



NEWCASTLE MUNICIPALITY
(Registration number KZ252)

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayor

Executive Committee

Cllr Dr NNG Mahlaba

Cllr VV Bam

Cllr SB Buthelezi

Cllr EJC Cronje

Cllr RN Mdluli

Cllr RM Molelekoa

Cllr TM Nzuza

Cllr SE Shabangu

Cllr M Shunmugam

Councillors

Cllr LL Bosman

Cllr MV Buhali

Cllr TJC Danisa

Cllr XNM Dladla

Cllr BS Dlamini

Cllr TN Dlamini

Cllr DX Dube

Cllr NP Dukashe

Cllr FP Gama

Cllr VF Hadebe

Cllr SB Hlatshwayo

Cllr A Khoza

Cllr BV Khumalo

Cllr PJ Khumalo

Cllr VD Kubeka

Cllr C Liu

Cllr NK Majazi

Cllr FA Malinga

Cllr AP Meiring

Cllr BPN Mhlongo

Cllr SG Miya

Cllr HN Mkhwanazi

Cllr TP Mkhwanazi

Cllr MS Mlangeni

Cllr SW Mngomezulu

Cllr NG Mnguni

Cllr AS Mokoena

Cllr MV Molefe

Cllr MV Mthembu

Cllr PB Mwali

Cllr VP Mzima

Cllr TM Ndaba

Cllr RB Ndimi

Cllr SS Ndlamandla

Cllr MS Ndlovu

Cllr PF Ndlovu

Cllr ME Ngcobo

Cllr BC Ngema

Cllr DR Ngema

Cllr D Ngwenya

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

| | |
|------------------------------------|--|
| | Cllr SJ Nhlapho Cllr SN Nkosi Cllr JB Nkwanazi Cllr MJ Ntshangase Cllr DM Sibiliwane Cllr LT Sikhosane Cllr JS Sithole Cllr NH Sitole Cllr GMB Thwala Cllr LG Thwala Cllr JA Vorster Cllr SA Yende Cllr MF Zikhali Cllr VG Zondo Cllr NS Zulu Cllr SZ Zulu Cllr TM Zulu Cllr NA Zwane |
| Grading of local authority | 4 |
| Chief Finance Officer (CFO) | SM Nkosi |
| Accounting Officer | Mr V Govender |
| 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 |
| Audit Committee Members | Y Haffejee - Chairperson TL Radebe T Rabelani Z Nkosi NC Mchiki |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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.

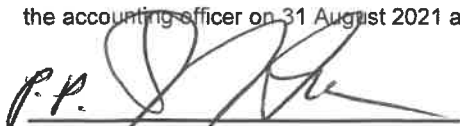
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out from page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



Mr V Govender
Municipal Manager (Acting)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 8 | 18 806 337 | 13 514 303 |
| Other financial assets | | - | 277 |
| Receivables from exchange transactions | 9 | 99 418 303 | 76 970 990 |
| Receivables from non-exchange transactions | 10 | 16 002 938 | 15 480 338 |
| Consumer debtors from exchange transactions | 11 | 504 404 673 | 460 110 589 |
| Consumer debtors from non-exchange transactions | 11 | 136 908 187 | 118 581 590 |
| Cash and cash equivalents | 12 | 9 500 299 | 36 268 498 |
| | | 785 040 737 | 720 926 585 |
| Non-Current Assets | | | |
| Investment property | 3 | 327 734 618 | 342 104 618 |
| Property, plant and equipment | 4 | 6 470 545 398 | 6 717 953 930 |
| Intangible assets | 5 | 1 257 668 | 2 224 607 |
| Heritage assets | 6 | 11 757 932 | 11 670 232 |
| Investments in associates | 7 | 187 056 075 | 217 333 222 |
| | | 6 998 351 691 | 7 291 286 609 |
| Total Assets | | 7 783 392 428 | 8 012 213 194 |
| Liabilities | | | |
| Current Liabilities | | | |
| Other financial liabilities | 17 | 30 987 268 | 28 756 915 |
| Finance lease obligation | 15 | 109 927 | 392 517 |
| Payables from exchange transactions | 20 | 796 421 953 | 817 389 293 |
| VAT payable | 21 | 18 539 020 | 11 776 300 |
| Consumer deposits | 22 | 27 501 909 | 24 939 318 |
| Unspent conditional grants and receipts | 16 | 41 232 304 | 45 749 330 |
| Defined benefit plan | 18 | 11 406 000 | 9 752 000 |
| | | 926 198 381 | 938 755 673 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 17 | 362 011 519 | 393 156 433 |
| Finance lease obligation | 15 | 42 180 | 135 823 |
| Defined benefit plan | 18 | 155 397 002 | 150 357 002 |
| Provision for rehabilitation of landfill site | 19 | 59 199 647 | 52 106 817 |
| | | 576 650 348 | 595 756 075 |
| Total Liabilities | | 1 502 848 729 | 1 534 511 748 |
| Net Assets | | 6 280 543 699 | 6 477 701 446 |
| Reserves | | | |
| Housing Development fund | 13 | 29 806 660 | 28 807 981 |
| Self-insurance reserve | 14 | 435 241 | 532 983 |
| Accumulated surplus | | 6 250 301 798 | 6 448 360 482 |
| Total Net Assets | | 6 280 543 699 | 6 477 701 446 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 24 | 1 013 748 409 | 951 787 140 |
| Rental of facilities and equipment | 25 | 7 093 441 | 7 794 524 |
| Other Revenue | 27 | 18 701 443 | 9 873 986 |
| Interest received | 28 | 6 660 722 | 8 517 417 |
| Total revenue from exchange transactions | | 1 046 204 015 | 977 973 067 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 29 | 342 533 924 | 320 486 063 |
| Licences and Permits | | 101 472 | 8 106 |
| Transfer revenue | | | |
| Government grants & subsidies | 30 | 639 932 157 | 560 539 037 |
| Fines, Penalties and Forfeits | 26 | 5 401 977 | 10 506 938 |
| Total revenue from non-exchange transactions | | 987 969 530 | 891 540 144 |
| Total revenue | 23 | 2 034 173 545 | 1 869 513 211 |
| Expenditure | | | |
| Employee related costs | 31 | 546 878 068 | 547 200 066 |
| Remuneration of councillors | 32 | 25 611 680 | 25 754 358 |
| Repairs and Maintenance | 33 | 44 151 131 | 55 255 973 |
| Depreciation and amortisation | 34 | 351 084 296 | 345 298 647 |
| Finance costs | 36 | 64 979 614 | 74 116 845 |
| Debt Impairment | 37 | 217 027 951 | 312 233 449 |
| Bulk purchases | 38 | 559 335 056 | 515 427 307 |
| Contracted services | 39 | 230 421 048 | 183 514 102 |
| General Expenses | 40 | 137 731 271 | 143 984 814 |
| Total expenditure | | 2 177 220 115 | 2 202 785 561 |
| Operating deficit | | (143 046 570) | (333 272 350) |
| Share of deficit in investment in associates | | (30 277 147) | (27 972 811) |
| Actuarial gains/losses | | 12 908 000 | 9 608 477 |
| Impairment loss | 35 | (25 822 582) | (22 841 959) |
| Inventories losses/write-downs | | (117 170) | - |
| Profit/(Loss) on Sale of Assets | | (50 052 096) | 5 553 870 |
| Public contributions and donations | | 39 249 962 | 15 589 293 |
| | | (54 111 033) | (20 063 130) |
| Deficit for the year | | (197 157 603) | (353 335 480) |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

| Figures in Rand | Housing Development Fund | Self Insurance Reserves | Total reserves | Accumulated surplus | Total net assets |
|--|--------------------------------|----------------------------|-------------------|------------------------|----------------------|
| Balance at 01 July 2019 | 28 021 720 | 497 014 | 28 518 734 | 6 685 905 348 | 6 714 424 082 |
| Changes in net assets | | | | | |
| Deficit for the year | - | - | - | (353 335 480) | (353 335 480) |
| Revenue | - | - | - | (3 812 908) | (3 812 908) |
| Department of Labour | - | - | - | (7 726 762) | (7 726 762) |
| Eskom | - | - | - | 18 814 120 | 18 814 120 |
| Invoices cancelled | - | - | - | 2 152 975 | 2 152 975 |
| Transfer of income surplus to trust capital | 786 261 | - | 786 261 | (786 261) | - |
| Transfer of capital surplus to trust capital | - | 35 969 | 35 969 | (35 969) | - |
| Prior year error loans | - | - | - | (21 264 441) | (21 264 441) |
| Prior year error assets | - | - | - | 130 587 908 | 130 587 908 |
| Prior Year Error, Leave Adjustment | - | - | - | (2 138 048) | (2 138 048) |
| Total changes | 786 261 | 35 969 | 822 230 | (237 544 866) | (236 722 636) |
| Restated* Balance at 01 July 2020 | 28 807 981 | 532 983 | 29 340 964 | 6 448 360 338 | 6 477 701 302 |
| Deficit for the year | - | - | - | (197 157 603) | (197 157 603) |
| Transfer to Housing Development Fund | 998 679 | - | 998 679 | (998 679) | - |
| Transfer of Self Insurance Reserves | - | (97 742) | (97 742) | 97 742 | - |
| Eskom | - | - | - | - | - |
| Total changes | 998 679 | (97 742) | 900 937 | (198 058 540) | (197 157 603) |
| Balance at 30 June 2021 | 29 806 660 | 435 241 | 30 241 901 | 6 250 301 798 | 6 280 543 699 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

| Figures in Rand | Note(s) | 2021 | 2020 Restated* |
|---|-----------|-----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 1 083 861 952 | 992 823 652 |
| Grants | | 635 415 131 | 572 849 094 |
| Interest income | | 6 660 722 | 8 517 417 |
| | | <u>1 725 937 805</u> | <u>1 574 190 163</u> |
| Payments | | | |
| Employee costs and Councillors remuneration | | (568 958 990) | (568 428 992) |
| Suppliers | | (990 347 232) | (801 959 985) |
| Finance costs | | (42 720 784) | (56 364 696) |
| | | <u>(1 602 027 006)</u> | <u>(1 426 753 673)</u> |
| Net cash flows from operating activities | 42 | <u>123 910 799</u> | <u>147 436 490</u> |
| Cash flows from investing activities | | | |
| Purchase of property , plant and equipment | 4 | (124 427 766) | (101 061 332) |
| Proceeds from sale of property , plant and equipment | 4 | 1 649 005 | 6 061 037 |
| Proceeds from sale of Investment property | 3 | 1 478 261 | 660 000 |
| Purchase of other intangible assets | 5 | - | (172 929) |
| Purchases of Heritage Assets | 6 | (87 700) | (182 000) |
| | | <u>(121 388 200)</u> | <u>(94 695 224)</u> |
| Net cash flows from investing activities | | <u>(121 388 200)</u> | <u>(94 695 224)</u> |
| Cash flows from financing activities | | | |
| Net movements in long term loans | | (28 914 561) | (25 754 868) |
| Movement on finance lease | | (376 233) | (717 102) |
| | | <u>(29 290 794)</u> | <u>(26 471 970)</u> |
| Net cash flows from financing activities | | <u>(29 290 794)</u> | <u>(26 471 970)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(26 768 195)</u> | <u>26 269 296</u> |
| Cash and cash equivalents at the beginning of the year | | 36 268 498 | 9 999 201 |
| Cash and cash equivalents at the end of the year | 12 | <u>9 500 303</u> | <u>36 268 497</u> |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | Refer to Appendix |
|--|-----------------|-------------|--------------|------------------------------------|--|-------------------|
|--|-----------------|-------------|--------------|------------------------------------|--|-------------------|

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|----------------------|--------------------|----------------------|----------------------|------------------|--|
| Service charges | 1 015 135 576 | (4 321 823) | 1 010 813 753 | 1 013 748 409 | 2 934 656 | |
| Rental of facilities and equipment | 8 495 083 | (1 053 286) | 7 441 797 | 7 093 441 | (348 356) | |
| Other own revenue | 15 741 334 | 3 120 592 | 18 861 926 | 18 701 443 | (160 483) | |
| Interest Received | 8 821 674 | (1 342 000) | 7 479 674 | 6 660 722 | (818 952) | |
| Total revenue from exchange transactions | 1 048 193 667 | (3 596 517) | 1 044 597 150 | 1 046 204 015 | 1 606 865 | |

Revenue from non-exchange transactions

| | | | | | | |
|----------------------|-------------|--------------|-------------|-------------|-------------|--|
| Property rates | 396 532 173 | (47 296 929) | 349 235 244 | 342 533 924 | (6 701 320) | |
| Licences and Permits | 15 174 | - | 15 174 | 101 472 | 86 298 | |

Transfer revenue

| | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|---------------|--|
| Government grants & subsidies | 662 833 006 | 64 550 963 | 727 383 969 | 539 634 369 | (187 749 600) | |
| Fines, Penalties and Forfeits | 13 114 402 | (4 500 506) | 8 613 896 | 5 401 977 | (3 211 919) | |

| | | | | | | |
|---|----------------------|-------------------|----------------------|--------------------|----------------------|--|
| Total revenue from non-exchange transactions | 1 072 494 755 | 12 753 528 | 1 085 248 283 | 887 671 742 | (197 576 541) | |
|---|----------------------|-------------------|----------------------|--------------------|----------------------|--|

| | | | | | | |
|----------------------|----------------------|------------------|----------------------|----------------------|----------------------|--|
| Total revenue | 2 120 688 422 | 9 157 011 | 2 129 845 433 | 1 933 875 757 | (195 969 676) | |
|----------------------|----------------------|------------------|----------------------|----------------------|----------------------|--|

Expenditure

| | | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|--|
| Employee costs | (594 311 981) | 46 090 308 | (548 221 673) | (546 878 068) | 1 343 605 | |
| Remuneration of councillors | (28 455 633) | 1 104 000 | (27 351 633) | (25 611 680) | 1 739 953 | |
| Repairs and Maintenance | - | - | - | (44 151 131) | (44 151 131) | |
| Depreciation and amortisation | (420 387 391) | 24 352 000 | (396 035 391) | (351 084 296) | 44 951 095 | |
| Impairment loss/ Reversal of impairments | - | (20 000 000) | (20 000 000) | (25 822 582) | (5 822 582) | |
| Finance costs | (42 881 638) | - | (42 881 638) | (64 979 614) | (22 097 976) | |
| Debt impairment | (184 699 817) | 18 599 173 | (166 100 644) | (217 027 951) | (50 927 307) | |
| Bulk purchases | (660 670 964) | 71 431 493 | (589 239 471) | (559 335 056) | 29 904 415 | |
| Contracted Services | (337 719 062) | (115 785 152) | (453 504 214) | (230 421 048) | 223 083 166 | |
| Other expenditures | (128 347 276) | (38 369 725) | (166 717 001) | (137 731 271) | 28 985 730 | |

| | | | | | | |
|--------------------------|------------------------|---------------------|------------------------|------------------------|--------------------|--|
| Total expenditure | (2 397 473 762) | (12 577 903) | (2 410 051 665) | (2 203 042 697) | 207 008 968 | |
|--------------------------|------------------------|---------------------|------------------------|------------------------|--------------------|--|

