637 524) | (10 712 558) | (13 637 373) | (10 712 414) |
| Net consumer debtors | 10 503 833 | 8 046 693 | 10 578 289 | 8 134 898 |

Movement in the provision for bad debts:

| Consumers | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|------------------------------|--------------|--------------|--------------|--------------|
| Balance at beginning of year | 10 712 558 | 8 046 684 | 10 712 414 | 8 045 839 |
| Contribution | 3 011 865 | 2 730 363 | 3 011 858 | 2 731 064 |
| Bad debts written off | (86 899) | (64 489) | (86 899) | (64 489) |

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49. Financial instruments (continued)

| | | | | |
|-------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Balance at year end | 13 637 524 | 10 712 558 | 13 637 373 | 10 712 414 |
| Movement in the provision for bad debts: | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Other (exchange and non-exchange transactions) | | | | |
| Balance at beginning of year | 5 081 667 | 4 824 381 | 5 076 647 | 4 818 432 |
| Contribution | 564 156 | 408 307 | 560 357 | 405 784 |
| Bad debts recovered / (written off) | (36 047) | (99 181) | (36 047) | (95 729) |
| Accounting estimate changes | (1 201) | (51 840) | (1 201) | (51 840) |
| Balance at year end | 5 608 575 | 5 081 667 | 5 599 756 | 5 076 647 |

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50. Bank balances

| Account number - bank - account nature | Cash book balance | Bank statement balance | Cash book balance | Bank statement balance |
|--------------------------------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
| Description | 30 June 2023 | 30 June 2023 | 30 June 2022 | 30 June 2022 |
| 1107821231 - Nedbank - Main Expenditure | 162 106 | (952 850) | 160 905 | (913 849) |
| 1107821010 - Nedbank - Main Expenditure EFT | 26 905 | (3 091 087) | (2 784) | (2 485 445) |
| 1107821061 - Nedbank - Direct Deposit | 21 879 | 299 445 | 17 079 | 42 893 |
| 1107821126 - Nedbank - Electronic Deposit | 126 515 | 1 857 873 | 84 546 | 255 308 |
| 1107821134 - Nedbank - Cashiers Deposit | (5 001) | 281 535 | (8 985) | 1 953 204 |
| 1107821002 - Nedbank - Government Deposit | 70 246 | 87 331 | 67 405 | 188 457 |
| 1107821398 - Nedbank - Electricity Income | 529 | 15 461 | 1 733 | 14 078 |
| 1107821401 - Nedbank - Electricity Prepaid | (3) | 133 111 | 509 | 144 181 |
| Vendor Deposits | | | | |
| 1107821304 - Nedbank - SARS E-Filing | - | 17 920 | - | 784 |
| 1107821088 - Nedbank - Direct Debit Collections | (57) | 107 422 | (51) | 107 123 |
| 1107821118 - Nedbank - Agents Deposit | 31 287 | 121 881 | 11 968 | 20 597 |
| 1107821169 - Nedbank - Metro Police Deposit | 3 335 | 7 444 | 4 948 | 9 977 |
| 1107821177 - Nedbank - Parks, Recreation and Culture Deposit | 4 771 | 8 661 | 10 722 | 11 265 |
| 1107821185 - Nedbank - City Engineers | 210 | 444 | 4 920 | 7 307 |
| 1107821193 - Nedbank - Durban Tourism Deposit | 203 | 368 | - | 1 090 |
| 1107821347 - Nedbank - Central Foreign Rand | - | (1 220) | - | (240) |
| 1107821207 - Nedbank - Virginia Airport | 77 | 307 | - | 5 122 |
| 1107821215 - Nedbank - Department of Housing | - | 278 | - | 4 806 |
| 1107821290 - Nedbank - Wages Sundry PAYE | 87 | 86 | 19 | 19 |
| 1107821312 - Nedbank - Cash Payments | - | (209) | - | (157) |
| 1107821029 - Nedbank - Salaries | 699 | (790 855) | 109 565 | (664 202) |
| 1107821371 - Nedbank - Durban Fresh Produce Market | 31 132 | 31 109 | 27 482 | 27 467 |
| 1107821339 - Nedbank - DMTN Bonds | - | - | 1 000 000 | 1 000 000 |
| 1107821320 - Nedbank - General Bank | (272 033) | 1 775 717 | (1 317 988) | 159 567 |
| 1107821487 - Nedbank - E- Ticketing | 311 | (1 832) | 2 812 | 683 |
| 1107821274 - Nedbank - Bank Charges | 42 | (3 038) | - | (12) |
| 1107821223 - Nedbank - Moses Mabhida Stadium Deposit | 24 | 721 | 160 | 252 |
| 1107821460 - Nedbank - Pay @ Deposit | (7 998) | 270 905 | (11 378) | 271 352 |
| 1107821444 - Nedbank - Consolidated Investment Fund | - | - | (3) | (3) |
| 1107821452 Nedbank - Consolidated Investment Fund (EFT) | - | (1) | 3 | 2 |
| 1107821517 - Nedbank - E-Services | 467 | 19 154 | 297 | 1 214 |
| 1107821509 - Nedbank - Reforestation Project | 72 | 72 | 4 583 | 4 583 |
| 1107821525 - Nedbank - Disaster Relief | - | - | - | 25 |
| Totals: eThekwini Municipality | | | | |
| Bank balances | 480 897 | 5 037 245 | 1 509 656 | 4 231 356 |
| Bank overdraft | (285 092) | (4 841 092) | (1 341 189) | (4 063 908) |

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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 account; 1107821533 - Nedbank - FG Township Establishment account; 1107821266 - Nedbank - Refunds Expenditure account; 1107821479 - Nedbank - Syntell Deposit account; 1107821096 - Nedbank - Transwitch Deposit account; 1107821282 - Nedbank - Water and Sanitation account; 1107821495 - Nedbank - Auctions account; 1107821150 - Nedbank - Metro Police Transwitch Deposit account.

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 nature | Cash Book Balance | Bank Statement balance | Cash Book Balance | Bank Statement balance |
|---------------------------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
| Description | 30 June 2023 | 30 June 2023 | 30 June 2022 | 30 June 2022 |
| Durban Marine Theme Park (State Owned Company) Limited: | | | | |
| 1108788564 - Nedbank - Online | 8 | 8 | 95 | 95 |
| 1107821045 - Nedbank - Rope | 483 | 483 | 143 | 143 |
| 1107821606 - Nedbank - Schools | 1 357 | 1 357 | 527 | 527 |
| 1107821592 - Nedbank - Retail | 13 286 | 13 286 | 3 101 | 3 101 |
| 1108788556 - Nedbank - Salary | 123 | 123 | 453 | 453 |
| 1107821584 - Nedbank - Main | 5 153 | 5 153 | 4 351 | 4 351 |
| I.C.C. Durban (Proprietary) Limited: | | | | |
| 1107821541 - Nedbank - Deposits | | | | |
| 1107821568 - Nedbank - Payroll | - | - | 1 | 1 |
| 1107821576 - Nedbank - Payments | 1 346 | 1 346 | 1 590 | 1 590 |
| 434181510022**** - Nedbank - Purchasing card | 6 | 6 | 8 | 8 |
| Totals: Municipal Entities | | | | |
| Bank balances | 53 676 | 53 676 | 32 226 | 32 226 |
| Totals: GROUP | | | | |
| Bank balances | 534 573 | 5 090 921 | 1 541 882 | 4 263 582 |
| Bank overdraft | (285 092) | (4 841 092) | (1 341 189) | (4 063 908) |

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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 Water Operations, Customer Services, Auxiliary Services, Office of the Head and WDNRW 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).

A few key results for the 2022/23 Financial Year (FY) are as follows:

- The total bulk water System Input Volume for 2022/23 FY was 1133.17 ML/day, which showed an increase of 3.01% when compared to the similar period of 2021/22 FY, which was an average of 1100.10 ML/day.
- There was a decrease of 17.1% in the volume of water produced by eThekwini Water's internal water treatment plants from 13.5 ML/day in 2021/2022 FY to 11.2 ML/day in the 2022/2023 FY due to the Tongaat plant being only brought back online in November 2022, since the April 2022 floods.
- There was a decrease of 1.6% in the recorded Consumer Sales volume of water on RMS, from an average of 481.6 ML/day in 2021/2022 FY to 473.7 ML/day in the 2022/2023 FY.
- Percentage NRW by Volume for the FY closed at 58.2%, which showed an increase of 2% when compared to the 2021/22 FY which was 56.2%.

Water losses of 659 478 kl/day (2021/22: 618 465 kl/day) occurred during the FY under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R2,030,499,845 (2021/2022: R1,989,060,389) are primarily due mainly to losses as a result of ageing and deteriorating infrastructure, uncontrolled, unplanned rapid rural expansion, illegal connections and intermittent water supply.

In line with the current WCWDM Strategic Plan as well as the Turn Around Strategy EWS is implementing several initiatives, the highlights of which for the period under review is as follows:

1. During the period 2 068 Pressure Reducing Valves (PRV's) were maintained to ensure that it operated at its designed minimum pressure setting.
2. Under the leak detection using satellite technology, 1 001 suspected leaks have been identified. The tracing of the detected leaks by satellite only has just over 100 leaks remaining to be traced and fixed and the project will have to go into the next phase as the 1 001 detected leaks would have been found and fixed.
3. The programme for the installation of meters in the Rural Areas (ITB land) was executed with a total of 197 (which were all applications received) out of a targeted 2 040 (planned) meters being installed.
4. In terms of the programme for meter replacement for domestic consumers, none could be done due to no budget being available.
5. The program for the replacement of Institutional, Commercial and Industrial (ICI) meters was executed with a total of 398 out of the targeted 360 meters has been achieved. All work was carried out in-house.
6. In terms of the programme for CABS meters, 329 new sites have been metered out of a targeted 200 sites planned.

There have been significant challenges experienced during the FY which had a negative impact and resulted in the increasing of the NRW% to 58.2% for the 2022/23 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 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 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 municipalities 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.

Electricity:

Estimated Electricity losses of 1 053 923 386 kWh (2022: 1 147 003 822 kWh) occurred during the review period, resulting in revenue losses to the Municipality. These estimated kWh losses amounted to R1 365million (2022: R1 359.3million). The national norm for electricity losses ranges from 5% to 12%. The loss incurred by the Municipality is

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10.71% (June 2022: 11.28%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

Bad Debts written off:

Debt of R185.5million (2022: R160.2million) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, water, electricity, traffic fines, 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 R63.5million (2022: R109.8million) 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 14 (June 2022: 4) of the 549 (June 2022: 652) cases that were finalised by the City Integrity and Investigations Unit, R5.6million (June 2022: R46.6million) was recommended for recovery resulting from potential losses that could be quantified. The recovery thereof is pending the conclusion of disciplinary and legal processes to be undertaken against the employees implicated from finalised investigations.

Sanitation - Property, plant and equipment under investigation:

In March 2021, an exercise commenced to physically verify and survey all community ablution blocks (CABS) that exist and is owned by the Municipality. The number of CAB records not found has been derecognised in these financial statements in line with the requirements of GRAP 17 "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 derecognition was due to the costs of refurbishment and assets that could not be completed in line with the rollout programme.

Refer to Note 45 i.e., Prior year adjustments.

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52. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

| Irregular expenditure reported: | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Irregular expenditure arising through finalised investigations - CIU | 34 408 | 316 736 | 34 408 | 316 736 |
| Inappropriate use of regulation 36 - Internal audit | 89 842 | 459 | 89 842 | 459 |
| 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. | 211 882 | 119 324 | 211 882 | 119 324 |
| Non-compliance with SCM - Local content | 2 030 764 | 495 248 | 2 030 764 | 495 248 |
| Non-compliance with MFMA - Section 116 | 37 147 | 273 940 | 37 147 | 273 940 |
| 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 eThekwini Municipality | 2 027 | 858 | 2 027 | 858 |
| Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions | 2 807 | 18 655 | 2 807 | 18 655 |
| Durban Marine Theme Park: Non-compliance with S.C.M. - various | 48 | 1 382 | - | - |

Investigations are still in progress regarding 335 cases (June 2022: 503 cases). 549 cases were completed during the reporting period (2021 / 2022 financial year: 652 cases).

| Irregular expenditure reconciliation | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Opening balance | 4 848 279 | 3 903 938 | 4 810 260 | 3 867 301 |
| Irregular expenditure - current period | 2 367 887 | 1 039 751 | 2 367 839 | 1 038 369 |
| Irregular expenditure - prior periods | 6 630 | 142 574 | 6 630 | 142 574 |
| Irregular expenditure arising from finalised investigations | 34 408 | 316 736 | 34 408 | 316 736 |
| Amount certified as irrecoverable by Council | (2 338 827) | (554 720) | (2 338 827) | (554 720) |
| Amount certified as irrecoverable by Council - post year end | (1 294 349) | - | (1 294 349) | - |
| Irregular expenditure awaiting write-off / recovery. | 3 624 028 | 4 848 279 | 3 585 961 | 4 810 260 |

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.

