



NEWCASTLE MUNICIPALITY
(Registration number KZN252)

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Municipality in terms of sections 1 of the local Government : Municipality Structure Act (Act 117 of 1998) read with sections 155(1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.

Mayor

Executive Committee

Cllr DX Dube
Cllr SM Thwala
Cllr ME Hlatshwayo
Cllr CB Kubheka
Cllr AP Meiring
Cllr RM Molelekoa
Cllr LC Sithebe
Cllr SA Yende
Cllr VG Zondo
Cllr TM Zulu
Cllr NP Mthabela
Cllr F Cassim
Cllr ME Buthelezi
Cllr SB Buthelezi
Cllr EJC Cronje (MPAC Chair)
Cllr MJ Dladla
Cllr TN Dlamini
Cllr NC Dube
Cllr FL Duma
Cllr VF Hadebe
Cllr P Hariram
Cllr MME Hlatshwayo
Cllr HN Khumalo
Cllr LM Khumalo
Cllr NZB Kunene
Cllr MT Lethea
Cllr CY Liu
Cllr BG Madi
Cllr ZE Madi
Cllr MTD Makhoba
Cllr XS Makhubo
Cllr FA Malinga
Cllr NP Maseko
Cllr NSF Masondo
Cllr SP Masuku
Cllr LI Mathe
Cllr BD Mathunjwa
Cllr LP Mazibuko
Cllr MV Mbatha
Cllr AE Mkhwanazi
Cllr MP Mkhwanazi
Cllr SW Mngomezulu
Cllr PF Mnisi
Cllr TE Mthembu

Councillors

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

	Cllr MV Molefe Cllr LP Ndebele Cllr JA Vorster Cllr MO Ndlovu Cllr CS Ngcobo Cllr RN Ngcobo Cllr AT Nkosi Cllr SE Nkosi Cllr WP Nkosi Cllr S Ntsele Cllr MJ Ntshangase Cllr RBS Russell Cllr NP Shabalala Cllr SE Shabangu Cllr VN Sibeko Cllr S Singh Cllr FN Sithole Cllr BR Thusi Cllr SB Mashazi Cllr LP Ximba Cllr NS Zulu Cllr MN Zulu Cllr ZE Zwane
Grading of local authority	4
Chief Finance Officer (CFO)	MS Ndlovu
Accounting Officer	ZW Mcineka
Registered office	37 Murchison Street Newcastle 2940
Business address	37 Murchison Street Newcastle 2940
Postal address	Private Bag X 6621 Newcastle 2940
Bankers	Nedbank
Auditors	Auditor General South Africa
Attorneys	DBM Attorneys , T.M Mphela Attorneys , MM Ntanzi Attorneys
Level of assurance	These annual financial statements have not been audited
Audit Committee Members	Zanele Nkosi (Interim Chairperson) Tshimomola Rabelani Mamokeaseng Nkopane Sijabulile Makhathini

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Information	9 - 14
Accounting Policies	15 - 44
Notes to the Annual Financial Statements	45 - 89

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SED	Strategic Executive Director

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

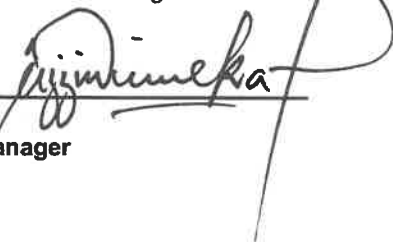
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 21 November 2023.



ZW Mcineka
Municipal Manager

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	8	24 695 812	24 543 871
Receivables from exchange transactions	9	53 345 839	84 462 856
Receivables from non-exchange transactions	10	17 151 960	16 630 103
Consumer debtors from exchange transactions	11	636 650 413	666 712 885
Consumer debtors from non-exchange transactions	11	104 697 583	120 735 153
Cash and cash equivalents	12	12 227 078	76 167 306
		848 768 685	989 252 174
Non-Current Assets			
Investment property	3	373 697 782	370 745 782
Property, plant and equipment	4	5 999 099 811	6 173 997 158
Intangible assets	5	253 977	382 212
Heritage assets	6	11 981 732	11 822 732
Investments in associates	7	101 739 024	135 003 210
		6 486 772 326	6 691 951 094
Total Assets		7 335 541 011	7 681 203 268
Liabilities			
Current Liabilities			
Financial liabilities	17	64 998 182	46 652 953
Finance lease obligation	15	979 574	606 923
Payables from exchange transactions	20	857 234 501	776 732 863
VAT payable	21	7 051 906	3 043 850
Consumer deposits	22	35 598 586	33 418 184
Unspent conditional grants and receipts	16	134 073 786	206 298 387
Defined Benefit Plan	18	14 261 000	11 105 000
		1 114 197 535	1 077 858 160
Non-Current Liabilities			
Financial liabilities	17	262 221 473	314 367 835
Finance lease obligation	15	1 012 567	1 122 219
Defined Benefit Plan	18	185 035 002	164 128 001
Provision for rehabilitation of landfill site	19	72 549 158	65 212 118
		520 818 200	544 830 173
Total Liabilities		1 635 015 735	1 622 688 333
Net Assets		5 700 525 276	6 058 514 935
Reserves			
Housing Development fund	13	32 160 728	30 563 967
Self-insurance reserve	14	130 936	322 945
Accumulated surplus		5 668 233 612	6 027 628 024
Total Net Assets		5 700 525 276	6 058 514 936

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 150 839 575	1 128 488 051
Rental of facilities and equipment	25	7 987 931	8 372 974
Other Revenue	27	10 250 241	12 064 156
Interest income	28	11 936 031	8 308 003
Total revenue from exchange transactions		1 181 013 778	1 157 233 184
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	376 278 764	353 326 627
Licences and Permits		61 698	45 824
Transfer revenue			
Government grants & subsidies	30	717 006 949	611 797 759
Fines, Penalties and Forfeits	26	5 729 051	5 352 730
Total revenue from non-exchange transactions		1 099 076 462	970 522 940
Total revenue	23	2 280 090 240	2 127 756 124
Expenditure			
Employee related costs	31	677 337 499	665 630 377
Remuneration of councillors	32	26 982 755	23 742 260
Depreciation and amortisation	33	347 533 812	348 817 502
Finance costs	35	76 056 524	64 412 397
Debt Impairment	36	252 509 797	123 924 694
Bad debts written off	37	102 301 484	24 492 046
Bulk purchases	38	527 905 437	518 830 790
Contracted services	39	260 392 053	240 901 288
Water Consumed	40	159 706 990	130 919 353
General Expenses	41	169 053 316	143 927 248
Total expenditure		2 599 779 667	2 285 597 955
Operating deficit		(319 689 427)	(157 841 831)
Share of deficit in investment in associates		(33 264 185)	(31 756 845)
Actuarial gains/losses		(8 181 296)	3 450 182
Fair value adjustments to investment property		7 827 000	49 372 929
Impairment loss	34	(7 426 404)	(109 689 804)
Inventories losses/write-downs		(787 528)	(645 854)
Profit/(Loss) on Sale of Assets		1 101 065	3 113 641
Public contributions and donations		2 431 116	-
		(38 300 232)	(86 155 751)
Surplus (Deficit)		(357 989 659)	(243 997 582)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2021	29 806 660	435 241	30 241 901	6 280 894 981	6 311 136 882
Changes in net assets					
Deficit for the year	-	-	-	(243 997 582)	(243 997 582)
Transfer to housing Development fund	757 307	-	757 307	(757 307)	-
Transfer from insurance reserve	-	(112 296)	(112 296)	112 296	-
Construction contract revenue	-	-	-	30 123 762	30 123 762
Construction contract expenditure	-	-	-	(30 123 762)	(30 123 762)
Investment properties	-	-	-	(1 478 273)	(1 478 273)
Prior period Investment in Associate	-	-	-	(7 167 828)	(7 167 828)
Property plant equipment	-	-	-	(456 638)	(456 638)
Prior year error Salary	-	-	-	(622 568)	(622 568)
Prior year error Creditor Payment	-	-	-	1 100 943	1 100 943
Total changes	757 307	(112 296)	645 011	(253 266 957)	(252 621 946)
Restated* Balance at 01 July 2022	30 563 967	322 945	30 886 912	6 027 628 023	6 058 514 935
Profit for the year	-	-	-	(357 989 659)	(357 989 659)
Transfers to Housing Development fund	1 596 761	-	1 596 761	(1 596 761)	-
Transfers from Insurance Reserves	-	(192 009)	(192 009)	192 009	-
Total changes	1 596 761	(192 009)	1 404 752	(359 394 411)	(357 989 659)
Balance at 30 June 2023	32 160 728	130 936	32 291 664	5 668 233 612	5 700 525 276

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 270 957 560	1 230 668 658
Grants		644 782 348	779 965 988
Interest income		11 936 031	8 308 003
		<u>1 927 675 939</u>	<u>2 018 942 649</u>
Payments			
Employee costs and Councillors remuneration		(730 077 740)	(589 991 308)
Suppliers		(1 011 603 380)	(1 148 599 292)
Finance costs		(48 573 888)	(43 350 276)
		<u>(1 790 255 008)</u>	<u>(1 781 940 876)</u>
Net cash flows from operating activities	43	<u>137 420 931</u>	<u>237 001 773</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(173 556 409)	(149 647 151)
Proceeds from sale of property, plant and equipment	4	26 141	251 864
Proceeds from sale of Investment property	3	6 020 275	9 679 964
Purchase of other intangible assets	5	(154 030)	(42 244)
Purchases of Heritage Assets	6	(159 000)	(64 800)
		<u>(167 823 023)</u>	<u>(139 822 367)</u>
Net cash flows from investing activities		<u>(167 823 023)</u>	<u>(139 822 367)</u>
Cash flows from financing activities			
Net movements in long term loans		(33 801 133)	(31 977 999)
Movement on finance lease		262 999	1 465 602
		<u>(33 538 134)</u>	<u>(30 512 397)</u>
Net cash flows from financing activities		<u>(33 538 134)</u>	<u>(30 512 397)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(63 940 226)</u>	<u>66 667 009</u>
Cash and cash equivalents at the beginning of the year		76 167 306	9 500 299
Cash and cash equivalents at the end of the year	12	<u>12 227 080</u>	<u>76 167 308</u>

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 176 842 500	34 919 627	1 211 762 127	1 150 839 575	(60 922 552)	
Rental of facilities and equipment	9 451 748	(1 145 661)	8 306 087	7 987 931	(318 156)	
Other own revenue	19 487 488	(9 477 886)	10 009 602	10 250 238	240 636	
Interest Received	7 132 743	4 074 617	11 207 360	11 936 031	728 671	
Total revenue from exchange transactions	1 212 914 479	28 370 697	1 241 285 176	1 181 013 775	(60 271 401)	

Revenue from non-exchange transactions

Property rates	363 412 847	12 690 609	376 103 456	376 278 764	175 308	
Licences and Permits	47 919	(15 633)	32 286	61 698	29 412	

Transfer revenue

Government grants & subsidies- Operational	1 112 706 986	(486 283 200)	626 423 786	538 936 596	(87 487 190)	
Fines, Penalties and Forfeits	4 180 383	377 058	4 557 441	5 729 051	1 171 610	

Total revenue from non-exchange transactions	1 480 348 135	(473 231 166)	1 007 116 969	921 006 109	(86 110 860)	
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Total revenue	2 693 262 614	(444 860 469)	2 248 402 145	2 102 019 884	(146 382 261)	
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Expenditure

Employee costs	(601 652 651)	(34 761 616)	(636 414 267)	(677 337 499)	(40 923 232)	
Remuneration of councillors	(29 060 117)	1 897 506	(27 162 611)	(26 982 755)	179 856	
Depreciation and amortisation	(363 159 586)	-	(363 159 586)	(347 533 812)	15 625 774	
Finance costs	(35 845 953)	-	(35 845 953)	(76 056 524)	(40 210 571)	
Debt Impairment	(286 041 087)	(13 916 053)	(299 957 140)	(252 509 797)	47 447 343	
Bad debts written off	-	-	-	(102 301 484)	(102 301 484)	
Bulk purchases	(605 107 462)	41 605 341	(563 502 121)	(527 905 437)	35 596 684	
Contracted Services	(818 628 833)	569 647 551	(248 981 282)	(260 392 053)	(11 410 771)	
Water Consumed	(163 810 057)	-	(163 810 057)	(159 706 990)	4 103 067	
Other expenditures	(107 570 259)	(656 684)	(108 226 943)	(169 053 316)	(60 826 373)	

