UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2024

General Information

Nature of business and principal activities	The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Executive committee	
	GZ Malembe (Exco Member [21/06/2023 - 21/05/2024]) - Mayor - 22/05/2024 PG Mavundla (Mayor: 21/06/2023 - 21/05/2024) - Exco Member - 22/05/2024 MM Masondo (Speaker: 21/06/2023 - 21/05/2024) RN Ngubane (Deputy Mayor-21/06/2023 - 21/05/2024) - Speaker - 22/05/2024 ALD R Maharaj (Exco Member) TC Ngubane (Exco Member) - Resigned September 2023
Councillors	ZN Ndlovu (Chief Whip)
	XP Dladla
	MR Dlamini
	NP Dlamini
	TA Edwards - Deceased
	VB Gwala
	RS Maharaj
	MN Majozi (Expelled)
	MA Makhaye
	SJ Makhaye
	NG Masikane
	PS Myaka
	SK Ndlovu
	SS Ndlovu
	ALD PMS Ngubane
	VB Njoko Sibisi (Resigned)
	LE Zondi
	LN Zondi
	ZM Zondi
	ALD SV Zondi
	TS Zuma

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	(Vacant)
Accounting Officer	NP Ndaba (Ms)
Registered office	41 Bell Street/ King Dinizulu Greytown 3250
Bankers	Standard Bank
Auditors	The Auditor General South Africa
Attorneys	MS Gwagwa and Associates TL Mbili Attorneys Nompumelelo Hadebe Incorporated
Website	www.umvoti.gov.za
Legislation	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)

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

DBSA	Development Bank of South Africa
EDTEA	Economic Development Tourism Environmental Affairs
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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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 end of the period and the results of its operations and cash flows for the period. The auditors are engaged to express an independent opinion on the annual financial statements and are 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 she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, sets standards for internal control aimed at reducing the risk of error or loss 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 deficiency.

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

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution,read with the Remuneration of Public Office Bearers Act (Act no.20 of 1998).

The Internal auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements are examined by the municipality's Internal auditors and their report is presented to the council upon completion.

The annual financial statements set out on pages 5 to 59, which have been prepared on the going concern basis, were approved by council on 28 August 2023 and signed by:

NP Ndaba (Ms)
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	5 580 798	4 672 427
Other receivables	4	3 753 756	3 456 848
Receivables from exchange transactions	5	19 122 022	16 498 973
Receivables from non-exchange transactions	6	21 362 299	22 117 078
Cash and cash equivalents	7	36 663 652	32 896 194
		86 482 527	**79 641 520**
Non-Current Assets			
Biological assets	8	137 144 960	129 317 135
Investment property	9	103 107 441	99 615 719
Property, plant and equipment	10	457 762 441	468 034 809
Intangible assets	11	523 478	611 700
Heritage assets	12	355 590	355 590
		698 893 910	**697 934 953**
Total Assets		**785 376 437**	**777 576 473**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	62 858 829	57 003 399
VAT payable	15	28 103 333	20 518 375
Consumer deposits	16	2 528 832	2 496 591
Unspent conditional grants and receipts	17	2 269 385	1 074 774
Provisions	18	506 000	540 620
Employee benefit obligation	19	1 475 000	1 019 747
Construction contracts and liability		2 228 771	-
		99 970 150	**82 653 506**
Non-Current Liabilities			
Employee benefit obligation	19	26 799 000	23 064 907
Provisions	18	7 679 000	6 691 436
		34 478 000	**29 756 343**
Total Liabilities		**134 448 150**	**112 409 849**
Net Assets		**650 928 287**	**665 166 624**
Accumulated surplus and reserves			
Housing operating account	20	6 921	6 921
Accumulated surplus		650 921 366	665 159 703
Total Net Assets		**650 928 287**	**665 166 624**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	107 554 246	93 794 643
Construction revenue	22	10 126 229	16 719 898
Rental of facilities and equipment		382 002	331 833
Interest received - current account		1 102 471	586 906
Licences and permits		1 379 077	1 185 263
Agency services	23	1 536 012	1 430 745
Sale of timber	24	22 286 703	36 790 826
Other income	25	903 826	1 734 362
Interest earned	26	4 800 451	3 509 696
Total revenue from exchange transactions		**150 071 017**	**156 084 172**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	49 554 358	50 028 421
Transfer revenue			
Government grants and subsidies	28	215 732 633	217 772 161
Fines, penalties and forfeits		584 670	394 446
Total revenue from non-exchange transactions		**265 871 661**	**268 195 028**
Total revenue		**415 942 678**	**424 279 200**
Expenditure			
Employee related costs	29	146 105 786	152 820 708
Remuneration of councillors	30	11 381 174	10 853 909
Depreciation and amortisation	31	32 329 029	33 109 792
Finance costs	32	3 829 224	4 248 883
Debt impairment	33	6 721 084	11 013 388
Bulk purchases	34	88 302 282	74 299 925
Contracted services	35	82 087 675	82 240 472
Indigent support	36	2 263 748	1 646 983
General expenses	37	55 555 399	60 198 898
Total expenditure		**428 575 401**	**430 432 958**
Operating deficit		**(12 632 723)**	**(6 153 758)**
Profit/ (loss) on disposal of assets	10	-	126 598
Fair value adjustments	38	14 456 970	12 195 578
Actuarial gains	19	(1 080 072)	7 117 215
Impairment loss	39	(14 982 517)	(6 269 439)
		(1 605 619)	**13 169 952**
(Deficit) surplus for the year		**(14 238 342)**	**7 016 194**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Housing operating account	Accumulated surplus	Total net assets
Balance at 01 July 2022	**6 921**	**658 143 509**	**658 150 430**
Changes in net assets			
Surplus for the year	-	7 016 194	7 016 194
Total changes	-	7 016 194	7 016 194
Balance at 01 July 2022	**6 921**	**665 159 708**	**665 166 629**
Changes in net assets			
Deficit for the year	-	(14 238 342)	(14 238 342)
Total changes	-	(14 238 342)	(14 238 342)
Balance at 30 June 2024	**6 921**	**650 921 366**	**650 928 287**
Note(s)	20		

