



Richmond Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No:117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)	
Nature of business and principal activities	Richmond Local Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No. 108 of 1996)	
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)	
Municipal Category	Category B municipality	
Accounting Officer	B.E. Mswane	
Chief Finance Officer (CFO)	M. Ngcobo	
Mayoral Committee	Executive Mayor	M.K. Ngcongo
	Deputy Mayor	Cllr. B. Mbanjwa
	Speaker	Cllr. K.E. Mkize
	Member of the Executive Committee	Cllr. M.K. Ngcongo
	Member of the Executive Committee	Cllr.B. Mbanjwa
	Member of the Executive Committee	Cllr. S.L. Kunene
	MPAC Chairperson	V. Maphumulo
	Councillor:	S.T.G. Mkhize
	Councillor:	M.H. Madlala
	Councillor:	L. Ngubo
	Councillor:	S.L. Latha
	Councillor:	F.Z. Zondi
	Councillor:	B. Mahlangeni
	Councillor:	S.S. Ngubo
	Councillor:	T.P. Vezi
	Councillor:	Z. F. Mkhize
Registered office	57 Shepstone Street Richmond 3610	
Bankers	First National Bank	
Auditors	Auditor General of South of Africa (AGSA)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

MFMA	Municipal Finance Management Act
MEC	Member of the Executive Council
GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme Grant
CoGTA	Department of Cooperative Governance and Traditional Affairs
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
PAYE	Pay As You Earn

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 29 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 annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023:

Accounting Officer
BE Mswane

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	18 741 989	26 902 000
Receivables from exchange transactions	4	364 627	763 476
Receivables from non-exchange transactions	5	5 881 623	11 159 750
VAT receivable	6	4 270 751	2 104 979
		29 258 990	40 930 205
Non-Current Assets			
Heritage assets	7	212 767	212 767
Investment property	8	1 185 899	1 185 899
Intangible assets	9	353 145	465 729
Property, plant and equipment	10	366 186 694	357 282 905
Non-current investment	11	266	266
		367 938 771	359 147 566
Total Assets		397 197 761	400 077 771
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	12 215 851	15 480 745
Payables from non-exchange transactions	13	2 514 503	1 687 809
Unspent conditional grants and receipts	14	7 279 435	11 079 395
Operating lease liability	15	627 802	583 542
Finance lease obligation	16	246 983	-
Employee benefit obligation	17	614 000	429 739
Provisions	18	817 315	307 517
		24 315 889	29 568 747
Non-Current Liabilities			
Finance lease obligation	16	268 146	-
Employee benefit obligation	17	8 843 000	9 395 496
Provisions	18	5 659 030	8 330 607
		14 770 176	17 726 103
Total Liabilities		39 086 065	47 294 850
Net Assets		358 111 696	352 782 921
Accumulated surplus		358 111 696	352 782 921
Total Net Assets		358 111 696	352 782 921

* See Note 44

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	966 377	922 562
Rental of facilities and equipment	20	1 097 787	1 088 810
Interest earned - Outstanding debtors	21	408 505	396 176
Other income	22	1 336 421	1 221 649
Interest received - investment	23	2 778 590	1 263 412
Total revenue from exchange transactions		6 587 680	4 892 609
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	27 115 297	19 284 889
Property rates - penalties imposed	24	3 674 200	3 873 297
Licences and Permits	25	2 565 067	1 934 591
Transfer revenue			
Government grants & subsidies	26	118 918 547	111 970 404
Fines, Penalties and Forfeits	27	742 769	482 784
Total revenue from non-exchange transactions		153 015 880	137 545 965
Total revenue		159 603 560	142 438 574
Expenditure			
Employee related costs	28	(65 110 838)	(60 805 141)
Remuneration of councillors	29	(6 051 428)	(5 976 887)
Depreciation and amortisation	30	(16 015 478)	(19 685 452)
Finance costs	31	(360 309)	(296 405)
Lease rentals on operating lease	32	(2 990 885)	(2 591 374)
Contracted services	33	(30 594 368)	(28 088 818)
Inventory consumed	34	(7 436 848)	(4 972 376)
Operational Cost	35	(15 446 570)	(13 678 410)
Total expenditure		(144 006 724)	(136 094 863)
Operating surplus	10	15 596 836	6 343 711
Loss on disposal of assets	10	(195 794)	(180 272)
Gain on remeasurement of landfill provision	38	1 568 418	-
Actuarial gains/losses	17	1 827 663	(160 235)
Impairment loss	36	(667 750)	(5 386 784)
Irrecoverable debts written off	37	(12 800 604)	-
		(10 268 067)	(5 727 291)
Surplus for the year		5 328 769	616 420

* See Note 44

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	352 171 858	352 171 858
Adjustments		
Prior year adjustments 44	(5 357)	(5 357)
Balance at 01 July 2021 as restated*	352 166 501	352 166 501
Changes in net assets		
Surplus for the year	616 420	616 420
Total changes	616 420	616 420
Restated* Balance at 01 July 2022	352 782 927	352 782 927
Changes in net assets		
Surplus for the year	5 328 769	5 328 769
Total changes	5 328 769	5 328 769
Balance at 30 June 2023	358 111 696	358 111 696
Note(s)		

* See Note 44

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		23 895 404	28 024 239
Services charges		757 006	282 483
Grants		124 480 000	122 669 538
Interest income		2 778 590	1 263 412
Other income		6 943 493	3 733 029
Interest received - Human Settlement		239 750	120 799
		159 094 243	156 093 500
Payments			
Employee costs		(64 645 907)	(58 479 489)
Suppliers		(61 857 554)	(60 229 783)
Remuneration for councillors		(6 051 428)	(5 976 888)
Highover / INEP Payment		(8 443 230)	(4 346 917)
Finance cost		(360 309)	(288 465)
		(141 358 428)	(129 321 542)
Net cash flows from operating activities	40	17 735 815	26 771 958
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(25 668 337)	(21 186 236)
Proceeds from sale of property, plant and equipment	10	-	658 563
Purchase of other intangible assets	9	-	(172 164)
Net cash flows from investing activities		(25 668 337)	(20 699 837)
Cash flows from financing activities			
Finance lease payments		(227 489)	(212 508)
Net increase/(decrease) in cash and cash equivalents		(8 160 011)	5 859 613
Cash and cash equivalents at the beginning of the year		26 902 000	21 042 387
Cash and cash equivalents at the end of the year	3	18 741 989	26 902 000