Total expenditure	(3 010 876 005)	563 816 045	(2 447 059 960)	(2 599 779 667)	(152 719 707)	
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Operating deficit	(317 613 391)	118 955 576	(198 657 815)	(497 759 783)	(299 101 968)	
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Government grants & subsidies - Capital	191 032 032	(1 426 805)	189 605 227	178 070 353	(11 534 874)	
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Public Contributions & donations	-	-	-	2 431 116	2 431 116	
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Actuarial gains/losses	-	-	-	(8 181 296)	(8 181 296)	
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Fair value adjustment to IP	-	-	-	7 827 000	7 827 000	
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Share of surpluses or (deficits) from Investments in associates	-	-	-	(33 264 185)	(33 264 185)	
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Inventories losses/write-downs	-	-	-	(787 528)	(787 528)	
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Profit/(Loss) on sale of assets	-	-	-	1 101 065	1 101 065	
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Impairment loss or reversal	-	-	-	(7 426 404)	(7 426 404)	
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191 032 032	(1 426 805)	189 605 227	139 770 121	(49 835 106)		
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Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
Figures in Rand						
Deficit before taxation	(126 581 359)	117 528 771	(9 052 588)	(357 989 662)	(348 937 074)	
Actual Amount on Comparable Basis	(126 581 359)	117 528 771	(9 052 588)	(357 989 662)	(348 937 074)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	14 994 565	-	14 994 565	24 695 812	9 701 247	
Receivables from exchange transactions	81 351 346	-	81 351 346	53 345 839	(28 005 507)	
Receivables from non-exchange transactions	-	-	-	17 151 960	17 151 960	
Consumer debtors	594 134 391	(86 139 000)	507 995 391	636 650 413	128 655 022	
Consumer debtors from non-exchange transactions	-	-	-	104 697 583	104 697 583	
Cash and cash equivalents	(14 037 349)	19 918 626	5 881 277	12 227 078	6 345 801	
	676 442 953	(66 220 374)	610 222 579	848 768 685	238 546 106	
Non-Current Assets						
Investment property	341 873 618	-	341 873 618	373 697 782	31 824 164	
Property, plant and equipment	6 666 531 114	-	6 666 531 114	5 999 099 811	(667 431 303)	
Intangible assets	1 223 846	-	1 223 846	253 977	(969 869)	
Heritage assets	11 710 932	-	11 710 932	11 981 732	270 800	
Investments in associates	217 333 222	-	217 333 222	101 739 024	(115 594 198)	
	7 238 672 732	-	7 238 672 732	6 486 772 326	(751 900 406)	
Total Assets	7 915 115 685	(66 220 374)	7 848 895 311	7 335 541 011	(513 354 300)	
Liabilities						
Current Liabilities						
Financial liabilities	(32 105 578)	64 211 156	32 105 578	64 998 182	32 892 604	
Finance lease obligation	-	-	-	979 574	979 574	
Payables from exchange transactions	688 020 917	116 275 997	804 296 914	857 234 501	52 937 587	
VAT payable	-	-	-	7 051 906	7 051 906	
Consumer deposits	27 094 773	-	27 094 773	35 598 586	8 503 813	
Unspent conditional grants and receipts	-	-	-	134 073 786	134 073 786	
Defined Benefit Plan	-	-	-	14 261 000	14 261 000	
Provisions	9 752 000	-	9 752 000	-	(9 752 000)	
	692 762 112	180 487 153	873 249 265	1 114 197 535	240 948 270	
Non-Current Liabilities						
Financial liabilities	260 653 584	-	260 653 584	262 221 473	1 567 889	
Finance lease obligation	-	-	-	1 012 567	1 012 567	
Defined Benefit Plan	-	-	-	185 035 002	185 035 002	
Provision for rehabilitation of landfill site	90 445 062	-	90 445 062	72 549 158	(17 895 904)	
	351 098 646	-	351 098 646	520 818 200	169 719 554	
Total Liabilities	1 043 860 758	180 487 153	1 224 347 911	1 635 015 735	410 667 824	
Net Assets	6 871 254 927	(246 707 527)	6 624 547 400	5 700 525 276	(924 022 124)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
Figures in Rand						
Net Assets						
Reserves						
Housing Development Fund	29 806 660	644 831	30 451 491	32 160 728	1 709 237	
Insurance reserve	435 421	-	435 421	130 936	(304 485)	
Accumulated surplus	6 841 012 846	(247 352 358)	6 593 660 488	5 668 233 612	(925 426 876)	
Total Net Assets	6 871 254 927	(246 707 527)	6 624 547 400	5 700 525 276	(924 022 124)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods	1 261 559 894	36 319 144	1 297 879 038	1 270 957 560	(26 921 478)	
Grants	1 303 738 928	(606 992 418)	696 746 510	644 782 348	(51 964 162)	
Interest received	3 131 415	2 198 935	5 330 350	11 936 031	6 605 681	
Other receipts	315 172 080	(20 845 452)	294 326 628	-	(294 326 628)	
	2 883 602 317	(589 319 791)	2 294 282 526	1 927 675 939	(366 606 587)	

Payments

Employee costs and payments to suppliers	(2 683 251 104)	601 247 043	(2 082 004 061)	(1 741 681 120)	340 322 941	
Finance costs	(35 845 953)	-	(35 845 953)	(48 573 888)	(12 727 935)	
	(2 719 097 057)	601 247 043	(2 117 850 014)	(1 790 255 008)	327 595 006	

Net cash flows from operating activities	164 505 260	11 927 252	176 432 512	137 420 931	(39 011 581)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(209 033 032)	(5 266 134)	(214 299 166)	(173 567 690)	40 731 476	
Proceeds from sale of property, plant and equipment	-	14 840 500	14 840 500	26 141	(14 814 359)	
Proceeds from sale of investment property	-	-	-	6 020 275	6 020 275	
Purchase of other intangible assets	-	-	-	(154 030)	(154 030)	
Purchases of heritage assets	-	-	-	(159 000)	(159 000)	
Net cash flows from investing activities	(209 033 032)	9 574 366	(199 458 666)	(167 834 304)	31 624 362	

Cash flows from financing activities

Movement in long term loans	(32 105 578)	(15 154 298)	(47 259 876)	(33 801 133)	13 458 743	
Movement in finance leases	-	-	-	262 999	262 999	
Net cash flows from financing activities	(32 105 578)	(15 154 298)	(47 259 876)	(33 538 134)	13 721 742	

Net increase/(decrease) in cash and cash equivalents	(76 633 350)	6 347 320	(70 286 030)	(63 940 226)	6 334 523	
Cash and cash equivalents at the beginning of the year	62 596 000	13 571 306	76 167 306	76 167 306	-	
Cash at the end of the year	(14 037 350)	19 918 626	5 881 276	12 227 080	6 334 523	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
Figures in Rand						

The budget of the municipality was prepared on accrual basis of accounting and in accordance with the Municipal Budget and Reporting Regulations (MBRR) as well as the National Treasury's MFMA circulars. In accordance with the MBRR, the classification basis through which the municipality presents its budget is the economic (item) as well as the functional classification (standards and vote classifications). Differences between the budget and the actual financial results exist mainly due to technical GRAP related entries made as well the movements made after the adjustments budget was approved. These differences are considered to be as material since the basis of preparation of the budget and the actual results are the same (accrual basis). Where variances are considered to be material, the reasons for variances are provided in Annexure E attached hereto.

Variances between the approved budget and the final budget presented in the Statement of Comparison of Budget and Actual Information are due to the adjustments budget(s) which have been approved by council. These adjustments include those that are as a result of reallocations within the approved budget between municipal votes as well as grant roll overs approved during the year. Adjustments also include those that have been done in accordance with the approved virements Policy of Council during the financial year.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Annual Financial Statements

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

The annual financial statements are rounded off to the nearest R1.

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

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 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Interests in other entities

Investments in associates and/or joint ventures

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

1.5 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
- sale in the ordinary course of operations.

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Investment property (continued)

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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	5 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Computer software	Straight-line	5 years
Infrastructure	Straight-line	5-80 years
Community	Straight-line	5-80 years
Other property, plant and equipment	Straight-line	5-10 years
Landfill site	Straight-line	5 years
Heritage	Straight-line	Infinite

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

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

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 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.

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

An intangible asset is recognised when:

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Intangible assets (continued)

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

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

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Heritage assets (continued)

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Leases

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

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

Finance leases - lessor

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

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

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 .

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

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

Operating leases - lessor

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

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

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

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

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

1.12 Inventories

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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

1.13 Construction contracts and receivables

The municipality has a level 2 accreditation in terms of participation on the National Housing Programme. The municipality is a project developer in terms of the arrangement to contract and transfer houses to beneficiaries on the Programme. Funds received to implement the National Housing Programme are recognised as contract revenue for projects evaluated to qualify as construction contracts. Funds kept as the Housing Development Fund shall be recognised as contract revenue for amounts spent to the extent that the agreements specifies so.

Contract revenue comprise:

1. The initial amount agreed in the contract; and
2. Variations in contract work, claims and incentive payment to the extent that:
 1. It is probable that they will result in revenue; and
 2. They are capable of being measured reliably.

Contract revenue is measured at the fair values of the consideration received or receivable. When the outcome of the contraction contract can be measured reliably, the contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date.

Contract costs comprise:

1. Costs that relate directly to the specific contract;
2. Costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
3. Other costs that are specifically chargeable to the customer under the terms of the contract.

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

Any unused funds advanced to the municipality are recognised as a contract liability.

Any claims made but not yet received by the municipality at the reporting date are recognised as a contract receivable.

1. Presentation

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Construction contracts and receivables (continued)

a. contract revenue

- recognise contract revenue received during the year as a separate item on the face of the statement of financial performance.

b. contract costs

- recognise contract costs incurred during the year under contracted services or as a separate line item in the statement of financial performance.

- **c. contract debtors** – include in other receivables if municipality had made any claim(s) for work done to Housing Department but not yet received at year-end

contract liability – Include under paid in advance but not spent (if any) under Note 16. - Unspent grant liability

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Designation

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.15 Impairment of non-cash-generating assets

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Redesignation

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

1.16 Share capital / contributed capital

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

1.17 Employee benefits

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating .

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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

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

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

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

1.22 Grants and transfers

Grants and transfers received or receivable are recognised as assets when the resources have been transferred to the Municipality and meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require the Municipality either consumes the future economic benefit or service potential of the asset as specified, or that in the event that the conditions are bridged, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to the revenue when conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a 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.

Recognition

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Accounting by principals and agents (continued)

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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.

1.26 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.27 Comparative figures

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

1.28 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.29 Fruitless and wasteful expenditure

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

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

1.30 Irregular expenditure

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

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

1.31 Housing development fund

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.32 Internal reserves

Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the municipality (state basis of determining balance of self-insurance reserve) and past claims history in terms of a Council Resolution XX and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

1.33 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.34 Segment information

A segment is an activity of an entity:

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

The resources of the municipality are allocated in line with the business units, which are as follows:

- Community and Public Safety: which includes community services , sport and recreation , public safety and housing services.
- Economic and Environmental Services: which includes planning and development , road transport and environmental protection services.
- Trading Services: which includes provision of electricity , water management , waste water management and waste management services.
- Other Services: which includes governance and administration of the municipality.

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.35 Budget information

The annual budget figures have been in accordance with the GRAP standards in an accrual basis, and are consistent with accounting policies used for the preparation of these financial statements. The approved budget is the most recent adjustment budget approved by Council. The final budget is the most recently approved budget that has been adjusted for changes made in terms of the legislation and may not have been formally approved again by Council.

The budget amounts are presented as a separate, additional financial statement, called statement of comparison of budget and actual amount. Explanatory notes on material differences are provided in the notes to the financial statements. Material variances are those variances that are 10% more or less than the approved budget. Comparative information is not required for, and has therefore not been presented in the statement of comparison of budget and actual amounts..

1.36 Related parties

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

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

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

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.37 Events after reporting date

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

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

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

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

1.38 Cash and cash equivalents

Cash includes cash on hand, cash held with banks and call deposits. Cash equivalents are short-term bank deposit with a maturity of 3 months or less from inception, readily convertible into cash without significant changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any overdrafts

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2023	Not expected to impact results but may result in additional disclosure
• iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Expected impact on classification, measurement and disclosure
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2023		2022			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	373 697 782	-	373 697 782	370 745 782	-	370 745 782

Reconciliation of investment property - 2023

Investment property	Opening balance	Disposals	Fair value adjustments	Total
	370 745 782	(4 875 000)	7 827 000	373 697 782

Reconciliation of investment property - 2022

Investment property	Opening balance	Disposals	Correction of Error	Fair value adjustments	Total
	327 734 618	(4 883 491)	(1 478 274)	49 372 929	370 745 782

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.

Newcastle Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	171 830 447	-	171 830 447	171 830 447	-	171 830 447
Buildings	428 264 449	(102 278 292)	325 986 157	428 264 449	(87 337 228)	340 927 221
Infrastructure	9 835 312 317	(4 443 584 084)	5 391 728 233	9 767 165 186	(4 271 097 173)	5 496 068 013
Community	186 264 026	(111 220 928)	75 043 098	226 711 514	(99 133 978)	127 577 536
Leased Assets	3 955 751	(2 671 521)	1 284 230	3 137 020	(1 605 533)	1 531 487
Other Assets	207 335 470	(174 107 824)	33 227 646	201 156 637	(165 094 183)	36 062 454
Total	10 832 962 460	(4 833 862 649)	5 999 099 811	10 798 265 253	(4 624 268 095)	6 173 997 158

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Change in Estimate	Donations	Depreciation	Impairment loss	Write off	Total
Land	171 830 447	-	-	-	-	-	-	-	171 830 447
Buildings	340 961 419	-	-	-	-	(14 941 064)	-	-	328 521 656
Infrastructure	5 436 363 514	-	-	(390 596)	618 446	(309 570 148)	(3 048 132)	-	5 273 111 823
Community	187 247 837	-	-	-	974 000	(11 965 221)	(121 729)	-	191 128 811
Leased Assets	1 531 488	1 030 673	-	-	-	(1 220 084)	-	(40 855)	1 284 186
Other assets	36 062 454	5 896 390	-	-	838 671	(9 555 031)	(2 509)	(12 457)	33 227 518
	6 173 997 159	6 927 063	(17 036)	(390 596)	2 431 117	(347 251 548)	(3 172 370)	(53 312)	5 999 099 811

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions to WIP	Transfers	Disposals	Correction of Error	Write offs	Depreciation	Impairment loss	Total
Land	171 960 447	-	-	-	(130 000)	-	-	-	-	171 830 447
Buildings	355 212 639	-	719 855	-	(62 348)	-	-	(14 908 726)	-	340 961 420
Infrastructure	5 713 084 120	-	136 376 796	-	-	(456 340)	(853 315)	(308 828 207)	(102 959 244)	5 436 363 810
Community	197 190 535	-	5 052 897	(1 226 636)	-	-	(817 233)	(10 251 962)	(2 699 764)	187 247 837
Leased Assets	252 174	1 922 667	-	-	-	-	-	(643 354)	-	1 531 487
Other assets	42 979 018	5 300 826	-	1 226 636	-	-	(71 801)	(13 267 555)	(104 670)	36 062 454
	6 480 678 933	7 223 493	142 149 548	-	(192 348)	(456 340)	(1 742 349)	(347 899 804)	(105 763 678)	6 173 997 455

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within PPE	Total
Opening balance	170 442 272	6 885 617	34 200	177 362 089
Additions/capital expenditure	149 138 739	14 993 924	2 501 301	166 633 964
Transferred to completed items	(112 636 336)	-	-	(112 636 336)
	206 944 675	21 879 541	2 535 501	231 359 717

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within PPE	Total
Opening balance	137 743 304	6 876 176	3 882 783	148 502 263
Additions/capital expenditure	136 376 796	5 052 897	719 854	142 149 547
Transferred to completed items	(67 232 847)	(5 043 456)	(4 568 437)	(76 844 740)
Correction of Error	(36 444 980)	-	-	(36 444 980)
	170 442 273	6 885 617	34 200	177 362 090

Expenditure incurred to repair and maintain property, plant and equipment

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

4. Property, plant and equipment (continued)

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

Employee related costs	5 509 154	5 782 124
Contracted services	50 262 428	52 162 432
Sale of goods/Inventory	226 241	282 014
General expenses	8 528 124	8 903 249
	<u>64 525 947</u>	<u>67 129 819</u>

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.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	13 252 071	(12 998 094)	253 977	13 485 801	(13 103 589)	382 212