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Receipts from ratepayers, consumer debtors and others		191 751 375	227 831 406
Government grants		229 021 000	218 531 000
Interest income		4 800 451	3 509 696
		425 572 826	449 872 102
Payments			
Employees and councilors		(154 107 337)	(154 522 063)
Suppliers		(226 917 850)	(260 381 031)
Finance costs		(3 829 224)	(4 248 883)
		(384 854 411)	(419 151 977)
Net cash flows from operating activities	40	**40 718 415**	**30 720 125**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(36 950 957)	(42 521 405)
Proceeds from sale of property, plant and equipment	10	-	1 594 561
Purchase of other intangible assets	11	-	(8 115)
Net cash flows from investing activities		**(36 950 957)**	**(40 934 959)**
Cash flows from financing activities			
Payments made on behalf of principals in agency/ principal arrangements - note 13		-	(859 963)
Finance lease payments		-	(147 210)
Net cash flows from financing activities		**-**	**(1 007 173)**
Net increase/(decrease) in cash and cash equivalents		**3 767 458**	**(11 222 007)**
Cash and cash equivalents at the beginning of the year		32 896 194	44 118 201
Cash and cash equivalents at the end of the year	7	**36 663 652**	**32 896 194**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	129 875 737	73 195	**129 948 932**	107 554 246	**(22 394 686)**	54.1
Construction contracts	-	-	**-**	10 126 229	**10 126 229**	
Rental of facilities and equipment	353 083	50 000	**403 083**	382 002	**(21 081)**	
Interest received - current account	-	-	**-**	1 102 471	**1 102 471**	54.2
Agency services	-	-	**-**	1 536 012	**1 536 012**	54.3
Licences and permits	1 960 449	980 021	**2 940 470**	1 379 077	**(1 561 393)**	54.4
Other income	864 528	-	**864 528**	903 826	**39 298**	54.5
Sale of timber	8 745 496	21 943 358	**30 688 854**	22 286 703	**(8 402 151)**	54.6
Interest received - investment	3 437 457	2 383 898	**5 821 355**	4 800 451	**(1 020 904)**	
Total	**145 236 750**	**25 430 472**	**170 667 222**	**150 071 017**	**(20 596 205)**	
Revenue from non-exchange transactions						
Property rates						
Property rates	50 934 748	-	**50 934 748**	49 554 358	**(1 380 390)**	
Transfer revenue						
Government grants and subsidies	234 551 925	(5 338 000)	**229 213 925**	215 732 633	**(13 481 292)**	
Fines, penalties and forfeits	109 319	-	**109 319**	584 670	**475 351**	54.7
Total	**285 595 992**	**(5 338 000)**	**280 257 992**	**265 871 661**	**(14 386 331)**	
Total revenue	**430 832 742**	**20 092 472**	**450 925 214**	**415 942 678**	**(34 982 536)**	
Expenditure						
Employee cost	(162 629 836)	11 963 004	**(150 666 832)**	(146 105 786)	**4 561 046**	
Remuneration of councillors	(11 339 985)	(643 347)	**(11 983 332)**	(11 381 174)	**602 158**	
Depreciation and Amortization	(36 077 320)	-	**(36 077 320)**	(32 329 029)	**3 748 291**	
Impairment loss	-	-	**-**	(14 982 517)	**(14 982 517)**	54.8
Finance costs	-	(3 829 407)	**(3 829 407)**	(3 829 224)	**183**	54.9
Debt Impairment	(19 889 746)	-	**(19 889 746)**	(6 721 084)	**13 168 662**	54.10
Bulk purchases	(88 478 434)	1 786 300	**(86 692 134)**	(88 302 282)	**(1 610 148)**	
Contracted services	(44 616 153)	(45 014 201)	**(89 630 354)**	(82 087 675)	**7 542 679**	54.11
Indigent relief	(4 981 996)	3 461 996	**(1 520 000)**	(2 263 748)	**(743 748)**	54.12
General expenses	(48 978 806)	(3 790 998)	**(52 769 804)**	(55 555 399)	**(2 785 595)**	54.13
Total expenditure	**(416 992 276)**	**(36 066 653)**	**(453 058 929)**	**(443 557 918)**	**9 501 011**	
Operating deficit	**13 840 466**	**(15 974 181)**	**(2 133 715)**	**(27 615 240)**	**(25 481 525)**	
Fair value adjustments	-	-	**-**	14 456 970	**14 456 970**	54.14
Actuarial gains	-	-	**-**	(1 080 072)	**(1 080 072)**	54.14
	-	**-**	**-**	**13 376 898**	**13 376 898**	
Surplus	**13 840 466**	**(15 974 181)**	**(2 133 715)**	**(14 238 342)**	**(12 104 627)**	
Total surplus	**13 840 466**	**(15 974 181)**	**(2 133 715)**	**(14 238 342)**	**(12 104 627)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 566 919	654 086	**5 221 005**	5 580 798	**359 793**	
Receivables from exchange transactions	49 255 609	16 835	**49 272 444**	3 753 756	**(45 518 688)**	54.15
Receivables from non-exchange transactions	521 198	(37 707)	**483 491**	21 362 299	**20 878 808**	54.15
VAT receivable	-	37 655 942	**37 655 942**	-	**(37 655 942)**	
Receivable from exchange transactions	-	-	**-**	19 122 022	**19 122 022**	54.15
Cash and cash equivalents	39 059 060	(19 321 848)	**19 737 212**	36 663 652	**16 926 440**	54.16
	93 402 786	**18 967 308**	**112 370 094**	**86 482 527**	**(25 887 567)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	126 369 690	-	**126 369 690**	137 144 960	**10 775 270**	54.17
Investment property	88 413 000	-	**88 413 000**	103 107 441	**14 694 441**	54.17
Property, plant and equipment	470 067 316	(3 528 808)	**466 538 508**	457 762 441	**(8 776 067)**	
Intangible assets	604 505	-	**604 505**	523 478	**(81 027)**	
Heritage assets	355 590	-	**355 590**	355 590	**-**	
	685 810 101	**(3 528 808)**	**682 281 293**	**698 893 910**	**16 612 617**	
Total Assets	**779 212 887**	**15 438 500**	**794 651 387**	**785 376 437**	**(9 274 950)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	90 198 605	479 700	**90 678 305**	62 858 829	**(27 819 476)**	54.18
VAT payable	28 992 040	3 311 709	**32 303 749**	28 103 333	**(4 200 416)**	54.18
Consumer deposits	2 440 714	-	**2 440 714**	2 528 832	**88 118**	54.18
Employee benefit obligation	-	-	**-**	1 475 000	**1 475 000**	54.18
Unspent conditional grants and receipts	-	795 426	**795 426**	2 269 385	**1 473 959**	54.18
Provisions	-	21 691 355	**21 691 355**	506 000	**(21 185 355)**	54.18
Other liability 2	-	-	**-**	2 228 771	**2 228 771**	
	121 631 359	**26 278 190**	**147 909 549**	**99 970 150**	**(47 939 399)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	26 799 000	**26 799 000**	54.19
Provisions	19 897 677	-	**19 897 677**	7 679 000	**(12 218 677)**	54.19
	19 897 677	**-**	**19 897 677**	**34 478 000**	**14 580 323**	
Total Liabilities	**141 529 036**	**26 278 190**	**167 807 226**	**134 448 150**	**(33 359 076)**	
Net Assets	**637 683 851**	**(10 839 690)**	**626 844 161**	**650 928 287**	**24 084 126**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing development fund	6 921	-	**6 921**	6 921	**-**	
Accumulated surplus	637 676 930	(10 839 690)	**626 837 240**	650 921 366	**24 084 126**	
Total Net Assets	**637 683 851**	**(10 839 690)**	**626 844 161**	**650 928 287**	**24 084 126**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from ratepayers, consumer debtors and others	236 991 250	(26 820 010)	**210 171 240**	191 751 375	**(18 419 865)**	
Government grants	184 412 925	44 386 000	**228 798 925**	229 021 000	**222 075**	
Interest income	-	3 437 457	**3 437 457**	4 800 451	**1 362 994**	
	421 404 175	**21 003 447**	**442 407 622**	**425 572 826**	**(16 834 796)**	
Payments						
Employee costs	-	-	**-**	(154 107 337)	**(154 107 337)**	
Suppliers and employees	(380 810 842)	(42 937 911)	**(423 748 753)**	(226 917 850)	**196 830 903**	55.20
Finance cost	-	(3 829 407)	**(3 829 407)**	(3 829 224)	**183**	
	(380 810 842)	**(46 767 318)**	**(427 578 160)**	**(384 854 411)**	**42 723 749**	
Net cash flows from operating activities	**40 593 333**	**(25 763 871)**	**14 829 462**	**40 718 415**	**25 888 953**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(36 950 957)	**(36 950 957)**	
Net increase/(decrease) in cash and cash equivalents	40 593 333	(25 763 871)	**14 829 462**	3 767 458	**(11 062 004)**	
Cash and cash equivalents beginning of the period	-	-	**-**	32 896 194	**32 896 194**	
Cash and cash equivalents at the end of the year	**40 593 333**	**(25 763 871)**	**14 829 462**	**36 663 652**	**21 834 190**	

The accounting policies on pages 12 to 24 and the notes on pages 25 to 59 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

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.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Changes in accounting policies and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy or where allowed transitional provisions are adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.
The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or
b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.4 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.5 Significant judgements and sources of estimation uncertainty

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

Impairment: Write down of Property, Plant and Equipment (PPE) and inventories

An allowance for writing inventory down to the lower of cost or net realisable value where required, management determine estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit for the period in which it arises.

Significant estimates and judgments are made relating to PPE impairment tests and impairment of inventories.

Impairment of financial assets

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. Management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of Property, Plant and Equipment

The municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The municipality shall assess at each reporting date whether there is any indication that the entity's 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 entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting policies, Changes in Accounting Estimates and Errors (GRAP 3).

Defined benefit plan liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. Details of the liabilities are provided in the notes to the annual financial statements. Assumptions of the actuaries are contained in the actuary reports.
Multi-employer defined benefit funds are accounted for as defined contribution plans.

Biological assets

The fair value of plantations is subject to the conversion of hectares to tons. The municipality engages the services of professional valuers for the determination of fair value.

Cash generating/ non-cash generating assets

The municipality's assets are used for service delivery and are therefore classified as non cash generating assets.

Statutory receivables

The municipality accounts for statutory receivables which arise from the implementation of the Municipal Property Rates Act 6 of 2004 (MPRA) and the National Road Traffic Act 93 of 1996 (NRTA).

Transaction amounts for these statutory receivables are determined with reference to property values taking into consideration any exemptions, rebates and reductions as per policy for property rates and schedules as per the act and offence in the case of traffic fines.

Agency/ Principal arrangements

The municipality classifies arrangements in which the municipality acts on behalf of other entities / organisations for the benefit of residents or beneficiaries other than the municipality itself as Agency/ Principal transactions. The municipality does not recognise any revenue or losses in respect of these arrangements.

Revenue recognition

In making their judgement, management considers the detailed criteria for the recognition of revenue in particular when services are rendered, whether the service has been rendered. Management of the municipality is satisfied that recognition of revenue in the current year is appropriate. Revenue from plantation sale is recognised when all the risk and rewards of ownership have been passed to the buyer.

1.6 Biological assets

The municipality owns wattle, gum and pine plantations. For subsequent measurement the plantations are measured at fair value less cost to sell.

Fair value is based on active market prices less costs to sell for timber at rotation age and the cost value approach for timber at pre-rotation age.

A gain or loss arising on subsequent measurement is recognised in surplus or deficit for the period in which the gain or loss arises.

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

Accounting Policies

1.7 Investment property (continued)

- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the provision of 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.

Fair value

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

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

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

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 reporting 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 or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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 assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

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

Item	**Average useful life**
Buildings	5 to 50 years
Furniture and fixtures	7 to 10 years
Motor vehicles	5 to 10 years
Office equipment	3 to 5 years

1.8 Property, plant and equipment (continued)

Infrastructure	
• Roads and paving	10 to 20 years
• Pedestrian malls	3 years
• Major substation buildings	10 to 50 years
• Transformers and related equipment	20 to 50 years
• Mains	20 years
• Street lights	20 years
Community	
• Buildings	5 to 50 years
• Security	5 to 10 years
• Other property, plant and equipment	3 years

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 or disposal of the asset.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

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

1.9 Intangible assets

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.

An intangible asset is recognised when:

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

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

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

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

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

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

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

Item	**Useful life**
Computer software, other	5 years

1.9 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

The municipality assess 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.