The CIU irregular expenditure was incurred in prior years, however the investigations were finalised in 22/23. 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)

| Fruitless and Wasteful expenditure reconciliation | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|--------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Opening balance | 48 316 | 48 240 | 48 316 | 48 240 |
| Fruitless and Wasteful expenditure - current period | 579 | 2 058 | 579 | 2 058 |
| Amount certified as irrecoverable by Council | (142) | (1 982) | (142) | (1 982) |
| Amount certified as irrecoverable by Council - post year end | (34 027) | - | (34 027) | - |
| Fruitless and Wasteful expenditure awaiting write-off / recovery. | 14 726 | 48 316 | 14 726 | 48 316 |

The fruitless and wasteful expenditure relates to interest on late payments, penalties on licenses not renewed timeously and payments to suppliers for work not completed to specification.

53. 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:

Transfer and grants:

The difference is due to grant to Ushaka (R135.2million) and ICC (R50.7million) 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 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:

Transfers recognised capital – The variance is due to the under-expenditure in the following grants:

- Public Transport Network Grant (R278 million) – The business plan was only approved in November 2022, which resulted in the under-expenditure as no financial commitments could be made in the absence of an approved business plan and confirmation of the availability of funding.

- Reconstruction & Rehabilitation Grant (R121 million) – The April 2022 Disaster grant funding for work that will take longer than six months to complete was received by the City on 16 March 2023, given the scale of the work to be undertaken, the implementing department utilised the remainder of the 2022/23 financial year to complete planning processes which included procurement and site preparation, and all the related construction works will commence in July 2023.

- Recognition of Vat (R304 million) – the Final Adjusted Budget is vat inclusive for conditional grants, while the grant actual expenditure is net of vat, and thus resulting in a differential of 15% vat between the budgeted grant allocation and the actual grant expenditure.

Internally generated funds – The variance is due to the over-expenditure in the following:

- R100 million from the USDG Grant was withheld by National Treasury, however in line with the City's budget reprioritization in the mid-year adjustment budget it was able to spend in access of the R100 million withheld thus resulting in the access actual expenditure being internally funded since the USDG grant was reduced/withheld.,

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53. Budget disclosure (continued)

- Municipal Disaster Grant (R124 million) – There was an over-expenditure on the disaster grant funded projects which was in excess of the approved funding for the affected projects, in line with the conditions of the disaster grant, the excess funding had to be funded internally.

- Information Management Unit (R19 million) – Oracle expansion licences

Public Contributions & Donations

- The funding allocations was confirmed in the mid-year adjustment budget, the project was delayed due to procurement processes and project completion projected for the 2023/24 financial year.

Budget policy is aligned with GRAP in terms of disclosure.

Operational grants recognised for the year were R5.4billion and capital grants were R2.28billion.

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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54. Enhancements to accounting policies

There have been no changes in the standards of GRAP for the current reporting period. The prior year accounting policies have been amended to incorporate the following enhancements to the existing accounting policies:

- The materiality figure on the accounting policy for materiality has been updated based on the latest audited financial statements. The update of the material figure 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.
- The judgements applied in impairment testing have been expanded to clarify that damaged assets are tested for impairment only when there is a significant or permanent decline in the service potential of the asset. This means that impairment testing excludes minor damages that could be rectified through repairs and maintenance. This enhancement provides additional information to the users of financial statements on the principles used in assessing assets for impairment and does not change how the impairment assessment has been conducted in comparison to previous reporting periods.
- The Municipality is required to disclose on the financial statements the impact of Standards that are approved, but not yet effective. The section of the accounting policies dealing with the basis of preparation has been amended to include the impact of Interpretation GRAP 21 on the financial statements when effective. Interpretation GRAP 21 deals with the effects of past decisions on materiality and will not have an impact on the financial statements once the Standard becomes effective.

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55. 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.

56. Going concern

Overall assessment

The KZN economy is still recovering from the effects of Covid, civil unrest and the 2022 floods. These activities have put a lot of financial strain in terms of affecting the livelihoods of the residents within the eThekwini Metropolitan area in that many customers are struggling to service their outstanding municipal debt due to the increase in interest rates, high unemployment rates, increase in food and fuel prices, and a general decrease in disposable income available to service municipal debt.

Most of the Covid relief packages ended during the 2021/22 financial year. The Municipality has however conducted a debt collection strategy drive to further assist customers. On signing of the payment plan or credit authority, customers had their interest and a portion of the capital debt written off. The details of this debt collection strategy and impact thereof are disclosed in Note 53: Covid related expenditure.

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56. Going concern (continued)

Amid the tough economic conditions, the municipality was able to achieve a collection rate of 92,29% in July 2023, which indicates that the municipality is able to collect outstanding debt. In order to reduce the debtor balances, the Council is using measures such as disconnections, tampering and investigations, appointment of debt collectors, focus on high debtors, one on one sessions with state owned entities and government departments, one on one sessions with major debtors and legal processes. A task team comprising of KZN CoGTA, eThekwini Municipality and Ingonyama Trust has been established to deal with the growing Ingonyama Trust related debt.

As disclosed in Note 27: Interest revenue, the Municipality's total cash increased by approximately R3,5billion from June 2022 to June 2023 mainly due to cash collections and a cash injection of R1.7billion relating to the Disaster Recovery grant received from national government for relief and repair efforts to the damaged infrastructure caused by the April 2022 floods.

This demonstrates the City's ability to generate sufficient revenue to ensure that service delivery is not affected by the current economic conditions. For the annual financial statements ended 30 June 2023, the municipality generated a surplus of R4.7 billion. This was mainly attributed to the increase in rates revenue due to the implementation of the new 2022 valuation roll and the increase in interest revenue as a result of the Covid relief packages that ended during the 2021/22 financial year, which included the waiving of interest on outstanding debt.

The municipality has managed to ensure that expenditure does not increase beyond the available budgets through the implementation of budget checking. This has contributed to the expenditure being significantly lower than the revenue generated, hence resulting in the surplus that is currently generated. The municipality also has the policies and procedures in place to ensure the monitoring of expenditure throughout the budget implementation process which assists in expenditure control.

The municipality had cash and cash equivalents of R8.6 billion as at 30 June 2023, which indicates that the municipality has sufficient cash available to meet operational obligations and ensure that all valid invoices are paid in accordance with the legislated timeframes, thus continuing to meet all the service delivery requirements.

Storm Disaster

In the prior year, the City of eThekwini was ravaged by floods which occurred in April 2022.

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 storm disaster resulted in a strain on the municipality's cash flow position given that at the time of the floods the municipality had no financial assistance and had to reprioritise its operating and capital budgets.

Following the National Disaster Declaration dated 18 April 2022 (gazette No 46247) by the Department of Cooperative Governance (DCoG) through National Disaster Management Centre (NDMC), National Treasury approved the request from DCOG through the NDMC to allocate funds to municipalities against the 2022/23 Municipal Disaster Response Grant (MDRG) in response to the flood disasters. The City was allocated the following grants through the NDMC:

R185 million – this was the Municipal Disaster Management Grant (MDRG) for emergency work to restore service delivery. The grant was received in September 2022 and the duration of the work to be undertaken under this grant allocation was six months and the City was granted an extension up to 30 June 2023. An amount of R131.90 million was utilised of this municipal disaster grant by the end of the current financial year.

R1.5 billion – this was for the Reconstruction and Recovery Grant (R&R) for reconstruction work that will take longer than 6 months but less than 12 months, the funds were received in March 2023 and the work is expected to be completed by February 2024.

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56. Going concern (continued)

The R&R Grant allocation was received 3 months before the end of the 2022/23 financial year. The implementing departments used this period to commence with all the related planning processes including procurement, and therefore the full R&R Grant allocation was not spent in the 2022/23 financial year.”

Municipal operating and capital budgets:

There is close monitoring of operating expenditure and implementation of austerity measures to reduce spending to ensure that the budget is sustainable and realistic. 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.

The Municipality implements budget checking to prevent the occurrence of unauthorised expenditure and to manage its expenditure in both the operating and capital budget.

Conclusion:

Based on the above the Municipality will continue operating in the foreseeable future, thus supporting the going concern basis of accounting.

57. Covid related expenditure

The following table highlights the amounts spent per category on Covid related expenditure by the Municipality:

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57. Covid related expenditure (continued)

| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
|----------------------------------|--------------|----------------|--------------|----------------|
| Operating expenditure | | | | |
| Employee related costs | - | 8 136 | - | 8 136 |
| Building contractors | - | 3 194 | - | 3 194 |
| Grant in aid | - | 65 430 | - | 65 430 |
| Hire charges | - | 70 | - | 70 |
| Consumables | - | 3 543 | - | 3 543 |
| General expenses | - | 1 112 | - | 1 112 |
| Medical requisites | - | 239 | - | 239 |
| External security | - | 5 956 | - | 5 956 |
| Cleaning materials | - | 126 | - | 126 |
| Uniforms and protective clothing | - | 1 234 | - | 1 234 |
| Contracted services | - | 2 841 | - | 2 841 |
| Inventory | - | 10 050 | - | 10 050 |
| Capital expenditure | | | | |
| Covid protective screens | - | 334 | - | 334 |
| | - | 102 265 | - | 102 265 |

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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57. Covid related expenditure (continued)

The following table highlights the value of income foregone due to Covid relief measures that were still in place during the reporting period:

| Nature of relief | Income foregone for 2022/23 | Income foregone for 2021/22 | Income foregone for 2022/23 | Income foregone for 2021/22 |
|---------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| No interest charged on arrear accounts | - | 490 654 | - | 490 654 |
| Writing off of interest on overdue accounts from business customers | - | 45 641 | - | 45 641 |
| Rental holiday for informal traders licenses and permits | 1 231 | 2 462 | 1 231 | 2 462 |
| Rental holiday for retail markets rentals | 3 153 | 6 305 | 3 153 | 6 305 |
| Rental holiday for business licensing trade licenses | 620 | 1 240 | 620 | 1 240 |
| Capital amount written off | - | 134 | - | 134 |
| | 5 004 | 546 436 | 5 004 | 546 436 |

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58. Taxation

Major components of the tax credit

Current

| | | | | |
|---------------------------|--------------|---|---|---|
| Current tax charge | (272) | - | - | - |
| Prior year over provision | (165) | - | - | - |
| | (437) | - | - | - |

Deferred

| | | | | |
|-------------------------------------------------|--------------|--------------|---|---|
| Originating and reversing temporary differences | 2 887 | 2 971 | - | - |
| Assessed loss (utilised) / available | (1 089) | 2 691 | - | - |
| Tax rate change | - | (1 331) | - | - |
| | 1 798 | 4 331 | - | - |
| Total current and deferred taxation | 1 361 | 4 331 | - | - |

Reconciliation of the tax credit

Reconciliation between accounting deficit and taxable income:

| | | | | |
|----------------------------------------------------|--------------|--------------|---|---|
| Accounting deficit | (5 650) | (20 982) | - | - |
| Tax at the applicable tax rate of 27% (2022: 28%) | 1 526 | 5 875 | - | - |
| Tax effect of adjustments on taxable income | | | | |
| Loss on disposal of assets | - | (3) | - | - |
| Prior year over provision | (165) | - | - | - |
| Tax rate change - Permanent differences | - | 141 | - | - |
| Tax rate change - Net loss before tax | - | (351) | - | - |
| Tax rate change - Deferred tax | - | (1 331) | - | - |
| | 1 361 | 4 331 | - | - |

The assessed loss utilised of R1.53million 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 R370.94million (2022: 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.

59. Change in estimate

Changes in estimates relate to the following:

| | | | | |
|----------------|---------------|-----------------|---------------|-----------------|
| Traffic fines | (12 049) | (30 856) | (12 049) | (30 856) |
| Landfill sites | 54 032 | 8 538 | 54 032 | 8 538 |
| | 41 983 | (22 318) | 41 983 | (22 318) |

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).