Operating deficit

| | | | | | | |
|--|---|--------------|--------------|--------------|--------------|--|
| Transfers Recognised Capital | - | 108 904 432 | 108 904 432 | 100 297 788 | (8 606 644) | |
| Actuarial gains/losses | - | - | - | 12 908 000 | 12 908 000 | |
| Share of surpluses or (deficits) from Investments in associates | - | (32 000 574) | (32 000 574) | (30 277 147) | 1 723 427 | |
| Inventories losses/write-downs | - | - | - | (117 170) | (117 170) | |
| Profit/(Loss) on sale of assets | - | - | - | (50 052 096) | (50 052 096) | |
| Gains from transfer of functions between entities not under common control | - | - | - | 39 249 962 | 39 249 962 | |

| | | | | | | |
|--|---|------------|------------|------------|-------------|--|
| | - | 76 903 858 | 76 903 858 | 72 009 337 | (4 894 521) | |
|--|---|------------|------------|------------|-------------|--|

| | | | | | | |
|--------------------------------|----------------------|-------------------|----------------------|----------------------|------------------|--|
| Deficit before taxation | (276 785 340) | 73 482 966 | (203 302 374) | (197 157 603) | 6 144 771 | |
|--------------------------------|----------------------|-------------------|----------------------|----------------------|------------------|--|

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | Refer to Appendix |
|--|----------------------|----------------------|----------------------|--|---|----------------------|
| Figures in Rand | | | | | | |
| Actual Amount on Comparable Basis | (276 785 340) | (177 484 114) | (454 269 454) | (197 157 603) | 257 111 851 | |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | Refer to Appendix |
|--|-----------------|-------------|--------------|------------------------------------|--|-------------------|
|--|-----------------|-------------|--------------|------------------------------------|--|-------------------|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|-------------------|
| Inventories | 13 295 587 | 218 716 | 13 514 303 | 18 806 337 | 5 292 034 |
| Receivables from exchange transactions | 36 838 125 | - | 36 838 125 | 115 421 241 | 78 583 116 |
| Consumer debtors | 377 278 135 | 172 376 865 | 549 655 000 | 641 312 859 | 91 657 859 |
| Cash and cash equivalents | 72 553 078 | 19 694 369 | 92 247 447 | 9 500 299 | (82 747 148) |
| | 499 964 925 | 192 289 950 | 692 254 875 | 785 040 736 | 92 785 861 |

Non-Current Assets

| | | | | | |
|-------------------------------|----------------------|-------------------|----------------------|----------------------|----------------------|
| Investment property | 355 563 618 | - | 355 563 618 | 327 734 618 | (27 829 000) |
| Property, plant and equipment | 6 638 511 968 | - | 6 638 511 968 | 6 470 545 398 | (167 966 570) |
| Intangible assets | 1 823 057 | (1 132 744) | 690 313 | 1 257 668 | 567 355 |
| Heritage assets | 11 488 232 | 182 000 | 11 670 232 | 11 757 932 | 87 700 |
| Investments in associates | 204 693 191 | 30 234 660 | 234 927 851 | 187 056 075 | (47 871 776) |
| | 7 212 080 066 | 29 283 916 | 7 241 363 982 | 6 998 351 691 | (243 012 291) |

| | | | | | |
|---------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| Total Assets | 7 712 044 991 | 221 573 866 | 7 933 618 857 | 7 783 392 427 | (150 226 430) |
|---------------------|----------------------|--------------------|----------------------|----------------------|----------------------|

Liabilities

Current Liabilities

| | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Bank overdraft | - | 62 801 078 | 62 801 078 | - | (62 801 078) |
| Other financial liabilities | 28 756 915 | - | 28 756 915 | 30 987 268 | 2 230 353 |
| Finance lease obligation | - | - | - | 109 927 | 109 927 |
| Payables from exchange transactions | 367 022 000 | 84 940 327 | 451 962 327 | 796 421 953 | 344 459 626 |
| VAT payable | - | - | - | 18 539 020 | 18 539 020 |
| Consumer deposits | 24 738 459 | 175 552 | 24 914 011 | 27 501 909 | 2 587 898 |
| Unspent conditional grants and receipts | - | - | - | 41 232 304 | 41 232 304 |
| Defined benefit plan | 8 667 735 | 1 084 265 | 9 752 000 | 11 406 000 | 1 654 000 |
| | 429 185 109 | 149 001 222 | 578 186 331 | 926 198 381 | 348 012 050 |

Non-Current Liabilities

| | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|
| Other financial liabilities | 375 896 360 | 208 115 921 | 584 012 281 | 362 011 519 | (222 000 762) |
| Finance lease obligation | - | - | - | 42 180 | 42 180 |
| Defined benefit plan | 177 199 141 | - | 177 199 141 | 155 397 002 | (21 802 139) |
| Provision for rehabilitation of landfill site | 30 286 083 | - | 30 286 083 | 59 199 647 | 28 913 564 |
| | 583 381 584 | 208 115 921 | 791 497 505 | 576 650 348 | (214 847 157) |

| | | | | | |
|--------------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
| Total Liabilities | 1 012 566 693 | 357 117 143 | 1 369 683 836 | 1 502 848 729 | 133 164 893 |
|--------------------------|----------------------|--------------------|----------------------|----------------------|--------------------|

| | | | | | |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net Assets | 6 699 478 298 | (135 543 277) | 6 563 935 021 | 6 280 543 698 | (283 391 323) |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|

Net Assets

Reserves

| | | | | | |
|--------------------------|------------|---------|------------|------------|---------|
| Housing Development Fund | 27 976 000 | 931 982 | 28 907 982 | 29 806 660 | 898 678 |
|--------------------------|------------|---------|------------|------------|---------|

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | Refer to Appendix |
|-------------------------|----------------------|--------------------|----------------------|--|---|----------------------|
| Figures in Rand | | | | | | |
| Insurance reserve | 534 119 | (1 136) | 532 983 | 435 241 | (97 742) | |
| Accumulated surplus | 6 355 514 317 | 178 980 156 | 6 534 494 473 | 6 250 301 797 | (284 192 676) | |
| Total Net Assets | 6 384 024 436 | 179 911 002 | 6 563 935 438 | 6 280 543 698 | (283 391 740) | |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 | Refer to Appendix |
|--|-----------------|-------------|--------------|------------------------------------|--|-------------------|
|--|-----------------|-------------|--------------|------------------------------------|--|-------------------|

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

| | | | | | |
|-------------------|----------------------|-------------------|----------------------|----------------------|----------------------|
| Sale of goods | 1 178 027 945 | (44 590 996) | 1 133 436 949 | 1 083 861 952 | (49 574 997) |
| Grants | 753 380 999 | 56 907 402 | 810 288 401 | 635 415 131 | (174 873 270) |
| Interest received | 2 496 963 | (124 000) | 2 372 963 | 6 660 722 | 4 287 759 |
| | 1 933 905 907 | 12 192 406 | 1 946 098 313 | 1 725 937 805 | (220 160 508) |

Payments

| | | | | | |
|--|------------------------|---------------------|------------------------|------------------------|--------------------|
| Employee costs and payments to suppliers | (1 740 736 401) | (38 641 288) | (1 779 377 689) | (1 559 306 222) | 220 071 467 |
| Finance costs | (42 881 638) | - | (42 881 638) | (42 720 784) | 160 854 |
| | (1 783 618 039) | (38 641 288) | (1 822 259 327) | (1 602 027 006) | 220 232 321 |

| | | | | | |
|---|--------------------|---------------------|--------------------|--------------------|---------------|
| Net cash flows from operating activities | 150 287 868 | (26 448 882) | 123 838 986 | 123 910 799 | 71 813 |
|---|--------------------|---------------------|--------------------|--------------------|---------------|

Cash flows from investing activities

| | | | | | |
|---|----------------------|---------------------|----------------------|----------------------|-------------------|
| Purchase of property, plant and equipment | (125 547 994) | (24 842 336) | (150 390 330) | (124 427 766) | 25 962 564 |
| Proceeds from sale of property, plant and equipment | 18 000 000 | - | 18 000 000 | 1 649 005 | (16 350 995) |
| Proceeds from sale of investment property | - | - | - | 1 478 261 | 1 478 261 |
| Purchases of heritage assets | - | - | - | (87 700) | (87 700) |
| Net cash flows from investing activities | (107 547 994) | (24 842 336) | (132 390 330) | (121 388 200) | 11 002 130 |

Cash flows from financing activities

| | | | | | |
|---|---------------------|----------|---------------------|---------------------|--------------------|
| Increase (decrease) in consumer deposits | 2 000 000 | - | 2 000 000 | - | (2 000 000) |
| Movement in long term loans | (28 756 915) | - | (28 756 915) | (28 914 561) | (157 646) |
| Finance lease payments | - | - | - | (376 233) | (376 233) |
| Net cash flows from financing activities | (26 756 915) | - | (26 756 915) | (29 290 794) | (2 533 879) |

| | | | | | |
|--|-------------------|---------------------|----------------|------------------|------------------|
| Net increase/(decrease) in cash and cash equivalents | 15 982 959 | (51 291 218) | (35 308 259) | (26 768 195) | 8 540 064 |
| Cash and cash equivalents at the beginning of the year | 28 060 000 | 8 184 336 | 36 244 336 | 36 268 498 | 24 162 |
| Cash at the end of the year | 44 042 959 | (43 106 882) | 936 077 | 9 500 303 | 8 564 226 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

2021

Financial Performance

| | Original budget | Budget adjustments (i.t.o. s28 and budget s31 of the MFMA) | Final adjustments (i.t.o. s31 of the MFMA) | Shifting of funds (i.t.o. MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------------|--|--|---------------------------------|---|------------------------|------------------------|--------------------------|----------------------|-------------------------------------|--|
| Property rates | 396 532 173 | (47 296 929) | 349 235 244 | - | - | 349 235 244 | 342 533 924 | | (6 701 320) | 98 % | 86 % |
| Service charges | 1 015 135 576 | (4 321 823) | 1 010 813 753 | - | - | 1 010 813 753 | 1 013 748 409 | | 2 934 656 | 100 % | 100 % |
| Investment revenue | 8 821 674 | (1 342 000) | 7 479 674 | - | - | 7 479 674 | 6 660 722 | | (818 952) | 89 % | 76 % |
| Transfers recognised - operational | 662 833 006 | 64 550 963 | 727 383 969 | - | - | 727 383 969 | 539 634 369 | | (187 749 600) | 74 % | 81 % |
| Other own revenue | 37 365 993 | (2 433 200) | 34 932 793 | - | - | 34 932 793 | 31 298 333 | | (3 634 460) | 90 % | 84 % |
| Total revenue (excluding capital transfers and contributions) | 2 120 688 422 | 9 157 011 | 2 129 845 433 | - | - | 2 129 845 433 | 1 933 875 757 | | (195 969 676) | 91 % | 91 % |
| Employee costs | (594 311 981) | 46 090 308 | (548 221 673) | - | - | (548 221 673) | (546 878 068) | - | 1 343 605 | 100 % | 92 % |
| Remuneration of councillors | (28 455 633) | 1 104 000 | (27 351 633) | - | - | (27 351 633) | (25 611 680) | - | 1 739 953 | 94 % | 90 % |
| Debt impairment | (184 699 817) | 18 599 173 | (166 100 644) | | | (166 100 644) | (217 027 951) | - | (50 927 307) | 131 % | 118 % |
| Depreciation and asset impairment | (420 387 391) | 4 352 000 | (416 035 391) | | | (416 035 391) | (351 084 296) | - | 64 951 095 | 84 % | 84 % |
| Finance charges | (42 881 638) | - | (42 881 638) | - | - | (42 881 638) | (64 979 614) | - | (22 097 976) | 152 % | 152 % |
| Materials and bulk purchases | (660 670 964) | 194 508 677 | (466 162 287) | - | - | (466 162 287) | (559 335 056) | - | (93 172 769) | 120 % | 85 % |
| Contracted services | (337 719 062) | (115 785 152) | (453 504 214) | - | - | (453 504 214) | (274 572 179) | - | 178 932 035 | 61 % | 81 % |
| Other expenditure | (128 347 276) | (161 446 909) | (289 794 185) | - | - | (289 794 185) | (137 731 271) | - | 152 062 914 | 48 % | 107 % |
| Total expenditure | (2 397 473 762) | (12 577 903) | (2 410 051 665) | - | - | (2 410 051 665) | (2 177 220 115) | - | 232 831 550 | 90 % | 91 % |
| Surplus/(Deficit) | (276 785 340) | (3 420 892) | (280 206 232) | - | - | (280 206 232) | (243 344 358) | | 36 861 874 | 87 % | 88 % |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|-------------------|-------------------------------------|--|
| Transfers recognised - capital | - | 108 904 432 | 108 904 432 | - | - | 108 904 432 | 100 297 788 | | (8 606 644) | 92 % | DIV/0 % |
| Actuarial gain/losses | - | - | - | - | - | - | 12 908 000 | | 12 908 000 | DIV/0 % | DIV/0 % |
| Surplus (Deficit) after capital transfers and contributions | (276 785 340) | 105 483 540 | (171 301 800) | - | - | (171 301 800) | (130 138 570) | | 41 163 230 | 76 % | 47 % |
| Share of surplus (deficit) of associate | - | 32 000 574 | 32 000 574 | - | - | 32 000 574 | 30 277 147 | | (1 723 427) | 95 % | DIV/0 % |
| Inventory losses/ profit(loss) on sale of assets | - | - | - | - | - | - | 50 052 096 | | 50 052 096 | DIV/0 % | DIV/0 % |
| Public contributions and donations | - | - | - | - | - | - | (39 249 962) | | (39 249 962) | DIV/0 % | DIV/0 % |
| Impairment loss | - | - | - | - | - | - | 25 822 582 | | 25 822 582 | DIV/0 % | DIV/0 % |
| Inventory losses/ write-downs | - | - | - | - | - | - | 117 170 | | 117 170 | DIV/0 % | DIV/0 % |
| Surplus/(Deficit) for the year | (276 785 340) | 73 482 966 | (203 302 374) | - | - | (203 302 374) | (197 157 603) | | 6 144 771 | 97 % | 71 % |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

| Figures in Rand | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-------------------|---|---------------------|--|---|---------------------|---------------------|--------------------------|--------------------|-------------------------------------|--|
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | 150 287 868 | (26 448 882) | 123 838 986 | - | - | 123 838 986 | 123 910 799 | | 71 813 | 100 % | 82 % |
| Net cash from (used) investing | (107 547 994) | (24 842 336) | (132 390 330) | - | - | (132 390 330) | (121 388 200) | | 11 002 130 | 92 % | 113 % |
| Net cash from (used) financing | (26 756 915) | - | (26 756 915) | - | - | (26 756 915) | (29 290 794) | | (2 533 879) | 109 % | 109 % |
| Net increase/(decrease) in cash and cash equivalents | 15 982 959 | (51 291 218) | (35 308 259) | - | - | (35 308 259) | (26 768 195) | | 8 540 064 | 76 % | (167)% |
| Cash and cash equivalents at the beginning of the year | 28 060 000 | 8 184 336 | 36 244 336 | - | - | 36 244 336 | 36 268 498 | | 24 162 | 100 % | 129 % |
| Cash and cash equivalents at year end | 44 042 959 | (43 106 882) | 936 077 | - | - | 936 077 | 9 500 303 | | (8 564 226) | 1 015 % | 22 % |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

| Figures in Rand | Note(s) | 2021 | 2020 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

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).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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.