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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.11 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

Accounting Policies

1.11 Financial instruments (continued)

Classification

The entity 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**
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
VAT Payable	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Advances-Agency/Principal relationship transactions	Financial liability measured at amortised cost

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.

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.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

Impairment 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.

fFinancial assets measured at amortised cost:

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

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

The municipality derecognises financial liabilities when the municipality's obligations are discharged, cancelled or they expire.

1.12 Statutory receivables

Statutory receivables

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

The municipality accounts for statutory receivables which arise from the implementation of:

The Municipal Property Rates Act 6 of 2004 (MPRA) whose purpose if to regulate the power of a municipality to impose rates on property, to exclude certain properties from rating in the national interest and to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies.

The National Road Traffic Act 93 of 1996 (NRTA) whose purpose is to provide for road traffic matters which shall apply uniformly throughout the Republic and for matters connected therewith.

Determination of transaction amount

Transaction amounts for these statutory receivables are determined as follows:

Property rates - billed amount with reference to property values taking into consideration any exemptions, rebates and reductions as per policy, excluding any receipts.

Traffic fines - with reference to the schedules as per the act and offence.

Interest or other charges levied/charged

Interest on outstanding balances is charged on overdue property rates balances and form part of statutory receivables at 1.5% per month on the outstanding balance excluding interest.

Basis used to assess and test whether a statutory receivable is impaired

All balances outstanding for more than 180 days on inactive accounts are deemed 100% impaired, while those for active accounts are deemed impaired by 50%. Balances older than 90 days up to 180 days are deemed impaired by 50%. Balances owing by government and government departments are not deemed impaired regardless of the ageing.

Recognition

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

- impairment losses; and

- amounts derecognised.

Accounting Policies

1.13 Leases

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 municipality's incremental borrowing rate.

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.

Operating leases - lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Operating leases - lessee

Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

1.14 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 determined on the weighted average basis and, net realisable value.

1.15 Construction contracts and receivables

Projects in progress for the benefit of Eskom are not recognised in the cost of property, plant and equipment of the municipality. Instead, these costs,are recognised in surplus or deficit in the year in which they arise.

Revenue from construction contracts is recognised to the extent of expenditure incurred.

Any unspent amounts at the end of the financial period remain in payables.

1.16 Impairment of cash-generating assets

Identification

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

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.

1.17 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.

Accounting Policies

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

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.

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.

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.

Reversal of an impairment loss

The municipality assess 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.

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.

1.18 Accounting by principals and agents

Identifying whether the municipality is a principal or an agent

Management assesses whether the municipality is party to any principal-agent arrangements. Should the municipality be party to such an arrangement, management assesses whether it is a principal or an agent in the arrangement. The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement. Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

Accounting Policies

1.18 Accounting by principals and agents (continued)

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

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

- It does not have the power to determine the significant terms and conditions of the transaction.

- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.

- It is not exposed to variability in the results of the transaction

Recognition

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

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

1.19 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included as an accrual in financial liabilities. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits: Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

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 recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Pension benefits

The municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation, Retirement and Provident fund). The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.
The schemes are funded through payments to fund administered or trustee-administered funds, determined by periodic actuarial calculations.
Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund assets as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

Accounting Policies

1.19 Employee benefits (continued)

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out by independent qualified actuaries.
Actuarial gains or losses are accounted for in full and are recognised in the statement of financial performance.

Long service awards

The municipality has an obligation to provide benefits to its employees. The municipality's liability is based on actuarial valuation using actuary assumptions. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

1.20 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Contingent assets and contingent liabilities are not recognised. Contingent assets and liabilities are disclosed in the notes to the annual financial statements.

1.21 Commitments

Commitments inclusive of VAT are disclosed for all capital and operational projects. The commitment is measured at the value of the contract less amounts incurred.

1.22 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.
The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the consumer, transaction and the specifics of each arrangement.

Measurement

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

Accounting Policies

1.22 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made when meter readings cannot be performed

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.
Plantation sales
Revenue from plantation sales is recognised when all the risks and rewards of ownership have passed to the buyer.

Approved Tariff charges and Rentals

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

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

Finance Income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportion basis that takes into account the effective yield on the investment.

1.23 Revenue from non-exchange transactions

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

1.25 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

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

1.26 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. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

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

1.28 Housing operating account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the fund.

Accounting Policies

1.28 Housing operating account (continued)

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the account. Where the municipality experiences a net loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

1.29 Value Added Tax (VAT)

The municipality accounts for VAT on the accruals basis.

Based on approval received from the Commissioner for South African Revenue Services, the municipality has been given permission to remit or claim for VAT on the payments basis for debtors and creditors.

1.30 Budget information

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts. This statement compares the budget amounts with the amounts in the financial statements. The budget and financial statements are comparable on an accruals basis.

1.31 Related parties

Individuals, including councillors, as well as their close family members, and/ or entities are related parties if one party has the ability to, directly or indirectly, to control or jointly control the other party, or exercise significant influence over the other party in making financial and/ operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.32 Accounting by principals or agents

A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with fundinging conditions.

1.33 Events after reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the annual financial statements.

1.34 Offsetting

Assets, liabilities, revenue and expenses are not offset, except where offsetting is required or permitted by Standards of GRAP.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The following new GRAP standards have been approved but are not yet effective.

GRAP 25 - Employee Benefits

The objective of this standard is to prescribe the accounting and disclosure requirements for employee benefits. The standard is expected to have an impact on the municipality as the municipality has employees who it pays on a monthly basis and also contributes to post retirement medical aid.

GRAP 104 – Financial instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The standard is expected to have an impact on the municipality as the municipality has accounts receivable and payable. The revised standard will come into effect in 2025.

2.2 Interpretations approved but not yet effective

The following interpretations have been approved but are not yet efective.

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

IGRAP 7: Limit on a Defined Benefit Asset Min Fund Requirement and Interact - This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The effective date is still to be announced.

IGRAP 21 - The Effect of Past Decisions on Materiality - The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods. The effective date of this interpretation is still to be announced.

3. Inventories

Consumables	5 580 798	4 672 427
Inventories recognised as an expense during the year	10 412 831	11 229 436

Inventory pledged as security

No inventory was pledged as security.

4. Other receivables

Impairment	(1 270 144)	(1 270 144)
Other receivables	5 023 900	4 726 992
	3 753 756	**3 456 848**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Other receivables (continued)

Other receivables include Eskom deposits amounting to R 2 827 322.54, a court award amounting to R757 889.44 and debt arrangements amounting to R492 384

Reconciliation of provision for impairment of other receivables

	2024	2023
Opening balance	(1 270 144)	(1 270 144)

5. Receivables from exchange transactions

	2024	2023
Gross balances		
Electricity	15 520 347	14 711 056
Refuse	9 656 015	9 372 765
Housing rental	57 109	46 339
Sundry debtors	7 241 398	6 353 037
	32 474 869	**30 483 197**
Less: Allowance for impairment		
Electricity	(4 323 454)	(5 227 355)
Refuse	(4 293 987)	(4 051 568)
Housing rental	(37 198)	(38 631)
Sundry debtors	(4 698 208)	(4 666 670)
	(13 352 847)	**(13 984 224)**
Net balance		
Electricity	11 196 893	9 483 701
Refuse	5 362 028	5 321 197
Housing rental	19 911	7 708
Sundry debtors	2 543 190	1 686 367
	19 122 022	**16 498 973**
Electricity and others		
Current (0 -30 days)	8 532 301	6 910 592
31 - 60 days	269 152	84 157
61 - 90 days	1 178 067	831 440
91 - 120 days	1 331 978	1 009 980
121 - 365 days	21 163 372	21 647 029
	32 474 870	**30 483 198**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(13 984 224)	(12 785 455)
Contributions to allowance	(3 810 832)	(7 940 198)
Debt impairment written off against allowance	4 442 210	6 741 429
Undefined Difference	**(1)**	**-**
	(13 352 847)	**(13 984 224)**

The municipality recorded a material provision for debt impairment and also a write off of balances relating to deceased and indigent consumers during the year.

Interest was not charged during the year in line with the resolution made by Council to suspend interest billing as a measure to cushion consumers from the economic hardships resulting from Covid-19. This resolution is still in place.

Consumer debtors past due but not impaired

At 30 June 2024, R2 779 197 (2023: R 1 925 577) were past due but not impaired.

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

	2024	2023
1 month past due	269 152	84 157
2 months past due	1 178 067	831 440
3 months past due	1 331 978	1 009 980
	2 779 197	**1 925 577**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from exchange transactions (continued)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions have been pledged as security.

Receivables from exchange transactions impaired

As of 30 June 2024, consumer debtors of R 21 163 371 (2023: R 21 647 026) were impaired and provided for.

The amount of the provision was R 13 352 846 as of 30 June 2024 (2023: R 13 984 224).

The ageing of these receivables is as follows:

3 to 6 months	1 229 428	1 405 472
Over 6 months	19 933 943	20 241 554
	21 163 371	**21 647 026**

6. Receivables from non-exchange transactions

Fines	9 138 790	8 572 840
Fines - Impairment	(8 536 924)	(7 970 974)
Property rates	31 364 898	31 217 496
Property rates - impairment	(10 604 465)	(9 702 284)
	21 362 299	**22 117 078**

Property Rates

Current (0 -30 days)	4 435 582	4 657 869
31 - 60 days	-	4 178
61 - 90 days	835 436	981 484
91 - 120 days	688 073	834 750
121 days and above	25 405 807	24 739 215
	31 364 898	**31 217 496**

Statutory receivables - Receivables from non-exchange transactions pledged as security

No statutory receivables were pledged as security.