Reconciliation of intangible assets - 2023

Computer software, internally generated

Opening balance	Additions	Amortisation	Total
382 212	154 030	(282 265)	253 977

Reconciliation of intangible assets - 2022

Computer software, internally generated

Opening balance	Additions	Amortisation	Total
1 257 668	42 245	(917 700)	382 213

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2023		2022	
	Cost / Valuation	Accumulated Carrying value impairment losses	Cost / Valuation	Accumulated Carrying value impairment losses
Art Collections, antiquities and exhibits	11 981 732	-	11 981 732	-
			11 822 732	11 822 732

Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits

Opening balance	Additions	Total
11 822 732	159 000	11 981 732

Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits

Opening balance	Additions	Total
11 757 932	64 800	11 822 732

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
7. Investments in associates					
Investments in associates					
Name	Determination of ownership interest	% ownership interest 2023	% ownership interest 2022	Carrying amount 2023	Carrying amount 2022
Uthukela Water (Pty) LTD	Unlisted shares	34,00 %	34,00 %	101 739 024	135 003 210
				101 739 024	135 003 210
				<u>101 739 024</u>	<u>135 003 210</u>
8. Inventories					
Consumable stores				26 016 514	25 174 764
Water for distribution				510 295	412 576
				<u>26 526 809</u>	<u>25 587 340</u>
Inventories (write-downs)				(1 830 997)	(1 043 469)
				<u>24 695 812</u>	<u>24 543 871</u>
Water for distribution					
Opening balance				412 576	387 231
Bulk Purchases				159 804 709	130 944 698
Authorised consumption				(100 813 895)	(79 479 651)
Water losses		38		(58 893 095)	(51 439 702)
Closing balance				<u>510 295</u>	<u>412 576</u>
Reconciliation for inventory write-downs					
Opening Balance				1 043 469	397 615
Inventory Written Down				787 528	645 854
				<u>1 830 997</u>	<u>1 043 469</u>
9. Receivables from exchange transactions					
Deposits (Eskom and Nedbank Building)				4 080 653	3 832 198
Sundry Debtors				(28 377 827)	2 924 264
Input VAT on invoices raised				77 643 013	76 115 464
Prepayment				-	1 590 930
				<u>53 345 839</u>	<u>84 462 856</u>
Included in the deposits is an amount of R790 175.44 which is a Nedbank deposit and it may be affected by court proceedings in the matter of Scarlet Hibus Investment vs Newcastle municipality.					
10. Receivables from non-exchange transactions					
Traffic Fines (Gross Balance)				74 156 459	69 380 569
Less: Provision for impairment				(57 004 499)	(52 750 466)
				<u>17 151 960</u>	<u>16 630 103</u>
Reconciliation of Gross Amount:					
Opening Balance				69 380 558	64 827 138
Add: Traffic Fines recognised				5 215 780	5 178 170
Less: Traffic Fines settled				(439 890)	(624 740)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Receivables from non-exchange transactions (continued)		
	74 156 448	69 380 568
Reconciliation of Provision of Impairment:		
Opening Balance	52 750 466	48 824 201
Add: Contribution	4 254 023	3 926 265
	57 004 489	52 750 466
	-	-
Total receivables from non-exchange transactions	17 151 960	16 630 103
11. Consumer debtors from Exchange transactions and Non-Exchange transactions		
Gross balances		
Rates	226 651 038	198 298 573
Electricity	127 116 120	127 864 791
Water	495 072 179	444 057 982
Waste water	442 552 167	384 157 734
Refuse	211 986 060	172 220 707
Sundry receivables *	83 987 643	79 068 859
VAT and sundry services	171 679 960	146 966 768
	1 759 045 167	1 552 635 414
Less: Allowance for impairment		
Rates	(121 953 456)	(77 563 420)
Electricity	(6 589 591)	(13 918 318)
Water	(307 600 708)	(260 497 551)
Waste water	(291 073 775)	(186 775 450)
Refuse	(137 593 270)	(104 787 349)
Sundry receivables	(44 022 527)	(38 657 415)
VAT and sundry services	(108 863 846)	(82 987 873)
	(1 017 697 173)	(765 187 376)
Net balance		
Rates	104 697 582	120 735 153
Electricity	120 526 529	113 946 473
Water	187 471 471	183 560 431
Waste water	151 478 392	197 382 284
Refuse	74 392 790	67 433 358
Sundry receivables	39 965 116	40 411 444
VAT and sundry services	62 816 114	63 978 895
	741 347 994	787 448 038
Included in above is receivables from exchange transactions		
Electricity	120 526 529	113 946 473
Water	187 471 471	183 560 431
Waste water	151 478 392	197 382 284
Refuse	74 392 790	67 433 358
Sundry receivables	39 965 116	40 411 444
VAT and sundry services	62 816 114	63 978 895
	636 650 412	666 712 885
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	104 697 582	120 735 153
Net balance	741 347 994	787 448 038

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Consumer debtors from Exchange transactions and Non-Exchange transactions (continued)		
Rates		
Current (0 -30 days)	33 548 004	33 025 064
31 - 60 days	10 147 365	9 440 269
61 - 90 days	8 824 439	8 461 979
91 - 120 days	8 168 273	8 146 124
121 - 365 days	63 108 261	8 087 765
> 365 days	102 854 697	131 137 373
	226 651 039	198 298 574
Electricity		
Current (0 -30 days)	106 481 162	109 123 153
31 - 60 days	1 878 631	2 297 106
61 - 90 days	1 097 750	892 007
91 - 120 days	840 841	854 750
121 - 365 days	5 002 678	1 673 743
> 365 days	11 815 058	13 024 031
	127 116 120	127 864 790
Water		
Current (0 -30 days)	43 202 814	45 634 112
31 - 60 days	12 131 508	11 107 525
61 - 90 days	11 130 769	7 972 158
91 - 120 days	9 443 523	8 098 706
121 - 365 days	76 013 422	9 175 502
> 365 days	343 150 143	362 069 979
	495 072 179	444 057 982
Waste water		
Current (0 -30 days)	19 780 558	14 774 747
31 - 60 days	7 408 226	6 752 192
61 - 90 days	8 181 235	6 221 045
91 - 120 days	6 468 948	6 112 237
121 - 365 days	56 177 097	6 007 565
> 365 days	344 536 103	344 289 947
	442 552 167	384 157 733
Refuse		
Current (0 -30 days)	10 344 064	11 010 149
31 - 60 days	5 371 610	4 806 790
61 - 90 days	5 288 927	4 614 276
91 - 120 days	4 686 192	4 505 204
121 - 365 days	40 937 301	4 426 675
> 365 days	145 357 965	142 857 613
	211 986 059	172 220 707
Other		
Current (0 -30 days)	1 984 063	2 363 900
31 - 60 days	3 427 755	611 047
61 - 90 days	980 283	546 333
91 - 120 days	954 630	535 039
121 - 365 days	11 758 725	436 809
> 365 days	64 882 185	74 575 730
	83 987 641	79 068 858
VAT and Sundries		
Current (0 -30 days)	8 387 477	7 453 421
31 - 60 days	4 145 629	3 927 618
61 - 90 days	4 024 858	3 142 500
91 - 120 days	3 303 079	4 092 316

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Consumer debtors from Exchange transactions and Non-Exchange transactions (continued)		
121 - 365 days	27 521 097	31 609 439
> 365 days	124 297 819	96 741 475
	171 679 959	146 966 769
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	167 255 176	163 858 316
31 - 60 days	38 181 221	32 201 571
61 - 90 days	35 654 049	28 495 076
91 - 120 days	30 673 639	29 127 456
121 - 365 days	259 364 086	56 874 809
> 365 days	1 076 574 517	1 090 390 863
	1 607 702 688	1 400 948 091
Less: Allowance for impairment	(972 566 421)	(739 537 844)
	635 136 267	661 410 247
Industrial/ commercial		
Current (0 -30 days)	56 070 271	58 365 571
31 - 60 days	5 064 987	4 420 538
61 - 90 days	3 560 273	2 706 736
91 - 120 days	2 931 065	2 524 635
121 - 365 days	18 567 823	3 957 440
> 365 days	55 102 727	66 201 130
	141 297 146	138 176 050
Less: Allowance for impairment	(41 336 696)	(25 649 532)
	99 960 450	112 526 518
National and provincial government		
Current (0 -30 days)	402 695	1 116 334
31 - 60 days	1 264 517	2 321 952
61 - 90 days	313 940	650 007
91 - 120 days	260 783	692 388
121 - 365 days	2 586 672	587 641
> 365 days	5 216 725	8 142 950
	10 045 332	13 511 272
Less: Allowance for impairment	(3 794 056)	-
	6 251 276	13 511 272
Total		
Current (0 -30 days)	223 728 142	223 340 221
31 - 60 days	44 510 725	38 944 061
61 - 90 days	39 528 262	31 851 819
91 - 120 days	33 865 487	32 344 479
121 - 365 days	280 518 582	61 419 890
> 365 days	1 136 893 970	1 164 734 943
	1 759 045 168	1 552 635 413
Less: Allowance for impairment	(1 017 697 173)	(765 187 376)
	741 347 995	787 448 037
Less: Allowance for impairment		
> 365 days	(1 017 697 173)	(765 187 376)
Total debtor past due but not impaired		
Current (0 -30 days)	223 728 142	223 340 221
31 - 60 days	44 510 725	38 944 061

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Consumer debtors from Exchange transactions and Non-Exchange transactions (continued)		
61 - 90 days	39 528 262	31 851 819
91 - 120 days	33 865 487	32 344 479
121 - 365 days	280 518 582	61 419 890
> 365 days	119 196 797	399 547 567
	<u>741 347 995</u>	<u>787 448 037</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(765 187 376)	(649 414 530)
Contributions to allowance	(252 509 797)	(115 772 846)
	<u>(1 017 697 173)</u>	<u>(765 187 376)</u>

Receivables from consumer debtors

*Sundry receivables

Included in sundry receivables are the following minor receivables; Rental income, interest, even, housing development fund, legal fees, housing sales, deposits and non-vat sundries.

Receivables are amounts owing by consumers, and are presented in net impairment losses. The municipality has the credit control policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipalities compelled in terms of the constitutional mandate to provide all its residence with basic minimum services, without recourse to an assessment of credit worthiness. The municipality strategy for managing its risk includes encouraging residence to pay for services, through an outreach programme, incentives schemes and to install water demand management devices that control water flow to households, as well as prepaid electricity meters for those consumers who struggle to pay for services. A deposit is also required for new service connections, serves as guarantee.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	169 148	421 568
Bank balances	8 223 509	29 514 022
Short-term Investments	3 834 421	46 231 716
	12 227 078	76 167 306

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and with specific guidelines set in accordance with council's approved investment policy. Consequently, the municipality does not consider that there will be any significant exposure to credit risk.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Nedbank - 1162667338	8 223 509	29 514 022	8 223 509	29 514 022

Call Investments

Standard Bank - 68450354/015			319 060	1 168 669
Standard Bank - 68450354/016			447 668	30 725 304
Standard Bank - 68450354/036			200 622	4 007 290
Standard Bank - 68450354/040			651 494	8 913 660
ABSA 9300506428			592 707	560 759
NEDBANK 037648555441/052			165 116	456 213
NEDBANK 037648555441/058			-	399 821
NEDBANK 037648555441/053			430 704	-
Standard Bank - 68450354/041			1 027 050	-
			3 834 421	46 231 716

Interest Income

Interest on Bank Account			1 121 274	811 922
Interest on Investments			4 285 175	3 703 349
			5 406 449	4 515 271

13. Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the Municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development, subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

Opening balance	30 563 967	29 806 660
Transfers in	1 596 761	757 307
	32 160 728	30 563 967

14. Self-insurance reserve

A self-insurance reserve was established and, subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services, taking into account the claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget

Opening balance	322 945	435 242
Transfers in/(out)	(192 009)	(112 297)
	130 936	322 945

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
15. Finance lease obligation		
Minimum lease payments due		
- within one year	979 574	606 923
- in second to fifth year inclusive	1 012 567	1 122 219
Present value of minimum lease payments	1 992 141	1 729 142
Non-current liabilities	1 012 567	1 122 219
Current liabilities	979 574	606 923
	1 992 141	1 729 142
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Sports and Recreation	5 201 203	9 396 908
Ingogo Fresh Produce	11 353	11 353
Municipal Water Infrastructure Grant	-	2 746 628
Title Deed Restoration Grant	5 196 326	5 196 326
Osizweni Art Centre	36 920	36 920
Skills Development Grant	994 137	930 688
Cleanest Town	833 575	833 575
Environmental Management Framework	502 871	502 871
Neighbourhood Partnership Development	9 664 270	2 738 678
Title Deeds Restorations	1 799 041	2 270 488
Sports Maintenance Facilities Grant	10 220	10 220
All Housing Grant	94 166 010	152 572 537
Newcastle Airport	4 878 917	3 815 281
Capacity Building Housing Accreditation	7 834 983	15 939 707
Fort Amiel Museum	400 213	539 434
EEDSM Grant	-	3 656 339
Water Intervention Grant	54	3 904 250
Hawker Stalls Grant	2 352 068	1 000 000
Community Library Service Grant	634	18 925
Corridor Development	131 075	131 075
Provincialisation - Libraries	59 916	46 184
	134 073 786	206 298 387
17. Financial liabilities		
At amortised cost		
DBSA loans	98 888 781	114 233 854
ABSA Bank loans	228 330 874	246 786 934
	327 219 655	361 020 788
Total other financial liabilities	327 219 655	361 020 788
Non-current liabilities		
At amortised cost	262 221 473	314 367 835
Current liabilities		
At amortised cost	64 998 182	46 652 953
18. Defined Benefit Plan		
Reconciliation of defined benefit plan - 2023		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand			2023			2022	
18. Defined Benefit Plan (continued)							
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Employee benefits	175 233 001	7 937 000	(11 810 296)	8 181 296	-	19 755 000	199 296 002

Reconciliation of defined benefit plan - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Employee benefits	166 803 001	7 209 000	(11 147 818)	(3 450 182)	15 819 000	175 233 001
Non-current liabilities					185 035 002	164 128 001
Current liabilities					14 261 000	11 105 000
					199 296 002	175 233 001

Health Care Benefits

Balance at the beginning of the year					136 923 000	131 226 000
Current Service Cost					4 026 000	3 864 000
Benefits Paid					(6 927 805)	(6 413 977)
Actuarial Loss/Gain					1 696 805	(4 505 023)
Interest					15 731 000	12 752 000
					151 449 000	136 923 000

Net Expenses Recognised in Statement of Financial Performance PEMA

Current service cost					4 026 000	3 864 000
Benefit Paid					(6 927 805)	(6 413 977)
Actuarial loss/(Gain)					1 696 805	(4 505 023)
Interest					15 731 000	12 752 000
					14 526 000	5 697 000

Long Service Bonus Awards

Balance at the beginning of the year					38 310 000	35 577 000
Current Service cost					3 911 000	3 345 000
Benefits Paid					(4 882 491)	(4 733 841)
Actuarial Loss/Gain					6 484 491	1 054 841
Interest					4 024 000	3 067 000
					47 847 000	38 310 000

Net Expenses recognised in Statement of Financial Performance LSA

Current Service cost					3 911 000	3 345 000
Benefits Paid					(4 882 491)	(4 733 841)
Actuarial Loss/(Gain)					6 484 491	1 054 841
Interest					4 024 000	3 067 000
					9 537 000	2 733 000

Employee benefit cost provision: Assumptions

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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18. Defined Benefit Plan (continued)

The Municipality offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a members' death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme. The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2022 by Arch Actuarial Consulting, a member of Actuarial Society of South Africa (ASSA). The present value of the defined obligation and all related current service costs and past service costs were measured using the projected units credit method. No other post retirement medical benefits are provided by the municipality.