1.4 Interests in other entities

Investments in associates and/or joint ventures

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Interests in other entities (continued)

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 2021

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.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 Infrastructure and Other assets 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 2021

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 | 7-80 years |
| Community | Straight-line | 5-80 years |
| Other property, plant and equipment | Straight-line | 5-10 years |
| Landfil 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 2021

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 2021

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.

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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.

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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

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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 unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of 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;

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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.

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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 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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.

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.

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 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.

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.

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

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:

[Specify judgements made]

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.

1.15 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.

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting 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.

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Accounting Policies

1.16 Employee benefits (continued)

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.

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.

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Accounting Policies

1.16 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.

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1.16 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 2021

Accounting Policies

1.16 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 2021

Accounting Policies

1.16 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.

1.17 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 surplus (deficit).

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 2021

Accounting Policies

1.17 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 44.

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.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 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 1.13 and 1.14.

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 2021

Accounting Policies

1.17 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.

1.18 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.

1.19 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

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Accounting Policies

1.19 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 .

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 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.

Recognition

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

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

Measurement

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

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

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

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

Transfers

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

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

1.21 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.

1.22 Investment income

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

1.23 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.

1.24 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

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.

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Accounting Policies

1.25 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.

1.26 Comparative figures

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

1.27 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).

1.28 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).

1.29 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).

1.30 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.

1.31 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.

1.32 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.

Newcastle Municipality

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Accounting Policies

1.33 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.

1.34 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.

1.35 Cash and cash equivalents

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|--|--|
| • GRAP 18: Segment Reporting | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 34: Separate Financial Statements | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 36: Investments in Associates and Joint Ventures | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 38: Disclosure of Interests in Other Entities | 01 April 2020 | Unlikely there will be a material impact |
| • IGRAP 20: Adjustments to Revenue | 01 April 2020 | Unlikely there will be a material impact |
| • GRAP 110 (as amended 2016): Living and Non-living Resources | 01 April 2020 | The impact of the is not material. |
| • Directive 7 (revised): The Application of Deemed Cost | 01 April 2020 | The impact of the is not material. |

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • GRAP 104 (amended): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| • IGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Unlikely there will be a material impact |
| • Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards | 01 April 2021 | Unlikely there will be a material impact |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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3. Investment property

| | 2021 | | 2020 | |
|---------------------|---------------------|--|----------------|--|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation |
| Investment property | 327 734 618 | - | 327 734 618 | 342 104 618 |
| | | | | Accumulated depreciation and accumulated impairment |
| | | | | - |
| | | | | 342 104 618 |

Reconciliation of investment property - 2021

| | Opening balance | Disposals | Re- classification | Total |
|---------------------|--------------------|-----------|-----------------------|-------------|
| Investment property | 342 104 618 | (775 000) | (13 595 000) | 327 734 618 |

Reconciliation of investment property - 2020

| | Opening balance | Disposals | Total |
|---------------------|--------------------|-----------|-------------|
| Investment property | 342 764 618 | (660 000) | 342 104 618 |

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 2021

Notes to the Annual Financial Statements

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4. Property, plant and equipment

| | 2021 | | 2020 | |
|----------------|-----------------------|---|----------------------|---|
| | Cost / Valuation | Accumulated depreciation and impairment | Cost / Valuation | Accumulated depreciation and impairment |
| Land | 171 960 447 | - | 171 960 447 | 158 055 447 |
| Buildings | 428 095 794 | (72 883 155) | 355 212 639 | (58 278 549) |
| Infrastructure | 9 433 082 706 | (3 730 266 489) | 5 702 816 217 | (3 533 906 775) |
| Community | 286 562 218 | (89 371 683) | 197 190 535 | (75 747 511) |
| Leased Assets | 1 965 330 | (1 811 081) | 154 249 | (3 184 028) |
| Other Assets | 205 594 461 | (162 383 150) | 43 211 311 | (170 994 785) |
| Total | 10 527 260 956 | (4 056 715 558) | 6 470 545 398 | (3 842 111 648) |

Reconciliation of property, plant and equipment - 2021

| | Opening balance | Additions | Work In Progress | Transfers | Write off | Disposal | Impairment | Depreciation | Total |
|----------------|----------------------|--------------------|---------------------|-------------------|---------------------|--------------------|---------------------|----------------------|----------------------|
| Land | 158 055 447 | 500 000 | - | 13 595 000 | - | (190 000) | - | - | 171 960 447 |
| Buildings | 362 527 331 | 5 125 517 | 3 517 397 | - | - | (1 353 000) | (756 065) | (13 848 541) | 355 212 639 |
| Infrastructure | 5 961 314 068 | 62 613 127 | 54 322 689 | - | (51 637 754) | - | (16 082 071) | (307 713 841) | 5 702 816 218 |
| Community | 182 935 593 | 25 340 912 | 4 118 090 | - | - | - | (5 282 959) | (9 921 101) | 197 190 535 |
| Leased Assets | 448 632 | 155 700 | - | - | - | (2 494) | - | (447 589) | 154 249 |
| Other assets | 52 711 292 | 7 935 440 | - | - | (29 109) | - | (38 462) | (17 367 850) | 43 211 311 |
| Total | 6 717 992 363 | 101 670 696 | 61 958 176 | 13 595 000 | (51 666 863) | (1 545 494) | (22 159 557) | (349 298 922) | 6 470 545 399 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | WIP | Revaluations | Transfers received | Disposals | Work In Progress Movement | Impairment | Depreciation | Correction of error | Total |
|----------------|----------------------|-------------------|-------------------|-------------------|--------------------|------------------|---------------------------|---------------------|----------------------|---------------------|----------------------|
| Land | 158 889 543 | - | - | - | - | - | - | - | - | - | 158 055 447 |
| Buildings | 377 198 069 | - | 365 385 | - | - | (353 124) | - | (27 452) | (14 655 547) | (679 096) | 362 527 331 |
| Infrastructure | 6 018 062 422 | 11 410 906 | 98 413 134 | 19 494 107 | - | - | (11 850) | (6 531 638) | (303 729 122) | 124 206 108 | 5 961 314 067 |
| Community | 199 674 755 | 108 004 | 679 171 | - | - | - | (5 755) | (7 889 325) | (9 675 841) | 44 584 | 182 935 593 |
| Other assets | 55 302 968 | 5 899 503 | - | - | (48 008) | - | - | (80 548) | (15 378 935) | 7 016 312 | 52 711 292 |
| Leased Assets | 1 125 788 | 195 489 | - | - | - | - | - | - | (872 645) | - | 448 632 |
| | 6 810 253 545 | 17 613 902 | 99 457 690 | 19 494 107 | (48 008) | (508 124) | (17 605) | (14 528 963) | (344 312 090) | 130 587 908 | 6 717 992 362 |

Assets subject to finance lease (Net carrying amount)

Other leased Assets

| | |
|---------|---------|
| 154 249 | 448 632 |
|---------|---------|

Reconciliation of Work-in-Progress 2021

| | Infrastructure | Community | Buildings | Total |
|--------------------------------|--------------------|------------------|------------------|--------------------|
| Opening balance | 82 897 772 | 2 758 086 | 365 385 | 86 021 243 |
| Additions/capital expenditure | 111 498 414 | 4 118 090 | 4 449 027 | 120 065 531 |
| Transferred to completed items | (54 171 203) | - | (931 629) | (55 102 832) |
| | 140 224 983 | 6 876 176 | 3 882 783 | 150 983 942 |

Reconciliation of Work-in-Progress 2020

| | Infrastructure | Community | Buildings | Total |
|--------------------------------|-------------------|------------------|----------------|-------------------|
| Opening balance | 74 905 847 | 15 569 684 | - | 90 475 531 |
| Additions/capital expenditure | 98 413 134 | 679 171 | 365 385 | 99 457 690 |
| Impairment of WIP | - | (1 515 788) | - | (1 515 788) |
| Adjustments | - | (17 606) | - | (17 606) |
| Transferred to completed items | (90 409 762) | (11 956 972) | - | (102 366 734) |
| Correction of Error | (11 850) | - | - | (11 850) |
| | 82 897 359 | 2 758 489 | 365 385 | 86 021 243 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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2021

2020

4. Property , plant and equipment (continued)

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 2021

Notes to the Annual Financial Statements

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5. Intangible assets

| | 2021 | | 2020 | |
|---|---------------------|--|---------------------|--|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Cost / Valuation | Accumulated amortisation and accumulated impairment |
| Computer software, internally generated | 15 583 125 | (14 325 457) | 1 257 668 | (13 185 588) |
| | | | | 2 224 607 |

Reconciliation of intangible assets - 2021

Computer software, internally generated

| Opening balance | Amortisation | Total |
|--------------------|--------------|-----------|
| 2 224 607 | (966 939) | 1 257 668 |

Reconciliation of intangible assets - 2020

Computer software, internally generated

| Opening balance | Additions | Amortisation | Total |
|--------------------|-----------|--------------|-----------|
| 3 001 185 | 172 929 | (949 507) | 2 224 607 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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6. Heritage assets

| | 2021 | | 2020 | |
|---|---------------------|-------------------------------------|----------------|-------------------------------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation |
| Art Collections, antiquities and exhibits | 11 757 932 | - | 11 757 932 | 11 670 232 |
| | | | | Accumulated impairment losses |
| | | | | - |
| | | | | 11 670 232 |

Reconciliation of heritage assets 2021

| | Opening balance | Additions | Total |
|---|--------------------|-----------|------------|
| Art Collections, antiquities and exhibits | 11 670 232 | 87 700 | 11 757 932 |

Reconciliation of heritage assets 2020

| | Opening balance | Additions | Total |
|---|--------------------|-----------|------------|
| Art Collections, antiquities and exhibits | 11 488 232 | 182 000 | 11 670 232 |

7. Investment in Associates

| Name of Entity | Listed/Unlisted | % Holding 2021 | % Holding 2020 | Carrying amount 2021 | Carrying amount 2020 |
|----------------|-----------------|-------------------|-------------------|-------------------------|-------------------------|
| Uthukela Water | - | 34 | 34 | 187 056 075 | 217 333 222 |