Statutory receivables - Receivables from non-exchange transactions past due but not impaired

At 30 June 2024, R 1 524 138 (2023: R 1 820 412) were past due but not impaired.

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

1 month past due	-	4 178
2 months past due	835 436	981 484
3 months past due	688 702	834 750
	1 524 138	**1 820 412**

Receivables from non-exchange transactions impaired

As of 30 June 2024, statutory receivables - receivables from non-exchange transactions of R 25 405 807 (2023: R 24 739 214) were impaired and provided for.

The amount of the provision was R 19 141 389 as of 30 June 2024 (2023: R 17 673 258).

The ageing of these receivables is as follows:

3 to 6 months	1 216 867	1 483 190
Over 6 months	24 188 940	23 256 024
	25 405 807	**24 739 214**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Receivables from non-exchange transactions (continued)

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

	2024	2023
Opening balance	(17 673 258)	(17 368 161)
Provision for impairment	(2 910 252)	(3 073 187)
Amounts written off as uncollectible	1 442 121	2 768 090
	(19 141 389)	**(17 673 258)**

The municipality recorded a material provision for debt impairment and also a write off of balances relating to deceased and indigent consumers during the year. Interest outstanding was written off in line with a decision reached to suspend interest until further notice.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	25 861	56 720
Bank balances	1 289 631	2 339 113
Short-term deposits	35 348 160	30 500 361
	36 663 652	**32 896 194**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
STANDARD BANK - 268530947-046	976 760	515 592	9 614 183	976 760	515 592	9 614 183
STANDARD BANK - 268530947-053	-	-	4 585 731	-	-	4 585 731
STANDARD BANK - 268530947-054	-	15 330 397	-	-	15 330 397	-
NEDBANK - 037165015566-352	2 937 044	2 705 967	25 086 943	2 937 044	2 705 967	25 086 943
NEDBANK - 037165015566-336	-	-	1 246 631	-	-	1 246 631
NEDBANK - 037165015566-335	-	-	629 656	-	-	629 656
NEDBANK - 037165015566-349	184 681	2 867 140	-	184 681	2 867 140	-
NEDBANK - 037165015566-351	3 342 207	1 042 266	-	3 342 207	1 042 266	-
NEDBANK - 037165015566-348	3 380 228	631 078	-	3 380 228	631 078	-
NEDBANK - 037165015566-357	5 716 399	5 266 653	-	5 716 399	5 266 653	-
NEDBANK - 037165015566-355	3 460 485	2 141 268	-	3 460 485	2 141 268	-
ABSA BANK -	5 115 945	-	-	5 115 945	-	-
ABSA BANK -	10 234 411	-	-	10 234 411	-	-
STANDARD BANK - MAIN	1 289 631	2 339 113	2 846 362	1 289 631	2 339 113	2 846 362
CASH ON HAND	-	-	-	25 861	56 720	108 695
Total	**36 637 791**	**32 839 474**	**44 009 506**	**36 663 652**	**32 896 194**	**44 118 201**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Biological assets

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	137 144 960	-	137 144 960	129 317 135	-	129 317 135

Reconciliation of biological assets -June 2024

	Opening balance	Additions	Gains or losses arising from changes in fair value	Decrease due to harvest/sales	Total
Trees in a plantation forest	129 317 135	6 942 329	10 965 248	(10 079 752)	137 144 960

Reconciliation of biological assets -June 2023

	Opening balance	Additions	Losses arising from changes in fair value	Decrease due to harvest/sales	Total
Trees in a plantation forest	126 369 690	9 786 488	992 859	(7 831 902)	129 317 135

Pledged as security

No assets were pledged as security.

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	103 107 441	-	103 107 441	99 615 719	-	99 615 719

Reconciliation of investment property -June 2024

	Opening balance	Fair value adjustments	Total
Investment property	99 615 719	3 491 722	103 107 441

Reconciliation of investment property -June 2023

	Opening balance	Fair value adjustments	Total
Investment property	88 413 000	11 202 719	99 615 719

Pledged as security

No assets were pledged as security.

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

The valuation was conducted by Mills Fitchet, who hold recognised and relevant professional qualifications and have recent experience in the valuation of similar properties. The last valuation was performed as at 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 420 574	-	19 420 574	19 420 574	-	19 420 574
Buildings	69 824 050	(44 823 858)	25 000 192	69 604 550	(40 581 803)	29 022 747
Plant and machinery	26 266 033	(21 707 411)	4 558 622	25 018 202	(19 639 303)	5 378 899
Furniture and fixtures	7 487 643	(5 099 523)	2 388 120	6 674 088	(4 418 460)	2 255 628
Motor vehicles	29 389 434	(21 167 042)	8 222 392	25 980 197	(19 262 275)	6 717 922
Office equipment	4 165 406	(2 632 666)	1 532 740	3 580 181	(2 199 579)	1 380 602
Infrastructure	425 396 474	(241 769 036)	183 627 438	409 836 710	(213 377 831)	196 458 879
Community assets	145 011 244	(69 293 379)	75 717 865	145 011 244	(59 790 339)	85 220 905
Work in Progress - Infrastructure	56 322 593	-	56 322 593	64 928 488	-	64 928 488
Work in Progress - Community assets	80 971 905	-	80 971 905	57 250 165	-	57 250 165
Total	**864 255 356**	**(406 492 915)**	**457 762 441**	**827 304 399**	**(359 269 590)**	**468 034 809**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2024

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	19 420 574	-	-	-	-	19 420 574
Buildings	29 022 747	219 500	-	(3 342 569)	(899 486)	25 000 192
Plant and machinery	5 378 899	1 247 831	-	(2 068 108)	-	4 558 622
Furniture and fixtures	2 255 628	813 555	-	(681 063)	-	2 388 120
Motor vehicles	6 717 922	3 409 237	-	(1 904 767)	-	8 222 392
Office equipment	1 380 602	585 225	-	(433 087)	-	1 532 740
Infrastructure	196 458 879	-	15 559 764	(18 758 877)	(9 632 328)	183 627 438
Community assets	85 220 905	-	-	(5 052 338)	(4 450 702)	75 717 865
Work in Progress - Infrastructure	64 928 488	6 953 869	(15 559 764)	-	-	56 322 593
Work in Progress - Community assets	57 250 165	23 721 740	-	-	-	80 971 905
	468 034 809	**36 950 957**	**-**	**(32 240 809)**	**(14 982 516)**	**457 762 441**

Reconciliation of property, plant and equipment -June 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	19 420 574	-	-	-	-	19 420 574
Buildings	32 434 931	3 000	-	(3 415 184)	-	29 022 747
Plant and machinery	7 046 963	1 095 008	(28 160)	(2 734 912)	-	5 378 899
Furniture and fixtures	2 817 030	225 737	-	(787 139)	-	2 255 628
Motor vehicles	7 701 139	2 866 156	(1 503 784)	(2 345 589)	-	6 717 922
Office equipment	1 119 647	761 407	(23 172)	(477 280)	-	1 380 602
Infrastructure	219 830 019	-	-	(18 613 262)	(4 757 878)	196 458 879
Community Assets	91 381 616	-	-	(4 649 147)	(1 511 564)	85 220 905
Work in Progress - Infrastructure	43 595 536	21 332 952	-	-	-	64 928 488
Work in Progress - Community Assets	41 013 020	16 237 145	-	-	-	57 250 165
	466 360 475	**42 521 405**	**(1 555 116)**	**(33 022 513)**	**(6 269 442)**	**468 034 809**

Pledged as security

No assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Fencing material for the botanic gardens	150 000	150 000
Construction of Khokhoba to Matshemane link road The Municipality anticipated terminating the Contractor in quarter 3 due to slow perfromance however the Contractor presented a revised implementation and showed some improvement on site however the contractor failed to meet the agreed revised implementation plan. The Municipality then terminated the contract on the 1st June 2022. The contractor will be appointed to complete the outstanding activities.]	-	10 630 454
Construction of Enhlalakahle Sportsfield The contractor was terminated due to poor performance, this impacted on the outstanding activities not being completed. The new contractor to be appointed and now the project is on tender stage for appointment of the new contractor.	-	23 196 536
Construction of ward 1 sportsfield	-	12 211 933
	150 000	**46 188 923**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	11 170 595	12 750 759

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. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 382 955	(1 859 477)	523 478	2 382 955	(1 771 255)	611 700

Reconciliation of intangible assets - June 2023

	Opening balance	Amortisation	Total
Computer software	611 700	(88 222)	523 478

Reconciliation of intangible assets -June 2022

	Opening balance	Additions	Amortisation	Total
Computer software	690 863	8 115	(87 278)	611 700

Pledged as security

No intangible assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	355 590	-	355 590	355 590	-	355 590

Reconciliation of heritage assets - June 2024

	Opening balance	Total
Historical monuments	355 590	355 590

Reconciliation of heritage assets June 2023

	Opening balance	Total
Historical monuments	355 590	355 590

Pledged as security

No heritage assets were pledged as security.