* See Note 44

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
	-	-	-	-	-	- See comments below
Service charges	1 087 000	-	1 087 000	966 377	(120 623)	
Rental of facilities and equipment	1 342 000	(55 000)	1 287 000	1 097 787	(189 213)	
Interest earned outstanding debtors	302 000	-	302 000	408 505	106 505	
Other revenue	2 989 000	(667 000)	2 322 000	1 336 421	(985 579)	
Interest received - investment	1 682 000	1 060 000	2 742 000	2 778 590	36 590	
Total revenue from exchange transactions	7 402 000	338 000	7 740 000	6 587 680	(1 152 320)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28 049 000	-	28 049 000	27 115 297	(933 703)	
Property rates - penalties imposed	4 993 000	-	4 993 000	3 674 200	(1 318 800)	
Licences and Permits (Non-exchange)	2 325 000	946 000	3 271 000	2 565 067	(705 933)	
Transfer revenue						
Government grants & subsidies	107 074 000	(12 937 000)	94 137 000	93 616 312	(520 688)	
Fines, Penalties and Forfeits	-	-	-	742 769	742 769	
Total revenue from non-exchange transactions	142 441 000	(11 991 000)	130 450 000	127 713 645	(2 736 355)	
Total revenue	149 843 000	(11 653 000)	138 190 000	134 301 325	(3 888 675)	
Expenditure						
Employee related costs	(65 808 000)	687 000	(65 121 000)	(65 110 838)	10 162	
Remuneration of councillors	(6 529 000)	-	(6 529 000)	(6 051 428)	477 572	
Depreciation and asset impairment	(21 122 000)	-	(21 122 000)	(16 683 228)	4 438 772	
Debt impairment / Irrecoverable debts written off	(8 962 000)	(4 000 000)	(12 962 000)	(12 800 604)	161 396	
Finance costs	(197 000)	(170 000)	(367 000)	(360 309)	6 691	
Contracted Services	(30 951 000)	354 000	(30 597 000)	(30 594 368)	2 632	
Transfers and Subsidies	(1 087 000)	487 000	(600 000)	(556 406)	43 594	
Inventory consumed	(6 052 000)	(2 323 000)	(8 375 000)	(7 436 848)	938 152	
Operational Cost	(19 567 000)	(1 093 000)	(20 660 000)	(17 881 048)	2 778 952	
Total expenditure	(160 275 000)	(6 058 000)	(166 333 000)	(157 475 077)	8 857 923	
Operating deficit	(10 432 000)	(17 711 000)	(28 143 000)	(23 173 752)	4 969 248	
Transfers & Subsidies - Capital	22 485 000	5 200 000	27 685 000	25 302 235	(2 382 765)	
Gain on remeasurement of landfill provision	-	-	-	1 568 418	1 568 418	
Actuarial gains/losses	-	-	-	1 827 663	1 827 663	
Loss on disposal of assets	10 432 000	-	10 432 000	(195 795)	(10 627 795)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	32 917 000	5 200 000	38 117 000	28 502 521	(9 614 479)	
Surplus for the year	22 485 000	(12 511 000)	9 974 000	5 328 769	(4 645 231)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	22 485 000	(12 511 000)	9 974 000	5 328 769	(4 645 231)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	(2 323 000)	(2 323 000)	-	2 323 000	
Receivables from exchange transactions	1 521 000	(9 110 000)	(7 589 000)	364 627	7 953 627	
Receivables from non-exchange transactions	33 096 000	(23 508 000)	9 588 000	5 881 623	(3 706 377)	
VAT receivable	-	-	-	4 270 751	4 270 751	
Cash and cash equivalents	42 379 000	(6 853 000)	35 526 000	18 741 989	(16 784 011)	
	76 996 000	(41 794 000)	35 202 000	29 258 990	(5 943 010)	
Non-Current Assets						
Investment property	1 186 000	-	1 186 000	1 185 899	(101)	
Property, plant and equipment	363 267 000	(4 411 000)	358 856 000	366 186 694	7 330 694	
Intangible assets	820 000	(672 000)	148 000	353 145	205 145	
Heritage assets	-	-	-	212 767	212 767	
Non-current investment	-	-	-	266	266	
Other asset	3 833 000	(3 620 000)	213 000	-	(213 000)	
	369 106 000	(8 703 000)	360 403 000	367 938 771	7 535 771	
Total Assets	446 102 000	(50 497 000)	395 605 000	397 197 761	1 592 761	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	246 983	246 983	
Operating lease liability	-	-	-	627 802	627 802	
Payables from exchange transactions	6 835 000	7 724 000	14 559 000	12 215 851	(2 343 149)	
Payables from non-exchange transactions	-	-	-	2 514 503	2 514 503	
Employee benefit obligation	-	-	-	614 000	614 000	
Unspent conditional grants and receipts	-	-	-	7 279 435	7 279 435	
Provisions	2 751 000	(3 489 000)	(738 000)	817 315	1 555 315	
Consumer deposit	11 000	(595 000)	(584 000)	-	584 000	
	9 597 000	3 640 000	13 239 000	24 315 889	11 078 889	
Non-Current Liabilities						
Finance lease obligation	-	-	-	268 146	268 146	
Employee benefit obligation	-	-	-	8 843 000	8 843 000	
Provisions	18 445 000	(719 000)	17 726 000	5 659 030	(12 066 970)	
Borrowings	565 000	(565 000)	-	-	-	
	19 010 000	(1 284 000)	17 726 000	14 770 176	(2 955 824)	
Total Liabilities	28 607 000	2 356 000	30 965 000	39 086 065	8 123 065	
Net Assets	417 495 000	(52 853 000)	364 640 000	358 111 696	(6 530 304)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Accumulated surplus	417 495 000	(52 853 000)	364 640 000	358 111 696	(6 528 304)	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	19 634 000	-	19 634 000	23 895 404	4 261 404	
Service charges	435 000	-	435 000	757 006	322 006	
Government - Operating	107 075 000	(12 937 000)	94 138 000	124 480 000	30 342 000	
Other income	22 485 000	-	22 485 000	6 943 493	(15 541 507)	
Dividends received	19 853 000	(91 000)	19 762 000	-	(19 762 000)	
Interest income	1 562 000	1 040 000	2 602 000	3 018 340	416 340	
	171 044 000	(11 988 000)	159 056 000	159 094 243	38 243	

Payments

Employee costs and Suppliers	(120 284 000)	(1 392 000)	(121 676 000)	(132 554 889)	(10 878 889)	
Finance costs	(197 000)	-	(197 000)	(360 309)	(163 309)	
High over payment	-	-	-	(8 443 230)	(8 443 230)	
	(120 481 000)	(1 392 000)	(121 873 000)	(141 358 428)	(19 485 428)	

Net cash flows from operating activities	50 563 000	(13 380 000)	37 183 000	17 735 815	(19 447 185)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(27 529 000)	(5 989 000)	(33 518 000)	(25 668 338)	7 849 662	
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Cash flows from financing activities

Finance lease payments	-	-	-	(227 488)	(227 488)	
Net increase/(decrease) in cash and cash equivalents	23 034 000	(19 369 000)	3 665 000	(8 160 011)	(11 825 011)	
Cash and cash equivalents at the beginning of the year	19 467 000	7 435 000	26 902 000	26 902 000	-	
Cash and cash equivalents at the end of the year	42 501 000	(11 934 000)	30 567 000	18 741 989	(11 825 011)	

Reconciliation

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Variance explanations for the Statement of Comparison of Budget and Actual Amounts. (Variance exceeding 10%)

Service charges: The low performance can be attributed to the decision taken by the Richmond Council to halt the charging of refuse collection in the Siyathuthuka area pending the finalisation of consultative processes.

Rental of facilities and equipment: The low performance can be attributed to some of the municipal facilities being vacant for a period longer than usual.

Interest earned - Outstanding debtors: The Interest on outstanding debtors was higher than anticipated, this is due to an increase in the outstanding debtors balance for service charges.

Other income: The low performance can be attributed to the late implementation of the revenue enhancement strategy.

Property rates - penalties imposed: The low performance can be attributed to the implementation of the Council resolution to suspend the charging of interest and collection charges in government accounts whilst settlement offers are negotiated and finalised.

Licences and permits: The performance on this item is based on demand for the services and other forces outside the municipality's control. The actual revenue was slightly below the budget.

Depreciation and asset impairment: The variance can be attributed to over-budgeting for this item to circumvent unauthorised expenditure in non-cash items.

Inventory consumed: The municipality implemented cost containment measures and reprioritised some of the expenditure line items budgeted under this vote.

Operational cost: The municipality implemented cost containment measures and reprioritised some of the expenditure line items budgeted under this vote.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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. They are presented in South African Rand.

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.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Materiality

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

1.5 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is first for individually significant receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For trade receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

Management has made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

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

Value in use of cash-generating assets

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Taxation

The Richmond Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement and long-term obligations depends on a number of 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 and long-term obligations.

The municipality determines the appropriate discount rate at the end of each year. 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 post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for long maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality uses the prime interest rate to discount other future cash flows. This interest rate is adjusted for risk where appropriate.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.6 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the plantations is based on the combined fair value of the land and trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

A biological asset that forms part of an agricultural activity is derecognised on disposal or when the asset 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 a biological asset that forms part of an agricultural activity is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or

Richmond Local Municipality

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Accounting Policies

1.7 Investment property (continued)

- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Property - land	indefinite
Property - buildings	30 years

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal. Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations.

The nature OR type of properties classified as held for strategic purposes.

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of investment property; the carrying value of investment property that is taking a significantly longer period of time to complete than expected; and the carrying value of investment property where construction or development has been halted.

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Subsequent to initial measurement; Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings - Building improvements	Straight-line	10 - 30 years
Community -Community facilities & Recreational facilities	Straight-line	15 - 30 years
Plant and Equipment	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 10 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 15 years
Computer equipment	Straight-line	5 - 10 years
Emergency Equipment	Straight-line	5 - 10 years
Other assets	Straight-line	25 - 30 years
Bins and containers	Straight-line	5 -15 years
Specialised vehicles	Straight-line	10 - 20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

Richmond Local Municipality

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Accounting Policies

1.8 Property, plant and equipment (continued)

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

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.9 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If 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 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 of cash-generating assets and/or impairment of non-cash-generating assets.

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Accounting Policies

1.10 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified Computer software as an intangible asset.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

Intangible assets are initially measured at cost.