8. Inventories

| | | |
|----------------------------------|-------------------|-------------------|
| Water Stock | 387 231 | 335 384 |
| Consumable stores | 18 816 721 | 13 576 534 |
| | 19 203 952 | 13 911 918 |
| | (397 615) | (397 615) |
| Inventories (write-downs) | 18 806 337 | 13 514 303 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|----------------------|----------------------|
| 9. Receivables from exchange transactions | | |
| Deposits (Eskom and Nedbank Building) | 3 722 275 | 3 430 190 |
| Sundry Debtors | 1 453 053 | 1 988 244 |
| Input VAT on invoices raised | 94 242 975 | 71 552 556 |
| | 99 418 303 | 76 970 990 |
| 10. Receivables from non-exchange transactions | | |
| Fines (Gross Balance) | 64 827 139 | 60 641 499 |
| Less: Provision for impairment | (48 824 201) | (45 161 161) |
| | 16 002 938 | 15 480 338 |
| Reconciliation of Gross Amount | | |
| Opening Balance | 60 641 498 | 51 194 382 |
| Add: Fines recognised | 4 647 120 | 10 323 001 |
| Less: Fines received | (461 480) | (875 885) |
| | 64 827 138 | 60 641 498 |
| Reconciliation for Provision of Impairment | | |
| Opening Balance | 45 161 162 | 36 858 986 |
| Add: Contribution | 3 663 039 | 8 302 176 |
| | 48 824 201 | 45 161 162 |
| | - | - |
| Total receivables from non-exchange transactions | 16 002 938 | 15 480 338 |
| Statutory receivables general information | | |
| .. | | |
| Traffic fines are imposed in terms of section 54, 56 and 341 of Criminal Procedure Act 51 of 1977 and Municipality bylaws 623 of 1977 | | |
| Fines are followed up by issue of summons. Traffic fines can be contested in court and this can lead to a review of the amount of the fine | | |
| Receivables from non-exchange transactions past due but not impaired | | |
| Opening Balance | 45 161 162 | 36 858 975 |
| Add: Contribution for Impairment | 3 663 039 | 8 297 048 |
| Receivables from non-exchange transactions impaired | | |
| Traffic Fines | 4 647 120 | 10 323 001 |
| Other fines | 461 480 | 875 885 |
| 11. Consumer debtors | | |
| Gross balances | | |
| Rates | 226 985 393 | 306 887 357 |
| Electricity | 158 904 828 | 166 873 529 |
| Water | 237 933 730 | 450 468 786 |
| Waste water | 211 866 003 | 329 159 732 |
| Refuse | 216 309 700 | 181 954 170 |
| Other | 53 446 699 | 54 961 006 |
| VAT and sundry services | 185 281 035 | 196 403 152 |
| | 1 290 727 388 | 1 686 707 732 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|----------------------|------------------------|
| 11. Consumer debtors disclosure (continued) | | |
| Less: Allowance for impairment | | |
| Rates | (90 077 206) | (188 305 767) |
| Electricity | (8 880 566) | (52 515 635) |
| Water | (224 285 281) | (330 143 872) |
| Waste water | (141 696 264) | (256 261 294) |
| Refuse | (98 989 819) | (129 878 181) |
| Other | (17 211 615) | (52 458 544) |
| VAT and sundry services | (68 273 779) | (98 452 254) |
| | (649 414 530) | (1 108 015 547) |
| Net balance | | |
| Rates | 136 908 187 | 118 581 590 |
| Electricity | 150 024 262 | 114 357 894 |
| Water | 13 648 449 | 120 324 915 |
| Waste water | 70 169 739 | 72 898 438 |
| Refuse | 117 319 881 | 52 075 989 |
| Other | 36 235 084 | 2 502 462 |
| VAT and sundry services | 117 007 257 | 97 950 898 |
| | 641 312 859 | 578 692 186 |
| Included in above is receivables from exchange transactions | | |
| Electricity | 158 904 828 | 166 873 529 |
| Water | 237 933 730 | 450 468 786 |
| Waste water | 211 866 003 | 329 159 732 |
| Refuse | 216 309 700 | 181 954 170 |
| Other | 53 446 699 | 54 961 006 |
| VAT and sundry services | 185 281 035 | 196 403 152 |
| | 1 063 741 995 | 1 379 820 375 |
| Included in above is receivables from non-exchange transactions (taxes and transfers) | | |
| Rates | 226 985 393 | 306 887 357 |
| Net balance | 1 290 727 388 | 1 686 707 732 |
| Rates | | |
| Current (0 -30 days) | 24 214 146 | 24 786 284 |
| 31 - 60 days | 16 493 113 | 12 041 333 |
| 61 - 90 days | 9 471 070 | 10 759 545 |
| 91 - 120 days | 8 818 561 | 9 903 773 |
| 121 - 365 days | 8 688 945 | 8 558 758 |
| > 365 days | 159 299 558 | 240 837 665 |
| | 226 985 393 | 306 887 358 |
| Electricity | | |
| Current (0 -30 days) | 96 587 343 | 89 819 700 |
| 31 - 60 days | 5 584 848 | 11 409 296 |
| 61 - 90 days | 1 364 670 | 3 714 218 |
| 91 - 120 days | 1 145 878 | 2 436 554 |
| 121 - 365 days | 922 528 | 1 245 098 |
| > 365 days | 53 299 561 | 58 248 663 |
| | 158 904 828 | 166 873 529 |
| Water | | |
| Current (0 -30 days) | 32 211 505 | 29 828 077 |
| 31 - 60 days | 15 412 329 | 11 687 792 |
| 61 - 90 days | 9 396 467 | 8 815 735 |
| 91 - 120 days | 9 279 245 | 8 637 723 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|--------------------|--------------------|
| 11. Consumer debtors disclosure (continued) | | |
| 121 - 365 days | 10 464 470 | 8 880 252 |
| > 365 days | 161 169 714 | 382 619 208 |
| | 237 933 730 | 450 468 787 |
| Waste water | | |
| Current (0 -30 days) | 8 169 533 | 8 153 870 |
| 31 - 60 days | 11 402 153 | 6 993 749 |
| 61 - 90 days | 6 387 376 | 6 026 606 |
| 91 - 120 days | 6 251 916 | 5 867 407 |
| 121 - 365 days | 6 086 907 | 5 580 418 |
| > 365 days | 173 568 118 | 296 537 682 |
| | 211 866 003 | 329 159 732 |
| Refuse | | |
| Current (0 -30 days) | 6 130 468 | 6 777 848 |
| 31 - 60 days | 7 720 660 | 5 296 867 |
| 61 - 90 days | 4 609 359 | 4 604 663 |
| 91 - 120 days | 4 552 623 | 4 423 189 |
| 121 - 365 days | 4 344 674 | 4 241 198 |
| > 365 days | 188 951 915 | 156 610 405 |
| | 216 309 699 | 181 954 170 |
| Other | | |
| Current (0 -30 days) | 237 783 | 1 542 195 |
| 31 - 60 days | 3 748 741 | 730 584 |
| 61 - 90 days | 2 765 794 | 630 259 |
| 91 - 120 days | 2 080 525 | 704 311 |
| 121 - 365 days | 2 713 641 | 809 904 |
| > 365 days | 41 900 216 | 50 543 753 |
| | 53 446 700 | 54 961 006 |
| VAT and sundry services | | |
| Current (0 -30 days) | (3 020 589) | (54 813 945) |
| 31 - 60 days | 6 136 387 | 6 046 360 |
| 61 - 90 days | 3 417 893 | 3 470 525 |
| 91 - 120 days | 3 288 006 | 9 467 688 |
| 121 - 365 days | 3 372 283 | 3 110 164 |
| > 365 days | 172 087 055 | 229 122 360 |
| | 185 281 035 | 196 403 152 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 146 974 443 | 63 660 398 |
| 31 - 60 days | 52 580 705 | 36 706 212 |
| 61 - 90 days | 32 116 596 | 29 471 713 |
| 91 - 120 days | 30 838 213 | 28 826 514 |
| 121 - 365 days | 32 608 078 | 28 054 478 |
| > 365 days | 813 973 204 | 1 261 101 709 |
| | 1 109 091 239 | 1 447 821 024 |
| Less: Allowance for impairment | (634 597 416) | (1 005 516 877) |
| | 474 493 823 | 442 304 147 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 97 873 878 | 44 745 497 |
| 31 - 60 days | 12 415 606 | 15 728 045 |
| 61 - 90 days | 4 163 975 | 7 248 493 |
| 91 - 120 days | 3 543 960 | 5 812 122 |
| 121 - 365 days | 3 384 778 | 3 854 934 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|----------------------|------------------------|
| 11. Consumer debtors disclosure (continued) | | |
| > 365 days | 46 185 479 | 130 808 808 |
| | 167 567 676 | 208 197 899 |
| Less: Allowance for impairment | (14 817 113) | (102 498 669) |
| | 152 750 563 | 105 699 230 |
| National and provincial government | | |
| Current (0 -30 days) | 1 434 621 | (2 145 473) |
| 31 - 60 days | 1 445 314 | 1 771 724 |
| 61 - 90 days | 1 122 318 | 1 301 346 |
| 91 - 120 days | 1 026 317 | 6 802 010 |
| 121 - 365 days | 594 104 | 516 378 |
| > 365 days | 8 445 799 | 22 442 826 |
| | 14 068 473 | 30 688 811 |
| Total | | |
| Current (0 -30 days) | 246 282 942 | 106 260 422 |
| 31 - 60 days | 66 441 625 | 54 205 981 |
| 61 - 90 days | 37 402 889 | 38 021 552 |
| 91 - 120 days | 35 408 490 | 41 440 646 |
| 121 - 365 days | 36 586 959 | 32 425 790 |
| > 365 days | 868 604 482 | 1 414 353 343 |
| | 1 290 727 387 | 1 686 707 734 |
| Less: Allowance for impairment | (649 414 530) | (1 108 015 546) |
| | 641 312 857 | 578 692 188 |
| Less: Allowance for impairment | | |
| 31 - 60 days | - | (3 347 812) |
| 61 - 90 days | - | (4 739 279) |
| 91 - 120 days | - | (5 801 183) |
| 121 - 365 days | - | (7 085 914) |
| > 365 days | (649 414 530) | (1 087 041 358) |
| | (649 414 530) | (1 108 015 546) |
| Total debtor past due but not impaired | | |
| Current (0 -30 days) | 246 282 942 | 106 260 422 |
| 31 - 60 days | 66 441 625 | 50 858 169 |
| 61 - 90 days | 37 402 889 | 33 282 273 |
| 91 - 120 days | 35 408 490 | 35 639 463 |
| 121 - 365 days | 36 586 959 | 25 339 876 |
| > 365 days | 219 189 952 | 327 311 985 |
| | 641 312 857 | 578 692 188 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (1 110 803 619) | (933 901 804) |
| Contributions to allowance | 461 389 089 | (174 113 743) |
| | (649 414 530) | (1 108 015 547) |
| Statutory receivables general information | | |
| .. | | |

Property Rates are imposed in terms of Municipali Property Rates Act 6 of 2004, the tarrifs are imposed in terms of tarrif of charges approved by Council.

Receivables from consumer debtors

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

11. Consumer debtors disclosure (continued)

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 a 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 intall 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 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|------------------------|------------------|-------------------|
| Cash on hand | 283 946 | 14 785 |
| Bank balances | 7 550 154 | 691 584 |
| Short-term Investments | 1 666 199 | 35 562 129 |
| | 9 500 299 | 36 268 498 |

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 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 | |
| Nedbank - 1162667338 | 7 550 153 | (2 892 139) | - | 7 819 315 | 37 405 819 |

Call Investments

| | | |
|------------------------------|------------------|-------------------|
| Standard Bank - 68450354/015 | 126 586 | 1 089 090 |
| Standard Bank - 68450354/016 | 76 817 | 28 701 727 |
| Standard Bank - 68450354/035 | 43 497 | 43 254 |
| Standard Bank - 68450354/036 | 18 529 | 598 081 |
| Standard Bank - 68450354/037 | 36 659 | 422 224 |
| Standard Bank - 68450354/038 | 60 906 | 60 264 |
| Standard Bank - 68450354/039 | 79 269 | 78 434 |
| Standard Bank - 68450354/040 | 95 976 | 5 553 011 |
| ABSA - 9288456248 | 64 584 | 64 952 |
| ABSA - 9300506428 | 545 946 | 529 582 |
| Nedbank - 037648555441 46 | 117 | 113 |
| Nedbank - 037648555441 47 | 117 | 113 |
| Nedbank - 037648555441 48 | 117 | 113 |
| Nedbank - 037648555441 49 | 117 | 113 |
| Nedbank - 037648555441 52 | 132 168 | 965 440 |
| Nedbank - 037648555441 53 | 47 | 47 |
| Nedbank - 037648555441 54 | 384 747 | 366 309 |
| | 1 666 199 | 38 472 867 |

Interest Income

| | | |
|---------------------------------|------------------|------------------|
| Interest on primary account | 494 239 | 763 086 |
| Interest on investment accounts | 2 328 036 | 1 999 623 |
| | 2 822 275 | 2 762 709 |

13. Housing development fund

| | | |
|-----------------|-------------------|-------------------|
| Opening balance | 28 807 982 | 28 021 720 |
| Transfers in | 998 678 | 786 261 |
| | 29 806 660 | 28 807 981 |

14. Self-insurance reserve

| | | |
|--------------------|----------------|----------------|
| Opening balance | 532 983 | 497 014 |
| Transfers in/(out) | (97 742) | 35 969 |
| | 435 241 | 532 983 |

15. Finance lease obligation

| | | |
|----------------------------|---------|---------|
| Minimum lease payments due | | |
| - within one year | 109 927 | 392 517 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|----------------|----------------|
| 15. Finance lease obligation (continued) | | |
| - in second to fifth year inclusive | 42 180 | 135 823 |
| Present value of minimum lease payments | 152 107 | 528 340 |
| Non-current liabilities | 42 180 | 135 823 |
| Current liabilities | 109 927 | 392 517 |
| | 152 107 | 528 340 |

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|--|-------------------|-------------------|
| Unspent conditional grants and receipts | | |
| Sports and Recreation | 5 647 084 | 1 980 418 |
| Ingogo Fresh Produce | 11 353 | 11 353 |
| Municipal Water Infrastructure Grant | 8 516 370 | 17 196 148 |
| Title Deed Restoration Grant | 5 196 326 | 7 233 371 |
| Osizweni Art Centre | 36 920 | 36 920 |
| Skills Development Grant | 1 546 185 | 905 456 |
| Cleanest Town | 823 975 | 823 975 |
| Environmental Management Framework | 502 871 | 502 871 |
| Neighbourhood Partnership Development | 5 939 933 | - |
| Electrification Grant | - | 6 267 094 |
| Expanded Public Works Programme | - | 6 738 |
| Title Deeds Restorations | 2 717 163 | - |
| Sports Maintenance Facilities Grant | 10 220 | 10 220 |
| All Housing Grant | 4 266 813 | 4 266 813 |
| Newcastle Airport | 1 815 281 | 1 815 281 |
| Capacity Building Housing Accreditation | 2 102 589 | - |
| Fort Amiel Museum | 201 733 | 381 454 |
| Community Library Service Grant | 412 549 | 1 343 706 |
| Corridor Development | 131 075 | 131 075 |
| Carnegie Art Gallery | 350 488 | 378 121 |
| Provincialisation - Libraries | 1 003 376 | 2 458 316 |
| | 41 232 304 | 45 749 330 |

17. Other financial liabilities

| | | |
|--|--------------------|--------------------|
| At amortised cost | | |
| DBSA loans | 146 211 853 | 182 463 659 |
| Terms and conditions | | |
| ABSA Bank loans | 246 786 934 | 239 449 689 |
| Terms and conditions | | |
| | 392 998 787 | 421 913 348 |
| Total other financial liabilities | 392 998 787 | 421 913 348 |
| Non-current liabilities | | |
| At amortised cost | 362 011 519 | 393 156 433 |
| Current liabilities | | |
| At amortised cost | 30 987 268 | 28 756 915 |

18. Defined benefit plan

Reconciliation of defined benefit plan - 2021

| | Opening Balance | Current service costs | Benefits paid | Actuarial (Gain)/Loss | Interest cost | Change in policy | Total |
|-------------------|-----------------|-----------------------|---------------|-----------------------|---------------|------------------|-------------|
| Employee benefits | 160 109 002 | 7 060 000 | (9 752 000) | (12 908 000) | 15 166 000 | 7 128 000 | 166 803 002 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

18. Defined benefit plan (continued)

Reconciliation of defined benefit plan - 2020

| | Opening Balance | Current service costs | Benefits paid | Actuarial (Gain)/Loss | Interest costs | Total |
|---|--------------------|--------------------------|---------------|--------------------------|--------------------|--------------------|
| Employee benefits | 157 022 987 | 7 378 697 | (8 667 535) | (9 608 477) | 13 983 330 | 160 109 002 |
| Non-current liabilities | | | | | 155 397 002 | 150 357 002 |
| Current liabilities | | | | | 11 406 000 | 9 752 000 |
| | | | | | 166 803 002 | 160 109 002 |
| Health Care Benefits | | | | | | |
| Balance at the beginning of the year | | | | | 127 521 000 | 126 567 756 |
| Current Service Cost | | | | | 4 024 000 | 4 467 891 |
| Benefits Paid | | | | | (5 897 000) | (5 137 186) |
| Actuarial Loss/(Gain) | | | | | (7 310 000) | (10 013 982) |
| Interest | | | | | 12 888 000 | 11 636 521 |
| | | | | | 131 226 000 | 127 521 000 |
| Net Expenses Recognised in Statement of Financial Performance PEMA | | | | | | |
| Current Service Cost | | | | | 4 024 000 | 4 467 891 |
| Benefits Paid | | | | | (5 897 000) | (5 137 186) |
| Actuarial Loss/(Gain) | | | | | (7 310 000) | (10 013 982) |
| Interest | | | | | 12 888 000 | 11 636 521 |
| | | | | | 3 705 000 | 953 244 |
| Long Service Bonus Awards | | | | | | |
| Balance at the beginning of the year | | | | | 32 588 000 | 30 455 229 |
| Current Service Cost | | | | | 3 036 000 | 2 910 806 |
| Benefits Paid | | | | | (3 855 000) | (3 530 349) |
| Actuarial Loss/(Gain) | | | | | (5 598 000) | 405 505 |
| Interest | | | | | 2 278 000 | 2 346 809 |
| Change in policy | | | | | 7 128 000 | - |
| | | | | | 35 577 000 | 32 588 000 |
| Net Expenses recognised in Statement of Financial Performance LSA | | | | | | |
| Current Service Cost | | | | | 3 036 000 | 2 910 806 |
| Benefits Paid | | | | | (3 855 000) | (3 530 349) |
| Actuarial Loss/(Gain) | | | | | (5 598 000) | 405 505 |
| Interest | | | | | 2 278 000 | 2 346 809 |
| Change in Policy | | | | | 7 128 000 | - |
| | | | | | 2 989 000 | 2 132 771 |