13. Advances - Agency/Principal transactions

Umvoti Local Municipality as agent for the Department of Economic Development, Tourism and Environmental Affairs

Umvoti Local Municipality as agent for the Department of Human Settlements

The municipality entered into an arrangement with the Department of Human Settlements whereby the municipality acts as an agent on behalf of the department in overseeing the contractors engaged by the department to build low cost houses for distribution to beneficiaries within the Umvoti area. The municipality receives cash from the department, accepts invoices from service providers for work done and manages the payment process on behalf of the department. The risks that may arise in the execution of the housing projects are the responsibility of the principal - the department. A reconciliation of the funds received and paid and any outstanding balances are disclosed below.

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements:

As at 30 June, the assets and liabilities at hand with regards to the agency/ principal relationship between the municipality and its principals are shown below:

Reconciliation of funds received:

Reconciliation of receipts and payments from funds received and utilised under the agency/ principal arrangement between the municipality and its principal is shown below:

Department of Human Settlements

	2024	2023
	-	859 963
	-	(859 963)
	-	-

14. Payables from exchange transactions

	2024	2023
Trade payable	24 959 586	14 969 796
Payments received in advance	30 927	56 895
Retentions	14 363 082	13 942 023
Accrued leave pay	11 578 010	11 688 515
Sundry deposits	177 156	173 869
Staff bonus - accrual	3 379 623	2 878 348
Other creditors	8 370 445	13 293 953
	62 858 829	**57 003 399**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

14. Payables from exchange transactions (continued)

Other creditors include payments not yet presented to the bank amounting to R1 150 298 (2023: R2 449 598) and debtors with credit balances amounting to R6 466 790 (2023: R8 134 955).

15. VAT payable

Tax payable	28 103 333	20 518 375

VAT becomes due or payable/receivable upon payment to suppliers/receipt of cash from customers.

16. Consumer deposits

Electricity	2 528 832	2 496 591

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	1 558 631	-
Financial Management Grant (FMG)	-	615 820
Energy Efficiency and Demand Side Management Grant	784	784
Storm damage	43 170	43 170
Department of Sports Grant	666 800	415 000
	2 269 385	**1 074 774**

Movement during the year

Balance at the beginning of the year	1 074 774	1 210 426
Additions during the year	53 401 000	73 342 000
Income recognition during the year	(52 206 389)	(73 477 652)
	2 269 385	**1 074 774**

Notes to the Annual Financial Statements

Figures in Rand

18. Provisions

Reconciliation of provisions - June 2024

	Opening Balance	Current service cost	Utilised during the year	Actuarial loss	Change in discount factor	Total
Long Service Awards	7 232 056	634 802	(540 620)	85 379	773 383	8 185 000

Reconciliation of provisions - June 2023

	Opening Balance	Current service cost	Utilised during the year	Actuarial loss	Change in discount factor	Total
Long Service Awards	6 632 559	590 644	(943 792)	256 466	696 179	7 232 056

Non-current liabilities	7 679 000	6 691 436
Current liabilities	506 000	540 620
	8 185 000	**7 232 056**

The municipality rewards qualifying employees for serving a continuous period of 10,15,20,25,30, 35,40 and 45 years. At each reporting date the municipality estimates the long service awards using qualified actuaries.

19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality offers employees and continuation members an opportunity to belong to one of several medical aid schemes (Bonitas, Key Health, LA Health, SAMWU Med), most of which offer a range of options pertaining to levels of cover. The post employment medical aid benefit actuarial valuation was conducted by One Pangaea Expertise and Solutions. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death in retirement, the surviving dependants may continue membership of the medical scheme.

Movement in the defined benefit obligation plan		
Opening balance	24 084 654	27 673 502
Current service cost	1 158 876	1 499 769
Interest	3 055 524	3 536 302
Vesting benefits	(1 019 747)	(1 251 238)
Actuarial (gain)/loss	994 693	(7 373 681)
	28 274 000	**24 084 654**

Long service awards

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

19. Employee benefit obligations (continued)

Movement in the defined benefit obligation

Opening balance	7 232 056	6 632 559
Current service cost	634 802	590 644
Interest	773 383	696 179
Actuarial (gain)/ loss	85 379	256 466
Vesting benefits	(540 620)	(943 792)
	8 185 000	**7 232 056**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.23 %	12.96 %
Expected rate of return on reimbursement rights	5.20 %	5.06 %

The average retirement age is 62 years.

20. Housing operating account

Opening balance	6 921	6 921

21. Service charges

Electricity revenue	97 092 504	82 317 676
Refuse revenue	10 461 742	11 476 967
	107 554 246	**93 794 643**

22. Construction revenue

ESKOM	10 126 229	14 845 884
EDTEA	-	1 874 014
	10 126 229	**16 719 898**

The municipality entered an arrangement with ESKOM to construct electrical infrastructure for ESKOM in the ESKOM area of supply and with the Department of Economic Development, Tourism and Environmental Affairs to erect storage falilities for informal traders within the the municipality's jurisdiction. The municipality recognises revenue only to the extent of expenditure incurred on the construction of such infrastructure.

23. Agency services

Licenses	1 536 012	1 430 745

The municipality receives revenue from the Department of Transport as commission for issuing motor vehicle licenses on it's behalf.

24. Sale of timber

Revenue from sale of timber	22 286 703	36 790 826

25. Other income

Escort fees	247 176	593 607
Sundry receipts	656 650	1 140 755
	903 826	**1 734 362**

Sundry receipts include income from sale of tender documents, fees charged on spatial planning and land use management, photocopies and clearance certificates.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Interest earned

Interest revenue		
Bank	4 800 451	3 509 696

27. Property rates

Rates receivable

Residential	15 451 185	14 604 346
Commercial	20 591 109	21 809 408
State	7 119 884	7 202 120
Small holdings and farms	6 004 871	6 023 959
Vacant land	387 309	388 588
	49 554 358	**50 028 421**

Rates income from State Owned Properties fell as a result of additional rebates given to consumers as part of measures to cushion the consumers from economic hardships.

Valuations

Residential	1 269 242 934	1 264 903 934
Commercial	654 956 000	664 671 000
State	280 780 000	281 460 000
Municipal	150 475 500	150 475 500
Agriculture	3 174 718 700	3 146 393 700
Industrial	304 205 000	303 005 000
Vacant land	19 699 600	18 404 600
Other	596 563 300	597 435 300
	6 450 641 034	**6 426 749 034**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Government grants and subsidies

Operating grants		
Equitable share	176 235 820	162 289 000
Museum subsidy	249 000	235 000
Library subsidy	2 218 000	2 218 000
Expanded Public Works Programme	2 967 000	2 704 000
Finance Management Grant (FMG)	2 550 000	1 934 180
Skills Development Grant	261 244	271 981
	184 481 064	**169 652 161**
Capital grants		
Municipal Infrastructure Grant (MIG)	31 088 369	48 120 000
Sports and Recreation	163 200	-
	31 251 569	**48 120 000**
	215 732 633	**217 772 161**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	41 046 000	73 342 000
Unconditional grants received	175 620 000	162 289 000
	216 666 000	**235 631 000**

Equitable Share

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

Museum Subsidy

Current-year receipts	249 000	235 000
Conditions met - transferred to revenue	(249 000)	(235 000)
	-	-

Library Subsidy

Current-year receipts	2 218 000	2 218 000
Conditions met - transferred to revenue	(2 218 000)	(2 218 000)
	-	-

Financial Management Grant (FMG)

Balance unspent at beginning of year	615 820	-
Current-year receipts	2 550 000	2 550 000
Conditions met - transferred to revenue	(2 550 000)	(1 934 180)
Other	(615 820)	-
	-	**615 820**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Government grants and subsidies (continued)

Skills Development Grant

Current-year receipts	261 244	271 981
Conditions met - transferred to revenue	(261 244)	(271 981)
	-	-

Municipal Infrastructure Grant (MIG)

Current-year receipts	32 647 000	48 120 000
Conditions met - transferred to revenue	(31 088 369)	(48 120 000)
	1 558 631	-

Expanded Public Works Programme (EPWP)

Current-year receipts	2 967 000	2 704 000
Conditions met - transferred to revenue	(2 967 000)	(2 704 000)
	-	-

Massification

Balance unspent at beginning of year	-	1 166 472
Conditions met - transferred to revenue	-	(1 166 472)
	-	-

Storm damage

Balance unspent at beginning of year	43 170	43 170

Conditions still to be met - remain liabilities (see note 17).