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

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

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

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

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

Intangible assets are derecognised:

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

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

1.11 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.

Richmond Local Municipality

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Accounting Policies

1.11 Heritage assets (continued)

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the note for Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses .

Impairment

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

Transfers

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

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

Derecognition

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

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

1.12 Financial instruments

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

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

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

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Accounting Policies

1.12 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Richmond Local Municipality

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Accounting Policies

1.12 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities.

A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Richmond Local Municipality

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Accounting Policies

1.12 Financial instruments (continued)

Classification

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

Class	Category
Non-current investments	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Call Deposits	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Bank	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Cash	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Richmond Local Municipality

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Accounting Policies

1.12 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories: All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Gain and losses

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

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

Richmond Local Municipality

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Accounting Policies

1.12 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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1.12 Financial instruments (continued)

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

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

1.13 Value Added Tax

Revenue, expenses and assets are recognized net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The municipality accounts for value-added tax (VAT) on the accrual basis, declarations to SARS are made on payments basis.

1.14 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Richmond Local Municipality

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Accounting Policies

1.14 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

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

1.15 Inventories

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Richmond Local Municipality

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Accounting Policies

1.15 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

The municipality assesses and defines cash-generating assets as all assets held by the municipality with the primary objective to generate commercial return, and non-cash generating assets as those assets other than cash generating assets.

Designation

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

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

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

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

Richmond Local Municipality

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Richmond Local Municipality

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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Accounting Policies

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

The municipality assesses and defines cash-generating assets as all assets held by the municipality with the primary objective to generate commercial return, and non-cash generating assets as those assets other than cash generating assets.

Designation

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

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

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

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

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

Identification

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

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

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

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Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Richmond Local Municipality

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Richmond Local Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Richmond Local Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; 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. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based 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. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.19 Provisions and contingencies

A provision is a liability of uncertain timing or amount

Provisions are recognised when:

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

Accounting Policies

1.19 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest income

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

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

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Comparative figures

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

1.25 Segment information

A segment is an activity of a municipality:

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on the unauthorised expenditure, refer to note 48- unauthorised expenditure

1.27 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 49 - Fruitless and wasteful expenditure.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Related parties

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

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

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

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

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

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.29 Related parties (continued)

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

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

1.30 Events after reporting date

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

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

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

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

1.31 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April 2025	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	489 654	9 701 156
Short-term deposits	18 252 335	17 200 844
	18 741 989	26 902 000

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Call Account:- First National Bank - Account number 61356002695	101 252	34 791	2 203 382	101 252	34 791	2 203 382
Housing Operating Account:- First National Bank - Account number 62134473280	829 041	755 109	708 043	829 041	755 109	708 043
First National Bank - Account number 62810019217	2 399 511	2 258 688	2 188 008	2 399 511	2 258 688	2 188 008
First National Bank - Account number 535 65322104	489 355	9 701 159	15 081 980	489 654	9 701 159	15 081 980
Patheni Housing Account:- First National Bank -Account number 62117170407	174 130	169 155	168 454	174 130	169 155	168 454
Siyathuthuka Phase II Account:- First National Bank -Account number 62176174383	327 956	318 921	317 960	327 956	318 921	317 960
Zwelethu Housing Account:- First National Bank - Account number 62155682844	387 183	376 197	374 806	387 183	376 197	374 806
First National Bank -Account number 62833571385	-	4 543	4 401	-	4 543	4 401
First National Bank - Library Account number 62833569900	965	152 325	2 897	965	152 325	2 897
First National Bank - Account number -63003024063	418 266	6 464 389	-	418 266	6 464 389	-
First National Bank - Richmond Branch -Account number -63003663506	50 527	6 666 426	-	50 527	6 666 426	-
First National Bank - High-over - Account number -63024683319	2 768 733	-	-	2 768 733	-	-
Nedbank account - 03/7165013946	10 794 773	-	-	10 794 773	-	-
Total	18 741 692	26 901 703	21 049 931	18 741 991	26 901 703	21 049 931

4. Receivables from exchange transactions

Consumer debtors - Refuse	3 318 308	3 373 573
Other receivables	1 604 986	1 716 986
Provision for impairment	(4 558 667)	(4 327 083)
	364 627	763 476

Gross balances:

Refuse	3 318 308	3 373 573
Other receivables	1 604 987	1 716 987
	4 923 295	5 090 560

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from exchange transactions (continued)		
Less: Provision for impairment		
Refuse	(3 072 549)	(3 058 183)
Other receivables	(1 486 118)	(1 268 901)
	(4 558 667)	(4 327 084)
Net Balance	-	-
Refuse	245 759	315 390
Other receivables	118 868	448 086
Total receivables from exchange transactions	364 627	763 476

Receivables from exchange transactions

Other Receivables include outstanding debtors for various other services, e.g. deposits, interest, rentals and sundry services like dumping fees, impounding fees, etc.

Receivables from exchange transactions are billed monthly, latest end of month. No interest is charged on receivables until the end of the following month, thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables. The municipality did not pledge any of its receivables as security for borrowing purposes.

Ageing of receivables from exchange transactions

As at 30 June 2023	Current		Past Due			
	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total	
Refuse						
Gross Balances	210 554	93 232	86 227	2 928 296	3 318 309	
Subtotal	210 554	93 232	86 227	2 928 296	3 318 309	
Less: Allowance for impairment	(194 960)	(86 327)	(79 841)	(2 711 421)	(3 072 549)	
	15 594	6 905	6 386	216 875	245 760	
Other Receivables						
Gross Balances	127 990	53 714	48 038	1 375 244	1 604 986	
Subtotal	127 990	53 714	48 038	1 375 244	1 604 986	
Less: Allowance for impairment	(118 511)	(49 736)	(44 481)	(1 273 392)	(1 486 120)	
	9 479	3 978	3 557	101 852	118 866	

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023				2022
4. Receivables from exchange transactions (continued)					
As at 30 June 2022	Current		Past Due		
Refuse	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Gross Balances	244 559	104 701	102 358	2 921 954	3 373 572
Subtotal	244 559	104 701	102 358	2 921 954	3 373 572
Less: Allowance for impairment	(70 682)	(70 332)	(69 966)	(2 847 201)	(3 058 181)
	173 877	34 369	32 392	74 753	315 391
Other Receivables					
	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Gross Balances	218 572	67 844	43 719	1 386 852	1 716 987
Subtotal	218 572	67 844	43 719	1 386 852	1 716 987
Less: Allowance for impairment	(4 043)	(3 614)	(3 221)	(1 258 023)	(1 268 901)
	214 529	64 230	40 498	128 829	448 086

As at 30 June 2023

Refuse	Residential	Industrial	Government	Other	Total
0 - 30 Days	14 600	5 388	174 429	16 137	210 554
31-60 Days	40 786	21 203	3 918	27 324	93 231
61-90 Days	39 741	18 717	3 251	24 518	86 227
+ 90 Days	1 172 423	250 969	680 564	824 341	2 928 297
Subtotal	1 267 550	296 277	862 162	892 320	3 318 309
	1 267 550	296 277	862 162	892 320	3 318 309

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Receivables from exchange transactions past due but not impaired

Analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired:

Current (0 -30 days)	84 505	82 345
31 - 60 days	22 533	23 667
61 - 90 days	5 692	5 432
Over 90 days	1 139	1 567

Receivables from exchange transactions impaired

Analysis of financial assets that are determined to be impaired as at the end of the reporting period:

Current (0 -30 days)	254 039	256 880
31 - 60 days	124 413	100 970
61 - 90 days	128 573	132 650
Over 90 days	4 302 400	4 390 754

Financial assets are assessed individually for impairment with reference to their payment behaviour and financial assets with outstanding balances exceeding 90 days are regarded as impaired. Collective assessment: Average collection rate and collection period is determined for Receivables not impaired under individual assessment. In addition, the collection rate per debtor is considered and debtors with a balance over 90 days but with a collection rate of 95% and above are assessed as not impaired.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from exchange transactions		
Opening balance	4 327 084	3 530 084
Provision for impairment	231 584	728 283
Other	-	68 717
	4 558 668	4 327 084

5. Receivables from non-exchange transactions

Accrued income	244 653	221 401
Consumer debtors - Rates	41 663 311	46 935 131
Fines	2 082 826	1 360 550
Sundry debtors	2 244 219	3 059 739
Provision for impairment	(40 353 386)	(40 417 071)
	5 881 623	11 159 750

Gross balances:

Accrued income	244 653	221 401
Consumer debtors - Rates	41 663 310	46 871 163
Fines	2 082 826	1 360 550
Sundry debtors	2 202 703	3 059 736
	46 193 492	51 512 850

Less: Provision for impairment

Accrued income	(137 511)	(137 511)
Consumer debtors - Rates	(38 577 658)	(38 658 891)
Fines	(974 767)	(893 250)
Sundry debtors	(621 933)	(663 450)
	(40 311 869)	(40 353 102)

Net Balance

Accrued income	107 142	83 891
Consumer debtors - rates	3 085 652	8 212 271
Fines	1 108 059	467 300
Sundry debtors	1 580 770	2 396 289
	5 881 623	11 159 751

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for overdraft facilities.