Employee benefit cost provision: Assumptions

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 2021 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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-----------|-------------|-----------|----|----|----|----|----|----|----|----|----|----|----|----|-----|----|----|----|----|----|----|----|----|-----|----|----|--|
| 18. Defined benefit plan (continued) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 9.95% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Health care cost inflation rate | 6.70% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net-of-health-care-cost-inflation discount rate | 3.05% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maximum subsidy inflation rate | 4.65% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net-of-maximum-subsidy-inflation discount rate | 5.06% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unfunded accrued liability | R131 226 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current-service and interest cost | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year ended 30 June 2021 | R4 024 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cost | R12 888 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Actuarial (Gain)/Loss recognised in surplus /deficit | (R7 310 000) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Key financial assumptions used | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 9.27% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General earnings inflation rate (long term) | 5.79% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net effective discount rate | 3.29% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The earning used in valuation include an increase on the 01s of July 2021 of 4% as per SALGBC circular 23 of 2021. The next general earnings increase was assumed to take place on 1 July 2022. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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) | <table> <tr> <th>Age</th><th>Rate-Female</th><th>Rate-Male</th></tr> <tr> <td>20</td><td>9%</td><td>9%</td></tr> <tr> <td>25</td><td>8%</td><td>8%</td></tr> <tr> <td>30</td><td>6%</td><td>6%</td></tr> <tr> <td>35</td><td>5%</td><td>5%</td></tr> <tr> <td>40</td><td>5%</td><td>5%</td></tr> <tr> <td>45</td><td>4%</td><td>4%</td></tr> <tr> <td>50</td><td>3%</td><td>3%</td></tr> <tr> <td>55+</td><td>0%</td><td>0%</td></tr> </table> | 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% | |
| 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) | <table> <tr> <th>Age</th><th>Rate-Female</th><th>Rate-Male</th></tr> <tr> <td>20</td><td>9%</td><td>9%</td></tr> <tr> <td>30</td><td>6%</td><td>6%</td></tr> <tr> <td>40</td><td>5%</td><td>5%</td></tr> <tr> <td>50</td><td>3%</td><td>3%</td></tr> <tr> <td>55+</td><td>0%</td><td>0%</td></tr> </table> | Age | Rate-Female | Rate-Male | 20 | 9% | 9% | 30 | 6% | 6% | 40 | 5% | 5% | 50 | 3% | 3% | 55+ | 0% | 0% | | | | | | | | | | |
| Age | Rate-Female | Rate-Male | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 | 9% | 9% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | 6% | 6% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 40 | 5% | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50 | 3% | 3% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55+ | 0% | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unfunded Accrued Liability | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total value of liabilities | R35 577 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Value of assets | R0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unfunded accrued liabilities | R35 577 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current service and interest cost | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current-service cost | R3 036 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest cost | R2 278 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Comparative of Vital Statistics | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of eligible employees | 1098 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Average annual salary | R291 562 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary-weighted average age | 44.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary-weighted average past service | 12.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|----------------------|----------------------|
| 19. Provision for rehabilitation of landfill site | | |
| The movement in the rehabilitation of landfill site | | |
| Balance at the beginning of the year | 52 106 817 | 28 843 889 |
| (Decrease)/Increase in provision | - | 19 494 107 |
| Finance Charges recognised | 7 092 830 | 3 768 821 |
| | 59 199 647 | 52 106 817 |
| 20. Payables from exchange transactions | | |
| Trade payables | 360 160 933 | 532 187 054 |
| Retentions | 38 193 905 | 44 315 257 |
| Output VAT on Levies | 176 521 731 | 127 166 521 |
| Stale Cheques Written Back | - | (60 707) |
| Leave Pay Provision | 32 410 854 | 27 789 083 |
| Bonus Provision | 11 015 049 | 11 920 291 |
| Other Payables | 178 119 481 | 74 071 794 |
| | 796 421 953 | 817 389 293 |
| 21. VAT payable | | |
| Tax refunds payables | 18 539 020 | 11 776 300 |
| The VAT is imposed in terms of Value Added Tax Act 89 of 1991 and levied at 15% | | |
| 22. Consumer deposits | | |
| Electricity & Water Deposits | 27 052 861 | 24 523 887 |
| Housing Deposits | 449 048 | 415 431 |
| | 27 501 909 | 24 939 318 |
| 23. Revenue | | |
| Service charges | 1 013 748 409 | 951 787 140 |
| Rental of facilities and equipment | 7 093 441 | 7 794 524 |
| Licences and permits | 101 472 | 8 106 |
| Sundry revenue | 8 341 750 | 2 106 036 |
| Other income | 564 474 | 548 480 |
| Fee income | 9 795 219 | 7 219 470 |
| Interest received - investment | 6 660 722 | 8 517 417 |
| Property rates | 342 533 924 | 320 486 063 |
| Government grants & subsidies | 639 932 157 | 560 539 037 |
| Fines, Penalties and Forfeits | 5 401 977 | 10 506 938 |
| | 2 034 173 545 | 1 869 513 211 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 1 013 748 409 | 951 787 140 |
| Rental of facilities and equipment | 7 093 441 | 7 794 524 |
| Sundry revenue | 8 341 750 | 2 106 036 |
| Other income | 564 474 | 548 480 |
| Fee income | 9 795 219 | 7 219 470 |
| Interest received - investment | 6 660 722 | 8 517 417 |
| | 1 046 204 015 | 977 973 067 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | 342 533 924 | 320 486 063 |
| Licences or permits | 101 472 | 8 106 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|----------------------|--------------------|
| 23. Service concession arrangements (continued) | | |
| Transfer revenue | | |
| Government grants & subsidies | 639 932 157 | 560 539 037 |
| Fines, Penalties and Forfeits | 5 401 977 | 10 506 938 |
| | 987 969 530 | 891 540 144 |
| 24. Service charges | | |
| Sale of electricity | 621 124 280 | 578 985 816 |
| Sale of water | 188 454 396 | 180 514 399 |
| Sewerage and sanitation charges | 112 145 578 | 109 101 099 |
| Refuse removal | 92 024 155 | 83 185 826 |
| | 1 013 748 409 | 951 787 140 |
| 25. Rental of facilities and equipment | | |
| Premises | | |
| Municipal Housing | 3 063 812 | 6 838 049 |
| Venue hire | 3 976 575 | 821 815 |
| Rental - HDF | 53 054 | 134 660 |
| | 7 093 441 | 7 794 524 |
| 26. Fines, Penalties and Forfeits | | |
| Building Fines | 555 739 | 34 000 |
| Illegal Connections Fines | 177 811 | 119 119 |
| Overdue Books Fines | 3 137 | 17 468 |
| Pound Fees Fines | 18 170 | 13 350 |
| Municipal Traffic Fines | 4 647 120 | 10 323 001 |
| | 5 401 977 | 10 506 938 |
| 27. Other revenue | | |
| Sundry revenue | 8 341 750 | 2 106 036 |
| Other income | 564 474 | 548 480 |
| Fee income | 9 795 219 | 7 219 470 |
| | 18 701 443 | 9 873 986 |
| Sundry Revenue | | |
| Sundry Revenue | | |
| Insurance Income | 1 416 466 | 40 858 |
| Legal Fees Recoverable | - | 1 273 |
| R/D Admin Fee | 169 107 | 227 960 |
| Other Revenue | 6 756 177 | 1 835 945 |
| | 8 341 750 | 2 106 036 |
| Other Income | | |
| Sales | | |
| Burial Plots | 551 212 | 354 010 |
| Copies | 6 816 | 56 821 |
| Printing | 4 800 | 23 319 |
| Swimming Tickets | 1 646 | 114 330 |
| | 564 474 | 548 480 |
| Fee Income | | |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|---|-----------------------|-----------------------|
| 27. Other income (continued) | | |
| Fees | | |
| Advertising Signs | 393 373 | 793 908 |
| Building Plans | 675 720 | 529 536 |
| Business Letters | 1 141 362 | 930 191 |
| Cemetery | 2 575 543 | 1 204 202 |
| Meter Reading | 250 624 | 236 367 |
| Rates Clearance Certificate | 978 132 | 576 323 |
| Reconnection | 3 098 316 | 2 284 336 |
| Town Planning | 297 587 | 235 167 |
| Other | 192 087 | 329 857 |
| Tender | 192 475 | 99 583 |
| | 9 795 219 | 7 219 470 |
| 28. Interest Received | | |
| Bank | 2 822 275 | 2 762 709 |
| Interest on arrea account | 3 592 543 | 5 753 980 |
| Other interest | 245 904 | 728 |
| | 6 660 722 | 8 517 417 |
| 29. Property rates | | |
| Rates received | | |
| Residential | 209 139 767 | 198 771 448 |
| Commercial | 176 489 664 | 167 075 735 |
| State | 9 683 158 | 10 485 637 |
| Public Benefit Organisation | (41 672) | 708 872 |
| PSI | 2 760 605 | - |
| Vacant Land | 16 462 857 | 15 829 820 |
| Agricultural | 3 732 413 | 3 550 224 |
| Specialises Non-Marketed | 96 866 | 147 372 |
| Less: Income forgone | (75 789 734) | (76 083 044) |
| | 342 533 924 | 320 486 064 |
| Valuations | | |
| Residential | 17 014 015 787 | 16 937 554 787 |
| Commercial | 6 072 559 000 | 6 065 323 000 |
| State | 2 444 933 000 | 2 444 813 000 |
| Vacant | 704 957 500 | 711 031 500 |
| PSP | 1 687 629 000 | 1 687 629 000 |
| Agriculture | 1 474 800 000 | 1 461 559 000 |
| Unratable properties | 379 824 000 | 379 161 000 |
| | 29 778 718 287 | 29 687 071 287 |
| 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 | 471 963 000 | 368 648 000 |
| Museum Services | 52 077 | 195 750 |
| Finance Management Grant | 1 700 000 | 1 700 000 |
| Skills Development Grant | 639 088 | 4 085 |
| Municipal Infrastructure Grant | 38 962 037 | - |
| Disaster Relief Grant | - | 757 000 |
| Community Library Service Grant | 3 267 381 | 2 536 895 |
| Municipal Water Infrastructure Grant | 8 206 259 | - |
| EPWP Grant | 2 901 738 | 3 091 262 |
| Provincialisation and Library Grant | 7 224 755 | 5 891 541 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|--------------------|--------------------|
| 30. Government grants and subsidies (continued) | | |
| Electrification Grant | 94 | - |
| Capacity Building | 4 198 058 | 4 706 013 |
| Sports maintenance facilities Grant | - | 30 600 |
| Energy Efficiency and Demand Side Management Grant | - | 6 000 000 |
| Title Deeds Restoration Grant | 519 882 | 838 700 |
| | 539 634 369 | 394 399 846 |
| Capital grants | | |
| Community Library | 934 961 | - |
| Neighbourhood Development Partnership | 9 060 067 | 8 000 000 |
| Water Services Infrastructure Grant | 18 270 519 | 22 787 153 |
| Museum Services | 562 278 | - |
| Municipal Infrastructure Grant | 71 469 963 | 112 580 000 |
| Massification Grant | - | 22 772 038 |
| | 100 297 788 | 166 139 191 |
| | 639 932 157 | 560 539 037 |
| Conditional and Unconditional | | |
| Included in above are the following grants and subsidies received: | | |
| Conditional grants received | 167 969 157 | 191 891 037 |
| Unconditional grants received | 471 963 000 | 368 648 000 |
| | 639 932 157 | 560 539 037 |
| Financial Management Grant | | |
| Current-year receipts | 1 700 000 | 1 700 000 |
| Conditions met - transferred to revenue | (1 700 000) | (1 700 000) |
| | - | - |
| Sport and Recreation | | |
| Balance unspent at beginning of year | 1 980 418 | 1 980 418 |
| Current-year receipts | 3 666 666 | - |
| | 5 647 084 | 1 980 418 |
| Ingogo Fresh Produce | | |
| Balance unspent at beginning of year | 11 353 | 11 353 |
| | - | - |
| Municipal Infrastructure Grant | | |
| Current-year receipts | 110 432 000 | 112 580 000 |
| Conditions met - transferred to revenue | (110 432 000) | (112 580 000) |
| | - | - |
| Disaster Relief Grant | | |
| Current-year receipts | - | 757 000 |
| Conditions met - transferred to revenue | - | (757 000) |
| | - | - |
| Municipal Water Infrastructure Grant | | |
| Balance unspent at beginning of year | 17 196 148 | 3 276 300 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|------------------|-------------------|
| 30. Government grants and subsidies (continued) | | |
| Current-year receipts | 35 000 000 | 40 000 000 |
| Conditions met - transferred to revenue | (26 476 778) | (22 787 152) |
| Adjustment | (17 203 000) | (3 293 000) |
| | 8 516 370 | 17 196 148 |
| Title Deeds Restoration | | |
| Balance unspent at beginning of year | 7 233 371 | 8 072 071 |
| Current-year receipts | 1 200 000 | - |
| Conditions met - transferred to revenue | (519 882) | - |
| Adjustment | (5 196 326) | (838 700) |
| | 2 717 163 | 7 233 371 |
| Osizweni Art Centre | | |
| Balance unspent at beginning of year | 36 920 | 36 920 |
| Skills Development Grant | | |
| Balance unspent at beginning of year | 905 456 | 909 545 |
| Current-year receipts | 1 279 817 | - |
| Conditions met - transferred to revenue | (639 088) | (4 089) |
| | 1 546 185 | 905 456 |
| Cleanest Town | | |
| Balance unspent at beginning of year | 823 975 | 823 975 |
| Environmental Management Framework | | |
| Balance unspent at beginning of year | 502 871 | 502 871 |
| Neighbouring Development Partnership Grant | | |
| Current-year receipts | 15 000 000 | - |
| Conditions met - transferred to revenue | (9 060 067) | - |
| | 5 939 933 | - |
| Electrification Grant | | |
| Balance unspent at beginning of year | 6 267 094 | 14 000 000 |
| Current-year receipts | 7 000 000 | - |
| Conditions met - transferred to revenue | (7 000 094) | (7 732 906) |
| Other | (6 267 000) | - |
| | - | 6 267 094 |
| Expanded Works Programme Incentive | | |
| Balance unspent at beginning of year | 6 738 | 3 098 000 |
| Current-year receipts | 2 895 000 | - |
| Conditions met - transferred to revenue | (2 901 738) | (3 091 262) |
| | - | 6 738 |
| Sports Maintenance Facilities Grant | | |
| Balance unspent at beginning of year | 10 220 | 40 820 |
| Conditions met - transferred to revenue | - | (30 600) |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|------------------|------------------|
| 30. Government grants and subsidies (continued) | | |
| | 10 220 | 10 220 |
| All Housing Grants | | |
| Balance unspent at beginning of year | 4 266 813 | 4 266 813 |
| Current-year receipts | 120 903 440 | 76 966 343 |
| Conditions met - transferred to revenue | (120 903 440) | (76 966 343) |
| | 4 266 813 | 4 266 813 |
| Newcastle Airport | | |
| Balance unspent at beginning of year | 1 815 281 | 1 815 281 |
| Capacity Building Housing | | |
| Current-year receipts | 6 300 647 | - |
| Conditions met - transferred to revenue | (4 198 058) | - |
| | 2 102 589 | - |
| Fort Amiel Museum | | |
| Balance unspent at beginning of year | 381 454 | 370 454 |
| Current-year receipts | 300 000 | 193 000 |
| Conditions met - transferred to revenue | (479 721) | (182 000) |
| | 201 733 | 381 454 |
| Community Library Service Grant | | |
| Balance unspent at beginning of year | 1 343 706 | 1 343 796 |
| Current-year receipts | 2 312 000 | 2 160 000 |
| Conditions met - transferred to revenue | (4 202 341) | (2 536 985) |
| Other | 959 184 | 376 895 |
| | 412 549 | 1 343 706 |
| Corridor Development | | |
| Balance unspent at beginning of year | 131 075 | 131 075 |
| Carnegie Art Gallery | | |
| Balance unspent at beginning of year | 378 121 | 198 871 |
| Current-year receipts | 107 000 | 193 000 |
| Conditions met - transferred to revenue | (134 633) | (13 750) |
| | 350 488 | 378 121 |
| Provincialisation- All Libraries | | |
| Balance unspent at beginning of year | 2 458 316 | 2 180 751 |
| Current-year receipts | 6 729 000 | 6 546 000 |
| Conditions met - transferred to revenue | (7 224 745) | (5 891 541) |
| Other | (959 184) | (376 894) |
| | 1 003 387 | 2 458 316 |
| 31. Employee related costs | | |
| Basic | 339 920 278 | 333 368 379 |