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60. Statutory receivables and payables

| | | | | |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
| Fines receivable - (refer to note 4) | 24 879 | 24 167 | 24 879 | 24 167 |
| VAT receivable / (payable) - (refer to note 17) | 92 681 | (21 441) | 97 654 | (20 783) |
| Property rates receivable - (refer to note 5) | 5 310 876 | 3 836 764 | 5 346 874 | 3 868 227 |
| Tax receivable / (payable) | (272) | 165 | - | - |
| | 5 428 164 | 3 839 655 | 5 469 407 | 3 871 611 |

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 53 relating to Covid-19 relief packages granted to consumers.

61. Deferred tax

Reconciliation of deferred tax asset

| | | | | |
|------------------------------------------------------------------------------------|---------------|---------------|----------|----------|
| Balance at beginning of year | 41 599 | 37 268 | - | - |
| Tax loss (utilised) / available | (1 089) | 2 691 | - | - |
| Deductible temporary differences movement on Statement of Financial Position items | 2 886 | 2 971 | - | - |
| Tax rate change | - | (1 331) | - | - |
| | 43 396 | 41 599 | - | - |

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62. Re-classification of expenditure, assets and liabilities

The following items have been reclassified to the most appropriate categories to enhance the presentation and disclosure of information based on the ongoing reviews conducted on the financial statements. Where applicable, the amendments have also been made on the face of financial statements. Prior year balances have been reclassified as follows:

General expenses

| | | | | |
|------------------------------------------------------------------------------|---|------------------|---|------------------|
| Balance previously reported (30 June 2022) | - | 3 430 348 | - | 3 318 489 |
| Re-classification to Contracted services - Auditors remuneration | - | (24 076) | - | (21 687) |
| Re-classification to Contracted services - IT systems support | - | (135 326) | - | (135 326) |
| Re-classification within General expenses - Software licenses | - | (35 244) | - | (35 244) |
| Re-classification within General expenses - IT expenses | - | 35 244 | - | 35 244 |
| Re-classification within General expenses - Other expenses | - | (926 942) | - | (926 942) |
| Re-classification within General expenses - Inventory materials and supplies | - | 926 942 | - | 926 942 |
| Re-classification within General expenses - Other expenses | - | (53 929) | - | (53 929) |
| Re-classification within General expenses - Management fees | - | 53 929 | - | 53 929 |
| Other prior-year adjustments | - | (12 481) | - | (12 396) |
| Balance restated (30 June 2022) | - | 3 258 465 | - | 3 149 080 |

Contracted services

| | | | | |
|-----------------------------------------------------------------|---|------------------|---|------------------|
| Balance previously reported (30 June 2022) | - | 4 969 184 | - | 4 957 871 |
| Re-classification from General expenses - Auditors remuneration | - | 24 076 | - | 21 687 |
| Re-classification from General expenses - IT systems support | - | 135 326 | - | 135 326 |
| Other prior-year adjustments | - | 4 124 | - | 4 124 |
| Balance restated (30 June 2022) | - | 5 132 710 | - | 5 119 008 |

Receivables from exchange

| | | | | |
|------------------------------------------------------------------------|---|------------------|---|------------------|
| Balance previously reported (30 June 2022) | - | 2 964 427 | - | 2 951 536 |
| Other debtors - Attorneys trust account | - | (91 343) | - | (91 343) |
| Prepayments - Attorneys trust account | - | 91 343 | - | 91 343 |
| Re-classification to Receivables from non-exchange - Grants receivable | - | (105 960) | - | (105 690) |
| Other prior-year adjustments | - | (105 530) | - | (105 821) |
| Balance restated (30 June 2022) | - | 2 752 937 | - | 2 740 025 |

Receivables from non-exchange

| | | | | |
|----------------------------------------------------------------------|---|----------------|---|----------------|
| Balance previously reported (30 June 2022) | - | 24 332 | - | 24 167 |
| Re-classification from Receivables from exchange - Grants receivable | - | 105 690 | - | 105 690 |
| Re-classification to current tax receivable | - | (165) | - | - |
| Balance restated (30 June 2022) | - | 129 857 | - | 129 857 |

Property, plant and equipment

| | | | | |
|--------------------------------------------|---|------------|---|------------|
| Balance previously reported (30 June 2022) | - | 54 364 977 | - | 54 069 542 |
|--------------------------------------------|---|------------|---|------------|

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62. Re-classification of expenditure, assets and liabilities (continued)

| | | | | |
|-------------------------------------------------------|---|-------------------|---|-------------------|
| Re-classification to Heritage assets | - | (19 776) | - | (19 776) |
| Other prior-year adjustments | - | (703 929) | - | (703 927) |
| Balance restated (30 June 2022) | - | 53 641 272 | - | 53 345 839 |
| Heritage assets | | | | |
| Balance previously reported (30 June 2022) | - | 48 454 | - | 48 454 |
| Re-classification from Property, plant and equipment | - | 19 776 | - | 19 776 |
| Balance restated (30 June 2022) | - | 68 230 | - | 68 230 |
| Payables from exchange | | | | |
| Balance previously reported (30 June 2022) | - | 8 103 259 | - | 8 102 130 |
| Re-classification from Bank deposits not yet received | - | (270 489) | - | (270 489) |
| Re-classification to Other payables | - | 270 489 | - | 270 489 |
| Other prior-year adjustments | - | (149 866) | - | (144 331) |
| Balance restated (30 June 2022) | - | 7 953 393 | - | 7 957 799 |

Auditors remuneration and IT systems support:

The auditors remuneration and IT systems support have been reclassified from general expenses to contracted services based on the nature of the expenditure incurred as it relates to Consultants and Professional Services.

IT expenses:

The IT expenses have been reclassified within general expenses to ensure that these expenses can be uniquely identified. This expenditure was previously classified as part of IT systems support.

Inventory - materials and supplies:

The inventory relating to materials and supplies has been reclassified from other general expenses so that the amount can be separately disclosed based on the materiality of the amount.

Management fees:

A portion of the management fee relating to the bus operator was classified as part of other general expenditure. The amount has been re-classified to management fees based on the nature of the expenditure incurred.

Prepayments:

The money paid in attorney trust accounts whilst awaiting the transfer of property to the Municipality were classified as part of other debtors. Based on the nature of the payments made since they relate to the prepayments of assets, the amount has been reclassified to prepayments.

Grants receivable:

The grant receivable was classified as part of other debtors within receivables from exchange transactions. Given the nature of grants in that they relate to non-exchange transactions, the grant receivable balance has been reclassified to receivables from non-exchange transactions.

Heritage assets and property, plant and equipment:

The work-in-progress relating to heritage assets was previously classified as part of property, plant and equipment given that there is no unique mSCOA account for work-in-progress relating to heritage assets. This balance was reclassified to heritage assets.

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62. Re-classification of expenditure, assets and liabilities (continued)

Bank deposits not yet receipted:

Included in bank deposits not yet receipted are outstanding distributions to various parties that should be classified as part of other payables opposed to bank deposits not yet receipted. These amounts have been reclassified.

Current tax receivable:

This line-item was re-classified from receivables from non-exchange transactions.

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NOTE 63: EXTERNAL BORROWINGS

| DESCRIPTION | % | LOAN No. | DATE REPAYABLE | BALANCE AT 30-Jun-22 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-23 R 000's |
|----------------------------------|--------|----------|----------------|------------------------------|------------------------------------|--------------------------------------------|------------------------------------|------------------------------|
| ANNUITY LOANS | | | | | | | | |
| Nedbank R900m 15 Years | 8.47% | | 31/03/2021 | 0 | 0 | 0 | 0 | 0 |
| DBSA Ph 5 15 Years | 8.90% | | 30/09/2020 | 0 | 0 | 0 | 0 | 0 |
| DBSA Ph 6 15 Years | 8.75% | | 30/06/2022 | 0 | 0 | 0 | 0 | 0 |
| DBSA Ph 7 20 Years | 8.30% | | 30/06/2028 | 1,396,969 | 0 | -188,162 | -188,162 | 1,208,807 |
| DBSA Ph 8 15 Years | 9.85% | | 30/06/2029 | 962,473 | 0 | -101,200 | -101,200 | 861,273 |
| DBSA - IIPSA 50% | 11.31% | | 31/12/2031 | 221,667 | 0 | -23,333 | -23,333 | 198,333 |
| RMB R 1b 15 Years | 10.21% | | 30/06/2025 | 333,179 | 0 | -100,720 | -100,720 | 232,460 |
| ABSA 15 Years | 10.19% | | 30/06/2026 | 423,531 | 0 | -90,664 | -90,664 | 332,867 |
| RMB R1B 20 Years | 9.53% | | 30/06/2032 | 716,043 | 0 | -46,222 | -46,222 | 669,820 |
| NEDBANK R1bn 15 YEARS | 10.58% | | 30/06/2030 | 714,073 | 189 | -60,741 | -60,741 | 653,521 |
| AFD - IIPSA 50% | 11.31% | | 30/11/2031 | 223,727 | 1,844 | -25,394 | -25,394 | 200,177 |
| NEDBANK 2018 NEW LOAN | 10.22% | | 31/07/2033 | 916,999 | 35,379 | -80,223 | -80,223 | 872,155 |
| NEDBANK 2019 NEW LOAN | 9.97% | | 28/06/2034 | 898,255 | 701 | -42,221 | -42,221 | 856,735 |
| ABSA R500m 2021 | 9.67% | | 30/06/2031 | 468,470 | 0 | -34,653 | -34,653 | 433,817 |
| DBSA R1bn 2021 | 10.77% | | 31/12/2036 | 972,808 | 0 | -30,135 | -30,135 | 942,673 |
| DBSA R1.5bn 2023 | 12.58% | | 31/12/2036 | 0 | 1,500,000 | 2,068 | 0 | 1,502,068 |
| | | | | 8,248,194 | 1,500,000 | 40,181 | -823,668 | 8,964,707 |
| LISTED BONDS | | | | | | | | |
| ETK001 Bond 2032 | 10.91% | | 03/06/2032 | 504,185 | 3,497 | -54,185 | -54,185 | 453,497 |
| ETK002 Bond 2037 | 12.22% | | 03/06/2037 | 504,687 | 4,062 | -38,020 | -38,020 | 470,729 |
| | | | | 1,008,872 | 0 | 7,559 | -92,205 | 924,226 |
| TOTAL EXTERNAL BORROWINGS | | | | | | | | |
| | | | | 9,257,066 | 1,500,000 | 47,741 | -915,873 | 9,888,933 |

Legend:

N1

N2

N3

N4

- The loan amount of R332,867 owing to ABSA was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in August 2020.

- A portion of the R669,820 owing to RMB was ceded to Sanlam Life Insurance Limited in April 2019, however repayments are managed by RMB

- The loan amount of R433,817 owing to ABSA was ceded by ABSA to an ABSA subsidiary company, AB Finco 1 (RF) Limited, in October 2021.

- 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 on Covenants:

The Municipality did not meet the following financial covenants:

- **Gross Debtors Movement** (ABSA Loans) due to Municipality's gross debtors growing by more than 16% from prior year. Whilst the loan covenant is not met, there are ongoing engagements held with the financial institutions where the municipality demonstrates that it is financially stable and that it has financial resources to service its debt obligations. Based on previous reporting periods, the reasons provided by the municipality have always been accepted by the financial institutions, resulting in breached loan covenants being condoned.

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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 | 1,415 | 25,208 | -24,653 | 1,970 |
| Furniture & Office Equipment | 257 | | | 257 |
| Community Assets | 500,956 | 316,419 | -153,026 | 664,348 |
| Coastal Infrastructure | 4,240 | 21,292 | -7,993 | 17,539 |
| Electrical Infrastructure | 1,398,645 | 522,343 | -614,438 | 1,306,550 |
| Information & Communication Infrastructure | 10,415 | 12,721 | -9,438 | 13,698 |
| Other Assets | 91,417 | 163,725 | -78,384 | 176,758 |
| Roads Infrastructure | 2,432,971 | 1,360,372 | -943,546 | 2,849,797 |
| Sanitation Infrastructure | 350,284 | 421,706 | -292,344 | 479,647 |
| Storm Water Infrastructure | 72,709 | 174,329 | -190,607 | 56,431 |
| Solid Waste Infrastructure | 70,681 | 113,863 | -75,424 | 109,120 |
| Water Supply Infrastructure | 534,213 | 452,813 | -222,183 | 764,843 |
| Machinery & Equipment | 25,371 | 11,471 | -3,272 | 33,569 |
| Transport Assets | 21,061 | 18,340 | -39,401 | 0 |
| TOTAL | 5,514,636 | 3,614,600 | -2,654,711 | 6,474,526 |

The net movement of R960 million, being the actual expenditure less capitalisation, is disclosed in Note 10: Property, plant and equipment.