As at 30 June 2023

	Current		Past Due		
Assessment Rates	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	6 790 421	953 225	830 161	33 089 503	41 663 310
Subtotal	6 790 421	953 225	830 161	33 089 503	41 663 310
Less: Provision for impairment	(6 287 512)	(882 628)	(768 678)	(30 638 840)	(38 577 658)
	502 909	70 597	61 483	2 450 663	3 085 652

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

5. Receivables from non-exchange transactions (continued)

Accrued Income	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	23 251	-	-	221 402	244 653
Subtotal	23 251	-	-	221 402	244 653
Less: Provision for impairment	-	-	-	(137 511)	(137 511)
	23 251	-	-	83 891	107 142

Traffic Fines	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	20 000	33 600	114 300	1 914 926	2 082 826
Subtotal	20 000	33 600	114 300	1 914 926	2 082 826
Less: Provision for impairment	-	-	-	(974 767)	(974 767)
	20 000	33 600	114 300	940 159	1 108 059

Sundry Debtors	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	169 534	-	-	2 033 169	2 202 703
Subtotal	169 534	-	-	2 033 169	2 202 703
Less: Provision for impairment	-	-	-	(621 933)	(621 933)
	169 534	-	-	1 411 236	1 580 770

As at 30 June 2022

	Current		Past Due		
Assessment Rates	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	2 225 024	878 065	865 514	42 902 560	46 871 163
Subtotal	2 225 024	878 065	865 514	42 902 560	46 871 163
Less: Provision for impairment	(885 913)	(482 184)	(479 882)	(36 810 912)	(38 658 891)
	1 339 111	395 881	385 632	6 091 648	8 212 272

Accrued Income	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	221 402	221 402
Subtotal	-	-	-	221 402	221 402
Less: Provision for impairment	-	-	-	(137 511)	(137 511)
	-	-	-	83 891	83 891

Traffic Fines	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	6 300	89 000	41 400	1 223 850	1 360 550
Subtotal	6 300	89 000	41 400	1 223 850	1 360 550
Less: Provision for impairment	-	-	-	(893 250)	(893 250)
	6 300	89 000	41 400	330 600	467 300

Sundry Debtors	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	3 059 738	3 059 738
Subtotal	-	-	-	3 059 738	3 059 738
Less: Provision for impairment	-	-	-	(663 449)	(663 449)
	-	-	-	2 396 289	2 396 289

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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5. Receivables from non-exchange transactions (continued)

Summary of assessment rates debtors customer classification:

As at 30 June 2023	Residential	Commercial	Government	Other	Total
0 - 30 Days	470 857	173 762	5 625 372	520 431	6 790 422
31- 60 Days	417 009	216 790	40 054	279 372	953 225
61- 90 Days	382 612	180 202	31 298	236 050	830 162
+ 90 Days	12 448 919	2 690 215	8 998 760	8 951 608	33 089 502
Gross Balance	13 719 397	3 260 969	14 695 484	9 987 461	41 663 311
	13 719 397	3 260 969	14 695 484	9 987 461	41 663 311

As at 30 June 2022	Residential	Commercial	Government	Other	Total
0 - 30 Days	745 625	192 085	748 169	538 137	2 224 016
31- 60 Days	370 028	84 176	182 994	240 861	878 059
61- 90 Days	350 987	81 354	190 874	242 295	865 510
+ 90 Days	12 055 822	2 039 788	18 203 248	10 604 712	42 903 570
Gross Balance	13 522 462	2 397 403	19 325 285	11 626 005	46 871 155
	13 522 462	2 397 403	19 325 285	11 626 005	46 871 155

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

Opening balance	(40 353 102)	(36 554 202)
Provision for impairment	-	(3 798 900)
Impairment reversal	81 234	-
	(40 271 868)	(40 353 102)

The creation and release of provision for impaired receivables have been included in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment. No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable

6. VAT receivable

VAT	4 270 751	2 104 979
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Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

7. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	212 767	-	212 767	212 767	-	212 767

Reconciliation of heritage assets - 2023

	Opening balance	Total
Heritage assets	212 767	212 767

Reconciliation of heritage assets - 2022

	Opening balance	Total
Heritage assets	212 767	212 767

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 185 899	-	1 185 899	1 185 899	-	1 185 899

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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8. Investment property (continued)

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	1 185 899	1 185 899

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	1 185 899	1 185 899

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

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 191 856	(1 838 711)	353 145	2 191 856	(1 726 127)	465 729

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	465 729	(112 584)	353 145

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	484 596	172 164	(191 031)	465 729

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	67 380 835	-	67 380 835	67 380 835	-	67 380 835
Landfill asset - Solid waste	4 723 114	(4 723 114)	-	5 623 992	(4 721 216)	902 776
Leased assets	742 617	(247 539)	495 078	-	-	-
Plant and machinery	6 767 473	(4 337 066)	2 430 407	6 379 787	(3 888 216)	2 491 571
Furniture and fixtures	2 624 044	(1 748 103)	875 941	2 378 255	(1 612 715)	765 540
Motor vehicles	11 870 492	(7 305 364)	4 565 128	11 121 251	(6 327 149)	4 794 102
Office equipment	6 404 074	(3 679 827)	2 724 247	6 183 725	(3 781 786)	2 401 939
Infrastructure	354 446 725	(155 134 865)	199 311 860	333 111 658	(144 682 213)	188 429 445
Community	83 029 184	(33 379 127)	49 650 057	78 292 691	(30 869 426)	47 423 265
Buildings	39 312 991	(17 702 682)	21 610 309	38 543 970	(16 748 396)	21 795 574
Work in progress	18 684 383	(1 541 551)	17 142 832	22 439 409	(1 541 551)	20 897 858
Total	595 985 932	(229 799 238)	366 186 694	571 455 573	(214 172 668)	357 282 905

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Landfill site asset movement	Depreciation	Impairment loss	Total
Land	67 380 835	-	-	-	-	-	-	-	67 380 835
Leased Office Equipment	-	742 617	-	-	-	-	(247 539)	-	495 078
Plant and machinery	2 491 571	448 012	(2 370)	-	-	-	(503 780)	(3 026)	2 430 407
Furniture and fixtures	765 540	255 147	(302)	-	-	-	(143 257)	(1 187)	875 941
Motor vehicles	4 794 102	749 242	-	-	-	-	(917 527)	(60 689)	4 565 128
Office equipment	2 401 939	1 130 383	(193 121)	-	-	-	(606 552)	(8 402)	2 724 247
Infrastructure	188 429 445	-	-	21 335 067	-	-	(10 135 261)	(317 391)	199 311 860
Community	47 423 265	-	-	4 736 494	-	-	(2 494 232)	(15 470)	49 650 057
Buildings	21 795 574	-	-	769 020	-	-	(852 847)	(101 438)	21 610 309
Work in progress	20 897 858	23 085 554	-	-	(26 840 580)	-	-	-	17 142 832
Landfill asset - Solid waste	902 776	-	-	-	-	(900 878)	(1 898)	-	-
	357 282 905	26 410 955	(195 793)	26 840 581	(26 840 580)	(900 878)	(15 902 893)	(507 603)	366 186 694