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	784	784
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	784	**784**

Conditions still to be met - remain liabilities (see note 17

Department of Sports and Recreation Maintenance Grant

Balance unspent at beginning of year	415 000	-
Current-year receipts	415 000	415 000
Conditions met - transferred to revenue	(163 200)	-
	666 800	**415 000**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Employee related costs

Basic	103 676 173	106 396 790
Bonus	7 468 913	8 050 425
Medical Aid - company contributions	4 414 701	3 843 571
UIF	929 289	1 014 092
WCA	961 859	1 063 336
SDL	1 314 667	1 400 967
SALGA Levies	58 460	57 703
Leave pay	1 655 952	382 676
Defined contribution plans	1 907 542	2 014 351
Travel, motor car,accommodation, subsistence and other allowances	4 353 827	4 852 790
Overtime payments	1 928 729	3 607 849
Acting allowances	814 277	1 078 350
Housing benefits and allowances	962 396	1 098 259
Group Life Insurance	1 430 229	1 365 195
Pension	12 627 204	11 982 974
Standby allowance	739 076	3 581 367
Cellphone allowances	606 125	398 765
Protective clothing	355 581	711 602
Less: Employee costs included in other expenses	(99 214)	(80 354)
	146 105 786	**152 820 708**

Remuneration of Municipal Manager NP Ndaba (Ms)

Annual Remuneration	734 852	272 690
Car Allowance	180 000	45 000
Housing	180 000	45 000
	1 094 852	**362 690**

Remuneration of Chief Finance Officer - CB Mkhize (Mrs)

Annual Remuneration	20 340	734 905
Car Allowance	-	114 000
Performance Bonuses	-	105 619
Leave Pay	21 527	172 214
Housing	-	78 000
Cellphone Allowance	10 200	-
	52 067	**1 204 738**

Remuneration of Director: Corporate Services - M. Maphanga (Mr)

Annual Remuneration	612 408	623 738
Car Allowance	173 663	189 450
Performance Bonuses	-	105 622
Housing Allowances	104 231	113 706
Acting Allowances	-	31 163
Leave Pay	172 214	-
	1 062 516	**1 063 679**

Remuneration of Director: Technical services - N Qwabe (Mr)

Annual Remuneration	344 564	589 355
Car Allowance	123 065	210 968
Performance Bonuses	-	79 214
Housing Allowance	73 840	126 581
Leave Pay	172 214	-
	713 683	**1 006 118**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Employee related costs (continued)

Remuneration of Director: Community Services - B Mchunu (Mrs)

Annual Remuneration	610 546	623 748
Car Allowance	189 450	189 450
Performance Bonuses	-	79 214
Housing Allowances	113 706	113 706
Acting Allowances	28 562	-
	942 264	**1 006 118**

Remuneration of Director: Planning - TC Buthelezi (Mr)

Annual Remuneration	-	574 566
Car Allowance	-	173 663
Performance Bonuses	-	172 214
Housing Allowance	-	104 231
Leave Pay	18 645	-
	18 645	**1 024 674**

Remuneration of Municipal Manager - TN Ngiba (Mrs)

Annual Remuneration	-	361 288
Car Allowance	-	60 000
Performance Bonuses	-	20 000
Contributions to UIF, Medical and Pension Funds	-	142 459
Other	-	228 850
	-	**812 597**

Remuneration of Chief Finance Officer - ME Swanlow (Mr)

Annual Remuneration	248 330	-
Car Allowance	51 000	-
Acting Allowances	28 562	-
Cellphone Allowance	15 668	-
	343 560	**-**

30. Remuneration of Councillors

Transport allowances	816 855	1 042 804
Cellphone allowances	1 189 582	1 233 477
Basic	9 374 737	8 577 628
	11 381 174	**10 853 909**

In-kind benefits

The Mayor and the Deputy Mayor and Speaker are provided with an office, secretarial support, vehicles and security at the cost of the Council. The mayor also enjoys the benefit of a council house.

Detailed disclosure is shown under on note 48, Related parties.

Councillors allowances		
Mayor	999 953	950 044
Speaker	827 175	759 504
Deputy Mayor	726 521	766 145
Executive Committee Members	1 114 086	1 269 227
Ordinary Councillors	7 713 439	6 561 841
	11 381 174	**10 306 761**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

31. Depreciation and amortisation

Property, plant and equipment	32 240 807	33 022 514
Intangible assets	88 222	87 278
	32 329 029	**33 109 792**

32. Finance costs

Trade and other payables	317	12 075
Other interest accrued - finance leases, changes in discount rates (Actuarial)	3 828 907	4 236 808
	3 829 224	**4 248 883**

Interest on trade and other payables represent interest on over due accounts.

33. Debt impairment

Debt impairment	6 721 084	11 013 388

34. Bulk purchases

Electricity - Eskom	88 302 282	74 299 925

35. Contracted services

Outsourced Services		
Project management advisory services - Plantation management	26 435 852	28 606 668
Engineering services	84 000	1 495 162
Professional Staff	2 653 689	1 263 508
Security Services	4 072 368	3 689 338
Transport Services	5 101 372	4 496 182
Consultants and Professional Services		
Business and Advisory	9 333 940	6 993 513
Infrastructure and Planning	11 327 472	16 729 788
Valuers and assessors	403 386	281 064
Legal Cost	9 040 865	2 926 755
Contractors		
Catering Services	1 571 707	400 085
Maintenance of Buildings and Facilities	11 170 595	13 152 093
Other contractors	892 429	2 206 316
	82 087 675	**82 240 472**

36. Indigent support

Services and other	2 263 748	1 646 983

The municipality provided indigent support to 1335 (1116:2023) indigent customers as at 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. General expenses

Advertising	1 300 905	603 792
Animal care and pound	853 648	895 302
Assets expensed	-	153 712
Auditors remuneration	2 591 986	2 216 795
Audit committee expenses	271 911	402 422
Bank charges	542 162	527 164
Community development	4 057 356	2 493 018
Commission paid - CONTOUR	673 776	1 102 484
Electricity	3 834 220	3 127 605
Entertainment	219 892	346 296
Hire charges	13 861 273	20 915 664
Insurance	2 789 912	3 198 760
IT expenses	14 840	17 346
Inventory consumed	10 412 831	11 229 441
Motor vehicle licensing	308 530	405 714
Municipal services	3 233 264	3 132 887
Other expenses	34 990	237
Postage and courier	25 043	84 061
Printing and stationery and publication	465 075	947 318
Protective clothing	1 492 559	221 757
Software expenses	828 283	746 310
Study assistance	330 000	528 927
Subscriptions and membership fees	2 304 008	1 705 623
Telephone and fax	1 473 375	2 568 391
Training	497 097	247 820
Travel - local	1 423 662	662 322
Ward committees, Amakhosi stipends	1 714 801	1 717 730
	55 555 399	**60 198 898**

38. Fair value adjustments

Investment property - (Fair value model)	3 491 722	11 202 719
Biological assets - (Fair value model)	10 965 248	992 859
	14 456 970	**12 195 578**

Fair value changes emanate from investment property and biological assets which are valued by professional valuers on an annual basis.

39. Impairment of assets

Impairments		
Property, plant and equipment	14 982 517	6 269 439
The major contributer towards impairment losses was the physical state of the assets.		
The recoverable amount of the asset was based on its fair value less costs to sell.		

The main classes of assets affected by impairment losses are infrastructure and community assets under property, plant and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Cash generated from operations

(Deficit) surplus	(14 238 342)	7 016 194
Adjustments for:		
Depreciation and amortisation	32 329 029	33 109 792
(Profit)/Loss on sale of assets	-	(126 598)
Fair value adjustments	(14 456 970)	(12 195 578)
Impairment provision	14 982 517	6 269 439
Debt impairment	6 721 084	11 013 388
Movements in retirement benefit assets and liabilities	4 189 346	(3 588 848)
Movements in provisions	952 944	599 497
Bonus accrual	3 379 623	2 878 348
Post employment employee benefits interest/ actuarial gains	-	1 061 696
Changes in working capital:		
Inventories	(908 371)	(105 507)
Other receivables	(296 908)	(54 642)
Receivable from exchange transaction	(9 344 133)	(4 929 564)
Other receivables from non-exchange transactions	754 779	(1 179 098)
Payables from exchange transactions	5 855 430	(15 862 753)
VAT	7 342 764	6 894 134
Unspent conditional grants and receipts	1 194 611	(135 652)
Consumer deposits	32 241	55 877
Construction contract liabilities	2 228 771	-
	40 718 415	**30 720 125**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	22 724 260	33 900 083
Total capital commitments		
Already contracted for but not provided for	22 724 260	33 900 083

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure 1	4 160 229	5 233 164
Total operational commitments		
Already contracted for but not provided for	4 160 229	5 233 164

Total commitments

Total commitments		
Authorised capital expenditure	22 724 260	33 900 083
Authorised operational expenditure	4 160 229	5 233 164
	26 884 489	**39 133 247**

42. Fruitless and wasteful expenditure

Opening balance as previously reported	112 459	100 384
Opening balance as restated	**112 459**	**100 384**
Add: Expenditure identified - current	317	12 075
Closing balance	**112 776**	**112 459**

The municipality incurred fruitless and wasteful expenditure in the form of interest on overdue balances on Eskom and interest on a late invoice received from Msunduzi Municipality.

43. Irregular expenditure

Add: Irregular Expenditure - current	811 716	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Deviation from supply chain management regulations

Deviations from the SCM policy are approved by the Accounting Officer.