NOTE 65: ANALYSIS OF INTANGIBLE ASSETS - GROUP

| | Cost | | | | | | | | | | Accumulated Depreciation | | | | | Carrying Value |
|-------------------|----------------------------|--------------------------------------------------|-----------------|--------------------------|------------------|-------------------|------------------|-----------------------|-----------------------|-----------------|--------------------------|-------------------|-----------------|-----------------------|----------------|----------------|
| | Opening Balance Cost R'000 | Opening Balance Capital Under Construction R'000 | Additions R'000 | Under Construction R'000 | Disposals R'000 | Impairments R'000 | Transfers R'000 | Closing Balance R'000 | Opening Balance R'000 | Additions R'000 | Disposals R'000 | Impairments R'000 | Transfers R'000 | Closing Balance R'000 | | |
| Servitudes | 83,557 | 0 | 119,358 | 0 | 0 | 0 | 0 | 202,916 | 0 | 0 | 0 | 0 | 0 | 0 | 202,916 | |
| RMS | 698,640 | 0 | 0 | 0 | 0 | 0 | 698,640 | -554,004 | -26,407 | 0 | 0 | 0 | 0 | -580,410 | 118,229 | |
| Computer | 1,141,280 | 94,416 | 702 | -11,170 | -123,938 | 0 | 1,101,289 | -965,779 | -120,198 | 123,938 | 0 | 0 | 0 | -962,039 | 139,251 | |
| Total | 1,923,477 | 94,416 | 120,061 | (11,170) | (123,938) | - | 2,002,845 | (1,519,783) | (146,605) | 123,938 | - | - | - | (1,542,449) | 460,395 | |

The weighted average remaining useful life of RMS is 187 months.

Included in the carrying value of intangible assets is an amount of R 83.206 million relating to Work-in-Progress for Computer Software, of which an amount of R 11.65 million relates to internally generated software.

NOTE 65: ANALYSIS OF INTANGIBLE ASSETS - MUNICIPALITY

| | Cost | | | | | | Accumulated Depreciation | | | | | | Carrying Value | |
|-------------------|----------------------|--------------------------------------------|----------------|--------------------|------------------|-----------|--------------------------|--------------------|------------------|----------------|-------------|-----------|--------------------|-----------------|
| | Opening Balance Cost | Opening Balance Capital Under Construction | 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 | 83,557 | 0 | 119,356 | 0 | 0 | 0 | 202,914 | 0 | 0 | 0 | 0 | 0 | 0 | 202,914 |
| RMS | 698,640 | 0 | 0 | 0 | 0 | 0 | 698,640 | -554,004 | -26,407 | 0 | 0 | 0 | -580,410 | 118,229 |
| Computer Software | 1,134,986 | 94,416 | 702 | -11,170 | -123,871 | 0 | 1,095,064 | -959,931 | -120,000 | 123,871 | 0 | 0 | -956,060 | 139,003 |
| Total | 1,917,183 | 94,416 | 120,059 | (11,170) | (123,871) | - | 1,996,617 | (1,513,935) | (146,406) | 123,871 | - | - | (1,536,471) | 460,146 |

The weighted average remaining useful life of RMS is 187 months.
Included in the carrying value of intangible assets is an amount of R 83,206 million relating to Work-in-Progress for Computer Software, of which an amount of R 11.65 million relates to internally generated 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 | Additional budget required to complete the Project. | 11,712 |
| S3072 | EDP-Business Support | Klaarwater | Community Assets | Halted | Additional budget required to complete the Project. | 3,766 |
| S3102 | EDP-Business Support | Kwamashu Hostel Bus Hive | Community Assets | Halted | Additional budget required to complete the Project. | 8,525 |
| S3068AZ1 | EDP-Business Support | Kwamashu Hostel Bus Hive | Community Assets | Halted | Additional budget required to complete the Project. | 6,507 |
| S3049 | EDP-Business Support | KWAMAKHUTHA BUSINESS HIVE | Community Assets | Halted | Contract Expired | 3,909 |
| HV057TR | TRC-Electricity | Ntuzuma SS Transformers | Electrical Infrastructure | Taking significantly longer to complete | The transformer is on site and awaiting commissioning. However, the delays are due to replace stolen current transformers and clamps on-site that are required to enable commissioning. The order has been placed with the buyers. The estimated completion is planned by 30 June 2024 | 8,728 |
| C2486 | CES-Parks, Recr, Cem & Culture | Inanda Swimming Pool | Community Assets | Halted | Contract terminated due to issues with contractor. | 18,606 |
| HV016TR | TRC-Electricity | K E Masinga Rd Substation | Electrical Infrastructure | Taking significantly longer to complete | Delays with the installation of the deluge system by Architecture-has to be non-award due to local content issues. Budget allocation for 23/24 deluge system required. Commissioning is currently being done under contract EE.245. | 30,294 |
| HV016EQ | | | Electrical Infrastructure | Taking significantly longer to complete | | 20,094 |
| HV016CA | | | Electrical Infrastructure | Taking significantly longer to complete | | 8,301 |
| HV016Z1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 14,785 |
| HV016CW | | | Electrical Infrastructure | Taking significantly longer to complete | | 641 |
| HV016EQ1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 153 |
| HV016PC | | | Electrical Infrastructure | Taking significantly longer to complete | | 58 |
| TM0053TX | | | Electrical Infrastructure | Taking significantly longer to complete | | 116 |

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) |
|----------------|-----------------|-------------------------|---------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| HV015CAZ1 | TRC-Electricity | Jameson Park Substation | Electrical Infrastructure | Taking significantly longer to complete | Delayed due to Integrated Control and Protection (ICAP) and transformer consultant contracts. Project will now be commissioned using contract EE.245 (ICAP contract) and the transformer design review consultant contract E.9732. | 19,855 |
| HV015CA | | | Electrical Infrastructure | Taking significantly longer to complete | | 14,722 |
| HV015Z1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 3,721 |
| HV015EQ | | | Electrical Infrastructure | Taking significantly longer to complete | | 1,073 |
| TM0075PL | | | Electrical Infrastructure | Taking significantly longer to complete | | 645 |
| HV015CW | | | Electrical Infrastructure | Taking significantly longer to complete | | 30 |
| HV004CAZ1A | TRC-Electricity | BULWER SUBSTATION | Electrical Infrastructure | Taking significantly longer to complete | Awaiting for Integrated Control and protection (ICAP) (E.9728) and 11kV (E.9311) Contracts award. ICAP challenge with the National Treasury regulations for second non-award, awaiting guidance from Supply Chain Management. 11kV is now a non-award | 29,858 |
| HV004CA | | | Electrical Infrastructure | Taking significantly longer to complete | | 26,764 |
| HV004TR | | | Electrical Infrastructure | Taking significantly longer to complete | | 12,968 |
| HV004 | | | Electrical Infrastructure | Taking significantly longer to complete | | 5,209 |
| HV004CAZ1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 8,326 |
| HV004TRZ1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 2,358 |
| HV037CA | TRC-Electricity | Underwood S/S Building | Electrical Infrastructure | Taking significantly longer to complete | Delays are due to the deluge system contract. Integrated Control and protection (ICAP) challenge with the National Treasury regulations for second non-award awaiting guidance from Supply chain management. The 11kV contract has been declared as a non-award. Awaiting 11kV switchgear contract (E.9311) and (E.9728) currently at BAC. | 42,124 |

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) | |
|----------------|-----------------|---------------------------------|-----------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| HV037EQ | TRC-Electricity | Underwood S/S Building | Electrical I Infrastructure | Taking significantly longer to complete | Delays are due to the deluge system contract. Integrated Control and protection (ICAP) challenge with the National Treasury regulations for second non-award awaiting guidance from Supply chain management. The 11kV contract has been declared as a non-award. Awaiting 11kV switchgear contract (E.9311) and (E.9728) currently at BAC. | 26,594 | |
| HV037TR | | | Electrical I Infrastructure | Taking significantly longer to complete | | 24,951 | |
| HV037CAZ1 | | | Electrical I Infrastructure | Taking significantly longer to complete | | 17,691 | |
| HV037TRZ1 | | | Electrical I Infrastructure | Taking significantly longer to complete | | 7,844 | |
| HV037 | | | Electrical I Infrastructure | Taking significantly longer to complete | | 14,783 | |
| HV093TR | TRC-Electricity | Springpark 132/11 kV Substation | Electrical I Infrastructure | Taking significantly longer to complete | | Awaiting 11kV switchgear contract (E.9311) and (E.9728) currently at BAC. Integrated Control and Protection (ICAP) challenge with the National Treasury regulations for second non-award, awaiting guidance from Supply Chain Management. The 11kV contract has been declared as non-award. | 27,618 |
| HV093CA | | | Electrical I Infrastructure | Taking significantly longer to complete | | | 4,862 |
| HV093TRZ1 | | | Electrical I Infrastructure | Taking significantly longer to complete | 2,286 | | |
| HV093MV | | | Electrical I Infrastructure | Taking significantly longer to complete | 55 | | |
| HV093 | | | Electrical I Infrastructure | Taking significantly longer to complete | 1 | | |
| HV018C | TRC-Electricity | Upgrade of Klairwater SS-Cable | Electrical I Infrastructure | Taking significantly longer to complete | Awaiting 132kV switchgear contract (E.9731) and ICAP (E.9728) currently at BAC.132kV switchgear has to be non-award due to local content issue. | 11,813 | |
| HV018 | | | Electrical I Infrastructure | Taking significantly longer to complete | | 218 | |
| HV045TR | TRC-Electricity | La Mercy Substation | Electrical I Infrastructure | Taking significantly longer to complete | Integrated Control and Protection (ICAP) contract delayed. Currently awaiting the delivery and installation of interlocks and finalisation of minor commissioning. | 4,822 | |
| HV045CA | | | Electrical I Infrastructure | Taking significantly longer to complete | | 1,035 | |
| HV045PC | | | Electrical I Infrastructure | Taking significantly longer to complete | Current transformers and other materials for 11kV switchgear stolen while awaiting Integrated Control and Protection (ICAP) contract.Replacement current transformers delivered but still awaiting the associated materials by High Voltage (HV) substations. Planned for commissioning in 23/24 | 112 | |
| HV045Z1 | | | Electrical I Infrastructure | Taking significantly longer to complete | | 11,194 | |
| HV061 | TRC-Electricity | Avoca 132/11kV Substation | Electrical I Infrastructure | Taking significantly longer to complete | | 138 | |
| HV061PL | | | Electrical I Infrastructure | Taking significantly longer to complete | Current transformers delivered but still awaiting the associated materials by High Voltage (HV) substations. Planned for commissioning in 23/24 | 13,181 | |
| HV061TRZ1 | | | Electrical I Infrastructure | Taking significantly longer to complete | | 1,157 | |
| HV061CA | | | Electrical I Infrastructure | Taking significantly longer to complete | | 1,001 | |
| HV061TR | | | Electrical I Infrastructure | Taking significantly longer to complete | | 454 | |
| HV061CW | | | Electrical I Infrastructure | Taking significantly longer to complete | | 50 | |
| HV061PC | | | Electrical I Infrastructure | Taking significantly longer to complete | | 27 | |
| HV060TR | TRC-Electricity | Addington 132/11kV Substa | Electrical I Infrastructure | Taking significantly longer to complete | | Delayed due to faulty circuit breaker earth switch. Resolved and currently being commissioned on EE.245 Integrated Contract and protection (ICAP) Contract | 8,393 |
| HV060 | TRC-Electricity | | Electrical I Infrastructure | Taking significantly longer to complete | 326 | | |