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Landfill site asset movement	Depreciation	Impairment loss	Total
Land	67 380 835	-	-	-	-	-	-	-	67 380 835
Leased assets	189 716	-	-	-	-	-	(189 716)	-	-
Plant and machinery	2 571 212	761 333	-	-	-	-	(798 228)	(42 746)	2 491 571
Furniture and fixtures	755 671	215 211	-	-	-	-	(199 638)	(5 704)	765 540
Motor vehicles	7 160 247	-	(812 064)	-	-	-	(1 549 731)	(4 350)	4 794 102
Office equipment	2 440 197	778 381	(26 771)	-	-	-	(789 986)	118	2 401 939
Infrastructure	186 265 787	-	-	14 100 479	-	-	(11 247 473)	(689 348)	188 429 445
Community	51 117 300	-	-	-	-	-	(3 699 773)	5 738	47 423 265
Buildings	22 825 295	-	-	-	-	-	(1 029 721)	-	21 795 574
Work in progress	15 567 026	19 431 311	-	-	(14 100 479)	-	-	-	20 897 858
Landfill asset - Solid waste	398 789	-	-	-	-	532 176	(28 189)	-	902 776
	356 672 075	21 186 236	(838 835)	14 100 479	(14 100 479)	532 176	(19 532 455)	(736 292)	357 282 905

Halted projects

Kwabulawayo Sportfield

The project is taking longer than expected due to lack of funding. As at 30 June 2023, no additional work has been performed. An amount of R 1 541 551 was recognised as impairment in the 2021 financial year resulting to a carrying amount of R 6 166 205. The project has been assessed for impairment in the current financial year and there was no indication of further impairment

6 166 205 6 166 205

Completion of the Richmond Testing Ground

The project is taking longer than expected due to lack of funding. As at 30 June 2023, no additional work has been performed. The project was assessed for impairment in the current financial year and there was no indication of impairment or impairment recognized.

2 419 025 2 419 025

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 2023

	Included within Infrastructure	Included within Buildings	Included within Community	Total
Opening balance	7 597 774	2 205 114	11 095 012	20 897 900
Additions/capital expenditure	21 762 780	769 021	553 752	23 085 553
Transferred to completed items	(21 335 066)	(769 021)	(4 736 492)	(26 840 579)
	8 025 488	2 205 114	6 912 272	17 142 874

Reconciliation of Work-in-Progress - 2022

	Included within Infrastructure	Included within Buildings	Included within Community	Total
Opening balance	4 469 903	2 205 114	9 129 022	15 804 039
Additions/capital expenditure	17 228 350	-	2 203 003	19 431 353
Transferred to completed items	(14 100 479)	-	-	(14 100 479)
	7 597 774	2 205 114	11 332 025	21 134 913

Expenditure incurred to repair and maintain property, plant and equipment is included in Statement of Financial Performance

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Building and facilities	3 638 175	3 106 348
Equipment	3 171 529	2 514 697
Infrastructure	2 684 084	2 212 472
	9 493 788	7 833 517

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

11. Non-current investment

At amortised cost

Investment	266	266
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12. Payables from exchange transactions

Trade payables	421 412	3 923 469
Retentions	4 548 228	5 144 630
Accrued leave pay	5 466 352	4 716 151
Accrued bonus	1 768 859	1 685 895
Deposits received	11 000	10 600
	12 215 851	15 480 745

13. Payables from non-exchange transactions

Payments received in advance	2 329 410	1 513 723
Unallocated receipts	185 093	174 086
	2 514 503	1 687 809

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Human Settlement Grant	4 117 820	3 878 070
CoGTA Grant - Small Town	408 764	-
Library Grant	-	509 424
UDM Grant	-	47 820
Scheme Support Programme Grant	-	11 000
Integrated National Electrification Programme Grant	-	6 633 081
High-over Game Reserve	2 752 851	-
	7 279 435	11 079 395
15. Operating lease liability (accrual)		
Current liabilities	627 802	583 542
16. Finance lease obligation		
Minimum lease payments due		
- within one year	280 280	-
- in second to fifth year inclusive	280 280	-
	560 560	-
less: future finance charges	(45 431)	-
Present value of minimum lease payments	515 129	-
Present value of minimum lease payments due		
- within one year	246 983	-
- in second to fifth year inclusive	268 147	-
	515 130	-
Non-current liabilities	268 146	-
Current liabilities	246 983	-
	515 129	-

The municipality leased multiple photocopying machine in July 2022 for a period of 3 years which will expire in June 2025. Lease instalments are payable monthly at the beginning of the month. Interest rate was charged at 8,25% per annum. No restrictions are imposed by lease arrangements. The lease agreements do not provide for contingent lease payments. It is municipality policy to lease certain photocopying machine under finance leases.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Employee benefit obligations		
Defined benefit plan		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post-Retirement Medical obligation	(6 582 000)	(6 990 881)
Long Service Awards	(2 875 000)	(2 834 354)
	(9 457 000)	(9 825 235)
Non-current assets	-	-
Non-current liabilities	(8 843 000)	(9 395 496)
Current liabilities	(614 000)	(429 739)
	(9 457 000)	(9 825 235)

Post-retirement health care benefits liability.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ARCH Actuarial Consulting a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Opening balance	6 990 881	6 269 000
Net expense recognised in the statement of financial performance	(408 881)	721 881
	6 582 000	6 990 881

Net expense recognised in the statement of financial performance

Current service cost	402 566	338 000
Subsidy (benefit) payments	(235 026)	(219 000)
Interest cost	905 279	625 000
Actuarial (gains) losses	(1 481 700)	(22 119)
	(408 881)	721 881

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1 481 700)	(22 119)
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Key assumptions used

The following summarizes the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year:

Discount rates used	12,56 %	13,16 %
Health care cost inflation rate	8,16 %	9,68 %
Net effective discount rate	4,07 %	3,17 %
Maximum subsidy inflation rate	5,75 %	6,89 %

Richmond Local Municipality

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Figures in Rand	2023	2022
17. Employee benefit obligations (continued)		
Net-of-maximum-subsidy-inflation discount rate	6,44 %	5,87 %

Average retirement age	62
Mortality during employment	SA 85-90
Mortality post-employment:	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Proportion with a spouse dependant at retirement	68%
Continuation of membership at retirement	75%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	15%

History of Liabilities, Assets and Experience Adjustments

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects.

The accrued liabilities and the plan assets for the current period and the previous four periods are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	(6 582 000)	(6 990 881)	(6 269 000)	(5 695 000)	(8 894 000)
Surplus (deficit)	(6 582 000)	(6 990 881)	(6 269 000)	(5 695 000)	(8 894 000)

Other long-term employee benefits

Long Services Award

Employee benefit obligation relates to long service award extended to municipal staff who served on the payroll of the municipality for each five-year interval completed as an employee. The most recent actuarial valuations of present value of the defined benefit obligation was carried out as at 30 June 2023 by ARCH Actuarial Consulting a fellow of the Actuarial Society of South Africa an expert who is a member of the Actuarial society of South Africa. The present value of the defined benefit obligation and the related current cost and past service costs were measured using the projected Unit Credit Method. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 301 as issued by ASSA, and is consistent with the requirements of GRAP25. The municipality is under no obligation to cover any unfunded benefits.

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

Opening balance	2 834 354	2 326 000
Net expense recognised in the statement of financial performance	40 646	508 354
	2 875 000	2 834 354

Net expense recognised in the statement of financial performance

Current service cost	289 992	277 000
Subsidy (benefit) payments	(206 016)	(169 000)
Interest cost	302 633	218 000
Actuarial (gains) losses	(345 963)	182 354
	40 646	508 354

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(345 963)	182 354
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Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Employee benefit obligations (continued)		
Liability history		
Accrued liability	2023 (2 875 000)	2022 (2 834 354)
	2021 (2 326 000)	2020 (2 268 000)
	2019 (2 321 000)	
Assumption	30 June 2023	30 June 2022
Discount rate	11,53 %	11,08 %
CPI	5,75 %	6,79 %
Salary increase rate	6,75 %	7,79 %
Net Discount Rate	4,48 %	3,05 %
	- %	- %

Key Demographic Assumptions

Assumption	Value
Average retirement age	62
Mortality during employment	SA:85-90

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest cost	Change in provision of obligation	Total
Environmental rehabilitation	8 638 124	307 517	(2 469 296)	6 476 345

Reconciliation of provisions - 2022

	Opening Balance	Interest cost	Change in provision of obligation	Total
Environmental rehabilitation	7 817 483	288 465	532 176	8 638 124
Non-current liabilities			5 659 030	8 330 607
Current liabilities			817 315	307 517
			6 476 345	8 638 124

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R 8 638 124 as at 30 June 2023 to restore the sites at the end of its useful life. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

19. Service charges

Refuse removal	966 377	922 562
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20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 097 787	1 088 810