The accounting officer may dispense with the official procurement process in certain circumstances, provided that she records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

	-	3 782 306
	-	-
	-	**3 782 306**

2024	**Supplier**	**Amount**
Service Provider withdrew contract	PMB Petroleum	528 044
Service Provider withdrew contract	PMB Petroleum	260 974
Failed Brakes	QSI Investments	416 990
		1 206 008

2023	**Supplier**	**Total**
Sole supplier	Frama	96 000
Exceptional circumstances	Mas Corporation	2 866 156
Strip and quote	Mas Corporation	161 385
Sole supplier	Truvelo Africa Electronics	6 802
Strip and quote	Zaygo Auto repairs	421 931
Only one responsive	Aheer’s Building Suppliers	28 699
Strip and quote	Bell Equipment	201 333
	-	**3 782 306**

45. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	36 876 928	-
Opening balance as restated	**36 876 928**	**-**
Add: Expenditure identified - current	-	36 876 928
Closing balance	**36 876 928**	**36 876 928**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2024	2023
Non-cash	-	5 097 630
Cash	-	31 779 298
	-	**36 876 928**

Analysed as follows: non-cash

	2024	2023
Depreciation and amortisation	-	797 897
Finance charges	-	4 299 733
	-	**5 097 630**

Analysed as follows: cash

	2024	2023
Bulk purchases	-	3 175 649
Contracted services	-	23 706 201
General expenditure	-	4 897 448
	-	**31 779 298**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department

Transport	-	1 621 951
Safety and security	-	288 671
Electricity	-	350 215
Water	-	128 790
Environment and agriculture Management	-	24 032 443
Community and social development	-	4 329 555
Infrastructure	-	6 125 303
	-	**36 876 928**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Electricity distribution losses

Units purchased (kwh)	43 212 199	42 015 808
Units sold (kwh)	35 441 801	(34 078 475)
Total cost of distribution losses (kwh)	7 770 397	7 937 333
Total cost of Distribution losses in Rands	**14 822 093**	**14 057 053**

The municipality incurred distribution losses during the period. These losses are calculated as the difference between power supplies invoiced by Eskom and amounts billed to consumers as above. The losses were due to ageing infrastructure and illegal connections.

The total distribution loss is 17.98 % at 30 June 2024 and 18.89 % (June: 2023).

Notes to the Annual Financial Statements

47. Contingencies

Contingent liabilities

Estimated contingent liabilities are set out below

- The amount for contingent liabilities disclosed below exclude claimant legal costs which cannot be readily quantified.

Simply IT Accounting Solutions CC - The municipality is being sued for breach of contract. The matter has been proceeded with pretrial notices issued. At this stage it is difficult to assess with certainty whether the municipality will lose as the odds appear to be even.t

Ndaba Pheneas Madondo and other - action was instituted against the municipality for breach of contract. The matter was defended and is now pending at the High Court. At this stage the outcome is not clear and the estimates of the costs ,could not be made.

	2024	2023
Simply IT Accounting Solutions CC	2 055 323	2 055 323
Ndaba Pheneas Madondo and other	961 000	961 000
	3 016 323	**3 016 323**

Contingent assets

The municipality instituted legal action against Mondi Limited for breach of contract and is claiming damages amounting to R11,758,844. The matter is being prepared for mediation but it is probable that the suit will lead to successful redress and settlement in full.

The Municipality instituted legal action against Mngoe Transport (Private) Limited to recover an amount of R 2 488 050 for an item of Plant the Municipality ordered and paid for in full but was not delivered. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount and this recovery is virtually certain.

The employee was found guilty on 16 charges and was dismissed in March 2022. His leave and pro-rata bonus was withheld. Thereafter an application was made with the pension fund to attach his pension for the purpose of recovery of the amount owed to the municipality, however the pension fund advised that the municipality has two options to deal recover the amount. The first one is to obtaining a Civil Judgement against the employee and the second option is for the Admission of Liability by the employee. The process is currently underway, but we had requested attorneys to determine the cost of Civil Judgement as option two will be the last resort since the employee has never co-operated in this matter.

48. Related parties

During the year, no transactions were conducted with councillors' or entities in which they held interests.

Particulars regarding remuneration to municipal manager and executive management are set out in note 30.

Key management information

Mayor	Mayor	1
Executive Committee	Councillors	5
Councillors	Councillors	21
Municipal Managers	Senior Managers	1
Executive Management	Senior Managers	5

Notes to the Annual Financial Statements

Figures in Rand

48. Related parties (continued)

Remuneration of management

Management class: Councillors

2024

Name	Basic salary	Travel Allowance	Cellphone Allownace	Back Pay	Total
PG Mavundla [(Mayor-21/06/2023 - 21/05/2024) - (Exco Member - 22/05/2024)]	856 722	-	55 136	18 922	930 780
RN Ngubane [(Deputy Mayor-21/06/2023 - 21/05/2024) -(Speaker - 22/05/2024)]	715 505	-	44 936	43 170	803 611
MM Masondo (Speaker-21/06/2023 - 21/05/2024)	690 233	-	44 936	43 106	778 275
Ald R Maharaj (Exco Member)	285 298	95 099	44 936	27 071	452 404
TC Ngubane (Exco Member)-Resigned September 2023	69 562	23 187	10 200	25 379	128 328
GZ Malembe (Exco Member)-(Mayor 11/2021-21/06/2023)	318 753	110 439	44 936	59 225	533 353
ZN Ndlovu (Council Whip-21/06/2023)	285 298	95 099	44 936	27 265	452 598
MA Makhaye	287 712	-	44 936	22 489	355 137
MJ Ngcobo (Deceased 02/2023)	-	-	-	9 839	9 839
TS Zuma	215 784	71 928	44 936	22 489	355 137
Ald SV Zondi	215 784	71 928	44 936	22 489	355 137
LN Zondi	287 712	-	44 936	21 084	353 732
ZP Dlomo (Resigned)	-	-	-	8 434	8 434
SK Ndlovu	287 712	-	44 936	22 489	355 137
LE Zondi	369 230	-	44 936	27 623	441 789
PS Myaka	253 635	64 738	44 936	22 489	385 798
TA Edwards (Deceased	166 351	-	25 351	22 489	214 191
VB Gwala	287 712	-	44 936	22 489	355 137
SS Ndlovu	287 712	-	44 936	22 489	355 137
MR Dlamini	215 784	71 928	44 936	25 924	358 572
PMS Ngubane	215 784	71 928	44 936	22 489	355 137
J Jacquire (Resigned)	-	-	-	11 245	11 245
VB Njoko-Sibisi	93 534	-	13 600	21 084	128 218
MN Majozi (Expelled)	176 725	-	27 025	22 489	226 239
XP Dladla	287 712	-	44 936	22 489	355 137
NG Masikane	287 712	-	44 936	22 489	355 137
RS Maharaj	215 784	71 928	44 936	22 489	355 137
ZW Zakwe (Resigned)	-	-	-	1 406	1 406
NP Dlamini	205 959	68 653	42 852	38 781	356 245
SJ Makhaye	287 712	-	44 936	9 839	342 487
ZM Zondi	299 243	-	44 936	5 622	349 801
PT Zuma	194 177	-	31 336	-	225 513
M Phungula	186 663	-	30 123	-	216 786
MJ Bhengu	109 857	-	10 303	-	120 160

Notes to the Annual Financial Statements

Figures in Rand

48. Related parties (continued)

	8 657 361	**816 855**	**1 189 582**	**717 376**	**11 381 174**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Related parties (continued)

2023

Name	Basic salary	Travel Allowance	Cellphone Allowance	Back Pay	Total
PG Mavundla (Mayor - 21/06/2023)	89 027	-	2 745	20 985	112 757
RN Ngubane (Deputy Mayor-21/06/2023)	370 098	-	41 100	20 903	432 101
MM Masondo (Speaker-21/06/2023)	679 371	-	41 100	32 627	753 098
Ald R Maharaj (Exco Member)	277 574	92 525	41 100	20 902	432 101
TC Ngubane (Exco Member)	277 574	92 525	41 100	20 902	432 101
GZ Malembe (Exco Member) - (Mayor 11/2021-21/06/2023)	663 400	221 133	41 100	41 810	967 443
ZN Ndlovu (Council Whip-21/06/2023)	209 941	69 981	41 100	17 248	338 270
MA Makhaye	279 922	-	41 100	17 248	338 270
MJ Ngcobo (Deceased 02/2023)	163 004	-	24 100	10 220	197 324
TS Zuma	233 155	46 767	41 100	17 248	338 270
Ald SV Zondi	209 941	69 981	41 100	17 248	338 270
LN Zondi	233 836	-	37 072	36 456	307 364
ZP Dlomo (Resigned)	139 620	-	20 700	8 815	169 135
SK Ndlovu	279 922	-	41 100	17 248	338 270
LE Zondi	387 489	-	41 100	22 416	451 005
PS Myaka	279 922	-	41 100	17 248	338 270
TA Edwards	279 922	-	41 100	17 186	338 208
VB Gwala	279 922	-	41 100	17 248	338 270
SS Ndlovu	279 922	-	41 100	17 249	338 271
MR Dlamini	277 574	92 525	41 100	20 902	432 101
PMS Ngubane	209 941	69 981	41 100	17 248	338 270
J Jacquire (Resigned)	186 388	-	27 500	11 626	225 514
VB Njoko-Sibisi	257 219	-	37 400	15 461	310 080
MN Majozi	279 922	-	41 100	17 248	338 270
XP Dladla	279 922	-	41 100	17 248	338 270
NG Masikane	279 922	-	41 100	17 248	338 270
RS Maharaj	209 941	69 981	41 100	17 248	338 270
ZW Zakwe (Resigned)	22 703	-	3 700	1 787	28 190
NP Dlamini (Speaker 11/2021-21/06/2023)	530 720	176 907	41 100	34 581	783 308
SJ Makhaye	67 897	-	10 200	6 471	84 568
	8 215 711	**1 002 306**	**1 067 617**	**568 275**	**10 853 909**

Management class: Executive management

*Refer to note 29 "Employee related costs"

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Prior period errors

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

The municipality did not extend the useful lives of some assets still in use resulting in their carrying amounts falling closer to nil. The reassessment and extension of these assets' useful lives resulted in an increase in the carrying amount of property, plant and equipment and accumulated surplus by R1 534 567. The impact of the correction of this error on the statement of financial performance was a decrease in the depreciation charge and an increase in surplus for the year of R1 534 567.