It was assumed that the municipality's health care arrangements and subsidy policy will remain as outlined in section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that the current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Key financial assumptions used

Discount rate	12.44%
Health care cost inflation rate	8.05%
Net-of-health-care-cost-inflation discount rate	4.06%
Maximum subsidy inflation rate	5.66%
Net-of-maximum-subsidy-inflation discount rate	6.41%
Unfunded accrued liability	R151 449 000

Long Service Bonus Awards

The long service bonus award is a function of accumulated leave days that is converted into cash in the year an employee attains the service eligible for an award at a rate of 1/249th of annual salary per day.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

18. Defined Benefit Plan (continued)

Key financial assumptions used

Discount rate	11.26%
General earnings inflation rate (long term)	6.54%
Net effective discount rate	4.43%

The earnings used in the valuation include an increase on the 01 of July 2023 of 5.40% as per SALGBC circular no:01 of 2023. The next general earnings increase was assumed to take place on 01 July 2023.

Key Demographic Assumption used (PEMA)

Average retirement age	62		
Continuation of membership at retirement	75%		
Proportion with a spouse dependent at retirement	60%		
Mortality during employment	SA 85-90		
Mortality post employment	PA (90)-1 with a 1% mortality improvement per annum from 2010		
Withdrawal from services (Sample annual rate)	Age	Rate-Female	Rate-Male
	20	9%	9%
	25	8%	8%
	30	6%	6%
	35	5%	5%
	40	5%	5%
	45	4%	4%
	50	3%	3%
	55+	0%	0%

Key Demographic Assumption used (LSA)

Average retirement age	62		
Mortality during employment	SA 85-90		
Withdrawal from services (Sample annual rate)	Age	Rate-Female	Rate-Male
	20	9%	9%
	25	8%	8%
	30	6%	6%
	35	5%	5%
	40	5%	5%

Unfunded Accrued Liability

Total value of liabilities	R47 847 000
Value of assets	R0
Unfunded accrued liabilities	R47 847 000

Comparative of Vital Statistics

Number of eligible employees	1305
Average annual salary	R321 954
Salary-weighted average age	44.7
Salary-weighted average past service	12.3

19. Provision for rehabilitation of landfill site

The movement in the rehabilitation of landfill site

Balance at the beginning of the year	65 212 118	59 210 858
(Decrease)/Increase in Provision	(390 596)	758 139
Finance Charges recognised	7 727 636	5 243 121
	<u>72 549 158</u>	<u>65 212 118</u>

20. Payables from exchange transactions

Trade payables	328 222 005	277 934 140
Retentions	50 709 088	42 082 802
Output VAT on Levies	160 382 296	151 271 181
Leave Payable	47 651 909	37 343 917
Bonus Payable	14 743 974	11 915 541
Accruals	143 697 964	87 542 823
Salaries Payable	80 441 594	115 462 210
Advance payments	28 126 049	26 133 126
Unallocated deposits	1 257 841	3 966 254

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
20. Payables from exchange transactions (continued)		
Sundry Payables	2 001 781	23 080 869
	857 234 501	776 732 863
21. VAT payable		
Tax refunds payables (receivable)	7 051 906	3 043 850
The VAT is imposed in terms of Value Added Tax Act 89 of 1991 and levied at 15%		
22. Consumer deposits		
Electricity & Water Deposits	35 008 531	32 846 145
Housing Deposits	590 055	572 039
	35 598 586	33 418 184
23. Revenue		
Service charges	1 150 839 575	1 128 488 051
Rental of facilities and equipment	7 987 931	8 372 974
Licences and Permits (Non-exchange)	61 698	45 824
Sundry revenue	2 032 510	1 555 089
Other income	485 646	558 799
Fee income	7 732 085	9 950 268
Interest received - investment	11 936 031	8 308 003
Property rates	376 278 764	353 326 627
Government grants & subsidies	717 006 949	611 797 759
Fines, Penalties and Forfeits	5 729 051	5 352 730
	2 280 090 240	2 127 756 124
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 150 839 575	1 128 488 051
Rental of facilities and equipment	7 987 931	8 372 974
Sundry revenue	2 032 510	1 555 089
Other income	485 646	558 799
Fee income	7 732 085	9 950 268
Interest received - investment	11 936 031	8 308 003
	1 181 013 778	1 157 233 184
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	376 278 764	353 326 627
Licences or permits	61 698	45 824
Transfer revenue		
Government grants & subsidies	717 006 949	611 797 759
Fines, Penalties and Forfeits	5 729 051	5 352 730
	1 099 076 462	970 522 940
24. Service charges		
Sale of electricity	710 068 696	713 921 267
Sale of water	209 841 220	195 899 195
Sewerage and sanitation charges	127 581 013	119 755 437
Refuse removal	103 348 646	98 912 152
	1 150 839 575	1 128 488 051

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. Rental of facilities and equipment		
Premises		
Municipal Housing	3 569 370	3 288 749
Venue hire	4 401 866	5 058 952
Rental - HDF	16 695	25 273
	7 987 931	8 372 974
26. Fines, Penalties and Forfeits		
Building Fines	191 466	43 465
Illegal Connections Fines	300 636	67 463
Overdue Books Fines	8 882	9 352
Pound Fees Fines	12 287	54 280
Municipal Traffic Fines	5 215 780	5 178 170
	5 729 051	5 352 730
27. Other revenue		
Sundry revenue	2 032 510	1 555 089
Other income	485 646	558 799
Fee income	7 732 085	9 950 268
	10 250 241	12 064 156
Sundry Revenue		
Sundry Revenue		
Insurance Income	182 818	35 500
R/D Admin Fee	249 123	129 896
Other Revenue	1 600 569	1 389 693
	2 032 510	1 555 089
Other Income		
Sales		
Burial Plots	285 386	519 974
Copies	69 917	22 670
Printing	41 161	16 155
Swimming Tickets	89 182	-
	485 646	558 799
Fee Income		
Fees		
Advertising Signs	29 168	100 638
Building Plans	659 308	664 376
Business Letters	1 165 700	839 796
Cemetery	1 308 728	2 243 995
Rates Clearance Certificate	748 823	770 610
Reconnection	2 933 695	2 532 717
Town Planning	310 078	1 953 049
Other	489 784	793 463
Tender	86 801	51 624
	7 732 085	9 950 268
28. Interest Income		
Bank	5 406 449	4 515 271
Interest on arrear account	6 529 292	3 792 317

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
Other interest	290	415
	11 936 031	8 308 003

29. Property rates

Rates received

Residential	234 744 380	221 158 147
Commercial	192 179 165	178 169 282
State	5 766 030	8 838 294
Public Benefit Organisation	23 168	15 636
PSI	-	2 871 991
Vacant Land	19 081 959	16 920 062
Agricultural	3 910 864	3 635 166
Specialises Non-Marketed	-	112 217
Less: Income forgone	(79 426 802)	(78 394 168)
	376 278 764	353 326 627

Valuations

Residential	17 209 124 787	17 161 316 787
Commercial	5 866 942 000	5 772 812 000
State	2 444 933 000	2 444 933 000
Vacant	726 400 500	730 336 500
PSP	1 690 829 000	1 687 626 000
Agriculture	1 362 339 000	1 362 339 000
Place of Worship	375 991 000	377 300 000
Formal Protected Areas	25 523 000	25 523 000
Public Benefit Organisation	92 277 000	87 492 000
	29 794 359 287	29 649 678 287

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

30. Government grants and subsidies

Operating grants

Equitable share	466 902 645	417 790 000
Museum Services	103 891	213 518
Finance Management Grant	1 732 886	1 650 000
Skills Development Grant	898 906	1 563 391
Municipal Infrastructure Grant	30 189 447	6 706 433
Community Library Service Grant	2 841 932	2 465 648
Water Service Infrastructure Grant	-	28 789 512
Construction Contract	7 900 582	-
EPWP Grant	3 753 000	2 948 000
Provincialisation and Library Grant	6 978 268	7 714 192
Capacity Building	16 515 660	6 124 772
Energy Efficiency and Demand Side Management Grant	-	343 661
Hawker Stalls Grant	647 932	-
Title Deeds Restoration Grant	471 447	446 676
	538 936 596	476 755 803

Capital grants

Community Library	25 360	402 976
Neighbourhood Development Partnership	20 335 730	4 701 322
Water Services Infrastructure Grant	48 000 000	8 464 163
Museum Services	484 330	228 269
Sports and Recreation	4 195 705	3 583 509
Cleanest Town	-	390 400
Water Intervention Grant	3 904 197	4 795 750
Municipal Infrastructure Grant	98 951 553	112 475 567
Financial Management Grant	117 114	-
Skills Development	120 000	-

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Government grants and subsidies (continued)		
Newcastle Airport Grant	1 936 364	-
	178 070 353	135 041 956
	717 006 949	611 797 759
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	250 104 304	194 007 759
Unconditional grants received	466 902 645	417 790 000
	717 006 949	611 797 759
Financial Management Grant		
Current-year receipts	1 850 000	1 650 000
Conditions met - transferred to revenue	(1 850 000)	(1 650 000)
	-	-
Sport and Recreation		
Balance unspent at beginning of the year	9 396 908	5 647 084
Current-year receipts	-	7 333 333
Conditions met - transferred to revenue	(4 195 705)	(3 583 509)
	5 201 203	9 396 908
Ingogo Fresh Produce		
Balance unspent at beginning of the year	11 353	11 353
Municipal Infrastructure Grant		
Current-year receipts	129 141 000	119 182 000
Conditions met - transferred to revenue	(129 141 000)	(119 182 000)
	-	-
Water Service Infrastructure Grant		
Balance unspent at beginning of the year	2 746 628	8 516 370
Current-year receipts	48 000 000	40 000 000
Conditions met - transferred to revenue	(48 000 000)	(37 253 675)
Repayment to funder	(2 746 628)	(8 516 067)
	-	2 746 628
Title Deeds Restoration		
Balance unspent at beginning of the year	2 270 487	2 717 163
Conditions met - transferred to revenue	(471 447)	(446 676)
	1 799 040	2 270 487
Osizweni Art Centre		
Balance unspent at beginning of the year	36 920	36 920
Skills Development Grant		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Government grants and subsidies (continued)		
Balance unspent at beginning of the year	930 688	1 546 185
Current-year receipts	1 082 355	947 894
Conditions met - transferred to revenue	(1 018 906)	(1 563 391)
	994 137	930 688
Cleanest Town		
Balance unspent at beginning of the year	833 575	823 975
Conditions met - transferred to revenue	-	(390 400)
Prior year receipts	-	400 000
	833 575	833 575
Environmental Management Framework		
Balance unspent at beginning of the year	502 871	502 871
Neighbouring Development Partnership Grant		
Balance unspent at beginning of the year	2 738 678	5 939 933
Current-year receipts	30 000 000	7 440 000
Conditions met - transferred to revenue	(20 335 731)	(4 701 322)
Repayment to funder	(2 738 677)	(5 939 933)
	9 664 270	2 738 678
Electrification Grant		
Expanded Works Programme Incentive		
Current-year receipts	3 753 000	2 948 000
Conditions met - transferred to revenue	(3 753 000)	(2 948 000)
	-	-
Water Intervention Grant		
Balance unspent at beginning of the year	3 904 250	-
Current-year receipts	-	8 700 000
Conditions met - transferred to revenue	(3 904 196)	(4 795 750)
	54	3 904 250
Hawker Stalls		
Balance unspent at beginning of the year	1 000 000	-
Current-year receipts	2 000 000	1 000 000
Conditions met - transferred to revenue	(647 932)	-
	2 352 068	1 000 000
Title Deeds Restoration Grant (Post)		
Balance unspent at beginning of the year	5 196 326	5 196 326
Sports Maintenance Facilities Grant		
Balance unspent at beginning of the year	10 220	10 220