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
21. Interest earned - Outstanding debtors		
Interest on service charges	408 504	396 176
22. Other income		
Insurance Refund	205 285	525 762
Sundry income	122 192	111 529
Town planning and building fees	694 595	189 991
Tender documents	99 066	164 182
Cementary fees	112 237	132 195
Photocopy charges & printing	1 123	1 339
SETA Refunds	101 923	96 651
	1 336 421	1 221 649
23. Interest received - investment		
Interest revenue		
Bank	213 561	67 134
Interest received - other	2 565 029	1 196 278
	2 778 590	1 263 412
24. Property rates		
Rates received		
Business and Commercial Rates	4 367 357	3 127 947
Agricultural Rates	5 314 153	4 195 805
Residential developed rates	16 310 261	11 020 827
Vacant Land Rates	1 123 526	940 310
	27 115 297	19 284 889
Property rates - penalties imposed	3 674 200	3 873 297
	30 789 497	23 158 186
Valuations		
Residential	621 457 500	504 131 500
Commercial	282 618 000	246 499 000
Agricultural	2 586 791 000	2 112 561 000
Other	-	24 000
Municipal	132 187 000	-
Place of worship	15 179 000	13 341 000
Protected Area	15 726 000	10 179 000
Public Benefit Organisation	291 327 500	195 656 600
Public Service Infrastructure	4 023 000	35 186 000
Public Service Property	739 389 000	429 121 000
Unauthorised Use	-	7 135 000
Vacant land	44 440 500	48 032 700
Rural Communal	63 738 000	64 758 000
	4 796 876 500	3 666 624 800
25. Licences and permits (non-exchange)		
Trading	807 455	919 462
Road and Transport	1 757 612	1 015 129
	2 565 067	1 934 591

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Government grants & subsidies		
Operating grants		
Equitable share	86 415 887	78 424 538
Finance Management Grant	1 950 000	1 850 000
Expanded Public Works Programme	1 287 000	1 101 000
Library Grant	3 963 425	3 328 866
	93 616 312	84 704 404
Capital grants		
Municipal Infrastructure Grant	20 511 000	27 266 000
Small Town Grant	4 791 235	-
	25 302 235	27 266 000
	118 918 547	111 970 404

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received**	32 502 660	33 545 867
Unconditional grants received	86 415 887	78 424 538
	118 918 547	111 970 405

***Refer to Note 44 - Prior year adjustment*

Equitable share

Current-year receipts	86 415 887	78 424 538
Transferred to revenue	(86 415 887)	(78 424 538)
	-	-

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

All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month.

Human Settlement

Balance unspent at beginning of year	3 878 070	3 757 271
Interested capitalized	239 750	120 799
	4 117 820	3 878 070

Conditions still to be met (see note 14).

The Department of Human Settlement allocated a grant to municipality to assist municipalities to implement the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

CoGTA Grant - Small Town

Current-year receipts	5 200 000	-
Conditions met - transferred to revenue	(4 791 236)	-
	408 764	-

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Government grants & subsidies (continued)		
The purpose of the grant was for the construction of Richmond Local Municipality streets lights.		
Library Grant		
Balance unspent at beginning of year	509 424	790 290
Current-year receipts	3 454 000	3 048 000
Conditions met - transferred to revenue	(3 963 424)	(3 328 866)
	-	509 424

Conditions still to be met (see note 14).

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services.

UDM Grant

Balance unspent at beginning of year	47 820	47 820
Grants repaid	(47 820)	-
	-	47 820

The municipality had received funds from uMgungundlovu District Municipality as a contribution towards the clearing of vacant land and plots. The unspent amount was paid back by the municipality.

Scheme support programme grant

Balance unspent at beginning of year	11 000	11 000
Grant Repaid	(11 000)	-
	-	11 000

The purpose of the grant was for the development of a single land use scheme for Richmond Local Municipality. The project was completed in the 2021. The balance was paid back by the municipality.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	118 052
Current-year receipts	1 287 000	1 101 000
Conditions met - transferred to revenue	(1 287 000)	(1 101 000)
Other	-	(118 052)
	-	-

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants were met in full.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	6 633 081	-
Current-year receipts	2 700 000	10 980 000
Conditions met - transferred to revenue	(8 196 081)	(4 346 919)
Grant repaid	(1 137 000)	-
	-	6 633 081

The purpose of the grant is to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings. The grant was 100% implemented and the conditions of the grants were met in full.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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26. Government grants & subsidies (continued)

Financial Management Grant

Current-year receipts	1 950 000	1 850 000
Conditions met - transferred to revenue	(1 950 000)	(1 850 000)
	-	-

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). The grant was 100% implemented and the conditions of the grants were met in full.

Municipal Infrastructure Grant

Current-year receipts	20 511 000	27 266 001
Conditions met - transferred to revenue	(20 511 000)	(27 266 001)
	-	-

The Municipal Infrastructure Grant (MIG) is for providing specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities. The grant was 100% implemented and the conditions of the grants were met in full.

High-Over Grant

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(247 149)	-
	2 752 851	-

Conditions still to be met - remain liabilities (see note 14).

The Richmond Local Municipality has under the Economic Development, Tourism and Environmental Affairs received a grant amount of R3 million for the implementation of Highover Wildlife Sanctuary. The total amount spent as at the 30th of June 2023 amounts to R247,149.12 for professional fees, with a total remaining balance of R2 752 850.88 unspent.

27. Fines, Penalties and Forfeits

Pound Fees Fines	469	3 584
Municipal Traffic Fines	742 300	479 200
	742 769	482 784

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Employee related costs		
Basic	40 006 684	37 070 747
Bonus	3 076 734	2 721 747
Medical aid - company contributions	2 132 816	2 033 943
UIF	348 986	337 593
SDL	526 787	490 143
Leave pay provision charge	2 286 065	2 931 191
Overtime payments	1 326 117	1 876 881
Long-service awards	386 609	326 000
Uniform and protective clothing allowance	103 448	98 000
Non-pensionable allowances	14 258	528 258
Car allowance	1 728 344	1 384 224
Housing benefits and allowances	164 915	95 123
Post-employment medical aid contributions	1 307 845	968 865
Danger Allowance	42 000	42 000
Bargaining council	21 993	20 399
Cellular and telephone	400 879	373 846
Pension	5 680 213	5 359 446
	59 554 693	56 658 406
Remuneration of municipal manager		
Annual Remuneration	1 021 754	936 000
Car Allowance	180 000	180 000
Leave payout	15 078	30 457
Contributions to UIF, Medical and Pension Funds	2 405	2 249
Other Allowance	119 240	13 551
	1 338 477	1 162 257
Remuneration of Chief Finance Officer		
Annual Remuneration	720 000	720 000
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	2 255	2 249
Other Allowance	220 329	92 814
	1 098 584	971 063
Remuneration of Strategic Manager : Community Services		
Annual Remuneration	800 000	773 760
Car Allowance	156 000	125 736
Leave payout	43 832	-
Contributions to UIF, Medical and Pension Funds	2 255	1 874
Other Allowance	212 900	46 638
	1 214 987	948 008
Remuneration of Statagic Manager : Technical Services		
Annual Remuneration	804 000	804 000
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	2 255	2 249
Other Allowance	136 329	77 075
Leave payout	-	26 083
	1 098 584	1 065 407

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Employee related costs (continued)		
Remuneration of Strategic Manager: Corporate Services		
Annual Remuneration	540 000	-
Car Allowance	117 000	-
Contributions to UIF, Medical and Pension Funds	1 691	-
Other allowance	146 822	-
	805 513	-
29. Remuneration of councillors		
Executive Major	476 824	888 101
Deputy Executive Mayor	765 609	692 092
Mayoral Committee Members	490 086	399 807
Speaker	774 038	1 004 864
Councillors	3 544 870	2 992 024
	6 051 427	5 976 888
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
30. Depreciation and amortisation		
Property, plant and equipment	15 902 893	19 494 420
Intangible assets	112 585	191 032
	16 015 478	19 685 452
31. Finance costs		
Finance leases	360 309	296 405
32. Lease rentals on operating lease		
Premises		
Contractual amounts	44 260	44 260
Motor vehicles		
Contractual amounts	2 905 168	2 065 233
Equipment		
Contractual amounts	-	423 413
Plant and equipment		
Contractual amounts	41 457	58 468
	2 990 885	2 591 374
33. Contracted services		
Outsourced Services		
Business and Advisory	1 002 444	694 203
Catering Services	712 272	386 337
Hygiene Services	22 604	16 484
Medical Health Services & Support	28 402	22 691
Professional Staff	172 141	509 912
Security Services	12 533 107	11 296 207