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Annual Financial Statements for the year ended 30 June 2021

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| 31. Employee related costs (continued) | | |
| Medical aid - company contributions | 17 470 630 | 18 633 485 |
| UIF | 2 135 239 | 2 291 262 |
| SDL | - | 379 |
| Leave pay provision charge | 25 689 885 | 26 249 802 |
| Defined contribution plans | 59 383 546 | 60 209 111 |
| Travel, motor car, accommodation, subsistence and other allowances | 14 236 079 | 13 665 507 |
| Overtime payments | 38 332 041 | 38 823 943 |
| Long-service awards | 3 882 846 | 4 509 331 |
| Car allowance | 22 242 760 | 23 237 063 |
| Housing benefits and allowances | 6 857 860 | 7 595 214 |
| Group insurance | 7 792 980 | 7 033 518 |
| Bargaining council | 140 481 | 144 618 |
| Night work allowance | 1 864 456 | 1 685 146 |
| Termination benefits | 6 928 987 | 9 753 308 |
| | 546 878 068 | 547 200 066 |
| Remuneration of municipal manager | | |
| Acting Allowance | 176 576 | 167 215 |
| Remuneration of chief finance officer | | |
| Annual Remuneration | 951 070 | 605 440 |
| Car Allowance | 240 199 | 151 360 |
| Annual Bonuses | 77 799 | 54 181 |
| Contributions to UIF, Medical and Pension Funds | 171 400 | 110 343 |
| Leave paid/sold | - | 36 612 |
| Other | 119 | 18 771 |
| | 1 440 587 | 976 707 |
| Remuneration of Executive Directors & Municipal Manager | | |
| Annual Remuneration | 5 406 562 | 5 079 599 |
| Car Allowance | 813 938 | 801 350 |
| Annual Bonuses | 386 309 | 488 115 |
| Contributions to UIF, Medical and Pension Funds | 734 401 | 707 371 |
| Acting Allowances | 254 882 | 167 215 |
| Leave Paid/en-cashed | - | 36 612 |
| Other | 614 | 71 570 |
| | 7 596 706 | 7 351 832 |
| Community Services | | |
| Annual Remuneration | 171 804 | 798 637 |
| Car Allowance | 44 238 | 199 660 |
| Annual Bonuses | 74 637 | 145 207 |
| Contributions to UIF, Medical and Pension Funds | 27 667 | 132 199 |
| Other | 20 | 10 795 |
| Acting Allowances | 62 841 | - |
| | 381 207 | 1 286 498 |

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| 31. Employee related costs (continued) | | |
| Development and Planning Services | | |
| Annual Remuneration | 895 477 | 778 901 |
| Car Allowance | 193 014 | 165 000 |
| Annual Bonuses | 81 850 | 141 618 |
| Contributions to UIF, Medical and Pension Funds | 213 588 | 188 238 |
| Other | 119 | 10 371 |
| Acting Allowances | 33 402 | - |
| | 1 417 450 | 1 284 128 |
| Internal Audit | | |
| Annual Remuneration | 1 047 078 | 907 312 |
| Car Allowance | 126 171 | 86 856 |
| Annual Bonuses | 85 075 | 74 937 |
| Contributions to UIF, Medical and Pension Funds | 190 259 | 164 952 |
| Other | 119 | 9 781 |
| | 1 448 702 | 1 243 838 |
| Corporate Services | | |
| Annual Remuneration | 936 924 | 793 897 |
| Car Allowance | 210 316 | 198 474 |
| Annual Bonuses | 76 007 | 72 172 |
| Contributions to UIF, Medical and Pension Funds | 129 703 | 110 003 |
| Other | 119 | 9 795 |
| | 1 353 069 | 1 184 341 |
| Technical | | |
| Annual Remuneration | 1 377 214 | 1 195 412 |
| Contributions to UIF, Medical and Pension Funds | 1 785 | 1 636 |
| Other | 119 | 12 057 |
| | 1 379 118 | 1 209 105 |
| 32. Remuneration of councillors | | |
| Mayor | 900 271 | 831 630 |
| Deputy Mayor | 728 375 | 585 581 |
| Executive Committee Members | 4 674 326 | 4 439 662 |
| Speaker | 728 375 | 563 230 |
| Councillors | 17 177 437 | 18 321 500 |
| Chief Whip | 685 403 | 639 280 |
| MPAC Chairperson | 666 493 | 333 883 |
| Traditional Leaders | 51 000 | 39 592 |
| | 25 611 680 | 25 754 358 |

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

32. Employee related costs (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 | 513 333 |
| Car Allowances | 215 471 | 197 515 |
| Cellphone allowances | 40 800 | 37 400 |
| Contributions to UIF, Medical Aid and Pension | 84 000 | 83 382 |
| | 900 271 | 831 630 |

Deputy Mayor

| | | |
|---|----------------|----------------|
| Annual Remuneration | 448 419 | 336 314 |
| Car Allowances | 171 891 | 129 067 |
| Cellphone allowances | 40 800 | 30 600 |
| Contributions to UIF, Medical Aid and Pension | 67 263 | 50 505 |
| Other | - | 39 096 |
| | 728 373 | 585 582 |

Speaker

| | | |
|---|----------------|----------------|
| Annual Remuneration | 448 419 | 336 314 |
| Car Allowances | 171 891 | 130 344 |
| Cellphone allowances | 40 800 | 30 600 |
| Contributions to UIF, Medical Aid and Pension | 67 623 | 51 004 |
| Other | - | 14 968 |
| | 728 733 | 563 230 |

Chief Whip

| | | |
|---|----------------|----------------|
| Annual Remuneration | 420 393 | 385 360 |
| Car Allowances | 161 151 | 147 722 |
| Cellphone allowances | 40 800 | 37 400 |
| Contributions to UIF, Medical Aid and Pension | 63 059 | 57 804 |
| Other | - | 10 994 |
| | 685 403 | 639 280 |

33. Repairs and Maintenance

| | | |
|--|-------------------|-------------------|
| Repairs and Maintenance Buildings | 3 391 764 | 2 534 204 |
| Repairs and Maintenance Infrastructure | 31 363 960 | 42 629 073 |
| Repairs and Maintenance Land | 286 503 | 164 449 |
| Repairs and Maintenance Movables | 9 108 904 | 9 928 247 |
| | 44 151 131 | 55 255 973 |

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| 34. Depreciation and amortisation | | |
| Property , plant and equipment | 350 117 357 | 344 312 090 |
| Intangible assets | 966 939 | 986 557 |
| | 351 084 296 | 345 298 647 |
| 35. Impairment loss | | |
| Impairments | | |
| Property , plant and equipment | 22 159 557 | 14 539 783 |
| Fines | 3 663 039 | 8 302 176 |
| | 25 822 596 | 22 841 959 |
| 36. Finance costs | | |
| Non-current borrowings | 41 797 407 | 44 886 092 |
| Provisions and Current borrowings | 22 323 678 | 18 210 969 |
| Interest Expense | 858 529 | 11 019 784 |
| | 64 979 614 | 74 116 845 |
| 37. Debt impairment | | |
| Debt impairment | 183 997 551 | 174 113 742 |
| Indigents written off | 14 597 835 | 33 566 637 |
| Bad debts written - Council resolution | 18 432 565 | 104 553 070 |
| | 217 027 951 | 312 233 449 |
| 38. Bulk purchases | | |
| Electricity - Eskom | 436 880 517 | 404 371 472 |
| Water | 122 454 539 | 111 055 835 |
| | 559 335 056 | 515 427 307 |
| Electricity losses | | |
| Units purchased | 428 083 451 | 414 578 816 |
| Units sold | (395 378 086) | (388 090 062) |
| Total loss | 32 705 365 | 26 488 754 |
| Percentage Loss: | | |
| Technical losses | 8 % | 6 % |
| Estimated cost per unit (Rands) | R 0.78 | R0.78 |

Newcastle Municipality

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| 38. Bulk purchases (continued) | | |
| Estimated cost of loss (Rands) | R25 510 185 | R20 661 228 |
| 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 | | |
| Units purchased | 32 136 904 | 31 938 151 |
| Units sold | (21 218 848) | (19 386 512) |
| Total | 10 918 056 | 12 551 639 |
| Percentage Loss: | | |
| Technical losses | 34 % | 39 % |
| Bulk Tariff (R/KL) | R3.83 | R3.48 |
| Water losses (Rands) | R41 816 154 | R43 679 892 |
| Water distribution losses comprises of the following: | | |
| Physical/Real losses | | |
| Leaking from transmission and distribution mains (leaks and burst pipes) as well as leaking on services connections up to the customer's meter were noted as physical losses. | | |
| Commercial / Apparent losses | | |
| Unauthorised consumptions consisting of illegal connections, meter bypass and illegal uses of fire hydrant were noted as apparent losses, furthermore customer meter inaccuracy due to old meter and intermittent water supply were also reason for the losses. Human error from manual reading and capturing of data resulted in meter reading errors, data handling and accounting errors. | | |
| 39. Contracted services | | |
| Outsourced Services | | |
| Security Services | 39 295 453 | 31 203 572 |
| VIP Toilets | 41 679 950 | 3 101 245 |
| Plant Hire | 27 640 718 | 21 349 439 |
| Consultants and Professional Services | | |
| Professional Services | 57 136 784 | 57 405 490 |
| Legal Cost | 23 037 529 | 15 252 294 |
| Contractors | | |
| Other | 41 630 614 | 55 202 062 |
| | 230 421 048 | 183 514 102 |
| 40. General expenses | | |
| Auditors remuneration | 5 186 267 | 4 421 922 |
| Bank charges | 4 384 789 | 3 806 819 |
| Entertainment | 3 916 | 33 957 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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| 40. General expenses (continued) | | |
| Insurance | 7 218 762 | 6 796 863 |
| Community development and training | 6 211 668 | 5 566 432 |
| IT expenses | 13 482 683 | 10 567 185 |
| Magazines, books and periodicals | 18 497 | 21 672 |
| Motor vehicle expenses | 8 199 880 | 5 918 175 |
| Subsistence and Travelling | 516 051 | 1 252 356 |
| Fuel and oil | 463 492 | 410 141 |
| Postage and courier | 3 233 584 | 3 244 375 |
| Printing and stationery | 1 705 062 | 1 428 009 |
| Promotions | 1 576 | 32 055 |
| Protective clothing | 4 067 834 | 2 943 872 |
| Repairs and maintenance | 11 726 | 22 617 826 |
| Royalties and license fees | 28 867 | 160 738 |
| Staff welfare | 16 680 | - |
| Subscriptions and membership fees | 6 682 712 | 1 238 735 |
| Telephone and fax | 4 155 826 | 10 561 262 |
| Training | 3 821 845 | 3 475 876 |
| Assets expensed | 409 463 | 20 850 |
| Advertising | 313 162 | 4 769 193 |
| Other expenses | 42 812 517 | 38 428 928 |
| Contribution to post retirement | 14 188 000 | 7 378 697 |
| Material | 4 766 120 | 2 618 425 |
| Skills Development Levy | 3 255 574 | 3 935 907 |
| Rental Office machines | 2 574 718 | 2 334 544 |
| | 137 731 271 | 143 984 814 |
| 41. Auditors' remuneration | | |
| Audit Fees | 4 808 996 | 4 105 349 |
| Audit Committee | 377 271 | 316 573 |
| | 5 186 267 | 4 421 922 |
| 42. Cash generated from operations | | |
| Deficit | (197 157 603) | (353 335 480) |
| Adjustments for: | | |
| Depreciation and amortisation | 351 084 296 | 345 298 647 |
| Share of deficit in associate | 30 277 147 | 27 972 811 |
| Gain on Actuarial Valuation | (12 908 000) | (9 608 477) |
| Accumulated surplus | - | (1 263 951) |
| Public contribution and donations | (39 249 962) | (15 589 293) |
| Impairment of assets | 22 159 544 | 14 528 963 |
| Debtors Impairment - other receivables from non-exchange | 3 663 039 | 8 302 176 |
| Debtors Impairment - receivables from exchange | - | 142 090 706 |
| Debtors Impairment - receivables from non-exchange | - | 32 023 037 |
| Bad debts written off - receivables from exchange | 217 027 951 | 138 119 706 |
| Profit on sale of assets | 50 052 096 | (5 552 913) |
| WIP Movement | - | (364 929) |
| Impairment of Inventory | 117 170 | 10 821 |
| Current service cost- Employee benefit liability | 7 060 000 | 7 378 697 |
| Finance costs- Employee benefit liability | 15 166 000 | 13 983 330 |
| Finance costs- Rehabilitation provision | 7 092 830 | 3 768 821 |
| Movement in leave on bonus provisions | (905 242) | 4 037 340 |
| Movement in employee benefit liability | (2 624 000) | (8 667 535) |
| Changes in working capital: | | |
| Inventories | (5 409 204) | 515 033 |
| Receivables from exchange transactions | (22 447 312) | 4 475 078 |
| Consumer debtors | (279 648 631) | (304 105 438) |
| Other receivables from non-exchange transactions | (4 185 639) | (9 447 116) |
| Other financial assets | 277 | 1 369 |
| Payables from exchange transactions | (20 062 243) | 97 119 688 |
| VAT | 6 762 720 | 1 993 299 |
| Unspent conditional grants and receipts | (4 517 026) | 12 310 057 |
| Other financial liabilities | 2 562 591 | 1 442 043 |