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Government grants and subsidies (continued)		
All Housing Grants		
Balance unspent at beginning of the year	152 572 537	1 164 667
Current-year receipts	7 571 545	414 723 579
Conditions met - transferred to revenue	(65 978 072)	(263 315 709)
	94 166 010	152 572 537
Newcastle Airport		
Balance unspent at beginning of the year	3 815 281	1 815 281
Current-year receipts	3 000 000	2 000 000
Conditions met - transferred to revenue	(1 936 364)	-
	4 878 917	3 815 281
Capacity Building Housing		
Balance unspent at beginning of the year	15 939 707	2 102 589
Current-year receipts	8 410 935	19 961 891
Conditions met - transferred to revenue	(16 515 659)	(6 124 773)
	7 834 983	15 939 707
Fort Amiel Museum		
Balance unspent at beginning of the year	539 434	552 221
Current-year receipts	449 000	429 000
Conditions met - transferred to revenue	(588 221)	(441 787)
	400 213	539 434
Community Library Service Grant		
Balance unspent at beginning of the year	18 925	412 549
Current-year receipts	2 849 000	2 475 000
Conditions met - transferred to revenue	(2 867 291)	(2 868 624)
	634	18 925
Corridor Development		
Balance unspent at beginning of the year	131 075	131 075
Energy Efficiency and Demand Side Management Grant		
Balance unspent at beginning of the year	3 656 339	-
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(343 661)
Repayment to funder	(3 656 339)	-
	-	3 656 339
Provincialisation- All Libraries		
Balance unspent at beginning of the year	46 195	1 003 387
Current-year receipts	6 992 000	6 757 000
Conditions met - transferred to revenue	(6 978 268)	(7 714 192)
	59 927	46 195
31. Employee related costs		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
31. Employee related costs (continued)		
Basic	423 441 715	419 622 590
Medical aid - company contributions	27 868 070	22 603 401
UIF	2 848 768	2 576 485
Annual Bonus	35 419 549	32 777 372
Defined contribution plans	74 966 665	83 538 458
Travel, motor car, accommodation, subsistence and other allowances	15 082 195	16 101 321
Overtime payments	45 315 672	36 135 182
Car allowance	24 777 252	22 594 251
Housing benefits and allowances	7 929 810	8 372 168
Group insurance	4 319 371	10 050 989
Bargaining council	175 741	150 657
Night work allowance	3 008 777	2 097 748
Termination benefits	12 183 914	9 009 755
	677 337 499	665 630 377
Remuneration of municipal manager		
Annual Remuneration	1 374 543	726 827
Car Allowance	305 915	133 413
Performance Bonuses	-	101 191
Contributions to UIF, Medical and Pension Funds	1 585	154 438
Acting allowance	15 826	707 944
Other	236	23 605
	1 698 105	1 847 418
Remuneration of chief finance officer		
Annual Remuneration	438 995	1 003 588
Car Allowance	47 588	164 297
Performance Bonuses	77 799	77 799
Contributions to UIF, Medical and Pension Funds	70 552	169 326
Acting Allowance	115 761	-
Other	54	124
Lump Sum Settlement	1 359 639	-
	2 110 388	1 415 134
Remuneration of Executive Directors & Municipal Manager		
Annual Remuneration	5 688 967	3 719 377
Car Allowance	1 117 462	692 270
Performance Bonuses	162 966	370 341
Contributions to UIF, Medical and Pension Funds	306 764	691 538
Acting allowance	131 587	996 701
Other	1 265	23 975
	7 409 011	6 494 202
SED Community Services		
Annual Remuneration	425 833	851 665
Car Allowance	105 315	210 630
Performance Bonuses	85 167	-
Contributions to UIF, Medical and Pension Funds	98 626	197 253
Other	54	103
Lump Sum Settlement	1 718 587	-
	2 433 582	1 259 651

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
31. Employee related costs (continued)		
SED Development and Planning Services		
Annual Remuneration	1 172 798	243 317
Car Allowance	240 000	51 084
Performance Bonuses	-	72 792
Contributions to UIF, Medical and Pension Funds	1 948	35 173
Acting Allowance	-	135 872
Other	307	31
	1 415 053	538 269
SED Internal Audit/Governance		
Annual Remuneration	-	646 605
Car Allowance	-	82 127
Performance Bonuses	-	118 558
Contributions to UIF, Medical and Pension Funds	-	123 748
Other	-	82
	-	971 120
SED Corporate Services		
Annual Remuneration	1 104 000	94 300
Car Allowance	178 644	19 394
Contributions to UIF, Medical and Pension Funds	132 103	11 248
Acting Allowance	-	104 562
Other	307	10
	1 415 054	229 514
SED Technical		
Annual Remuneration	1 172 798	153 076
Car Allowance	240 000	31 325
Contributions to UIF, Medical and Pension Funds	1 948	354
Acting Allowance	-	48 322
Other	307	21
	1 415 053	233 098
32. Remuneration of councillors		
Mayor	900 271	867 761
Deputy Mayor	728 375	702 073
Executive Committee Members	6 010 875	3 418 075
Speaker	728 375	700 723
Councillors	17 245 052	17 124 573
Chief Whip	532 438	454 918
MPAC Chairperson	837 368	474 138
	26 982 754	23 742 261

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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32. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

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

The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards

Mayor

Annual Remuneration	560 000	539 778
Car Allowance	215 471	207 690
Cellphone Allowance	40 800	39 327
Contributions to UIF, Medical Aid and Pension	84 000	80 967
	<u>900 271</u>	<u>867 762</u>

Deputy Mayor

Annual Remuneration	448 419	432 226
Car Allowance	171 894	165 686
Cellphone Allowance	40 800	39 327
Contributions to UIF, Medical Aid and Pension	67 263	64 834
	<u>728 376</u>	<u>702 073</u>

Speaker

Annual Remuneration	470 837	458 290
Car Allowance	171 896	165 690
Cellphone Allowance	40 800	39 327
Contributions to UIF, Medical Aid and Pension	44 842	23 916
Other	-	13 500
	<u>728 375</u>	<u>700 723</u>

Chief Whip

Annual Remuneration	331 744	272 961
Car Allowance	126 677	105 081
Cellphone Allowance	23 800	35 927
Contributions to UIF, Medical Aid and Pension	50 217	40 950
	<u>532 438</u>	<u>454 919</u>

33. Depreciation and amortisation

Property, plant and equipment	347 251 547	347 899 802
Intangible assets	282 265	917 700
	<u>347 533 812</u>	<u>348 817 502</u>

34. Impairment loss

Impairments

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
34. Impairment loss (continued)		
Property, plant and equipment	3 172 381	105 763 538
Fines	4 254 023	3 926 266
	7 426 404	109 689 804
35. Finance costs		
Non-current borrowings	35 243 909	38 662 710
Provisions and Current borrowings	27 766 686	21 139 794
Interest Expense	13 045 929	4 609 893
	76 056 524	64 412 397
36. Debt impairment		
Debt impairment	252 509 797	115 772 846
Bad debts written off - Council resolution	-	8 151 848
	252 509 797	123 924 694
37. Bad debts written off		
Council write off	70 527 507	24 492 046
Indigent write off	31 773 977	-
	102 301 484	24 492 046
The bad debts written off were due to incentive schemes encouraging payment of municipal bills.		
38. Bulk purchases		
Electricity - Eskom	527 905 437	518 830 790
Electricity losses		
Units purchased	400 022 046	432 669 460
Units sold	(366 728 109)	(398 238 476)
Total loss	33 293 937	34 430 984
Percentage Loss:		
Technical losses	8 %	8 %
Estimated cost per unit (Rands)	R 1.06	R0.97
Estimated cost of loss (Rands)	R35 291 573	R33 398 055

Electricity distribution losses comprise of the following:

Administrative losses

Administrative losses refers to the difference between the income generated from electricity delivered to consumers and the actual amount of revenue that is recovered. Administrative losses are minimal as the municipality ensures that the cut-offs are effected on all unpaid accounts.

Technical losses

Technical losses within the municipality are made up of standard line losses, unmetered own consumption, free basic electricity, street lighting and traffic lights.

Non-technical losses

Non-technical losses refers to unrecorded electricity delivery. Illegal connections, faulty and incorrect calibration of meters contribute to consumption not being recorded.

Water losses

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
38. Bulk purchases (continued)		
Units purchased	36 063 323	33 759 451
Units sold	(22 888 134)	(20 703 689)
Total	13 175 189	13 055 762
Comprising of:		
Technical losses	13 175 189	13 055 762
Percentage Loss:		
Technical losses	37 %	39 %
Bulk Tariff (R/KL)	R4.47	R3.94
Technical water losses (Rands)	R58 893 095	R51 439 702
Water distribution losses:		
Water losses are the sum of the real and apparent losses and are calculated from the difference between the system input volume and the authorised consumption.		
Non-Revenue Water		
Non-revenue water amounts to 37.05%, which is disclosed in the annual performance report and this includes unbilled authorised consumption (metered or unmetered) and apparent and real losses. There are unaccounted for water, they are the component of system input volume (SIV) which are not billed and do not generate revenue.		
39. Contracted services		
Outsourced Services		
Security Services	62 615 172	52 477 963
VIP Toilets	36 953 749	17 040 684
Plant Hire	22 763 770	24 489 130
Consultants and Professional Services		
Professional Services	30 201 761	39 665 793
Legal Cost	7 586 119	9 954 605
Contractors		
Other	2 988 943	875 236
Construction Contract	7 900 582	-
Media and Communication	675 391	3 021 523
Electrical	2 935 056	3 679 905
Employee Wellness	445 259	479 834
Public Participation	6 687 743	8 198 338
Maintenance of Buildings and Facilities	5 509 154	5 782 124
Maintenance of Infrastructure	50 262 428	52 162 432
Maintenance of Land	226 241	282 014
Maintenance of Movables	8 528 124	8 903 249
Medical Services	841 021	823 795
Pest Control and Fumigation	249 847	290 214
IT Services	4 481 986	3 737 398
Training	2 387 033	3 466 762
Refuse services	6 152 674	5 570 289
	260 392 053	240 901 288

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
40. Water Consumed		
Consumption	159 706 990	130 919 353
Consumption		
Opening Balance	412 576	387 231
Add: Bulk Purchases	159 804 709	130 944 698
Less: Closing Balance	(510 295)	(412 576)
	159 706 990	130 919 353
41. General expenses		
Auditors remuneration	6 219 941	5 773 617
Bank charges	2 914 050	4 031 625
Entertainment	19 221	7 681
Insurance	8 909 938	6 434 342
Community development and training	5 478 142	4 421 417
IT expenses	16 222 755	12 699 608
Magazines, books and periodicals	26 172	18 069
Motor vehicle expenses	10 263 012	8 481 214
Subsistence and Travelling	932 661	629 129
Fuel and oil	18 863 027	14 699 066
Landfill Site	-	758 139
Postage and courier	2 797 090	3 255 819
Printing and stationery	1 851 356	1 773 137
Promotions	8 906	13 184
Protective clothing	4 129 015	3 461 919
Royalties and license fees	-	55 999
Staff welfare	23 082	13 258
Subscriptions and membership fees	13 198 169	6 556 757
Telephone and fax	1 977 795	4 011 760
Training	4 375 449	3 788 184
Assets expensed	54 308	136 354
Advertising	707 418	975 505
Other expenses	2 211 536	-
Contribution to post retirement	7 937 000	7 209 000
Material	6 846 782	6 291 559
Skills Development Levy	5 730 477	4 789 011
Rental Office machines	2 917 115	2 507 434
Departmental services	39 831 967	38 640 191
Workman's compensation	4 606 932	2 494 270
	169 053 316	143 927 248
Departmental Services		
Rates	-	17 947
Refuse	422 167	339 523
Sewerage	553 458	429 068
Electricity	35 189 939	35 201 898
Water	3 666 403	2 651 755
	39 831 967	38 640 191
42. Auditors' remuneration		
Audit Fees	6 010 129	5 641 461
Audit Committee	209 812	132 156
	6 219 941	5 773 617
43. Cash generated from operating activities		
Deficit	(357 989 659)	(243 997 582)
Adjustments for:		
Depreciation and amortisation	347 533 812	348 817 502

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
43. Cash generated from operating activities (continued)		
Share of deficit in associate	33 264 185	31 756 845
Salary back pay provision	(35 020 616)	115 462 210
Fair value adjustment	(7 827 000)	(49 372 929)
Movement in provision landfill	(390 596)	-
Gain on Actuarial Valuation	8 181 296	(3 450 182)
change in estimate of landfill site provision	-	758 139
loss /(profit) on disposal of assets PPE	(9 105)	-
Accumulated surplus	-	752 646
Public contribution and donations	(2 431 116)	-
Impairment of assets	3 172 381	105 763 538
Debtors Impairment - other receivables from non-exchange	4 254 023	3 926 263
Write-off PPE	443 908	-
Movement in provision for leave	10 307 992	(4 933 060)
Bad debts written off - receivables from exchange	354 811 281	148 416 740
Profit on sale of assets	(1 145 275)	(3 113 641)
Impairment of Inventory	787 528	645 854
Current service cost- Employee benefit liability	7 937 000	7 209 000
Finance costs- Employee benefit liability	19 755 000	15 819 000
Finance costs- Rehabilitation provision	7 727 636	5 243 121
Movement in leave on bonus provisions	2 828 433	900 493
Movement in employee benefit liability	(11 810 295)	(11 147 819)
Changes in working capital:		
Inventories	(939 469)	(6 382 434)
Receivables from exchange transactions	31 117 017	12 394 459
Consumer debtors	(308 711 239)	(290 739 010)
Other receivables from non-exchange transactions	(4 775 880)	(4 553 428)
Payables from exchange transactions	102 385 832	(156 397 498)
VAT	4 008 056	39 139 042
Unspent conditional grants and receipts	(72 224 601)	168 168 229
Other financial liabilities	2 180 402	5 916 275
	137 420 931	237 001 773
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	145 540 902	140 598 162
• Investment property	-	10 561 765
• Intangible assets	4 186 000	-
• Housing Projects	11 556 327	-
	161 283 229	151 159 927
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	936 000
		936 000
Total capital commitments		
Already contracted for but not provided for	161 283 229	151 159 927
Not yet contracted for and authorised by accounting officer	-	936 000
	161 283 229	152 095 927
Authorised operational expenditure		
Already contracted for but not provided for		
• Cash in transit	1 526 703	-
• Meter Reading	3 200 473	-
	4 727 176	-
Total operational commitments		
Already contracted for but not provided for	4 727 176	-

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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44. Commitments (continued)

Total commitments

Total commitments

Authorised capital expenditure	161 283 229	152 095 927
Authorised operational expenditure	4 727 176	-
	<u>166 010 405</u>	<u>152 095 927</u>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 275 165	2 458 594
- in second to fifth year inclusive	3 033 553	746 681
	<u>5 308 718</u>	<u>3 205 275</u>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

45. Contingencies

Plaintiff: MM Ntanz

The municipality is being sued by service provider for taxation of bill of costs . Claim is for R 405 589.01 and estimated legal costs of R50 000

Plaintiff: Minister of Water Affairs

The Minister of Water Affairs is suing the municipality for services of water rendered for the period April 2002 to 31 August 2016. An arrangement has been made to pay this in instalments of 3 years. An amount sued for is R35 000 000

Plaintiff: Small Enterprise Finance Agency SOC Ltd

Summons were issued against the municipality for R1 100 000 and estimated legal costs of R350 000.

Plaintiff: Bigen Services Africa PTY (LTD)

The former service provider objected to the municipality's appointment of another service provider to take over the debt management services. The municipality is being sued for 2.5% of collected debt under 60 days estimated to be R30 000 000. .

Plaintiff: Scarlet Hibus Investments 220 (PTY) LTD

The municipality has been sued an estimated amount of R42 000 000 for payment of monies owing in terms of a lease agreement. Legal costs of R1 500 000

Plaintiff: VN Trading and Projects (PTY) LTD

The municipality is being sued an amount of R2 100 000 for damages of failing to fulfill the terms of a service contract, estimated legal cost of R250 000.

Plaintiff: Mageba Capital Projects CC

The municipality is being sued the amount of R16 444 934 for holding time and for failing to fulfill an as and when required service contract, estimated legal cost of R250 000.

Plaintiff: PRB Bhagwandass

The municipality is being sued for vehicle damage claim. Claim is for R18 022.37 and estimated legal costs of R50 000.