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Contracted services (continued)		
Consultants and Professional Services		
Business and Advisory	1 585 766	3 458 530
Legal Cost	1 064 219	1 534 242
Contractors		
Building	942 399	7 876
Electrical	799 745	119 569
Interior Decorator	30 000	30 630
Maintenance of Buildings and Facilities	3 638 175	3 106 348
Maintenance of Equipment	3 171 529	2 514 697
Maintenance of Unspecified Assets	2 684 084	2 212 472
Pest Control and Fumigation	14 800	2 500
Plants, Flowers and Other Decorations	19 500	55 850
Prepaid Electricity Vendors	1 418 156	1 872 783
Tracing Agents and Debt Collectors	358 690	-
Sports and Recreation	-	17 500
Prepaid Water Vendors	396 335	229 987
	30 594 368	28 088 818
34. Inventory Consumed		
Consumables	5 868 962	4 095 682
Materials and Supplies	1 567 886	876 694
	7 436 848	4 972 376
35. General expenses		
Advertising	420 757	845 884
Auditors remuneration	1 771 977	1 814 692
Bank charges	203 689	163 983
Bursaries (employees)	498 928	484 616
Conferences and seminars	614 331	729 812
Fuel and oil	418 303	297 679
Groceries for indigent relief	112 109	71 609
Hire	3 107 056	193 465
IT expenses	333 388	943 104
Insurance	810 396	1 078 715
License and registration	32 445	164 045
Postage and courier	72 527	98 477
Prepaid electricity and water vendors	556 406	590 122
Printing and stationery	132 359	166 297
Protective clothing	646 400	653 092
Remuneration of ward committees	809 200	532 000
Subscriptions and membership fees	719 123	751 901
Telephone and fax	1 779 235	867 234
Transport and freight	194 500	197 300
Travel - local	1 781 183	2 643 079
Vehicle tracking	2 296	2 270
Workmans compensation	429 962	389 034
	15 446 570	13 678 410

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
36. Impairment loss		
Impairments		
Property, plant and equipment	507 605	789 052
Trade and other receivables	201 378	501 015
Other receivables from non-exchange revenue	40 000	4 102 574
	748 983	5 392 641
Reversal of impairments		
Property, plant and equipment	-	(5 857)
Other receivables from non-exchange revenue	(81 233)	-
	(81 233)	(5 857)
Total impairment losses (recognised) reversed	667 750	5 386 784
37. Irrecoverable debts written off		
• Property rates	(12 113 097)	-
• Refuse and other	(687 507)	-
	(12 800 604)	-
38. Gain on remeasurement of landfill provision		
Landfill site asset - Solid waste	1 568 418	-
39. Auditors' remuneration		
Fees	1 771 977	1 814 692
40. Cash generated from operations		
Surplus	5 328 769	616 420
Adjustments for:		
Depreciation and amortisation	16 015 478	19 685 452
Loss on disposal of assets	195 794	180 272
Gain on remeasurement of landfill provision	(1 568 418)	-
Irrecoverable debts written off	12 800 604	-
Finance costs	360 309	296 405
Impairment loss	667 750	5 386 784
Movements in operating lease assets and accruals	44 260	44 259
Movements in retirement benefit assets and liabilities	(368 235)	1 288 235
Movements in provisions	(2 161 779)	820 641
Actuarial Gains and Losses	(1 827 663)	160 235
Other adjustments	44 620	-
Changes in working capital:		
Receivables from exchange transactions	398 847	(479 746)
Other receivables from non-exchange transactions	5 519 026	110 976
Payables from exchange transactions	(3 264 894)	(9 816 422)
VAT	(2 165 772)	2 036 998
Payables from non-exchange transactions	826 694	86 486
Unspent conditional grants and receipts	(13 109 575)	6 354 963
	17 735 815	26 771 958

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Roads Infrastructure	4 843 886	12 621 420
• Community	-	445 316
• Electrification	11 057 898	7 552 798
	15 901 784	20 619 534
Total capital commitments		
Already contracted for but not provided for	15 901 784	20 619 534

**See Note 44 on Prior Period Adjustment

42. Contingencies

Case 1 : Zibonele Funeka vs Richmond Municipality

Municipality employee filed a claim for damages against the Municipality based on defamation of character. The action is based on vicarious liability. During the 2023 financial year there was no movement since the plaintiff's attorney is not further prosecuting the matter.

Case 2 : G&R Raunbeheimer vs Richmond Municipality

One of the municipal vehicles with registration number NK 3856 was involved in an accident and a claimant filed a claim against the municipality for damages. As at 30 June 2023 the matter was still pending in Court.

Case 3 Phumelela B Madonda vs Richmond Municipality

One of the municipal vehicles with registration number NK 2680 had a mechanical fault and was towed to a repair centre however, it later transpired that no authority was given to send the vehicle to repair center. The vehicle has since remained in the repair Centre and the owner of the repair centre has filed a claim against the municipality for storage costs. The municipality has engaged legal attorneys to handle the matter. As at 30 June 2023, the case was still pending.

Case 4 : Vox communications vs Richmond Municipality

The municipality terminated the services of a telecommunications service provider previously responsible for telephone lines in the municipality however, the service provider filed a claim for early termination citing outstanding contractual fees. The municipality is defending the claim, as at 30 June 2023 the matter was still pending.

Case 5 : DotCom Africa vs Richmond Municipality

An advertising agent claims that the municipality owes the Agent for advertisement related services. The municipality is disputing the claim. As at 30 June 2023 there was no movement on this claim.

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality:

Summary of contingent liabilities		
Case 1	1 000 000	1 000 000
Case 2	300 000	400 000
Case 3	218 000	218 000
Case 4	200 000	300 000
Case 5	153 265	153 265
	1 871 265	2 071 265

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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43. Related parties

Relationships

Accounting Officer

Councillors

Members of key management

Refer to accounting officers' report note

Refer Councillors Allowances in note

Refer to Employee related costs note

Richmond Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022
44. Prior-year adjustments			
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:			
Statement of financial position			
2022			
	Note	As previously reported	Restated
Property plant and equipment		356 774 618	508 286 357 282 904
Accumulated surplus		-	(5 357) (5 357)
VAT receivable		1 793 555	311 424 2 104 979
Payables from exchange transactions		(15 169 318)	(311 424) (15 480 742)
		343 398 855	502 929 343 901 784

Statement of financial performance

2022

	Note	As previously reported	Restated
Operational costs		14 210 590	(532 180) 13 678 410
Depreciation		19 656 201	29 251 19 685 452
Surplus for the year		33 866 791	(502 929) 33 363 862

Cash flow statement

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Employee costs		(58 486 978)	7 489	(58 479 489)

Property plant and equipment

Landfill site asset - solid waste: The municipality reclassified the landfill site asset from infrastructure asset and presented it separately in the note for the PPE. The reclassification adjustment was processed in the opening balances for 2019/20 financial year. The movement(s) in the landfill site provision were further processed in the 2019/20, 2020/21 and 2021/2022 financial year against the landfill site asset. The net effect in the prior periods was an increase in the carrying amount of landfill site asset by R 359 276 and a decrease in the accumulated surplus by the same amount.

Plant and machinery: The municipality corrected a misclassification of assets from plant and machinery to buildings in the prior year. The net effect of the correction in the prior year was an increase in the carrying value by an amount of R 89 491 for plant and equipment and decrease in the carrying amount for building by the same amount.

Motor vehicles : The municipality corrected a misstatement that arose from the disposal of motor vehicles in the prior years which was not processed in the fixed asset register. The net effect of the correction in the prior year was a decrease in the carrying amount of the motor vehicle by an amount of R 96 180 and a corresponding decrease in the accumulated surplus by the same amount.

Work in progress - community asset: The municipality corrected a misstatement in the balance for work in progress for community asset which was incorrectly capitalised in the prior years. The correction resulted in the balance for work in progress decreasing by an amount of R 23 7012 and a corresponding decrease in the accumulated surplus by the same amount.

Richmond Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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44. Prior-year adjustments (continued)

VAT receivable

The balance for VAT receivables was restated due to an error in the processing and claiming of VAT Input in the year that ended 30 June 2022. The net effect in the prior year was an increase in the VAT receivables with a corresponding increase in payables by an amount of R 311 424.