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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| 42. Cash generated from operations (continued) | 123 910 799 | 147 436 490 |
| 43. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Infrastructure Assets | 156 402 129 | 58 978 157 |
| • Community Assets | 498 234 | 193 284 |
| • Other | 101 242 | 6 504 076 |
| | 157 001 605 | 65 675 517 |
| Not yet contracted for and authorised by accounting officer | | |
| • Infrastructure Assets | - | 143 367 436 |
| Total capital commitments | | |
| Already contracted for but not provided for | 157 001 605 | 65 675 517 |
| Not yet contracted for and authorised by accounting officer | - | 143 367 436 |
| | 157 001 605 | 209 042 953 |
| 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 | 1 110 932 | 1 666 398 |
| - in second to fifth year inclusive | - | 1 110 932 |
| | 1 110 932 | 2 777 330 |

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

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2021

2020

44. Contingencies

Plaintiff: SJ Zulu

There is litigation process against the municipality relating to the dispute SJ Zulu has lodge an application to cease excavation and construction of sewerage pumpstation project initiated by the municipality. The case is in High Court and the estimated costs is R20 million and R350 000 of legal costs.

Plaintiff: Rusha/Dylan Peterson

There is litigation process against the municipality relating to the dispute with Rush Peterson where has allegations that the municipality was negligent, leaving the drainage water pipes open in public space that was accessible to children. Her child was injured. The case now is in her son's name Dylan and he is now over 18 years. The claim for damages now is R2 800 000. Estimated legal costs is R5 000.

Plaintiff: Sibiya (Ingogo Fresh Produce)

There is litigation process against the municipality relating to the dispute with Mr Sibiya whereas there was an agreement between the municipality and Mr Sibiya to pay the rental of R1500 per month on the portion of land belonging to Mr Sibiya now demands R30 000 instead of R1500. EXCO authorised that the matter be handled by COGTA.

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 906 412.22 and estimated legal costs are R380 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. Legal costs of R250 000.

Plaintiff: Miracle Mile Investments

This is a collection matter for outstanding money wherein fraud was perpetrated. The monies outstanding with interest will be in the region of R 1 100 000. Legal costs of R90 000

Plaintiff: New Integrated Credit Solution (NICS)

Dispute regarding the non payment of services for invoices amounting to R36 000 000. Legal costs of R3 000 000.

Plaintiff: Scarlet Hibiscus Investments 220 (PTY) LTD

The municipality has been sued an estimated amount of R42 000 000. Legal costs of R1 500 000

Plaintiff: Nomsa Communal Property Association and 2 Others

The municipality has been sued an estimated amount of R1 100 000. Legal costs of R420 000

Plaintiff: HG Khumalo

The municipality is being sued an amount of R250 000 for failure to ensure proper storm water reticulation, estimated legal costs of R50 000

Plaintiff: Chapps Construction CC

The municipality is being sued an amount of R2 700 000 , estimated legal costs of R500 000

Plaintiff: Zanele Khumalo

The municipality is being sued an amount of R400 000 , estimated legal costs of R120 000

Plaintiff: ZEST Family Trust

An illegal structure was erected on portion 1 of ERF 10805 encroaching on ERF 10807 situated at Huttenheims , estimated legal costs of R250 000.

Plaintiff: VN Trading and Projects (PTY) LTD

The municipality is being sued an amount of R3 000 000 for damages of failing to fulfil the terms of a service contract.

Plaintiff: Mageba Capital Projects CC

The municipality is being sued the amount of R20 000 000 for holding time and for failing to fulfill an as and when required service contract.

Plaintiff: Contour Technology

The municipality is being sued R1 000 000 for an unsuccessful bid to install prepaid meters for the municipality.

Plaintiff: Violet Sky Trading

The municipality is being sued R3 000 000 for implementation and use of a software system.

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.

Diaan and AJ Von Broembsen for property damage due to rain storm. Sued amount is R220 580 and estimated legal fees is R5 000.

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

44. Contingencies (continued)

Olivia Sizani Nzimande for motor vehicle claim. Sued amount R109 550 and estimated legal costs of R5 000.
Vusi Mahlangu for vehicle damage claim. Sued amount R140 835 and estimated legal costs of R50 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
Chemile Dlabehlezi Dladla for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000.
SK Made/Shories for personal injuries while attending Youth celebration, Sued an amount of R10 000 000 and estimated legal costs of R5 000.

LABOUR REVIEWS AND BARGAINING COUNCIL

Ravesh Sing & 3 others, they have launched a grievance on non appointments on some posts. The estimated legal costs are R20 000
LP Fikile Ntshingila (Traffic Wardens). unfair labour practice. The municipality is being sued for R5 000 000.
ZB Maduna, unfair labour practice
N Nkutha, unfair labour practice
SAMWU obo Mpanza unfair labour practice. The municipality is being sued for R20 000, estimated legal costs R20 000
SAMWU obo LP Zulu & others unfair labour practice. The municipality is being sued for R3 400 000, estimated legal costs R400 000
SAMWU & IMATU obo members, unfair labour practice. The municipality is being sued for R180 000 000, estimated legal costs R1350 000
CZ Malembe, the municipality is being sued R400 000 to R600 000, estimated legal costs R200 000
Bongani P Ngubane unfair labour practice
Mhlaliseni James Masondo, unfair labour practice, estimated legal costs R250 000
Douglas B Nkosi, unfair labour practice, claim amount R1 500 000 to R2500 000.
Neetha Ticka Ragunanan, former employee suing municipality over unpaid monies for leave pay, long services and other ancillary monies amounting to R173 000.
P Mbanjwa, unfair labour practice.
B Govender, unfair labour practice.
IO Radebe, unfair labour practice.

45. 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 is also in a relationship with Dr Pixley Isaka Seme Local Municipality for the provision of bulk water services at Charlestown.

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 | (116 667 909) | (85 470 035) |
| Dr Pixley ka Isaka Seme Local Municipality | (702 931) | (3 713 603) |

Bulk Water Purchases

| | | |
|----------------|-------------|-------------|
| Uthukela Water | 122 454 539 | 111 055 835 |
|----------------|-------------|-------------|

Newcastle Municipality

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45. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

| Name | Basic salary | Pension Contribution | Medical Aid Contribution | Motor Vehicle Allowance | Cellphone and other Allowances | Housing Allowance | Total |
|-----------------------------|-------------------|----------------------|--------------------------|-------------------------|--------------------------------|-------------------|-------------------|
| Executive Committee Members | 4 643 187 | 665 068 | 78 160 | 1 977 028 | 482 800 | 588 000 | 8 434 243 |
| Other Councillors | 9 371 825 | 1 109 260 | 2 504 | 3 916 235 | 2 270 613 | 507 000 | 17 177 437 |
| | 14 015 012 | 1 774 328 | 80 664 | 5 893 263 | 2 753 413 | 1 095 000 | 25 611 680 |

2020

| Name | Basic salary | Pension Contribution | Medical Aid Contribution | Motor Vehicle Allowance | Cellphone and other Allowances | Housing Allowance | Total |
|-----------------------------|-------------------|----------------------|--------------------------|-------------------------|--------------------------------|-------------------|-------------------|
| Executive Committee Members | 3 074 778 | 443 644 | 73 942 | 1 351 310 | 405 894 | 455 644 | 5 805 212 |
| Other Councillors | 11 394 164 | 1 448 985 | 33 101 | 4 237 436 | 2 120 460 | 715 000 | 19 949 146 |
| | 14 468 942 | 1 892 629 | 107 043 | 5 588 746 | 2 526 354 | 1 170 644 | 25 754 358 |

46. Change in estimate

Property , plant and equipment

The useful life of certain assets of property, plant and equipment have been reviewed and re-assessed by management during the reporting period to reflect a more accurate pattern of the consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation is accounted for over the reassessed remaining useful lives of the assets. The impact of the change in accounting estimate is as follows:

| | | |
|-------------------------------|---|--------|
| Property, plant and equipment | - | 48 009 |
|-------------------------------|---|--------|

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47. Prior-year adjustments

The following prior period errors adjustments occurred:

Error 1

Property, Plant and Equipment

1.1 Correction of Opening Balance of Land (PPE)

Properties on Land are removed from the register as are registered as private owner on Deeds

The effect of the transaction is as follows:

| | | |
|---------------------|----------------------------|--------------|
| Increase/(Decrease) | Land | (679 096.00) |
| Increase/(Decrease) | Loss on disposal of assets | 679 096.00 |

1.2 Correction of Opening Balance of Infrastructure (PPE)

Upon physical verification and consultation with stakeholders it was established that the assets do not belong to the Municipality and duplication of assets on FAR was established upon physical verification, through identification of similar locations and components of assets identified in the register as well as the same assets one liner

The effect of the transaction is as follows:

| | | |
|---------------------|--------------------------------|--------------|
| Increase/(Decrease) | Infrastructure-Cost | (24 015 996) |
| Increase/(Decrease) | Accumulated Depreciation Infra | 9 209 561 |
| Increase/(Decrease) | Loss on disposal of assets | 14 806 435 |
| Increase/(Decrease) | Depretiation | 938 355 |
| Increase/(Decrease) | Nett Profit and Loss | (938 355) |

1.3 Correction of Opening Balance of Infrastructure (PPE)

During the physical verification and review of the fixed asset register, assets were identified that were in service of the floor, but were not captured on the fixed assets register. These assets were added in accordance with directive 7 as Deemed cost..

The effect of the transaction is as follows:

| | | |
|---------------------|--------------------------------|---------------|
| Increase/(Decrease) | Infrastructure-Cost | 191 613 699 |
| Increase/(Decrease) | Accumulated Depreciation Infra | (69 569 244) |
| Increase/(Decrease) | Accumulated Surplus (Gains) | (122 044 455) |
| Increase/(Decrease) | Depreciation | 5 139 059 |
| Increase/(Decrease) | Nett Profit and loss | (5 139 059) |

1.4 Infrastructure Zero Balance Correction

Correction of assets previously depreciated to zero. For these assets to be given a carrying value required a complete restatement of their accumulated depreciation and depreciation since no change in estimate could be applied on assets with no remaining carrying value.

The effect of the transaction is as follows:

| | | |
|---------------------|-----------------------------------|--------------|
| Increase/(Decrease) | Accumulated Depreciation Infra | 16 258 455 |
| Increase/(Decrease) | Accumulated Impairment Sanitation | 709 632 |
| Increase/(Decrease) | Accumulated Surplus | (16 968 087) |
| Increase/(Decrease) | Infrastructure Depreciation | 4 408 356 |
| Increase/(Decrease) | Nett Profit and Loss | (4 408 356) |

1.5 Other Assets Zero Balance Correction

Correction of assets previously depreciation to zero. For these assets to be given a carrying value required a complete restatement of their accumulated depreciation and depreciation since no change in estimate could be applied on assets with no remaining carrying value.

The effect of the transaction is as follows:

| | | |
|---------------------|--------------------------------|-------------|
| Increase/(Decrease) | Accumulated Depreciation Other | 5 570 827 |
| Increase/(Decrease) | Accumulated Impairment Other | 1 208 |
| Increase/(Decrease) | Accumulated Surplus | (5 572 035) |
| Increase/(Decrease) | Depreciation on Other | 1 267 076 |
| Increase/(Decrease) | Nett Profit and Loss | (1 267 076) |

1.6 Correction of Opening Balance 2020 Other Assets

During the physical verification and review of the fixed asset register, assets we identified that were in service on the floor, but were not captured on the fixed assets register. These assets were added in accordance with directive 7 at deemed cost.

The effect is as follows:

| | | |
|---------------------|--------------------------------|-------------|
| Increase/(Decrease) | Cost Other Assets | 5 510 727 |
| Increase/(Decrease) | Accumulated Depreciation Other | (4 066 867) |
| Increase/(Decrease) | Accumulated surplus | (1 443 860) |
| Increase/(Decrease) | Depreciation | 339 354 |
| Increase/(Decrease) | Accumulated Depreciation Other | (339 954) |

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

47. Prior-year adjustments (continued)

130 542 906 .76

Error 2

Other Financial Financial Liabilities

During the financial year, it was discovered that there was an error in the opening balance as per loan register and statements (Late payment).

The effect of the transaction is as follows:

| | | |
|---------------------|---------------|--------------|
| (Increase)/Decrease | Annuity Loans | (21 264 441) |
| Increase/(Decrease) | Finance Cost | 21 264 441 |

Creditors Payments

During the financial year, it was discovered that Department of Labour was not paid in the correct financial year

The effect of the transaction is as follows:

| | | |
|---------------------|-----------------------|-------------|
| Increase/(Decrease) | Creditor Payments | 7 726 763 |
| Increase/(Decrease) | Workmens Compensation | (6 949 977) |
| Increase/(Decrease) | Interest Expense | (779 786) |

During the financial year, it was discovered that credit note from Eskom (interest) was recorded in the incorrect financial year

The effect of the transaction is as follows:

| | | |
|---------------------|-------------------|--------------|
| Increase/(Decrease) | Interest Expense | (18 814 120) |
| (Increase)/Decrease | Creditor Payments | 18 814 120 |

Reversal of interest

During the financial year, it was discovered that interest was incorrectly charged of consumer accounts in the previous years;

The effect of the transaction is as follows:

| | | |
|---------------------|----------------------------|-------------|
| (Increase)/Decrease | Interest on arrear account | 3 812 908 |
| Increase/(Decrease) | Debtors Interest charges | (1 332 084) |
| | Debtors Sundry services | (2 480 824) |

Invoices Reversed

During the financial year, invoices previously charged for litigation was revised

The effect of the transaction is as follows:

| | | |
|---------------------|---------------------|-------------|
| Increase/(Decrease) | Creditor Payments | (2 152 975) |
| Increase/(Decrease) | Accumulated Surplus | 2 152 975 |

Leave Adjustmet

During the financial year, there was a leave adjustment on dismissed employees who have not been paid out.