Plaintiff: Violet Sky Trading

The municipality is being sued R2 085 000 for implementation and use of a software system.

Plaintiff: Eldocrete

The Municipality received a claim of R1 313 688 for outstanding payment according to the cession signed by the municipality and main contractor on a project of VIP toilets. Legal costs amount to R200 000.

Plaintiff: Joey Grasman

The municipality is being sued R750 000 for failing to cover holes from damaged traffic poles. estimated legal costs of R50 000.

Plaintiff: Isimo Engineers

Claiming monies owed by the municipality for professional services provided to the municipality amounting to R987 568 and estimated legal costs of R75 000.

Plaintiff: Newcastle Industrial Laundry

Wants compensation of R5 000 000 for loss of income and damages suffered as a result of a discharged interdict against the company by the municipality. Estimated legal costs of R750 000.

Plaintiff: 1QUARRY ROAD NN

Claim to the municipality for the land that was sold .Claim is for R 1358 000 and estimated legal costs R 20 000.

INSURANCE CLAIMS FROM THIRD PARTIES PUBLIC LIABILITY

Alistair Kevin van Wyk for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000.

Vishal Heerelal for personal injuries. Sued amount is R1 050 000 and estimated legal fees is R5 000

Nicole Adale Pillay for vehicle damage claim. Sued amount R101 327 and estimated legal costs of R5 000

Porto Fish and Chips for motor vehicle claim, Municipality motor vehicle collided with Porto Fish and Chips vehicle claim for R141 300 and estimated legal costs of R50 000.

Thanduxolo Winston Kubheka is claiming R17 407.21 from the municipality for vehicle damages caused by a pothole. estimated legal fees of R20 000.

LABOUR REVIEWS AND BARGAINING COUNCIL

CK Mazibuko, unfair labour practice relating to non-appointment. Estimated legal cost of R70 000.

BP Ngubeni for unfair labour practices relating to non appointment

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

45. Contingencies (continued)

SP Tshabalala, for unfair labour practice relating to non-appointment.

B Mkhize and others for unfair labour practice relating to appointment of 10 traffic wardens. Estimated legal cost of R70 000.

ST Rabula , unfair labour practice relating to under payment

NML Mtshali, unfair labour practice relating to acting appointment

K Albertus , unfair labour practice relating to acting appointment

TH Mbatha and others , unfair labour practice relating to section 198

LP Mazibuko & 1 other, unfair labour practice relation to section 198

46. Related parties

The Municipality is in a relationship with Uthukela Water (Pty) Ltd as the water service provider for the provision of bulk water. The Municipality does not solely have significant control of the entity as it owns 34% of its interest.

The Municipality also has councillors and senior managers, who are responsible for leadership, governance and management of the municipality. These are also disclosed as related parties in line with GRAP standards.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

uThukela Water	(214 036 480)	(156 581 537)
Bulk Water Purchases		
uThukela Water	159 804 709	130 944 698

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

46. Related parties (continued)

Remuneration of management

Councillors

2023

Name	Basic salary	Motor Vehicle Allowances	Cellphone Allowance	Post-employment benefits	Housing Allowance	Total
Executive Committee Members	6 063 553	2 290 672	472 600	886 877	24 000	9 737 702
Other Councillors	9 807 484	3 681 674	2 250 128	1 322 767	183 000	17 245 053
	15 871 037	5 972 346	2 722 728	2 209 644	207 000	26 982 755

2022

Name	Basic salary	Medical Aid Contribution	Pension Contribution	Motor Vehicle Allowance	Cellphone and other allowances	Housing Allowance	Total
Executive Committee Members	3 810 293	33 610	526 722	1 539 176	468 520	239 367	6 617 688
Other Councillors	9 727 330	3 283	1 239 894	3 639 005	2 224 276	290 785	17 124 573
	13 537 623	36 893	1 766 616	5 178 181	2 692 796	530 152	23 742 261

Management class: Executive management

47. Risk management

Financial risk management

Market risk

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market is the risk that changes in the market prices, such as interest rate and foreign-exchange rate that may affect the Municipality's income or value of financial instrument. The Municipality manages the market risk on investment by engaging on short-term call investments, which are withdrawn without any material changes in the interest rate. The risk on loans is managed by ensuring that all interest rates of loans are fixed for the duration of the loan term.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

47. Risk management (continued)

Operational risk

The Municipality is exposed to the operational risk in the normal operating of its business. This risk managed through the development and monitoring of risk registers and through the delegation and segregation of duties. Operational risk is also managed through the development and implementation of various policies and standard operating procedures.

Liquidity risk

The municipality's risk to liquidity is a result of the funds not available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	65 786 889	110 893 440	154 076 166	48 842 762
Trade and other payables	857 234 501	-	-	-
Consumer deposit	35 598 586	-	-	-
	958 619 976	110 893 440	154 076 166	48 842 762

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	67 451 531	117 030 841	162 179 574	102 749 146
Trade and other payables	776 732 863	-	-	-
Consumer Deposit	33 418 184	-	-	-
	877 602 578	117 030 841	162 179 574	102 749 146

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

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

Cash and Cash equivalents	12 227 078	76 167 306
Other receivables	70 497 799	101 091 514
Receivables from consumer debtors	741 347 996	787 448 038
	824 072 873	964 706 858

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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48. Going concern

As at 30 June 2023, the municipality had an accumulated surplus(deficit) of R5 668 233 612 (In 2022:R6 027 628 023) and that the municipality's current liabilities exceed its current assets by R 265 428 850 (In 2022 current liabilities exceeded current assets by: R88 605 986).

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

We draw attention to the fact that at 30 June 2023, the municipality had a net surplus(deficit) of R(357 989 659) (2022: R(243 997 582)) and the municipality's Cash and Cash equivalents was R12 227 078 (2022: R76 167 306) which is not sufficient to cover the current liabilities of the municipality. The current assets are less than the current liabilities, the collection rate has improved a little bit however there is still a risk that all the outstanding debtors might not be collected. Over the next 12 months, the municipality is still committed to ensure the expenditure is kept within the funded and approved budget.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to bill for rates and services the ongoing operations for the municipality and that the Provincial and National government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

49. Unauthorised expenditure

Opening balance as previously reported	220 192 074	967 778 930
Correction of prior period error (written off in the prior year)	-	(747 586 856)
Opening balance as restated	220 192 074	220 192 074
Add: Expenditure identified - current	202 379 120	-
Less:Amounts written off -prior period	(49 721 318)	-
Closing balance	372 849 876	220 192 074

After the council committee investigations, Council adopted the council committee recommendation to write off an amount of R49 721 318 which was over expenditure caused by debt impairment, a non cash item.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
50. Fruitless and wasteful expenditure		
Opening balance as previously reported	20 730 932	59 403 688
Correction of prior period error (written off in the prior year)	(4 108 094)	(38 355 768)
Opening balance as restated	16 622 838	21 047 920
Less: Amount written off - prior period	(12 536 440)	(780 984)
DBSA	128 242	24 219
Itec Finance	1 928	3 949
Ithala	-	1 260
SARS	62 214	204
Telkom	3 075	3 483
Chapps Construction CC	-	430 881
Toyota South Africa Motors	5 272	-
KZN Joint Municipal Provident fund	324 463	-
Uthukela Water	12 505 184	-
Eskom Holding	1 807	-
Municipal Councillors Pension fund	2 516	-
Closing balance	17 121 099	20 730 932

Councillors had already approved write of amount R4 108 094 before 2021/22 audit was finalized
 After council committee investigations, Council adopted the council committee recommendation to write off an amount of R12 536 440 as probability of being recoverable is low.

51. Irregular expenditure

Opening balance as previously reported	528 118 402	498 352 518
Correction of prior period error	-	23 119 570
Opening balance as restated	528 118 402	521 472 088
Add: Irregular Expenditure - current	70 455 258	88 276 050
Add: Suppliers in the service of state	111 988	-
Less: Amount written off - prior period	(63 997 868)	(81 629 736)
Closing balance	534 687 780	528 118 402

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023 2022

51. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings

Amabuso Security Solutions	9 752 087	12 303 885
Bravolex	-	3 542 263
FBL Trading Enterprises	7 133 980	8 900 872
Fidelity Cash Solution	83 399	278 601
Gladmod Transport and shories Projects	1 580 698	4 170 130
Impumelelo Consulting Engineering	-	300 001
Insidedata South(Pty)Ltd	-	349 071
Ithala properties	-	135 602
M17 Security Services	25 288 111	19 409 100
Mobile Networks	-	2 290
Ongoti Risk Management Service	-	303 758
Prosecure (PTY) LTD	10 454 052	11 856 906
Royal Haskoning DHV	-	1 652 198
Tactical Security Services	9 917 934	13 848 375
TJ Mphela Attorneys	-	204 470
Vodacom Service Provider Company (Pty)Ltd	6 244 997	32 564 974
Zenawe	-	174 761
	70 455 258	109 997 257

After Council committee investigations , council Adopted the MPAC recommendation to write of an amount of R 63 997 868 due to that the amount not recoverable.

Awards to close family members in the service of state:

The municipality identify the following for awards made to close family members of the employees in service of the state in terms of section 45 of the Municipal Supply Chain Management Regulations.

Employed in the service of the state

Ababhungi Enterprise	-	174 015
Elethu Igugu(Pty)Ltd	-	23 840
Ikamva Logistics Fast Moving	-	999 518
Malikhula	-	60 980
NASTA Projects and Kitchen	-	28 500
Sihlangu Sifhebe Attorneys	-	787
Zamancama Projects and Training	-	95 235
Zathaphi	-	15 490
Phumza Catering and Projects	81 010	-
Grace Logistics	30 988	-
	111 998	1 398 365

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
52. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government(SALGA)		
Opening balance	-	8 148 561
Current year subscription	6 260 762	6 433 193
Amount paid - current year	(6 260 762)	(6 433 193)
Amount paid - prior year	-	(8 148 561)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	185 324	11 759
Current year fee	6 911 649	6 487 630
Amount paid - current year	(6 694 818)	(6 302 306)
Amount paid - previous years	(185 374)	(11 759)
	<u>216 831</u>	<u>185 324</u>
PAYE and UIF		
Opening balance	8 079 839	7 385 016
Current year fee	115 834 485	95 855 329
Amount paid - current year	(107 185 755)	(87 775 400)
Amount paid - previous years	(8 079 929)	(7 385 106)
	<u>8 648 640</u>	<u>8 079 839</u>
Pension and Medical Aid Deductions		
Opening balance	10 751 650	3 350 404
Current year fee	170 183 271	129 651 568
Amount paid - current year	(156 878 948)	(118 899 918)
Amount paid - previous years	(10 751 650)	(3 350 404)
	<u>13 304 323</u>	<u>10 751 650</u>
VAT		
VAT receivable	-	(5 442 076)
VAT payable	7 051 906	8 485 926
	<u>7 051 906</u>	<u>3 043 850</u>
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:		
30 June 2023	Outstanding more than 90 days	Total
Councillor FN Sithole	674	674
Councillor MT Shabangu	16 888	16 888
Councillor PV Kunene	24 075	24 075
Councillor NM Shabangu	45 877	45 877
	<u>87 514</u>	<u>87 514</u>
30 June 2022	Outstanding more than 90 days	Total
Councillor FN Sithole	8 919	8 919

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
30 June 2022	Outstanding more than 90 days	Total
Councillor FN Sithole	8 919	8 919
53. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	327 219 655	361 020 788
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.		
54. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.		
Repairs and maintenance services, and special works of art were procured during the financial year under review and the process followed in procuring* those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.		
Deviations		
Emergency	24 495	-
Sole provider	3 056 210	2 719 912
Exceptional case where it is impossible to follow the SCM process	1 926 707	-
Special Works	159 000	-
	5 166 412	2 719 912
55. Accounting by principals and agents		
Details of an entity as an agent are as follows		
The Municipality has entered in to principal-agent with the Department of Human Settlement and Department of Energy Settlements and provision of housing and electricity infrastructure connections respectively. The mandate to provide these services lies with the two departments, however the municipality is acting as an agent on behalf of the two departments to provide such services. The assets constructed are not capitalised in the books of the Municipality. The revenue and expenditure in relation to such agreement is also not accounted for in the financial statements, except those that relate to the municipality as an agent.		
The following principal-agent transactions were accounted for;		
Grants received		
Housing Grant	1 067 919	400 525 983
Grants revenue		
Housing Grant	58 077 490	249 118 112
Grants expenditure		
Housing Grant	58 077 490	249 118 112
Grant Payable		
Housing Grant	94 166 010	152 572 537
Agent fees		
Housing Accrediation fees	8 410 936	19 961 890

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
55. Accounting by principals and agents (continued)		
Entity as principal		
Details of the entity as a principal are as follows:		
Cigicell had a contract of providing prepaid vending system for the municipality and also a 3rd party vending solution enabling 3rd party vendors to sell electricity tokens on our behalf.		
Cigicell collected and banked collections from the third party vendors almost on daily basis and banked these into our municipal account. For these services hosting fees for the system and commission on collections was paid to Cigicell monthly as stipulated on the attached contract.		
At the end of the reporting period Cigicell still had made total sales amounting to R29 022 255.23 and of the total sales, and amount of R151 139.99 was still due to the municipality at the end of the reporting period. Cigicell paid the outstanding amount in 3 days to the municipality.		
The are no cost implications for the entity if the principal-agent arrangement is terminated according to the contract entered into by the parties.		
Fee paid		
Fee paid as compensation to the agent	808 664	1 906 037
56. Construction Contract		
Status of construction contract		
Construction revenue recognised	7 900 582	14 197 597
Construction expenses Recognised	(7 900 582)	(14 197 597)
Recognised surplus/deficits	-	-

The contraction contracts relate to the agreement entered into between the Municipality and the KwaZulu Natal Department of Human Settlements in respect of the housing projects where the municipality is a project developer in the arrangement. The projects that have been accounted for under contraction contract are Soulcity/Stafford Hill, Replacement of Asbestos Panel with R19 Aluminum Cladding Block A, B, D and F Surayaville Newcastle, Replacement of 44 Asbestos Roofs in Osizweni, Charlestown Phase 1, Stage 3 as well as the Demolition and Construction of Sinking Houses in Osizweni. This arrangement is accounted for in line with the accounting policy for Contraction Contract – Housing Projects.