Receivables from non-exchange transactions -Disclosure note

The balance disclosed for the impairment provision with respect to; accrued income, fines and sundry debtors was restated in the 2022. The restatement was effected to adjust for an error identified in the aging sched ,kkule for the other debtor

Commitment disclosure

The balance disclosed as commitment was restated by an amount of R 1 855 921.92 in the 2022 financial to a total of R 20 619 534. The restatement was effected to adjust for an error identified in the commitment scheduleAdditional text

Conditional and Unconditional

The municipality restated the Conditional Grants received balance on note 26. This was due to a casting error on the note, the balance for the Condional Grants was restated from R 44 525 867 to R 33 545 867.

Cashflow statemet - Cash flows from operating activities

The municipality processed a correction in the employee cost payments in the 2022 financial year. An amount of R 7489 was processed as a correction.

45. Risk management

Financial risk management

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

Liquidity risk

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

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

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45. Risk management (continued)

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2023	2022
Cash and cash equivalents	18 741 989	26 902 002
Other financial assets	266	266
Receivables from exchange transactions	364 628	1 096 930

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

46. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of 358 111 696 and that the municipality's total assets exceed its liabilities by 358 111 696.

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

47. Events after the reporting date

No event that should be disclosed has come to the municipality's attention after the reporting date that existed at the reporting.

48. Unauthorised expenditure

Opening balance as previously reported	17 637 862	45 807 767
Add: Unauthorised expenditure - current	-	2 397 647
Less: Approved by council	(17 637 862)	(30 567 552)
Closing balance	-	17 637 862

Analysed as follows: non-cash

Provision for impairment	-	1 392 784
Actuarial losses	-	160 235
Loss on disposal of property, plant and equipment	-	180 272
Employee related cost - Provision for leave	-	566 951
Finance cost	-	97 405
	-	2 397 647

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48. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Finance and Administration	-	2 397 647
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49. Fruitless and wasteful expenditure

Opening balance as previously reported	19 014	9 574 030
Add: Fruitless and wasteful expenditure identified - current	6 137	15 221
Less: Amount recovered - current	(6 137)	(589 807)
Less: Amount recovered - prior period	(1 000)	-
Less: Amount written off - current	-	(8 980 430)
Less: Amount transferred to debtor for recovery	(18 014)	-
Closing balance	-	19 014

Recoverability steps taken/criminal proceedings

The fruitless and wasteful expenditure has been recovered from the responsible officials in the finance department.

50. Irregular expenditure

Opening balance as previously reported	227 688	3 700 728
Add: Irregular expenditure - current	-	1 283 501
Less: Amount recovered - current	(227 688)	-
Less: Amount written off - current	-	(1 055 813)
Less: Amount written off - prior period	-	(3 700 728)
Closing balance	-	227 688

51. Deviation from supply chain management regulations

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

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

SCM Regulation Number 36

Appointment of a riot management security company	-	662 400
Service of municipal grader	-	105 903
	-	768 303

All deviations considered by the Accounting Officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee or SCM Quotations Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

52. Segment information

General information

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52. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three functional areas: community and public safety, economic planning and development and trading services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the seven wards under Richmond demarcations. Segments were aggregated on the basis of service delivery as management considered that the economic characteristics of the segments throughout Richmond were sufficiently similar to warrant aggregation.

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52. Segment information (continued)

Segment surplus or deficit

2023

	Revenue from non- exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue and expenditure								
Community and public safety	37 667 424	483 737	38 151 161	11 538 680	-	12 400 113	23 938 793	14 212 368
Economic and environmental services	28 598 003	489 697	29 087 700	21 810 758	16 018 897	15 648 169	53 477 824	(24 390 124)
Trading services	-	1 299 495	1 299 495	2 772 698	-	5 093 953	7 866 651	(6 567 156)
Total	66 265 427	2 272 929	68 538 356	36 122 136	16 018 897	33 142 235	85 283 268	(16 744 912)
Entity's revenue	68 538 356							
Other reconciling items								
Gains and Losses								1 244 492
Entity's Surplus (deficit) for the period	(15 500 420)							

2022

	Revenue from non- exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue and expenditure								
Community and public safety	48 957 866	442 427	49 400 293	10 793 363	3 699 773	9 899 095	24 392 231	25 008 062
Economic and environmental services	30 776 445	388 215	31 164 660	20 468 920	14 777 448	10 642 376	45 888 744	(14 724 084)
Trading services	-	1 269 557	1 269 557	2 819 729	-	4 612 149	7 431 878	(6 162 321)
Total	79 734 311	2 100 199	81 834 510	34 082 012	18 477 221	25 153 620	77 712 853	4 121 657
Entity's revenue	81 834 510							

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52. Segment information (continued)

Other reconciling items

Disposal of fixed and intangible assets	(180 272)
Impairment loss	(907 682)

Entity's Surplus (deficit) for the period	3 033 703
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Segment assets and liabilities

2023

	Total segment assets	Total segment liabilities
Community and public safety	350 355 559	(2 139 632)
Economic and environmental services	55 280 605	(10 366 641)
Trading services	3 581 588	(8 809 728)
Total segment assets	409 217 752	(21 316 001)
Total as per Statement of financial Position	409 217 752	(21 316 001)

2022

	Total segment assets	Total segment liabilities
Community and public safety	339 122 010	(4 978 871)
Economic and environmental services	76 904 427	(14 085 071)
Trading services	6 968 806	(8 879 822)
Total segment assets	422 995 243	(27 943 764)
Total as per Statement of financial Position	422 995 243	(27 943 764)

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53. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	631 572	715 280
Amount paid - current year	(631 572)	(715 280)
	-	-
Audit fees		
Current year fees	1 771 977	1 814 692
Amount paid-current year	(1 771 977)	(1 814 692)
	-	-
PAYE and UIF		
Current year subscription/fee	9 942 003	9 269 448
Amount paid-current year	(9 942 003)	(9 269 448)
	-	-
Pension and Medical aid deductions		
Current year subscription/fee	12 550 369	11 750 032
Amount paid-current year	(12 550 369)	(11 750 032)
	-	-

Councillor's Municipal Accounts in Arrears

There are no councillor's with outstanding or arrear municipal accounts as at 30 June 2023.

54. Agency services

Vehicle Registration	782 607	904 210
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The municipality is a Registering Authority and in terms of the Agreement between the Department of Transport and Richmond Municipality, the municipality is regarded as an Agency. The municipality currently earns an 8.62% agency fee which is based on the revenue generated from the collection of motor vehicle registration and licensing fees.

55. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

Arrangement with the Department of Economic Development, Tourism and Environmental Affairs:

The Richmond Local Municipality is party to a principal-agent arrangement with the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The Department provides the municipality with a grant for the implementation of High-over Wildlife Sanctuary. The focus area of implementation is the High-over lodge within the Sanctuary. No agency fees are charged for this principal-agent arrangement.

Arrangement with the Department of Energy and Mineral Resources:

The Richmond Local Municipality is party to a principal-agent arrangement with the Department of Energy and Mineral Resources. The Department of Energy provides the Municipality with a grant in terms of the Integrated National Electrification Programme (INEP). The municipality is the agent. The municipality implements electricity infrastructure construction and infills in rural areas on behalf of Eskom using the INEP. Once completed, the projects are handed over to Eskom for energising and future maintenance and do not form part of the municipality's assets. No agency fees are charged for this principal-agent arrangement.

Richmond Local Municipality

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55. Accounting by principals and agents (continued)

Entity as agent

Additional information

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

Reconciliation of the carrying amount of payables

High-Over

Receipt from principal	3 000 000	-
Expenses incurred on behalf of the principal	(247 149)	-
	2 752 851	-

The municipality currently holds an amount of R2752 851 that belongs to the Department of Economic Development, Tourism and Environmental Affairs that was transferred to the municipality during the current financial year and was not utilised. The municipality will apply for a Grant Rollover of the remaining amount so that it is not returned to the principle but utilised for the completion of the project in the next financial year.

Integrated National Electrification Programme Grant

Opening balance	6 633 081	-
Receipt from principal	2 700 000	10 980 000
Expenses incurred on behalf of the principal	(8 196 081)	(4 346 919)
Amounts repaid	(1 137 000)	-
	-	6 633 081

The municipality was not holding any amount on behalf the Department of Energy at the end of the year.

All categories

Opening balance	6 633 081	-
Receipt from principal	5 700 000	10 980 000
Expenses incurred on behalf of the principal	(8 443 230)	(4 346 919)
Amounts repaid	(1 137 000)	-
	2 752 851	6 633 081