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) |
|----------------|--------------------|-------------------------------------|-----------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| HV099B | TRC-Electricity | Claremont 132/11kV Substation | Electrical Infrastructure | Taking significantly longer to complete | There is a problem with copper theft. Sets of all kV current transformers were stolen in the new transformer incomers (within the 11kV switchboard at the back). The replacement current transformers delivered. However there has been further theft on the 11kV incomer panel awaiting High Voltage (HV) Substation branch to resolve. Once resolved it will be commissioned on EE.245.All resolved-commissioned in progress. | 873 |
| HV099A | | | Electrical Infrastructure | Taking significantly longer to complete | | 11 |
| HV099TR | | | Electrical Infrastructure | Taking significantly longer to complete | | 7,297 |
| HV100CA | TRC-Electricity | Umdloti Beach Transformer | Electrical Infrastructure | Taking significantly longer to complete | Delayed due to theft of current transformers and other materials in the new transformer incomers (within the 11kV switchboard at the back). The replacement equipment delivered and installed. Currently awaiting commissioning by internal | 14,801 |
| HV100 | | | Electrical Infrastructure | Taking significantly longer to complete | | 297 |
| HV025 | TRC-Electricity | OTTAWA S/STN UPGRADE | Electrical Infrastructure | Taking significantly longer to complete | Awaiting 132kV switchgear contract (E.9731) and ICAP (E.9728) currently at BAC. Due to financial constraints the project was delayed. Budget allocation for 23/24 is R1.5M, R43M(24/25), R7.9M(25/26) | 397 |
| HV025TR | | | Electrical Infrastructure | Taking significantly longer to complete | | 14,556 |
| HV025TRZ1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 428 |
| HV025CW | | | Electrical Infrastructure | Taking significantly longer to complete | | 130 |
| HV025Z1 | | | Electrical Infrastructure | Taking significantly longer to complete | | 111 |
| N1761CD | CES-Agro Ecology | Newlands Hub Upgrade | | Halted | No budget for implementation | 8,905 |
| X4368 | TRC-Water | ALVERSTONE TRUNK - FRASER RESERVOIR | Water Supply Infrastructure | Taking significantly longer to complete | Delays due to contractor defaulting from his contractual obligations which resulted in termination of contract. The roads department is currently doing some work while the process of appointing another contractor to complete the work is underway. It is anticipated that the project will be completed in 2023/24 financial year. | 44,151 |
| X4764 | TRC-Water | NORTHERN AQUADUCT | Water Supply Infrastructure | Halted | Delays due to community protests have caused the project to be inactive for a long period of time. Owing to this, the project scope has changed considerably and the construction branch has returned the project back to planning/ design branch. | 10,817 |
| HV063IN | TRC-Electricity | Umlazi Substation | Electrical Infrastructure | Taking significantly longer to complete | Testing of the switchboard has been continuing by internal staff. The contractor and the original equipment manufacturer. We are currently awaiting some placement parts from the original equipment manufacturer thereafter we should be in position to energise the board. It is taking longer since installation was done during Covid not all parties were present, which has resulted in delays in resolving issues. The original equipment manufacturer is not based in Durban. | 9 |
| HV063PC | | | Electrical Infrastructure | Taking significantly longer to complete | | 981 |
| HV063PL | | | Electrical Infrastructure | Taking significantly longer to complete | | 4,540 |
| HV143 | TRC-Electricity | CORNUBIA OPTLS TO CABLE | Electrical Infrastructure | Halted | Contribution of R6 Million to the developer was made in accordance with cost sharing agreement. However the parent company (Tongalet Hulett Group) of the developer commence business rescue proceeding and the project has been halted. The impairment assessment was done and no impairment was identified by management. | 6,000 |
| H3079 | HSI-Formal Housing | Donnelly Road | Other Assets | Taking significantly longer to complete | The project had challenges before construction started and main challenge was to get approval from Province for funding of stage 2 (construction). | 2,046 |
| H3079Z1 | | | | | | 28,626 |
| | | | | | | 629,430 |

The work-in-progress halted or taking significantly longer to complete is reflective of the carrying amounts as at 30 June 2023. 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. Projects under work in progress were analysed and classified in terms of whether they are continuing as normal, taking significantly longer to complete or halted.

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2023 - GROUP

| | Economic and Environmental | Trading Services | Community and Public Safety | Total segments | Other non-segments | Grand total | Total agreeing to entity amount |
|--------------------------------------------|----------------------------|---------------------|-----------------------------|----------------------|--------------------|-------------------|---------------------------------|
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Inventories | 48 | 620,278 | 146,404 | 766,730 | 44,803 | 811,533 | 811,533 |
| Investments | - | 75,963 | 39,808 | 115,771 | 8,160,192 | 8,275,963 | 8,275,963 |
| Receivables From exchange transactions | 43,587 | 228,873 | 2,586,477 | 2,858,937 | (121,385) | 2,737,552 | 2,737,552 |
| Receivables from non exchange transactions | - | - | 129,110 | 129,110 | 377 | 129,487 | 129,487 |
| Consumer Debtors | - | 5,145,945 | 11,013 | 5,156,958 | 5,346,875 | 10,503,833 | 10,503,833 |
| Current portion of long term receivables | - | 802 | 5,322 | 6,124 | - | 6,124 | 6,124 |
| Cash and bank balances | (7,630,379) | (18,916,006) | (83,499,015) | (110,045,400) | 110,309,104 | 263,704 | 263,704 |
| Call investment deposits | - | 42,733 | - | 42,733 | 230,000 | 272,733 | 272,733 |
| Total Current Assets | (7,586,744) | (12,801,412) | (80,580,881) | (100,969,037) | 123,969,966 | 23,000,929 | 23,000,929 |
| Non Current Assets | | | | | | | |
| Investment Property | 11,083 | 48,761 | 13,850 | 73,694 | 165,004 | 238,698 | 238,698 |
| Property, plant and equipment | 2,005,793 | 24,798,770 | 26,150,086 | 52,954,649 | 2,498,921 | 55,453,570 | 55,453,570 |
| Intangible assets | 2,057 | 200,629 | 36,763 | 239,449 | 220,946 | 460,395 | 460,395 |
| Heritage assets | 7,069 | - | 62,441 | 69,510 | 7 | 69,517 | 69,517 |
| Investment in Municipal entities | - | - | - | - | - | - | - |
| Interest in Joint ventures | 54,549 | - | - | 54,549 | - | 54,549 | 54,549 |
| Deferred tax | - | 43,396 | 43,396 | 43,396 | - | 43,396 | 43,396 |
| Deferred income | - | 773 | 773 | 773 | - | 773 | 773 |
| Long-term receivables | - | 13,262 | 16,065 | 29,327 | 287 | 29,614 | 29,614 |
| Total Non Current Assets | 2,080,551 | 25,105,591 | 26,279,205 | 53,465,347 | 2,885,165 | 56,350,512 | 56,350,512 |
| Total Assets | (5,506,193) | 12,304,179 | (54,301,676) | (47,503,690) | 126,855,131 | 79,351,441 | 79,351,441 |

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2023 - GROUP

| | Economic and Environmental | Trading Services | Community and Public Safety | Total segments | Other non-segments | Grand total | Total agreeing to entity amount |
|-----------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------------------|
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| External Borrowings | - | (525,806) | - | (525,806) | (396,191) | (921,997) | (921,997) |
| Payables from exchange transactions | (280,861) | (3,837,019) | (1,997,541) | (6,115,421) | (2,178,854) | (8,294,275) | (8,294,275) |
| Payables from non-exchange transactions | (21,124) | - | (570) | (21,694) | - | (21,694) | (21,694) |
| Consumer deposits | (163) | (2,735,664) | (477) | (2,736,304) | (264) | (2,736,568) | (2,736,568) |
| Employee benefit obligation | - | - | - | - | (951,439) | (951,439) | (951,439) |
| Unspent conditional grants and receipts | (44,494) | (334,178) | (2,143,615) | (2,522,287) | 21,364 | (2,500,923) | (2,500,923) |
| Current tax payable | - | (272) | - | (272) | - | (272) | -272 |
| Provisions | - | (9,910) | - | (9,910) | (1,037,426) | (1,047,336) | (1,047,336) |
| Vat payable | 29,478 | (1,036,593) | 253,039 | (754,076) | (57,434) | (811,510) | (811,510) |
| Bank overdraft | - | - | - | - | - | - | - |
| Total Current Liabilities | (317,164) | (8,479,442) | (3,889,164) | (12,685,770) | (4,600,244) | (17,286,014) | (17,286,014) |
| Non - Current Liabilities | | | | | | | |
| External Borrowings | - | (4,972,429) | - | (4,972,429) | (3,994,509) | (8,966,938) | (8,966,938) |
| Employee benefit obligation | - | - | - | - | (3,397,289) | (3,397,289) | (3,397,289) |
| Provisions | - | (310,693) | - | (310,693) | (1,127,466) | (1,438,159) | (1,438,159) |
| Total Non Current Liabilities | - | (5,283,122) | - | (5,283,122) | (8,519,264) | (13,802,386) | (13,802,386) |
| Total Liabilities | (317,164) | (13,762,564) | (3,889,164) | (17,968,892) | (13,119,508) | (31,088,400) | (31,088,400) |
| Net Assets | | | | | | | |
| Housing Development Fund | - | - | (57,470) | (57,470) | - | (57,470) | (57,470) |
| Accumulated Surplus | 5,823,357 | 1,458,385 | 58,248,310 | 65,530,052 | (113,735,623) | (48,205,571) | (48,205,571) |
| Total Net Assets (Liability) | (5,823,357) | (1,458,385) | (58,190,840) | (65,472,582) | 113,735,623 | 48,263,041 | 48,263,041 |

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. Included in the receivable for exchange transactions in relation to Other segments is an amount of R749.8 million that is a provision for bad debts for interest charged on other services. The provision calculation is performed at a corporate level and cannot be allocated to the various segments. This has resulted in a negative balance at a segment level.

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2023 - MUNICIPALITY

| | Economic and Environmental | Trading Services | Community and Public Safety | Total segments | Other non-segments | Total agreeing to Entity amount |
|--------------------------------------------|----------------------------|---------------------|-----------------------------|----------------------|--------------------|---------------------------------|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Inventories | 48 | 608,375 | 146,404 | 754,827 | 44,803 | 799,630 |
| Investments | - | - | 39,808 | 39,808 | 8,160,192 | 8,200,000 |
| Receivables From exchange transactions | 43,587 | 217,099 | 2,586,477 | 2,847,163 | (121,385) | 2,725,778 |
| Receivables from non exchange transactions | - | - | 129,110 | 129,110 | 377 | 129,487 |
| Consumer Debtors | - | 5,220,401 | 11,013 | 5,231,414 | 5,346,875 | 10,578,289 |
| Current portion of long term receivables | - | 802 | 5,322 | 6,124 | - | 6,124 |
| Cash and bank balances | (7,630,379) | (18,970,244) | (83,499,015) | (110,099,638) | 110,309,104 | 209,466 |
| Call investment deposits | - | - | - | - | 230,000 | 230,000 |
| Total Current Assets | (7,586,744) | (12,923,567) | (80,580,881) | (101,091,192) | 123,969,966 | 22,878,774 |
| Non Current Assets | | | | | | |
| Investment Property | | | | | | |
| Property, plant and equipment | 11,083 | - | 13,850 | 24,933 | 165,004 | 189,937 |
| Intangible assets | 2,005,793 | 24,521,911 | 26,150,086 | 52,677,790 | 2,498,921 | 55,176,711 |
| Heritage assets | 2,057 | 200,381 | 36,763 | 239,201 | 220,946 | 460,147 |
| Investment in Municipal entities | 7,069 | - | 62,441 | 69,510 | 7 | 69,517 |
| Interest in Joint ventures | 695,808 | - | - | 695,808 | - | 695,808 |
| Long-term receivables | 54,549 | - | - | 54,549 | - | 54,549 |
| | - | 13,262 | 16,065 | 29,327 | 287 | 29,614 |
| Total Non Current Assets | 2,776,359 | 24,735,554 | 26,279,205 | 53,791,118 | 2,885,165 | 56,676,283 |
| Total Assets | (4,810,385) | 11,811,987 | (54,301,676) | (47,300,074) | 126,855,131 | 79,555,057 |

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL POSITION - 30 JUNE 2023 - MUNICIPALITY

| | Economic and Environmental | Trading Services | Community and Public Safety | Total segments | Other non-segments | Grand total | Total agreeing to entity amount |
|-----------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------------------|
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| External Borrowings | - | (525,806) | - | (525,806) | (396,191) | (921,997) | (921,997) |
| Payables from exchange transactions | (280,861) | (3,801,352) | (2,013,404) | (6,095,617) | (2,191,384) | (8,287,001) | (8,287,001) |
| Payables from non-exchange transactions | (29,677) | - | (570) | (30,247) | - | (30,247) | (30,247) |
| Consumer deposits | (163) | (2,711,819) | (477) | (2,712,459) | (264) | (2,712,723) | (2,712,723) |
| Employee benefit obligation | - | - | - | - | (951,439) | (951,439) | (951,439) |
| Unspent conditional grants and receipts | (44,494) | (334,178) | (2,143,615) | (2,522,287) | 21,364 | (2,500,923) | (2,500,923) |
| Other Current Financial Liabilities | | | | | | | |
| Provisions | - | - | - | - | (1,037,426) | (1,037,426) | (1,037,426) |
| Vat payable | 29,478 | (1,031,620) | 253,039 | (749,103) | (57,434) | (806,537) | (806,537) |
| Bank overdraft | - | - | - | - | - | - | - |
| Total Current Liabilities | (325,717) | (8,404,775) | (3,905,027) | (12,635,519) | (4,612,774) | (17,248,293) | (17,248,293) |
| Non - Current Liabilities | | | | | | | |
| External Borrowings | - | (4,972,429) | - | (4,972,429) | (3,994,509) | (8,966,938) | (8,966,938) |
| Employee benefit obligation | - | - | - | - | (3,397,289) | (3,397,289) | (3,397,289) |
| Provisions | - | (309,983) | - | (309,983) | (1,127,466) | (1,437,449) | (1,437,449) |
| Total Non Current Liabilities | - | (5,282,412) | - | (5,282,412) | (8,519,264) | (13,801,676) | (13,801,676) |
| Total Liabilities | (325,717) | (13,687,187) | (3,905,027) | (17,917,931) | (13,132,038) | (31,049,969) | (31,049,969) |
| Net Assets | | | | | | | |
| Housing Development Fund | - | - | (57,470) | (57,470) | - | (57,470) | (57,470) |
| Accumulated Surplus | 5,136,102 | 1,875,200 | 58,264,173 | 65,275,475 | (113,723,093) | (48,447,618) | (48,447,618) |
| Total Net Assets (Liability) | (5,136,102) | (1,875,200) | (58,206,703) | (65,218,005) | 113,723,093 | 48,505,088 | 48,505,088 |

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. Included in the receivable for exchange transactions in relation to Other segments is an amount of R749.8 million that is a provision for bad debts for interest charged on other services. The provision calculation is performed at a corporate level and cannot be allocated to the various segments. This has resulted in a negative balance at a segment level.