The construction contracts expenses consist mainly of contracted services wherein the Municipality procures the services of building contractors and/or other implementing agents in the construction of the houses on its behalf

The construction contract revenue is recognised on a stage of completion based on the costs incurred in proportion to contract costs. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amounts received in advance for work to be done is recognised as liability and disclosed in note 16 unspent grant liabilities.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
57. Prior-year adjustments					
Statement of financial position					
2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
Receivable from exchange transactions		85 289 596	(864 343)	37 605	84 462 856
Property and Plant and Equipment	6	174 453 795	(456 638)	-	6 173 997 158
Investment in Associate		142 171 036	(7 167 828)	-	135 003 208
VAT payable		(3 037 875)	(5 976)	-	(3 043 850)
Trade payables from exchange transactions		(778 043 952)	1 348 694	(37 605)	(776 732 863)
Accumulated Surplus		6 036 252 387	(8 624 364)	-	6 027 628 023
		11 657 084 987	(15 770 455)	-	11 641 314 532

Statement of Changes in Net Assets

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Share of Deficit		31 756 845	7 167 828	-	38 924 673
Depreciation		348 817 502	456 638	-	348 360 864
Bad debts written off		24 492 046	622 568	-	25 114 614
General expenditure		143 927 248	(1 100 943)	-	142 826 305
Advertising		989 350	-	(13 845)	975 505
Material		6 277 714	-	13 845	6 291 559
Security		52 493 704	-	(15 741)	52 477 963
Contractors - Other		859 495	-	15 741	875 236
Bulk purchases		649 750 143	-	(130 919 353)	518 830 790
Water consumed		-	-	130 919 353	130 919 353
Rehabilitation of landfill site Adjustment		-	-	758 139	758 139
fair value adjustment		49 372 929	1 478 273	-	47 894 656
Surplus for the year		1 308 736 976	8 624 364	758 139	1 314 249 657

Cash flow statement

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Sale of goods and services		1 229 841 918	826 740	37 605	1 230 668 658
Suppliers		(1 148 046 837)	(1 283 379)	(37 605)	(1 149 367 821)
		81 795 081	(456 639)	-	81 300 837
Cash flow from investing activities					
Purchase of Property ,Plant and Equipment			(149 372 864)	(456 639)	148 916 225

Errors

The Municipality restated prior year amounts due to the following:

Error 1- Trade recievable from exchange transactions

MPAC recommended that the council write off salary overpayment	-	(622 568)
Government printing works	-	(132)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
57. Prior-year adjustments (continued)		
Machinery hire	-	(220 569)
Machinery equipment	-	(1 148)
Maintenance of plant- repair motor	-	(19 327)
Transport costs - Motolek	-	(138)
Stationery	-	(512)
Maintenance of vehicle cost was erroneously omitted in the previous financial year	-	51
	-	(864 343)
Error 2 - Assets		
Water reticulation not capitilized in the correct financial year	-	2 569 902
Work in progress erroneously included a completed project at end of previously financial year	-	(2 569 902)
Water reticulation project not capitalized	-	2 155 062
Work in progress erroneously included a completed project at at the end of prior financial year	-	(2 155 062)
Accumulated Depreciation	-	(41 534)
Capitalization of consultancy costs incorrectly recognised in the prior financial year	-	325 457
Depreciation for infrastructure erroneously omitted	-	(740 561)
infrastructure project not capitalized in the correct financial year	-	12 748 409
WIP costs not capitalized in the correct financial year	-	(12 748 409)
Capitalization of water reticulation not capitalized in the correct financial year	-	4 138 060
WIP costs not capitalized in the correct financial year	-	(4 138 060)
Water reticulation not capitalized in correct financial year	-	3 401 356
WIP water reticulation not capitalized in the correct financial year	-	(3 401 356)
Infrastructure road and storm water not capitalized in the correct financial year	-	11 752 649
WIP infrastructure roads and storm water	-	(11 752 649)
	-	(456 638)
Error 3- VAT Payable		
Reversal of VAT input raised twice for transport costs	-	(5 976)
Error 4 - Trade Payables from exchange transactions		
Creditor payment erroneously raised for government printing works	-	1 009
Creditor payment incorrectly raised for machine hire	-	1 691 032
Creditor payment incorrectly raised for machinery equipment	-	8 798
Creditor payment erroneously raised for maintenance of plant	-	148 175
Creditor payment incorrectly raised for transport costs	-	46 868
Creditor payment incorrectly raised in respect of stationery	-	3 933
Creditor payment omitted in prior year for maintenance of vehicle	-	(390)
Training expenditure incorrectly raised in prior year	-	31 260
Water expenditure omitted in the prior year	-	(297 019)
Forensic services expenditure previously omitted in the prior year	-	(23 525)
Legal fees omitted in the prior year	-	(274 095)
Reversal of training expenditure incorrectly reversed	-	12 649
	-	1 348 695
Error 5- Investment in Associate		
Investment in associate	-	7 167 828
Error 6- Accumulated Surplus		
Bad debts written off (Salary overpayment)	-	622 568
Advertising	-	(877)
Machinery hire	-	(1 470 462)
Maintenance of Equipment	-	(7 650)
Maintenance of plant	-	(128 848)
Transport costs	-	(40 755)
Stationery	-	(3 420)
Transport costs	-	339
Training expenditure	-	(31 260)
Bulk purchase- water	-	297 019
Legal - forensic investigations	-	284 971
Depreciation	-	456 638

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
57. Prior-year adjustments (continued)		
Recognition of Associate	-	7 167 828
Fair value adjustment	-	1 478 273
Grant Revenue - construction contract	-	30 123 762
Grant Expenditure -construction contract	-	(30 123 762)
		8 624 364

58. Events after the reporting date

Filling of Strategic Executive Directors Vacancies:

The Municipality Council made a full time appointment of Mrs. P.H.Z. Kubheka as the Strategic Executive Director: Budget and Treasury Office with effect from 01 of July 2023.

The Municipality Council made a full time appointment of Mr. G.B. Dlamini as the Strategic Executive Director: Community Service with effect from 01 of July 2023..

Grants roll-over applications

As of August 2023 the Municipality is in the process of submitting the applications to the National and Provincial Treasuries of the roll-over of the unspent conditional grants in respect of the Community Library Service Grant, Provincialisation, Fort Amiel Museum Grant, Hawker Stalls Grant, Newcastle Airport, Neighbourhood Development Partnership grant, Sport and Recreation grant..

59. Segment Reporting

2023 Reportable Segment	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Total
Segment Revenue	202 360 610	157 270 104	1 408 225 169	523 589 191	2 291 449 421
External revenue from exchange transactions	107 298 655	266 057	1 047 130 885	4 131 911	1 158 827 507
External revenue from non-exchange transaction	89 532 893	156 005 493	354 564 993	498 973 082	1 099 076 461
Interest received	-	-	6 529 292	5 406 739	11 936 031
Other Revenue	5 533 409	998 554	-	15 077 459	21 609 422
Segment Expenses	(431 793 370)	(287 079 578)	(1 380 405 521)	(579 745 886)	(2 679 024 355)
Depreciation and Amortisation	(10 561 327)	(169 530 561)	(133 696 538)	(33 745 386)	(347 533 812)
Interest Expense	-	-	-	(76 056 524)	(76 056 524)
Internal Charges	(422 167)	-	(27 174 093)	-	(27 596 260)
other segment expenses	(420 809 876)	(117 548 173)	(1 219 535 735)	(440 358 691)	(2 198 252 475)
Surplus/(Deficit) for the year	(229 432 760)	(129 808 630)	27 818 803	(26 571 410)	(357 989 659)
Balance Sheet	Community and Public Safety	Economic and Environmental Services	Trading Services	Other	Total
Segment Assets	199 430 885	3 968 816 927	3 016 689 289	150 603 911	7 335 541 012
Segment Liabilities	(44 322 268)	(789 003 568)	(789 749 656)	(11 940 243)	(1 635 015 735)
Segment Net Assets	(155 108 617)	(3 179 813 359)	(2 226 939 633)	(138 663 668)	(5 700 525 277)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
59. Segment Reporting (continued)					
2022 Reportable Segments	Community And Public Safety	Economic and Environmental Services	Trading Services	Other	Total
Segment Revenue	174 101 387	129 851 579	1 348 239 992	533 285 299	2 185 478 257
External revenue from exchange transactions	106 497 749	2 976 791	1 029 321 286	15 032 261	1 153 828 087
External revenue from non-exchange transactions	67 603 638	126 874 787	318 918 707	457 125 803	970 522 935
Interest received	-	-	-	8 308 002	8 308 002
Other revenue	-	-	-	52 819 233	52 819 233
Segment Expenses	(406 281 382)	(266 187 101)	(1 185 214 638)	(571 792 719)	(2 429 475 840)
Depreciation and amortisation	(9 047 708)	(166 664 248)	(140 042 433)	(33 063 113)	(348 817 502)
Interest expense	-	-	-	(64 412 398)	(64 412 398)
Internal charges	(339 523)	-	(26 377 998)	(17 947)	(26 735 468)
Other segment expenses	(396 894 150)	(99 522 852)	(1 018 794 207)	(474 299 261)	(1 989 510 470)
Surplus/(Deficit) for the year	(232 179 995)	(136 335 522)	163 025 354	(38 507 420)	(243 997 583)
Balance Sheet	Community and public safety	Economic and Environment al services	Trading Services	Other	Total
Segment Assets	225 502 928	4 239 806 963	3 019 880 705	196 012 672	7 681 203 268
Segment Liability	(92 619 035)	(833 414 099)	(689 153 227)	(7 501 971)	(1 622 688 333)
Segment Net Assets	(132 883 893)	(3 406 392 864)	(2 330 727 478)	(188 510 701)	(6 058 514 935)

**APPENDIX A
NEWCASTLE MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2023**

External Loans	Loan number	Interest Rate	Redemption Date	Loan Amount	Balance at July 2022	01	Received During the year	Redeemed during the year	Balance at 30 June 2023
Annuity Loans									
Development Bank	61000536	9.37%	30-Jun-22	24,285,550	1,593,511	-	-	(3,046,921)	1,628,514
Development Bank	61000654	9.10%	29-Sep-23	25,993,166	4,675,435	-	-	(3,046,921)	1,985,483
Development Bank	61000826	11.29%	30-Sep-24	12,750,000	3,106,754	-	-	(1,141,271)	1,174,802
Development Bank	61000827	11.25%	28-Sep-29	1,975,000	1,292,076	-	-	(117,474)	-
Development Bank	61000919	10.09%	30-Jun-18	800,000	-	-	-	-	-
Development Bank	61000920	10.69%	30-Jun-28	7,000,000	4,517,762	-	-	(512,543)	4,005,220
Development Bank	61000921	10.83%	30-Jun-33	1,850,000	1,210,378	-	-	(57,030)	1,153,347
Development Bank	61007325	5.00%	31-Dec-26	10,854,999	-	-	-	(990,782)	4,460,244
Development Bank	61007195	10.40%	31-Dec-29	122,185,000	92,356,911	-	-	(7,885,540)	84,471,371
ABSA	3042598105	11.44%	30-Jun-30	284,839,959	246,786,934	-	-	(18,459,060)	228,330,875
Total Annuity Loans					361,020,788.08			(32,207,621.74)	327,219,654.98
TOTAL EXTERNAL LOANS					361,020,788.08			(32,207,621.74)	327,219,654.98

NEWCASTLE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Description	Closing Balance		Opening Balance		Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	
	R	M	R	M									R
Land and Buildings	372 887 789	370 740 783				(4 175 000)	373 887 789						
Total	372 887 789	370 740 783				(4 175 000)	373 887 789						

NEWCASTLE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Description	Closing Balance		Opening Balance		Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance
	R	M	R	M								
Investible assets	13 987 244,22	15 020 314			164 000		14 151 244,22					
Computer software	13 487 244	15 020 314			164 000		13 651 244					
Total	13 487 244	15 020 314			164 000		13 651 244					
Total Asset Register	13 487 244	15 020 314			164 000		13 651 244					

**APPENDIX C
NEWCASTLE MUNICIPALITY
DISCLOSURE OF BANK ACCOUNTS AND INVESTMENTS IN TERMS OF SECTIONS 125(a)&(b) OF MFMA, 56 OF 2003**

Banking Institution	Account Purpose	Account Type	Account Number	Balance at 01 July 2022	Net Movement during the year	Balance at 30 June 2023
Nedbank	Primary banking	Cheque account	112667338	29 514 022	(21 290 513)	8 223 509
Nedbank	Collection for services	Cheque account	1162660086	-	-	-
Nedbank	Council Funds	Investment account	037648555441 46	-	-	-
Nedbank	Council Funds	Investment account	037648555441 47	-	-	-
Nedbank	Council Funds	Investment account	037648555441 48	-	-	-
Nedbank	Council Funds	Investment account	037648555441 49	-	-	-
Nedbank	Council Funds	Investment account	037648555441 52	456 213	(291 097)	165 116
Nedbank	Post Office Guarantee	Investment account	037648555441 53	-	430 704	430 704
Nedbank	Post Office Guarantee	Investment account	037648555441 56	-	-	-
Nedbank	Post Office Guarantee	Investment account	037648555441 57	-	-	-
Nedbank	Council Funds	Investment account	037648555441 58	399 821	(399 821)	-
Total Nedbank Accounts	Post Office Guarantee	Investment account		30 370 056	(21 550 727)	8 819 329
Standard Bank	Self Insurance Reserve Fund	Investment account	068450354/015	1 188 669	(849 609)	319 060
Standard Bank	Housing Development Fund	Investment account	068450354/016	30 725 304	(30 277 636)	447 668
Standard Bank	Provincialisation grant	Investment account	068450354/035	-	-	-
Standard Bank	Municipal Infrastructure Grant	Investment account	068450354/036	4 007 290	(3 806 668)	200 622
Standard Bank	Neighbourhood Development Partnership grant	Investment account	068450354/037	-	-	-
Standard Bank	Electrification Grant	Investment account	068450354/038	-	-	-
Standard Bank	Finance Management Grant	Investment account	068450354/039	-	-	-
Standard Bank	That deed low cost housing grant	Investment account	068450354/040	8 913 660	(8 262 165)	651 494
Standard Bank	Housing JBC	Investment account	068450354/041	-	1 027 050	1 027 050
Total Standard Bank Accounts				44 814 923	(42 169 029)	2 645 894
ABSA Bank	Capacity Building	Investment account	9288456248	-	-	-
ABSA Bank	VAT Refund	Investment account	9300506428	560 759	31 948	592 707
Total ABSA Bank Accounts				560 759	31 948	592 707
TOTAL BANK ACCOUNTS				75 745 738	(63 687 808)	12 057 930