The municipality did not accrue expenditure on pro-rata bonus after changing to payment of the bonus in the month of birth instead of every November. This resulted in the understatement of employee ralated cost and current liabilities by R2 878 347.74.

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		466 424 932	1 609 877	468 034 809
Trade and other payables		54 125 051	2 878 348	57 003 399
Accumulated surplus		666 428 174	(1 268 471)	665 159 703

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Depreciation		34 719 669	(1 609 877)	33 109 792
Employee related costs		149 942 360	2 878 348	152 820 708

50. Risk management

Maximum risk exposure

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

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumers on an ongoing basis.If consumers 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 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 municipality.

These balances represent the maximum exposure to credit risk:

	2024	2023
Cash and cash equivalents	36 663 652	32 888 692
Receivables from exchange transactions	19 122 024	16 498 973
	55 785 676	**49 387 665**

Liquidity risk

The municipality's risks 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.

The table below analyses the municipality's financial liabilities into amounts due within 12 months after year end:

	2024	2023
Advances - Agency/Principal relationship transactions	-	17 982
Payables from exchange transactions	62 858 829	52 338 196
Unspent conditional grants	2 269 385	3 971 999
	65 128 214	**56 328 177**

Interest rate risk

Notes to the Annual Financial Statements

50. Risk management (continued)

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.

At 30 June 2023, financial instruments exposed to interest rate risk were call deposits and deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the municipality's surplus for the year is affected through the impact on variable rate investments as follows:

1% increase 2024		
Cash and cash equivalents	366 637	328 962
Receivables from exchange transactions	191 220	164 989
	557 857	**493 951**

51. Going concern

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 liabilities and commitments will occur in the ordinary course of business. However, economic factors, electricity losses ,high employee related costs and substantial increases in operational costs contributed to the diminished liquidity position. Accruals relating to items such as leave pay accrual have added to current liabilities which weighed down on the municipality's liquidity. The Eskom tariff setting structure which is not cost reflective also contributed to the liquidity problems. The floods experianced in some parts of Greytown further put a strain on the municipality's financial affairs including the ability to generate own revenue within the area of its jurisdiction.

Numerous initiatives seeking to improve the financial health of the municipality and cash coverage are being undertaken such as, revenue enhancement programme, application for funding at DBSA, conversion of meters to prepaid smart meters and engaging with KZN Provincial Treasury to fast-track the process to secure a suitable partner to take over the ownership and risks associated with the forestry. In addition, cost containment initiatives have been implemented there is a continuous review of policies as part of cost containment initiatives.

The ability of the municipality to continue as a going concern is dependent on the success of the abovementioned initiatives and that the accounting officer continues to procure funding for the ongoing operations of the municipality.

52. Events after the reporting date

No reportable events occured after the reporting date.

53. Segment information

General information

Identification of segments

The municipality reports to council on the basis of functions as defined in mSCOA regulations.The segments were organised around the type of service delivered and the target beneficiary.

Aggregated segments

The municipality operates throughout Umvoti area in fourteen wards. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Umvoti were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Provides municipal services and protection services
Economic and environmental services	Provides planning and environmental management services
Trading Services	Electricity and support services
Other	Support to other segments and other adhoc services to the members of the public

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

2023

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
Revenue					
Revenue from non-exchange transactions	5 551 446	-	-	162 970 066	168 521 512
Revenue from exchange transactions	3 315 612	-	97 818 426	-	101 134 038
Total segment revenue	**8 867 058**	**-**	**97 818 426**	**162 970 066**	**269 655 550**
Municipal revenue					**269 655 550**
Expenditure					
Salaries and wages	91 543 545	-	14 612 193	12 012 916	118 168 654
Other expenses	61 335 731	4 152	90 876 276	28 161 973	180 378 132
Total segment expenditure	**152 879 276**	**4 152**	**105 488 469**	**40 174 889**	**298 546 786**
Total segmental surplus					**(28 891 236)**
Assets					
Segment assets	298 884 150	119 036 293	104 350 797	355 590	522 626 830
Total assets					**522 626 830**
Liabilities					
Segment liabilities	-	127	17 237 000	-	17 237 127
Total liabilities					**17 237 127**

54. Budget differences

54.1 - Services Charges - current - Variance of because volumes sold went down compared the past year.

54.2 -Interest on current account shows a variance of 100% because it was budgeted for together with interest on investments since they both were all expected from Banks.

54.3 - Agency fees - Variance is because the two were budgeted for together under licenses and permits and reported separately in the financial statements.

54.4 - Licenses and permits - Variance is because the two were budgeted for together under licenses and permits and reported separately in the financial statement.

54.5 - Other income - Variance mainly attributable to the two budgeted for together under Other Income and reported separately in the financial statements.

54.6 - Sale of Timber - Variance on timber sales and on other income is because the two were budgeted for together under Other Income and reported separately in the financial statements.

54.7 - Fines and penalties - This revenue stream was budgeted for on a cash basis to avoid over anticipation, while financial reporting includes accrued revenue.

54.8 - Impairment loss - a variance of 100% and Debt Impairment negative variance because the two were budgeted for together as impairment but are reported separately in the financial statements.

54.9 - Finance cost - A huge variance is because the valuation of employee benefits is still in progress as a result the interest part has not been factored in as yet.

54.10 - Debt impairment - the negative variance and Asset impairment 100% because the two were budgeted for together under as impairment but are reported separately in the financial statements.

54.11 - Contracted services - the under expenditure is attributable to lower expenditure on Forestry due to the fire outbreak at a major sawmill where the timber was supposed to be harvested and delivered.

54.12 - Indigent relief – The budget for indigent relief is included in revenue as revenue foregone.

54.13 - General expenditure - The under expenditure is attributable to lower hire charges than anticipated. This maybe as a result of the absence of the Director that some maintenance projects where not carried out at the budgeted magnitude.

54.14 - Gain on disposal, Fair value adjustments, Gain on disposal was budgeted for under other income but is reported as a standalone item. Fair value adjustments and actuarial gains and losses were difficult to estimate reliably and were thus not budgeted for to avoid over anticipation.

54.15 -Receivables - The anticipated closing balances were lower than budget as a result of the debt impairment and write off as well as collection efforts which bore fruit.

54.16 - Cash and cash equivalents - This was a result of slower volumes of business coupled with high operating costs putting a strain on cash balances.

54.17 - Biological assets and investment properties - Fair value adjustments and actuarial gains and losses are difficult to estimate reliably at the time of budgeting as valuations are done at year end when certain factors would have changed.

54.18 - Current liabilities (current excluding employee benefit obligations and current provisions which were budgeted for together as well and reported separately) - budgeted for in one line item but reported separately in financial statements. Cost containment measures contributed to lower accruals at year end.

54.19 - Non- current liabilities – Budgeted together with current liabilities although reported separately.

54.20 - Cashflow statement - error in budgeting. The municipality is in the process of acquiring tools that will assist prevent such errors during budgeting.

Changes between the Original and the final budget were primarily driven by reallocations of funds between votes so that the municipality could respond to changing needs and resources for the year.

* The final budget included in these financial statements covers the financial period from 1 July 2023 to 30 June 2024.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

55. Additional disclosure in terms of S125 of the Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 666 400	1 496 398
Amount paid - current year	(1 666 400)	(1 496 398)
Balance outstanding	-	-

Audit fees

Current year subscription / fee	2 576 262	2 216 795
Amount paid - current year	(2 576 262)	(2 216 795)
Balance unpaid-included in accounts	-	-

PAYE and UIF and SDL

Current year subscription / fee	19 275 041	19 549 052
Amount paid - current year	(19 275 041)	(19 549 052)
Balance unpaid	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27 501 027	25 228 844
Amount paid - current year	(27 501 027)	(25 228 844)
Balance outstanding	-	-

Notes to the Annual Financial Statements

55. Additional disclosure in terms of S125 of the Municipal Finance Management Act (continued)

Councillors and Staff arrear consumer accounts

The following staff and councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dlamini MR	16 300	-	16 300
Mavundla PG	20 610	132 446	153 056
Staff			
Dlamini BL	895	5 712	6 607
Dlamini NP	732	25 788	26 520
Dlamini SE & BR	891	4 770	5 661
Gwala B	6 840	5 629	12 469
Jali XW	732	4 391	5 123
Jugdew S	2 248	3 083	5 331
Magubane B	732	8 569	9 301
Mbatha NR	2 244	24 497	26 741
Mnyandu NM	1 270	6 259	7 529
Moodley J	732	1 315	2 047
Msomi A	732	6 168	6 900
Mzila KZ	1 221	6 282	7 503
Ndlovu PPB	2 237	12 565	14 802
Ngubane PF	973	6 420	7 393
Njoko VB	2 163	80 708	82 871
Njoko VB & NN	4 111	250 557	254 668
Zondi A	785	8 001	8 786
Zondi NBA	732	431	1 163
	67 180	**593 591**	**660 771**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mavundla PG	31 420	43 636	75 056
Njoko VB	309 295	12 861	322 156
Staff			
Dlamini N	18 784	23 821	42 605
Dlamini SSG	1 457	-	1 457
Gwala BP	968	1 581	2 549
Khanyile MR	930	369	1 299
Mbatha N	2 209	34 903	37 112
Ngubane PM	698	3 954	4 652
Zondi L	750	12 544	13 294
	366 511	**133 669**	**500 180**