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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 | Grand total | Total agreeing to entity amount |
|--------------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|--------------------|-------------------|---------------------------------|
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Inventories | 49 | 721,213 | 130,927 | 852,189 | 47,118 | 899,307 | 899,307 |
| Current tax receivable | | 165 | | 165 | | 165 | 165 |
| Investments | - | 76,399 | 39,808 | 116,207 | 4,360,192 | 4,476,399 | 4,476,399 |
| Receivables From exchange transactions | 39,000 | 190,436 | 2,538,799 | 2,768,235 | (15,298) | 2,752,937 | 2,752,937 |
| Receivables from non exchange transactions | - | - | 129,480 | 129,480 | 377 | 129,857 | 129,857 |
| Consumer Debtors | - | 4,167,770 | 10,694 | 4,178,464 | 3,868,229 | 8,046,693 | 8,046,693 |
| Current portion of long term receivables | - | 1,980 | 4,095 | 6,075 | - | 6,075 | 6,075 |
| Cash and bank balances | (6,289,703) | (17,369,818) | (74,569,081) | (98,228,602) | 98,450,778 | 222,176 | 222,176 |
| Call investment deposits | - | 57,199 | - | 57,199 | 540,000 | 597,199 | 597,199 |
| Total Current Assets | (6,250,654) | (12,154,656) | (71,715,278) | (90,120,588) | 107,251,396 | 17,130,808 | 17,130,808 |
| Non Current Assets | | | | | | | |
| Investment Property | 11,284 | 50,781 | 14,000 | 76,065 | 183,692 | 259,757 | 259,757 |
| Property, plant and equipment | 1,738,581 | 24,063,956 | 25,650,777 | 51,453,314 | 2,187,958 | 53,641,272 | 53,641,272 |
| Intangible assets | 511 | 159,623 | 56,297 | 216,431 | 281,678 | 498,109 | 498,109 |
| Heritage assets | 7,069 | - | 61,154 | 68,223 | 7 | 68,230 | 68,230 |
| Investment in Municipal entities | | | | | | | |
| Interest in Joint ventures | 63,490 | - | - | 63,490 | - | 63,490 | 63,490 |
| Deferred tax | | 41,599 | | 41,599 | | 41,599 | 41,599 |
| Deferred income | | 981 | | 981 | | 981 | 981 |
| Long-term receivables | - | 15,439 | 23,826 | 39,265 | 184 | 39,449 | 39,449 |
| Total Non Current Assets | 1,820,935 | 24,332,379 | 25,806,054 | 51,959,368 | 2,653,519 | 54,612,887 | 54,612,887 |
| Total Assets | (4,429,719) | 12,177,723 | (45,909,224) | (38,161,220) | 109,904,915 | 71,743,695 | 71,743,695 |

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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 | Grand total | Total agreeing to entity amount |
|-----------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------------------|
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| External Borrowings | - | (559,476) | - | (559,476) | (356,398) | (915,874) | (915,874) |
| Payables from exchange transactions | (213,613) | (3,421,661) | (2,189,225) | (5,824,499) | (2,128,894) | (7,953,393) | (7,953,393) |
| Payables from non-exchange transactions | (14,296) | - | - | (14,296) | - | (14,296) | (14,296) |
| Consumer deposits | (1,160) | (2,621,782) | (72) | (2,623,014) | (274) | (2,623,288) | (2,623,288) |
| Employee benefit obligation | - | - | - | - | (808,994) | (808,994) | (808,994) |
| Unspent conditional grants and receipts | (276,311) | (485) | (547,994) | (824,790) | (57,857) | (882,647) | (882,647) |
| Other Current Financial Liabilities | | | | | | | |
| Provisions | - | (9,396) | - | (9,396) | (1,073,256) | (1,082,652) | (1,082,652) |
| Vat payable | 18,938 | (658,016) | 259,660 | (379,418) | (166,007) | (545,425) | (545,425) |
| Bank overdraft | - | - | - | - | - | - | - |
| Total Current Liabilities | (486,442) | (7,270,816) | (2,477,631) | (10,234,889) | (4,591,680) | (14,826,569) | (14,826,569) |
| Non - Current Liabilities | | | | | | | |
| External Borrowings | - | (4,693,655) | - | (4,693,655) | (3,647,538) | (8,341,193) | (8,341,193) |
| Employee benefit obligation | - | - | - | - | (3,246,652) | (3,246,652) | (3,246,652) |
| Provisions | - | (426,129) | - | (426,129) | (1,127,096) | (1,553,225) | (1,553,225) |
| Total Non Current Liabilities | - | (5,119,784) | - | (5,119,784) | (8,021,286) | (13,141,070) | (13,141,070) |
| Total Liabilities | (486,442) | (12,390,600) | (2,477,631) | (15,354,673) | (12,612,966) | (27,967,639) | (27,967,639) |
| Net Assets | | | | | | | |
| Housing Development Fund | - | - | (57,470) | (57,470) | - | (57,470) | (57,470) |
| Accumulated Surplus | 4,916,161 | 212,877 | 48,444,325 | 53,573,363 | (97,291,949) | (43,718,586) | (43,718,586) |
| Total Net Assets (Liability) | (4,916,161) | (212,877) | (48,386,855) | (53,515,893) | 97,291,949 | 43,776,056 | 43,776,056 |

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. Included in the receivable for exchange transactions in relation to Other segments is an amount of R728.6 million that is a provision for bad debts for interest charged on other services. The provision calculation is performed at a corporate level and cannot be allocated to the various segments. This has resulted in a negative balance at a segment level.

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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 | Grand total | Total agreeing to entity amount |
|--------------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|--------------------|-------------------|---------------------------------|
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Inventories | 49 | 711,988 | 130,927 | 842,964 | 47,118 | 890,082 | 890,082 |
| Investments | - | - | 39,808 | 39,808 | 4,360,192 | 4,400,000 | 4,400,000 |
| Receivables From exchange transactions | 39,000 | 177,524 | 2,538,799 | 2,755,323 | (15,298) | 2,740,025 | 2,740,025 |
| Receivables from non exchange transactions | - | - | 129,480 | 129,480 | 377 | 129,857 | 129,857 |
| Consumer Debtors | - | 4,255,975 | 10,694 | 4,266,669 | 3,868,229 | 8,134,898 | 8,134,898 |
| Current portion of long term receivables | - | 1,980 | 4,095 | 6,075 | - | 6,075 | 6,075 |
| Cash and bank balances | (6,289,703) | (17,402,635) | (74,569,081) | (98,261,419) | 98,450,778 | 189,359 | 189,359 |
| Call investment deposits | - | - | - | - | 540,000 | 540,000 | 540,000 |
| Total Current Assets | (6,250,654) | (12,255,168) | (71,715,278) | (90,221,100) | 107,251,396 | 17,030,296 | 17,030,296 |
| Non Current Assets | | | | | | | |
| Investment Property | 11,284 | - | 14,000 | 25,284 | 183,692 | 208,976 | 208,976 |
| Property, plant and equipment | 1,738,581 | 23,768,523 | 25,650,777 | 51,157,881 | 2,187,958 | 53,345,839 | 53,345,839 |
| Intangible assets | 511 | 159,178 | 56,297 | 215,986 | 281,678 | 497,664 | 497,664 |
| Heritage assets | 7,069 | - | 61,154 | 68,223 | 7 | 68,230 | 68,230 |
| Investment in Municipal entities | 695,808 | - | - | 695,808 | - | 695,808 | 695,808 |
| Interest in Joint ventures | 63,490 | - | - | 63,490 | - | 63,490 | 63,490 |
| Long-term receivables | - | 15,439 | 23,826 | 39,265 | 184 | 39,449 | 39,449 |
| Total Non Current Assets | 2,516,743 | 23,943,140 | 25,806,054 | 52,265,937 | 2,653,519 | 54,919,456 | 54,919,456 |
| Total Assets | (3,733,911) | 11,687,972 | (45,909,224) | (37,955,163) | 109,904,915 | 71,949,752 | 71,949,752 |

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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 | Grand total | Total agreeing to entity amount |
|-----------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------------------|
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| External Borrowings | - | (559,476) | - | (559,476) | (356,398) | (915,874) | (915,874) |
| Payables from exchange transactions | (213,613) | (3,395,946) | (2,212,248) | (5,821,807) | (2,135,992) | (7,957,799) | (7,957,799) |
| Payables from non-exchange transactions | (23,613) | - | - | (23,613) | - | (23,613) | (23,613) |
| Consumer deposits | (1,160) | (2,608,070) | (72) | (2,609,302) | (274) | (2,609,576) | (2,609,576) |
| Employee benefit obligation | - | - | - | - | (808,994) | (808,994) | (808,994) |
| Unspent conditional grants and receipts | (276,311) | (485) | (547,994) | (824,790) | (57,857) | (882,647) | (882,647) |
| Other Current Financial Liabilities | | | | | | | |
| Provisions | - | - | - | - | (1,073,256) | (1,073,256) | (1,073,256) |
| Vat payable | 18,938 | (657,358) | 259,660 | (378,760) | (166,007) | (544,767) | (544,767) |
| Bank overdraft | - | - | - | - | - | - | - |
| Total Current Liabilities | (495,759) | (7,221,335) | (2,500,654) | (10,217,748) | (4,598,778) | (14,816,526) | (14,816,526) |
| Non - Current Liabilities | | | | | | | |
| External Borrowings | - | (4,693,655) | - | (4,693,655) | (3,647,538) | (8,341,193) | (8,341,193) |
| Employee benefit obligation | - | - | - | - | (3,246,652) | (3,246,652) | (3,246,652) |
| Provisions | - | (425,330) | - | (425,330) | (1,127,096) | (1,552,426) | (1,552,426) |
| Total Non Current Liabilities | - | (5,118,985) | - | (5,118,985) | (8,021,286) | (13,140,271) | (13,140,271) |
| Total Liabilities | (495,759) | (12,340,320) | (2,500,654) | (15,336,733) | (12,620,064) | (27,956,797) | (27,956,797) |
| Net Assets | | | | | | | |
| Housing Development Fund | - | - | (57,470) | (57,470) | - | (57,470) | (57,470) |
| Accumulated Surplus | 4,229,670 | 652,348 | 48,467,348 | 53,349,366 | (97,284,851) | (43,935,485) | (43,935,485) |
| Total Net Assets (Liability) | (4,229,670) | (652,348) | (48,409,878) | (53,291,896) | 97,284,851 | 43,992,955 | 43,992,955 |

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. Included in the receivable for exchange transactions in relation to Other segments is an amount of R728.6 million that is a provision for bad debts for interest charged on other services. The provision calculation is performed at a corporate level and cannot be allocated to the various segments. This has resulted in a negative balance at a segment level.