**APPENDIX D - UNAUDITED
NEWCASTLE MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003**

Grant Description	Transferring Department	Capital / Operational	Balance of July 2022	Grants Received	Grant Adjustments	Total Expenditure during the year transferred to revenue	Balance 30 June 2023
National government grants							
Electrification Grant	Department of Energy	Operational	-	-	-	-	-
Financial Management Grant (FMG)	National Treasury	Operational	-	(1,850,000)	-	1,850,000	-
Municipal Infrastructure Grant (MIG)	Cooperative Governance and Traditional Affairs	Capital	-	(129,141,000)	-	129,141,000	-
Neighbouring Development Partnership Grant (NDPG)	National Treasury	Capital	(2,738,578)	(50,000,000)	2,738,578	20,359,730	(9,654,270)
Water Services Infrastructure Grant (WSIG)	Water and Forestry	Capital	(2,736,628)	(48,000,000)	* 2,736,628	48,000,000	-
Expanded PHYsics Incentive		Operational	5,485,308	3,753,000	-	3,753,000	-
Total National government grants							
Provincial government grants	Water and Environmental Affairs	Operational	(502,871)	-	-	-	(502,871)
Environmental Management Framework	Water and Environmental Affairs	Operational	(833,576)	-	-	-	(833,576)
Olveston Town	Human Settlements	Operational	(2,270,483)	-	-	471,447	(1,799,041)
Title Deeds Restoration Grant	Local Government SETA	Operational	(830,688)	(1,032,355)	-	1,018,906	(894,137)
Community Library Services Grant	Arts and Culture	Operational	(1,8,925)	(2,849,000)	-	2,867,281	(634)
Ingoja Fresh Produce	Cooperative Governance and Traditional Affairs	Operational	(11,353)	-	-	-	(11,353)
Sports Maintenance Facilities Grant	Sports and recreation	Operational	(10,220)	-	-	-	(10,220)
Orkney Arts Centre	Arts and Culture	Operational	(36,920)	-	-	-	(36,920)
Corridor Development	Cooperative Governance and Traditional Affairs	Operational	(131,075)	-	-	-	(131,075)
Provincialisation	Arts and Culture	Operational	(46,194)	(6,982,000)	-	6,978,268	(59,826)
Fort Aard Museum	Arts and Culture	Operational	(559,434)	(449,000)	-	588,221	(400,213)
Capacity Building Housing	Human Settlements	Operational	(15,938,207)	(8,410,939)	-	18,515,960	(7,834,983)
Newcastle Airport	Cooperative Governance and Traditional Affairs	Operational	(1,815,281)	-	-	-	(1,815,281)
Newcastle Airport	Cooperative Governance and Traditional Affairs	Operational	(2,000,000)	(3,000,000)	-	1,998,364	(3,008,636)
Hemker Stalle	Human Settlements	Operational	(1,000,000)	(2,000,000)	-	647,932	(2,352,068)
All Housing Grants	Sports and recreation	Operational	(1,52,572,837)	(7,571,545)	-	65,976,972	(94,198,010)
Sport and Recreation	Human Settlements	Operational	(8,398,008)	-	-	4,195,705	(5,201,293)
The Deeds Restoration Grant - Post Energy Efficiency and Demand Side Management Grant	Human Settlements	Operational	(5,195,328)	-	-	3,656,339	(5,195,328)
Water Intervention Grant			(3,504,250)	-	-	-	(3,504,250)
Total provincial government grants							
			(200,813,094)	(32,354,838)	3,898,339	3,904,197	(94)
GRAND TOTAL			(206,298,389)	(245,098,838)	9,141,645	308,181,733	(134,073,791)

Newcastle Municipality APPENDIX E

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2023

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 of The MFMA)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actuals As % Of Final Budget	Reasons for Variance
FINANCIAL PERFORMANCE								
	R	R	R	R	R	R	R	
REVENUE								
Property Rates	363 412 847	12 680 609	376 103 456	376 278 764	-	(175 308)	0,0%	Actuals in line with the budget. The variance is insignificant.
Service Charges	1 176 842 500	34 919 627	1 211 762 127	1 150 839 575	-	60 922 552	5,0%	The variance is attributable to low demand in electricity due to the load shedding and more consumer switching to alternative energy sources like solar, gas and generators.
Rental of facilities and equipment	9 451 748	(1 145 651)	8 306 097	7 987 931	-	318 156	3,8%	There is generally a time lag between the tenants to vacate the property and those who take new occupation of the property. This means that certain properties are not occupied for the full financial year because of these changes in occupation.
Interest received	7 132 743	4 074 617	11 207 360	11 836 031	-	(728 671)	-6,5%	Grants were invested when they are received and only withdrawn when required for payments. Outstanding debt for businesses only increase during the year as a result of floods that took place in March 2023. Most business came forward for arrangement, which attracted interest on their outstanding accounts.
Loanses and permits	47 919	(15 633)	32 286	61 898	-	(29 412)	-91,1%	Law enforcement was ramped up during the year to ensure that those businesses no paying for their licences do come forward.
Transfers Recognised - Operational	1 112 706 986	(486 283 200)	626 423 786	538 936 586	-	87 487 190	14,0%	The variance is attributable to the revenue from Human Settlements grants which was not received by the municipality due to the change in the nature of the agreement the municipality has with the department.
Fines, penalties and forfeits	4 180 383	377 058	4 557 441	5 729 051	-	(1 171 610)	-25,7%	Law enforcement was ramped up during the year to ensure, leading to more fines issued to perpetrators that initially anticipated.

**APPENDIX E
NEWCASTLE MUNICIPALITY
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2023**

Other Own Revenue	19 487 488	(9 477 886)	10 009 602	10 250 241		(240 639)	-2,4%	More properties were disposed during the year in an effort to improve revenue enhancement. The variance however appears insignificant.
Total Revenue (Excluding Capital Transfers & Contributions)	2 633 262 614	(444 860 469)	2 248 402 145	2 102 019 887		146 382 258	6,5%	

**APPENDIX E
NEWCASTLE MUNICIPALITY
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2023**

EXPENDITURE									
Employee Costs	601 652 651	34 761 616	636 414 267	677 337 499	-	(40 923 232)	-6.4%	the budget for overtime and cut standby was cut drastically during the adjustments budget, however employed were later required to work due to the floods and sewer breakdown.	
Remuneration of Councillors	29 060 117	(1 897 506)	27 162 611	26 982 755	-	179 856	0.7%	The MPAC chair and the Chief Whip were declared as full-time office bearers which the impact thereof was not included into the budget. The variance however seems insignificant.	
Debt Impairment	296 041 087	13 916 053	299 957 140	354 811 281	(54 854 141)	-18.3%	The actual provision is based on the risk profiling exercise performed at year-end, as well as the council write-offs approved for Indigents and the incentive scheme. The year-end provision can only be determined at year-end as it is likely to change due to the affordability level of each consumer.		
Depreciation & Amortisation	363 159 586	-	363 159 586	347 533 812	15 625 774	4.3%	The capital budget was adjusted upwards on adjustments & no provision was made for depreciation on the operational budget. This item will be looked closely to ensure recurrence in future.		
Finance Charges	35 845 953	-	35 845 953	76 056 524	(40 210 571)	-112.2%	Variance is attributable to the impact of the defined benefit valuation which was conducted at year-end. This was not part of the budget.		
Bulk Purchases - Electricity	605 107 462	(41 606 341)	563 502 121	527 906 437	35 596 684	6.3%	The variance is attributable to low demand in electricity due to the load shedding and more consumer switching to alternative energy sources like solar, gas and generators.		
Contracted services	818 628 833	(569 647 551)	248 981 282	260 392 053	(11 410 771)	-4.6%	Additional resources and plant were deployed in order to deal with emergency work associated with sewer spillages, water shortages and floods in town.		
Water consumed	163 810 057	-	163 810 057	159 706 990	4 103 067	2.5%	Less volumes of water supplied than anticipated.		
Other Expenditures	107 570 259	656 684	108 226 942	169 053 316	(60 826 374)	-56.2%	Additional resources and plant were deployed in order to deal with emergency work associated with sewer spillages, water shortages and floods in town.		
Total Expenditure	3 010 876 005	(563 816 046)	2 447 059 959	2 599 779 667	(152 719 708)	-6.2%			
Surplus/(Deficit)	(317 613 391)	118 965 577	(198 657 814)	(497 759 780)	299 101 966				
Transfers Recognised - Capital	201 032 032	(11 428 805)	189 605 227	178 070 353	11 534 874	6.1%	The variance is due to the VAT impact of that is not recognised as an expense or asset. The portion of the other under-expenditure relates to the delays in finalising procurement processes for certain projects.		
Actual gains/losses	-	-	-	(8 181 296)	(8 181 296)	0.0%	This item was not budgeted separately during the budget process		
Inventories losses/write-down	-	-	-	(787 528)	(787 528)	0.0%	This item was not budgeted separately during the budget process		
Impairment loss/ Reversal of Impairments	-	-	-	(7 426 404)	7 426 404	0.0%	This item was not budgeted separately during the budget process		
Fair value adjustment to investment property	-	-	-	7 821 000	7 821 000	0.0%	This item was not budgeted separately during the budget process		
Share Of Surplus/(Deficit) Of Associate	-	-	-	(33 294 185)	33 294 185	0.0%	This item was not budgeted separately during the budget process		
Profit/(loss) on sale of assets	-	-	-	1 101 065	1 101 065	0.0%	This item was not budgeted separately during the budget process		
Landfill site adjustment	-	-	-	-	-	0.0%	This item was not budgeted separately during the budget process		
Public contributions & donations	-	-	-	2 431 116	2 431 116	0.0%	This item was not budgeted separately during the budget process		

**APPENDIX E
NEWCASTLE MUNICIPALITY
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2023**

Assets									
Current assets									
Inventories	14 994 565	-	14 994 565	24 695 812	-	(9 701 247)	-64.7%	Low stock levels of budgeted inventory compared to the actual order level requirement used by departments in the production of goods and services	
Other financial assets	-	-	-	-	-	-	0.0%		
Receivables from exchange transactions	81 351 346	-	81 351 346	53 345 839	-	28 005 507	34.4%	Variance considered immaterial	
Receivables from non-exchange transactions	-	-	-	17 151 960	-	(17 151 960)	0.0%	This item was consolidated with consumer debtors during the budget process.	
Consumer debtors from exchange transactions	594 134 391	(86 139 000)	507 995 391	636 650 413	-	(128 655 022)	-25.3%	Increase in debtors due to low payment factor as a result of floods and the economic situation in Newcastle. Most consumers came forward to make arrangements or apply for indigents and incentive schemes.	
Consumer debtors from non-exchange transactions	-	-	-	104 697 583	-	(104 697 583)	0.0%	This item was not budgeted for separately during the budget process.	
Cash and cash equivalent	(14 037 349)	19 918 626	5 881 277	12 227 078	-	(6 345 801)	-107.9%	Delays in receiving and payment of some of the invoices, which were paid in July after accruals were recognised.	
Total current assets	676 442 952	(66 220 374)	610 222 579	848 768 685	-	(238 546 106)	-39.1%		
Non-Current Assets									
Investment property	341 873 618	-	341 873 618	373 697 762	-	(31 824 164)	-9.3%	Increase in the fair value adjustment on investment properties, valuation of which was only finalised at year-end.	

**APPENDIX E
NEWCASTLE MUNICIPALITY
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2023**

Liabilities									
Current liabilities									
Borrowings/Other Financial Obligation	(32 105 578)	64 211 156	32 105 578	64 998 182	-	(32 892 604)	-102.5%	This variance is caused by a delay in the payment of our loan obligations	
Finance lease obligation	-	-	-	979 574	-	(979 574)	0.0%	This items was not separately budgeted for during the budget process	
Consumer Deposits	27 094 773	-	27 094 773	35 598 586	-	(8 503 813)	-31.4%	Deposits increased due to more consumers failing to pay their monthly accounts due to economic situation.	
Trade and other payables/Payables from exchange transactions	688 020 917	116 275 997	804 296 914	857 234 501	-	(52 937 587)	-6.6%	Increase in accruals at year due to some invoice not paid on time as a result of the financial crisis of the municipality.	
Provisions	9 752 000	-	9 752 000	14 261 000	-	(4 509 000)	-46.2%	Based on the actuarial evaluation expert report, more employees were appointed during the year and the reinstatement, which necessitates additional provision	
VAT Payables	-	-	-	7 051 906	-	(7 051 906)	0.0%	Due to low collection rate, VAT output payable to SARS was raised on billed services.	
Unspent conditional grants And receipts	-	-	-	134 073 786	-	(134 073 786)	0.0%	Due to the high value of conditional grants that were not spent in 2021/22 as well as the cash flow challenges of the municipality.	
Defined benefit plan	-	-	-	-	-	-	0.0%		
Total current liabilities	692 762 112	180 487 153	873 249 265	1 114 197 535	-	(240 948 270)	-27.6%		
Non current liabilities									
Borrowings/Other financial liabilities	260 653 584	-	260 653 584	262 221 473	-	(1 567 889)	-0.6%		
Finance lease obligation	-	-	-	1 012 567	-	(1 012 567)	0.0%		
Provision for rehabilitation of landfill site	90 445 062	-	90 445 062	72 549 158	-	17 895 904	19.8%	Based on the evaluation expert report, the increase in values for assets to be provided for resulted in the increase in values for assets to be provided for resulted in the increase in the provision, which was not identified during the budget process	
Retirement benefits/ Defined benefit plan	-	-	-	185 035 002	-	(185 035 002)	0.0%	Based on the actuarial evaluation expert report, more employees were appointed during the year and the reinstatement, which necessitates additional provision	

**APPENDIX E
NEWCASTLE MUNICIPALITY
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2023**

Total current liabilities	351 098 646	-	351 098 646	520 818 200	-	(169 719 554)	-48,3%	
Total liabilities	1 043 860 759	180 487 153	1 224 347 911	1 635 015 735	-	(410 667 824)	-33,5%	
Net Assets	6 871 254 925	(246 707 526)	6 624 547 399	5 700 525 276	-	924 022 123	13,9%	Increase in receivables is due to the increase income that was capitalised to the fund.
Reserves	-	-	30 896 912	32 291 664	-	1 709 237)	-5,6%	Increase in receivables is due to the increase income that was capitalised to the fund.
Housing Development Fund	29 806 660	644 831	30 451 491	32 160 728	-	304 485	14,0%	Changes are attributed to the overall changes in net financial position during the year as well as any prior year errors recognised at year-end
Self-insurance	435 421	-	435 421	130 936	-	925 426 875	13,9%	
Accumulated Surplus/(Deficit)	6 841 013	(247 352 367)	6 593 660 487	5 668 233 612	-	924 022 123	13,9%	
Total Net Asset	6 871 254 925	(246 707 526)	6 624 547 399	5 700 525 276	-	924 022 123	13,9%	