The effect of the transaction is as follows:

| | | |
|---------------------|------------------|-------------|
| Increase/(Decrease) | Salaries Accrued | 2 138 048 |
| Increase/(Decrease) | Employee Costs | (2 138 048) |

48. Comparative figures

The following reclassifications adjustment occurred:

| Comparative Figures | 2020/21 | 2019/20 | Differences | Comments |
|---------------------|-------------|-------------|-------------|--|
| Revenue | | | | |
| Service Charges | 951 787 140 | 951 556 727 | 230 413 | Reclassified from Other Revenue to Service Charges (Meter Reading Fees, Service Connection Fees) |
| Other Revenue | 9 873 986 | 10 113 462 | (239 476) | Reclassified from Other Revenue to Licence & Permits, Service Charges (Meter Reading Fees, Service Connection Fees) |

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48. Comparative figures (continued)

| | | | | |
|--------------------------------|-------------|-------------|--------------|--|
| Profit /Loss on sale of assets | 5 553 870 | 5 552 913 | 957 | Reclassified from Other Revenue to Profit/ Loss on sale of assets |
| Licences and Permits | 8 106 | | 8 106 | Reclassified from Other Revenue to Licence & Permits |
| Expenditure | | | | |
| Employee Costs | 547 200 066 | 553 909 140 | (6 709 074) | Reclassified from Employee Costs to General Expenses (Workmens Compensation & SDL) |
| Remuneration of Councillors | 25 754 358 | 25 935 889 | (181 531) | Reclassified from Remuneration of Councilors to General Expenses (SDL) |
| Collection Costs | | 1 285 179 | (1 285 179) | Reclassified from Collection Costs to Contracted Services |
| Contracted Services | 183 514 101 | 148 377 188 | 35 136 913 | Reclassified from General Expenses to Contracted Services |
| General Expenses | 143 984 814 | 170 945 944 | (26 961 130) | Reclassified from Contracted Services to General Expenses |

49. 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 accounts, 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.

Operational risk

The Municipality is exposed to the operational risk in the normal operation of its business. This risk managed 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 available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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 board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

49. Risk management (continued)

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

| | | |
|-----------------------------------|--------------------|--------------------|
| Cash and cash equivalents | 9 500 599 | 36 268 498 |
| Other receivables | 115 421 241 | 92 451 328 |
| Receivables from consumer debtors | 641 312 859 | 578 692 179 |
| | 766 234 699 | 707 412 005 |

50. Going concern

As at 30 June 2021, the municipality had an accumulated surplus (deficit) of 6 250 301 798 (2020: 6 448 360 482) and that the municipality's current liabilities exceed its current assets by 141 157 645 (2020: 217 829 088).

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 2021, the municipality had a net deficit of R197 157 603 (2020: R353 335 480) and the municipality's Cash and Cash equivalents is R9 500 299 (2020: R36 268 498) 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 but 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 procure funding for 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.

51. Events after the reporting date

Civil unrest

The Municipality experienced the impact of the civil unrest during the month July 2021, where a number of businesses were looted and vandalised in townships and other surrounding areas. This resulted in a number of businesses and people who are rates and service consumers of the municipality being closed and a number of people laid-off respectively. The financial impact of the civil unrest is not considered to have their adjusting effect in the financial statements of the reporting period.

Grants roll-over applications

In August 2021 the Municipality submitted applications to the National and Provincial Treasuries of the roll-over of the unspent conditional grants in respect of the Water Service Infrastructure grants, National Development Partnership grant and the provincial grants with the department of Arts and Culture. Treasuries did not approve roll-over applications for R5 939 933 for Neighbouring Development Partnership Grant and R8 516 370 for Water Services Infrastructure Grant.

Council resolution to write-off assets

In August 2021 Council approved the write-off of the assets that either could not be identified or with zero carrying values as at 30 June 2021. The resolution was subsequent to the physical asset verification process which was conducted and concluded during the reporting period. As such, the asset register and the annual financial statements were adjusted to reflect the impact of this resolution.

52. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 967 778 930 | 918 057 612 |
| Opening balance as restated | 967 778 930 | 918 057 612 |
| Add: Expenditure identified - current | - | 49 721 318 |
| Closing balance | 967 778 930 | 967 778 930 |

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|---|--------------------|--------------------|
| 53. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 55 822 311 | 42 446 743 |
| Correction of prior period error (Department of Labour) | - | 779 786 |
| Opening balance as restated | 55 822 311 | 43 226 529 |
| Eskom | 4 125 | 2 382 029 |
| SARS | 835 421 | 7 684 239 |
| DBSA | - | 115 761 |
| Ithala | 2 872 | 3 874 |
| Retentions Overpayment | - | 763 709 |
| Arena Holdings | - | 88 579 |
| Telkom | 3 579 | 23 136 |
| Bytapex | - | 19 325 |
| ABSA | - | 60 747 |
| Auditor General | - | 5 412 |
| Itec Finance | 1 145 | 947 |
| Dr Pridley ka Isaka Seme Local Municipality | 2 388 | 724 315 |
| Employee: Mr TP Mlangeni (Deceased) | - | 20 119 |
| Salary Overpayment | 55 267 | 14 517 |
| Salary Overpayment | 43 068 | 369 036 |
| Zanele Plumbers | - | 320 037 |
| New Intergrated Credit Solution | 2 633 512 | - |
| Closing balance | 59 403 688 | 55 822 311 |
| 54. Irregular expenditure | | |
| Opening balance as previously reported | 466 707 308 | 370 225 064 |
| Opening balance as restated | 466 707 308 | 370 225 064 |
| Add: Irregular Expenditure - current | 31 645 210 | 96 482 244 |
| Closing balance | 498 352 518 | 466 707 308 |

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54. Irregular expenditure (continued)

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

Payments made to contracts where SCM procedures were not followed

| | | |
|-----------------------------------|-----------|------------|
| Adapt It | - | 125 728 |
| Amadilelandawonye Trading | - | 19 850 |
| Amajuba Caters | - | 64 500 |
| Bhekisiwe Electrical Investments | - | - |
| Biyela MM Geomatics | 888 447 | - |
| Bravolex | 68 085 | - |
| Brett Andrew Purdon Attorneys | 872 699 | 479 359 |
| DBM Attorneys | - | 8 922 025 |
| Egxezi Engineering | 224 322 | 23 754 |
| FBL Trading Enterprise | 5 669 683 | 12 532 650 |
| Fidelity Security Services | - | 472 665 |
| First Technology | 55 601 | 268 502 |
| Hamisa Constructions | - | 77 924 |
| Heavenly Breeze Air Conditioning | - | 500 000 |
| Hlela Attorneys | - | 31 108 |
| Ibini (PTY) Ltd | - | 111 399 |
| Ilembe Trading | - | 488 750 |
| Impumelelo Consulting Engineering | - | 500 000 |
| Itec Tiyende (PTY) Ltd | 3 992 017 | 7 200 048 |
| Ithala Properties | 137 451 | 400 878 |
| Jayshree Moodley & Associates | - | 70 009 |
| Jenny Internet | - | 81 729 |
| Klus Civils | 32 199 | 131 484 |
| Kusile Engineering CC | - | 2 495 374 |
| Lekotlopo Associates | - | 226 234 |
| Lematwa Trading | - | 70 000 |
| M-Charlie Trading | - | 15 255 |
| MI & Security Intelligence | 1 042 170 | 11 902 397 |
| Madudla Contractors | - | 1 063 258 |
| Magubane Plant and Contractors | - | 3 146 923 |
| Mbodvula Trading/NBN Civils | 298 219 | 1 246 451 |
| Metgovis | - | 1 879 018 |
| Moralla Shopping Complex | - | 78 218 |
| Msalela Transport | - | 80 960 |
| Ngidi and Company Inc | - | 1 562 496 |
| Njengamanje Trading cc | - | 64 800 |
| Northern Cleaning Services | 5 724 320 | 4 227 724 |
| | - | 871 |

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54. Irregular expenditure (continued)

| | | |
|---------------------------------------|-------------------|-------------------|
| Ongoti Risk Management | - | 207 966 |
| Ontec Systems | - | 155 355 |
| Otis (PTY) Ltd | - | 17 334 |
| Phaks Mankahlane | - | 120 000 |
| Ravindra Manikall and Company Inc | - | 227 368 |
| Rocla | - | 15 853 |
| Royal Haskoning DHV | - | 3 090 981 |
| Roypan Enterprise | - | 211 634 |
| S & M 2 way radio | - | 34 911 |
| SS Masondo Attorneys | 2 604 756 | 200 000 |
| Shalom-Yeshurum Elktiese Kontrakteurs | - | 10 000 |
| Siboniswe Primary Cooperative Limited | - | 93 104 |
| Sizela Transport | - | 11 811 732 |
| Somkhanda Plant Hire | 853 908 | 3 567 333 |
| Supreme Range General Supplier | - | 77 269 |
| TJ Mphela Demolition Masimula | - | 103 940 |
| Tactical Security Services | - | 48 300 |
| The Image House | 5 478 419 | 10 917 211 |
| Uhliya t/a Fast Moving Trading | - | 63 250 |
| Umpisi Construction and Plant Hire | - | 3 127 477 |
| Uphokophela Trading | - | 500 000 |
| Uvika Trading | - | 11 000 |
| Veros Trueth Verification Centre | - | 8 540 |
| Vodacom | - | 457 800 |
| Water Skills | - | 166 221 |
| Wernintomnyama Trading cc | - | 139 095 |
| Zanele Plumbers | 131 383 | 36 130 |
| Zenawe | 996 659 | 500 099 |
| Hloniphane Trading Ent. cc | 2 041 294 | - |
| Insidedata South (PTY) Ltd | 282 676 | - |
| NN Land Survey Office | 35 880 | - |
| Zero Defect Construction | 199 000 | - |
| | 31 629 188 | 96 482 244 |

As at the end of the reporting period, the Municipality had not concluded investigations into the unauthorised, irregular, fruitless and wasteful expenditures. Strides by the MPAC are however at an advance state to finalise the investigations and to submit it's recommendations to Council for approval.

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.

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54. Irregular expenditure (continued)

Employed in the service of the state
Bangwati catering and services

16 021 -

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance 2 535 421
Current year subscription / fee 6 260 655
Amount paid - current year -
8 796 076

Audit fees

Opening balance 479 847
Current year subscription / fee 4 105 339
Amount paid - current year (3 942 295)
Amount paid - previous years (479 847)
163 044

PAYE and UIF

Opening balance 18 303 623
Current year subscription / fee 91 259 200
Amount paid - current year (84 317 063)
Amount paid - previous years (18 303 623)
6 942 137

Pension and Medical Aid Deductions

Opening balance 10 552 223
Current year subscription / fee 124 847 609
Amount paid - current year (115 090 602)

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|---|------------------|------------------|
| 55. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Amount paid - previous years | (9 757 007) | (10 552 223) |
| | 3 350 404 | 9 757 007 |

VAT

| | | |
|----------------|-------------------|-------------------|
| VAT receivable | (2 178 876) | (3 074 315) |
| VAT payable | 20 272 389 | 14 850 615 |
| | 18 093 513 | 11 776 300 |

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

| 30 June 2021 | Outstanding more than 90 days plus | Total |
|-------------------------|------------------------------------|-------|
| Councillor MP Sibilwane | 4 249 | 4 249 |

| 30 June 2020 | Outstanding more than 90 days plus | Total |
|---------------------|------------------------------------|-------|
| Councillor VP Mzima | 436 | 436 |

56. Utilisation of Long-term liabilities reconciliation

| | | |
|------------------------------|-------------|-------------|
| Long-term liabilities raised | 392 998 787 | 421 913 348 |
|------------------------------|-------------|-------------|

Long-term liabilities have been utilized 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.

57. 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.

VIP Toilets, repairs and maintenance services 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 Section 36

| | |
|------------|---------|
| 15 745 009 | 319 171 |
|------------|---------|

58. 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;

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|--|--------------------|-------------------|
| 58. Accounting by principals and agents (continued) | | |
| Grants transfers | | |
| Housing grant | 120 903 440 | 76 966 343 |
| Electrification grant | 7 000 000 | 7 732 906 |
| | 127 903 440 | 84 699 249 |
| Expenditure | | |
| Housing projects | 120 903 440 | 76 966 343 |
| Electrification | 7 000 000 | 7 732 906 |
| | 127 903 440 | 84 699 249 |
| Agent fees | | |
| Housing Accreditation fees | 6 300 647 | 4 706 013 |

Entity as principal

Details of the entity as a principal are as follows:

Ontec 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.

Ontec 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 Ontec monthly as stipulated on the attached contract.

At the end of the financial year Ontech still had collections amounting to R810 626.90 that had not been paid to the municipality. Ontech paid R657 221.72 of the outstanding amount in 8 days to the municipality and the remainder in 2 months.

There are no cost implications for the entity if the principal-agent arrangement is terminated because the contract between the municipality and the agent ended on 30 June 2021.

Fee paid

| | | |
|---------------------------------------|-----------|-----------|
| Fee paid as compensation to the agent | 1 906 037 | 1 752 632 |
|---------------------------------------|-----------|-----------|

59. Covid-19 Pandemic

The Municipality continued to experience the devastating impact of the Covid-19 pandemic during the year, which has created significant challenges to the Municipality, business sector and the community of Newcastle at large. The impact required the Municipality to act swiftly to reprioritise its expenditure and to respond to the under-collection of revenue due to the business and individuals' economic impact. The Municipality was also required to implement measures to ensure the safety of its employees, councillors and community. During the year, the Municipality was required to adopt a Special Adjustment Budget in September 2020 in order to appropriate grant transfers to respond to the impact of Covid-19.

The following transactions relate to the revenue and expenditure in respect of the Covid-19

| | | |
|-----------------------------|-------------------|------------------|
| Grant transfers | | |
| Disaster relief grant | - | 757 000 |
| Equitable share | 68 899 000 | - |
| | 68 899 000 | 757 000 |
| Covid-19 expenditure | | |
| Protective equipment | 341 352 | 1 675 880 |
| Thermometer | 101 714 | 49 552 |
| Other | 93 680 | 33 780 |
| | 536 746 | 1 759 212 |