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2023 - GROUP

| REVENUE | Economic and Environmental Services R'000 | Trading Services R'000 | Community and Public Safety R'000 | Total segments R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|-----------------------------------------------------|-------------------------------------------|------------------------|-----------------------------------|----------------------|--------------------------|---------------------------------------|
| Revenue from Exchange Transactions | | | | | | |
| Service charges | - | 24,182,584 | - | 24,182,584 | - | 24,182,584 |
| Housing development construction contract revenue | - | - | 528,221 | 528,221 | - | 528,221 |
| Rental of facilities and equipment | 49,067 | 128,653 | 329,690 | 507,410 | 377,380 | 884,790 |
| Other Income | 138,225 | 249,561 | 91,053 | 478,839 | 115,294 | 594,133 |
| Interest received | 166 | 827,847 | 6,030 | 834,043 | 741,654 | 1,575,697 |
| Gains on disposal of assets | (15) | 889 | (89) | 785 | 12,310 | 13,095 |
| Share of Income from Joint Ventures | - | - | - | - | - | - |
| Total Revenue from Exchange Transactions | 187,443 | 25,389,534 | 954,905 | 26,531,882 | 1,246,638 | 27,778,520 |
| Revenue from non-exchange transactions | | | | | | |
| Taxation Revenue | | | | | | |
| Fines | 87 | - | 157,842 | 157,929 | - | 157,929 |
| Property rates | - | - | - | - | 11,934,712 | 11,934,712 |
| Property rates - penalties imposed | - | - | - | - | 452,220 | 452,220 |
| Licences and permits | 3,605 | - | 57,387 | 60,992 | 407 | 61,399 |
| Transfer Revenue | | | | | | |
| Government grants & subsidies | 411,857 | 3,745,536 | 1,941,949 | 6,099,342 | 1,579,154 | 7,678,496 |
| Levies | - | - | - | - | 3,379,795 | 3,379,795 |
| Public contributions and donations | - | 1,039 | 3,478 | 4,517 | - | 4,517 |
| Reversal of loss on impairment - PPE | - | - | - | - | 17,008 | 17,008 |
| Donations - Property, plant and equipment | 262 | 4,948 | 29,431 | 34,640 | 2 | 34,642 |
| Reversal of loss on impairment - Inv. Properties | - | - | - | - | - | - |
| Total revenue from non-exchange transactions | 415,811 | 3,751,523 | 2,190,087 | 6,357,420 | 17,363,298 | 23,720,718 |
| Total Revenue excluding Recoveries | 603,254 | 29,141,057 | 3,144,992 | 32,889,302 | 18,609,936 | 51,499,238 |
| Recoveries | 3,302 | 3,655,828 | 244,564 | 3,903,694 | 4,302,215 | 8,205,909 |
| Total Revenue | 606,556 | 32,796,885 | 3,389,556 | 36,792,996 | 22,912,151 | 59,705,148 |

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2023 - GROUP

| | Economic and Environmental Services R'000 | Trading Services R'000 | Community and Public Safety R'000 | Total segments R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|--------------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| EXPENDITURE | | | | | | |
| Employee related Costs | (461,982) | (3,897,716) | (5,148,433) | (9,508,131) | (2,685,135) | (12,193,266) |
| Remuneration of councillors | - | - | - | - | (136,714) | (136,714) |
| Amortisation - Intangible assets | (90) | (31,305) | (19,622) | (51,017) | (95,588) | (146,605) |
| Impairment Loss - Investment properties | - | - | - | - | - | - |
| Depreciation - Property, plant and equipment | (79,081) | (1,090,022) | (1,198,519) | (2,367,622) | (339,634) | (2,707,256) |
| Impairment Loss - Property, plant and equipment | (17,702) | - | (21,733) | (39,435) | (48) | (39,483) |
| Finance costs | (160) | (540,061) | (18,054) | (558,275) | (401,234) | (959,509) |
| Lease rentals on operating leases | (12,642) | (16,973) | (57,673) | (87,288) | (53,855) | (141,143) |
| Debt impairment | (11,787) | (3,062,738) | (484,881) | (3,559,406) | (16,615) | (3,576,021) |
| Depreciation - Investment Properties | (201) | (1,883) | (150) | (2,234) | (251) | (2,485) |
| Bulk purchases | - | (16,226,869) | - | (16,226,869) | - | (16,226,869) |
| Contracted services | (514,991) | (2,636,836) | (1,587,702) | (4,739,529) | (952,126) | (5,691,655) |
| Grants and subsidies | (67,361) | (122,357) | (350,067) | (539,785) | (148,767) | (688,552) |
| Housing development construction contract expenditure | - | - | (528,221) | (528,221) | - | (528,221) |
| Loss on disposal of assets | - | - | - | - | - | - |
| Share of losses from Joint Ventures | (8,941) | - | - | (8,941) | - | (8,941) |
| Impairment loss - Investment in Municipal Entities | - | - | - | - | - | - |
| General expenses | (146,707) | (2,163,581) | (903,353) | (3,213,641) | (795,236) | (4,008,877) |
| Total Expenditure excluding Charges | (1,321,645) | (29,790,341) | (10,318,408) | (41,430,394) | (5,625,203) | (47,055,597) |
| Charges | (155,615) | (4,208,743) | (2,836,640) | (7,200,999) | (1,004,910) | (8,205,909) |
| Total Expenditure | (1,477,260) | (33,999,085) | (13,155,048) | (48,631,393) | (6,630,113) | (55,261,506) |
| | | | | | | |
| Surplus before taxation | (870,704) | (1,202,199) | (9,765,492) | (11,838,397) | 16,282,038 | 4,443,641 |
| Taxation | - | - | 1,361 | 1,361 | - | 1,361 |
| Surplus for the year from continuing operations | (870,704) | (1,202,199) | (9,764,131) | (11,837,036) | 16,282,038 | 4,445,002 |
| Changes in estimates | - | 54,032 | (12,049) | 41,983 | - | 41,983 |
| Surplus for the year | (870,704) | (1,148,167) | (9,776,180) | (11,795,053) | 16,282,038 | 4,486,985 |

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2023 - MUNICIPALITY

| | Economic and Environmental Services R'000 | Trading Services R'000 | Community and Public Safety R'000 | Total segments R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|-----------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| REVENUE | | | | | | |
| Revenue from Exchange Transactions | | | | | | |
| Service charges | 0 | 24,249,245 | 0 | 24,249,245 | 0 | 24,249,245 |
| Housing development construction contract revenue | 0 | 0 | 528,221 | 528,221 | 0 | 528,221 |
| Rental of facilities and equipment | 49,067 | 22,638 | 329,690 | 401,395 | 457,901 | 859,296 |
| Other Income | 138,225 | 50,798 | 90,494 | 279,517 | 143,565 | 423,082 |
| Interest received | 166 | 814,209 | 4,804 | 819,179 | 741,654 | 1,560,833 |
| Gains on disposal of assets | -15 | 954 | -89 | 850 | 12,310 | 13,160 |
| Total Revenue from Exchange Transactions | 187,443 | 25,137,844 | 953,120 | 26,278,407 | 1,355,430 | 27,633,837 |
| Revenue from non-exchange transactions | | | | | | |
| Taxation Revenue | | | | | | |
| Fines | 87 | 0 | 157,842 | 157,929 | 0 | 157,929 |
| Property rates | 0 | 0 | 0 | 0 | 11,943,619 | 11,943,619 |
| Property rates - penalties imposed | 0 | 0 | 0 | 0 | 452,220 | 452,220 |
| Licences and permits | 3,605 | 0 | 57,387 | 60,992 | 407 | 61,399 |
| Transfer Revenue | | | | | | |
| Government grants & subsidies | 547,084 | 3,610,309 | 1,941,949 | 6,099,342 | 1,579,154 | 7,678,496 |
| Levies | 0 | 0 | 0 | 0 | 3,379,795 | 3,379,795 |
| Public contributions and donations | 0 | 0 | 3,478 | 3,478 | 0 | 3,478 |
| Reversal of loss on impairment - PPE | 0 | 0 | 0 | 0 | 17,008 | 17,008 |
| Donations - Property, plant and equipment | 262 | 4,948 | 29,431 | 34,640 | 2 | 34,642 |
| Total revenue from non-exchange transactions | 551,038 | 3,615,257 | 2,190,087 | 6,356,381 | 17,372,205 | 23,728,586 |
| Total Revenue excluding Recoveries | 738,481 | 28,753,101 | 3,143,207 | 32,634,788 | 18,727,635 | 51,362,423 |
| Recoveries | 3,302 | 3,655,828 | 244,564 | 3,903,694 | 4,302,215 | 8,205,909 |
| Total Revenue | 741,783 | 32,408,929 | 3,387,771 | 36,538,482 | 23,029,850 | 59,568,332 |

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NOTE 67: SEGMENT STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2023 -MUNICIPALITY

| | Economic and Environmental Services R'000 | Trading Services R'000 | Community and Public Safety R'000 | Total segments R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|--------------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| EXPENDITURE | | | | | | |
| Employee related Costs | -461,982 | -3,715,114 | -5,148,433 | -9,325,529 | -2,683,973 | -12,009,502 |
| Remuneration of councillors | 0 | 0 | 0 | 0 | -136,714 | -136,714 |
| Amortisation - Intangible assets | -90 | -31,106 | -19,622 | -50,818 | -95,588 | -146,406 |
| Depreciation - Property, plant and equipment | -79,081 | -1,055,141 | -1,198,519 | -2,332,741 | -339,634 | -2,672,375 |
| Impairment Loss - Property, plant and equipment | -17,702 | 0 | -21,733 | -39,435 | -48 | -39,483 |
| Finance costs | -160 | -540,061 | -18,054 | -558,275 | -401,234 | -959,509 |
| Lease rentals on operating leases | -12,642 | -16,716 | -57,673 | -87,031 | -53,855 | -140,886 |
| Debt impairment | -11,787 | -3,058,932 | -484,881 | -3,555,600 | -16,615 | -3,572,215 |
| Depreciation - Investment Properties | -201 | 0 | -150 | -351 | -251 | -602 |
| Bulk purchases | 0 | -16,226,869 | 0 | -16,226,869 | 0 | -16,226,869 |
| Contracted services | -514,991 | -2,617,726 | -1,587,702 | -4,720,419 | -952,126 | -5,672,545 |
| Grants and subsidies | -238,315 | -122,357 | -350,067 | -710,739 | -163,767 | -874,506 |
| Housing development construction contract expenditure | 0 | 0 | -528,221 | -528,221 | 0 | -528,221 |
| Share of losses from Joint Ventures | -8,941 | 0 | 0 | -8,941 | 0 | -8,941 |
| General expenses | -146,707 | -1,994,100 | -894,408 | -3,035,215 | -868,284 | -3,903,499 |
| Total Expenditure excluding Charges | -1,492,599 | -29,378,122 | -10,309,463 | -41,180,184 | -5,712,089 | -46,892,273 |
| Charges | -155,615 | -4,208,743 | -2,836,640 | -7,200,999 | -1,004,910 | -8,205,909 |
| Total Expenditure | -1,648,214 | -33,586,865 | -13,146,103 | -48,381,183 | -6,716,999 | -55,098,182 |
| Surplus for the year from continuing operations | -906,431 | -1,177,937 | -9,758,332 | -11,842,701 | 16,312,851 | 4,470,150 |
| Changes in estimates | 0 | 54,032 | -12,049 | 41,983 | 0 | 41,983 |
| Surplus for the year | -906,431 | -1,123,905 | -9,770,381 | -11,800,718 | 16,312,851 | 4,512,133 |

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 R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|-----------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| REVENUE | | | | | | |
| Revenue from Exchange Transactions | | | | | | |
| Service charges | 0 | 22,469,609 | 0 | 22,469,609 | 0 | 22,469,609 |
| Housing development construction contract revenue | 0 | 0 | 672,026 | 672,026 | 0 | 672,026 |
| Rental of facilities and equipment | 46,073 | 107,557 | 242,681 | 396,310 | 360,391 | 756,701 |
| Other Income | 110,294 | 159,664 | 75,390 | 345,348 | 84,182 | 429,530 |
| Interest received | 0 | 273,172 | 4,221 | 277,393 | 301,503 | 578,896 |
| Gains on disposal of assets | 34 | 1,956 | -429 | 1,562 | 11,907 | 13,469 |
| Share of Income from Joint Ventures | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue from Exchange Transactions | 156,401 | 23,011,958 | 993,889 | 24,162,248 | 757,983 | 24,920,231 |
| Revenue from non-exchange transactions | | | | | | |
| Taxation Revenue | | | | | | |
| Fines | 50 | 0 | 139,707 | 139,757 | 0 | 139,757 |
| Property rates | 0 | 0 | 0 | 0 | 9,834,214 | 9,834,214 |
| Property rates - penalties imposed | 0 | 0 | 0 | 0 | 152,625 | 152,625 |
| Licences and permits | 2,907 | 0 | 41,313 | 44,220 | 0 | 44,220 |
| Transfer Revenue | | | | | | |
| Government grants & subsidies | 56,597 | 3,431,825 | 2,138,898 | 5,627,320 | 1,339,986 | 6,967,306 |
| 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 | 280 | 0 | 2,043 | 2,323 | 908 | 3,232 |
| Reversal of loss on impairment - Inv. Properties | 0 | 0 | 2,991 | 2,991 | 1,024 | 4,015 |
| Total revenue from non-exchange transactions | 59,834 | 3,444,773 | 2,324,952 | 5,829,559 | 14,368,209 | 20,197,769 |
| Total Revenue excluding Recoveries | 216,236 | 26,456,731 | 3,318,841 | 29,991,808 | 15,126,192 | 45,118,000 |
| Recoveries | 2,302 | 3,495,995 | 183,929 | 3,682,226 | 3,589,476 | 7,271,703 |
| Total Revenue | 218,538 | 29,952,726 | 3,502,770 | 33,674,034 | 18,715,668 | 52,389,703 |

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 R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|--------------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| EXPENDITURE | | | | | | |
| Employee related Costs | -455,368 | -4,021,235 | -5,160,461 | -9,637,063 | -1,826,114 | -11,463,177 |
| Remuneration of councillors | 0 | 0 | 0 | 0 | -134,416 | -134,416 |
| Amortisation - Intangible assets | -87 | -31,795 | -21,253 | -53,136 | -72,235 | -125,371 |
| Impairment Loss - Investment properties | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation - Property, plant and equipment | -92,006 | -1,098,207 | -1,103,419 | -2,293,632 | -310,450 | -2,604,081 |
| Impairment Loss - Property, plant and equipment | 0 | -47,808 | -30,578 | -78,386 | -255 | -78,641 |
| Finance costs | 0 | -538,452 | -4 | -538,455 | -365,656 | -904,112 |
| Lease rentals on operating leases | -12,976 | -16,720 | -71,669 | -101,365 | -54,010 | -155,375 |
| Debt impairment | -3,919 | -2,432,301 | -416,201 | -2,852,420 | -286,250 | -3,138,670 |
| Depreciation - Investment Properties | -201 | -2,149 | -97 | -2,447 | -252 | -2,699 |
| Bulk purchases | 0 | -15,547,969 | 0 | -15,547,969 | 0 | -15,547,969 |
| Contracted services | -278,410 | -2,433,281 | -1,482,217 | -4,193,907 | -938,803 | -5,132,710 |
| Grants and subsidies | -57,840 | -20,154 | -314,311 | -392,305 | -121,810 | -514,115 |
| Housing development construction contract expenditure | 0 | 0 | -672,026 | -672,026 | 0 | -672,026 |
| Loss on disposal of assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Share of losses from Joint Ventures | -3,850 | 0 | 0 | -3,850 | -0 | -3,850 |
| Impairment loss - Investment in Municipal Entities | 0 | 0 | 0 | 0 | 0 | 0 |
| General expenses | -126,336 | -1,573,029 | -755,626 | -2,454,991 | -803,474 | -3,258,465 |
| Total Expenditure excluding Charges | -1,030,992 | -27,763,098 | -10,027,862 | -38,821,952 | -4,913,725 | -43,735,677 |
| Charges | -179,059 | -4,291,729 | -2,079,283 | -6,550,072 | -721,631 | -7,271,703 |
| Total Expenditure | -1,210,052 | -32,054,827 | -12,107,145 | -45,372,024 | -5,635,356 | -51,007,380 |
| Surplus before taxation | -991,513 | -2,102,101 | -8,604,375 | -11,697,990 | 13,080,313 | 1,382,323 |
| Taxation | 0 | 0 | 4,331 | 4,331 | 0 | 4,331 |
| Surplus for the year from continuing operations | -991,513 | -2,102,101 | -8,600,044 | -11,693,659 | 13,080,313 | 1,386,654 |
| Changes in estimates | 0 | 8,538 | -30,856 | -22,318 | 0 | -22,318 |
| Surplus for the year | -991,513 | -2,093,563 | -8,630,900 | -11,715,977 | 13,080,313 | 1,364,336 |

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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 R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|-----------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| REVENUE | | | | | | |
| Revenue from Exchange Transactions | | | | | | |
| Service charges | 0 | 22,525,368 | 0 | 22,525,368 | 0 | 22,525,368 |
| Housing development construction contract revenue | 0 | 0 | 672,026 | 672,026 | 0 | 672,026 |
| Rental of facilities and equipment | 46,073 | 21,201 | 242,681 | 309,954 | 420,433 | 730,387 |
| Other Income | 110,294 | 35,916 | 74,758 | 220,968 | 92,123 | 313,091 |
| Interest received | 0 | 266,129 | 3,195 | 269,324 | 301,503 | 570,827 |
| Gains on disposal of assets | 34 | 2,076 | -429 | 1,682 | 11,907 | 13,589 |
| Total Revenue from Exchange Transactions | 156,401 | 22,850,690 | 992,231 | 23,999,322 | 825,966 | 24,825,288 |
| Revenue from non-exchange transactions | | | | | | |
| Taxation Revenue | | | | | | |
| Fines | 50 | 0 | 139,707 | 139,757 | 0 | 139,757 |
| Property rates | 0 | 0 | 0 | 0 | 9,842,739 | 9,842,739 |
| Property rates - penalties imposed | 0 | 0 | 0 | 0 | 152,625 | 152,625 |
| Licences and permits | 2,907 | 0 | 41,313 | 44,220 | 0 | 44,220 |
| Transfer Revenue | | | | | | |
| Government grants & subsidies | 194,098 | 3,301,454 | 2,138,898 | 5,634,450 | 1,332,856 | 6,967,306 |
| 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 | 280 | 0 | 2,043 | 2,323 | 908 | 3,232 |
| Reversal of loss on impairment - Inv. Properties | 0 | 0 | 2,991 | 2,991 | 1,024 | 4,015 |
| Total revenue from non-exchange transactions | 197,335 | 3,313,699 | 2,324,952 | 5,835,986 | 14,369,604 | 20,205,591 |
| Total Revenue excluding Recoveries | 353,737 | 26,164,389 | 3,317,183 | 29,835,309 | 15,195,570 | 45,030,879 |
| Recoveries | 2,302 | 3,495,995 | 183,929 | 3,682,226 | 3,589,476 | 7,271,703 |
| Total Revenue | 356,039 | 29,660,384 | 3,501,112 | 33,517,535 | 18,785,046 | 52,302,582 |

eThekweni Municipality and its Municipal Entities
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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 R'000 | Other non segments R'000 | Total agreeing to Entity amount R'000 |
|--------------------------------------------------------|----------------------------------------------|---------------------------|--------------------------------------|-------------------------|-----------------------------|------------------------------------------|
| EXPENDITURE | | | | | | |
| Employee related Costs | -455,368 | -3,867,197 | -5,160,461 | -9,483,025 | -1,826,114 | -11,309,139 |
| Remuneration of councillors | 0 | 0 | 0 | 0 | -134,416 | -134,416 |
| Amortisation - Intangible assets | -87 | -31,409 | -21,253 | -52,750 | -72,235 | -124,985 |
| Depreciation - Property, plant and equipment | -92,006 | -1,057,860 | -1,103,419 | -2,253,285 | -310,450 | -2,563,734 |
| Impairment Loss - Property, plant and equipment | 0 | -47,808 | -30,578 | -78,386 | -255 | -78,641 |
| Finance costs | 0 | -538,452 | -4 | -538,455 | -365,656 | -904,112 |
| Lease rentals on operating leases | -12,976 | -16,392 | -71,670 | -101,038 | -54,010 | -155,048 |
| Debt impairment | -3,919 | -2,430,479 | -416,201 | -2,850,598 | -286,250 | -3,136,848 |
| Depreciation - Investment Properties | -201 | 0 | -97 | -298 | -252 | -550 |
| Bulk purchases | 0 | -15,547,969 | 0 | -15,547,969 | 0 | -15,547,969 |
| Contracted services | -278,410 | -2,419,579 | -1,482,217 | -4,180,205 | -938,803 | -5,119,008 |
| Grants and subsidies | -229,051 | -20,154 | -314,311 | -563,516 | -143,940 | -707,456 |
| Housing development construction contract expenditure | 0 | 0 | -672,026 | -672,026 | 0 | -672,026 |
| Share of losses from Joint Ventures | -3,850 | 0 | 0 | -3,850 | -0 | -3,850 |
| General expenses | -126,336 | -1,440,396 | -744,780 | -2,311,512 | -837,568 | -3,149,080 |
| Total Expenditure excluding Charges | -1,202,203 | -27,417,693 | -10,017,017 | -38,636,913 | -4,969,949 | -43,606,862 |
| Charges | -179,059 | -4,291,729 | -2,079,283 | -6,550,072 | -721,631 | -7,271,703 |
| Total Expenditure | -1,381,263 | -31,709,422 | -12,096,300 | -45,186,985 | -5,691,580 | -50,878,565 |
| Surplus for the year from continuing operations | -1,025,223 | -2,049,038 | -8,595,188 | -11,669,450 | 13,093,467 | 1,424,017 |
| Changes in estimates | 0 | 8,538 | -30,856 | -22,318 | 0 | -22,318 |
| Surplus for the year | -1,025,223 | -2,040,500 | -8,626,044 | -11,691,768 | 13,093,467 | 1,401,699 |

Note 68: ADDITIONAL DISCLOSURES ON HERITAGE ASSETS

| Category | Description | Reasons for Assets Could Not Be Measured Realibly | No. of Assets |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 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. | 18 |
| 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. | 433 |
| 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. | 1,257 |
| 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. | 41,920 |
| 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. | 1,750 |
| 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. | 590 |
| 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. | 4,273 |
| 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 | 1,195 |

Note 68: ADDITIONAL DISCLOSURES ON HERITAGE ASSETS

| 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. | 37 |
| 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. | 451 |
| 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. | 432 |
| 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. | 2,355 |
| 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. | 394 |
| 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 | 1,490 |
| 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 |

Note 68: ADDITIONAL DISCLOSURES ON HERITAGE ASSETS

| Category | Description | Reasons for Assets Could Not Be Measured Realibly | No. of Assets |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 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. | 225,176 |
| 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. | 516 |
| 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, 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 | 6 |
| 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. | 7,807 |
| Durban Art Gallery - Artwork | The collection includes paintings, etchings, graphics, photographs, 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. | 244,777 |
| TOTAL | | | 542,881 |

Notes to the Annual Financial Statements

Figures in Rand thousand

APPENDIX B: MOSES MABHIDA STADIUM & STADIA - DETAILED STATEMENT OF FINANCIAL PERFORMANCE

| | 2023 R'000 | 2022 R'000 |
|-----------------------------------------------------------------------------|------------------|------------------|
| REVENUE | | |
| Rental of facilities and equipment | 50,759 | 18,125 |
| Rent Bowl & Non Bowl Events | 32,585 | 9,104 |
| Rent Shops | 7,053 | 4,917 |
| Suites & Business Clubs | 3,178 | 80 |
| Hire Hall/ Civic/Rec Cnt | 6,818 | 3,325 |
| Rent Buildings | 894 | 699 |
| Rent Parking Bays | 231 | 0 |
| Discounts received | 90 | 44 |
| Other revenue | 2,546 | 7 |
| Other income - Attractions | 737 | 904 |
| Adventure Walk | 0 | 0 |
| Skycar | 0 | 0 |
| MMS Attractions | 169 | 668 |
| Stadium Tours | 568 | 236 |
| Total operating revenue | 54,132 | 19,080 |
| EXPENDITURE | | |
| Depreciation - Property, Plant and Equipment & Intangible Assets | 144,298 | 107,219 |
| Depreciation & Amortisation | 144,298 | 107,219 |
| General expenses | 163,762 | 124,801 |
| Electricity | 19,586 | 16,365 |
| Employee related costs | 58,925 | 52,852 |
| Debt Impairment | 0 | 0 |
| Fuel & Oil : Vehicles | 2,365 | 876 |
| Hire of equipment | 0 | 0 |
| Other materials | 11,076 | 3,399 |
| Operating leases | 201 | 424 |
| Contracted services | 53,703 | 40,704 |
| OHS Employ wellness | 0 | 6 |
| Stadium Operational Costs | 3,459 | 2,516 |
| Refuse removal | 1,529 | 390 |
| Hire Of City Fleet | 187 | 80 |
| Water& Sanitation | 12,731 | 7,189 |
| Total operating expenditure | 308,060 | 232,020 |
| DEFICIT FOR THE YEAR | (253,928) | (212,940) |