eDumbe Local Municipality (KZN261)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Nature of business and principal activities	Municipality in terms of section of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) read with section 115(1) of the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996). The main purpose of the municipality is to engage in local goverment activities, which include planning and promotion of integrated development planning, economic and environmental development and provision of services to the community. The municipality provides services such as electricity, refuse and other public services.
Mayoral committee	
Honourable Mayor	MS Mkhabela
Deputy Mayor	SJ Kunene
Speaker	DJ Nhlengethwa
Chief Whip	VA Mthethwa
Chairperson: MPAC	HH Vilakazi
Membership of Exco	ND Ndlangamandla
Councillors	ME Kunene
	NS Magagula
	MVS Mkhwanazi
	TS Mthethwa
	TE Kunene
	DM Mbokazi
	K Ngema
	CB Mthethwa
	ZG Masondo
	TTI Zwane
	ND Mngomezulu
	BM Nxusa
	ND Sibiya
Accounting Officer	
	JFK Khumalo
Chief financial officer	
	SGZ Sibiya
Business address	10 Hoog Street Paulpietersburg 3180
Postal address	Private Bag X308 Paulpietersburg 3180
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)

Index

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
NPO	Non-profit organisation
SALGBC	South African Local Government Bargaining Council
SETA	Sector Education and Training Authority

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 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 2025 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 mainly dependent on grants and own 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 is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with the Remuneration of Public Office Bearers Act, 1997 (Act No. 20 of 1998) and the Minister of Provincial and Local lGovernment's determination in accordance with the Act.

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

The annual financial statements set out on pages 5 to 83, which have been prepared on the going concern basis, were approved and signed by the acting accounting officer on 31 August 2024.

Acting Accounting Officer
SGZ Sibiya

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 55 178 590 (2023: surplus R 13 870 060).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 397 032 995 and that the municipality's total liabilities exceed its assets by R 397 133 343.

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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
JFK Khumalo	South African	28 August 2024

5. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

The annual financial statements set out on pages 5 to 83, which have been prepared on the going concern basis, were approved and signed by the acting accounting officer on 31 August 2024:

Acting Accounting Officer
SGZ Sibiya

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	90 982	56 680
Receivables from exchange transactions	4	2 440 033	3 251 509
Receivables from non-exchange transactions	5	2 448 692	2 974 272
Other receivables from exchange transactions	6	4 462 132	81 551
Other receivables from non-exchange transactions	7	1 507 475	2 460 143
VAT receivable	8	-	743 848
Cash and cash equivalents	9	2 208 521	21 023 769
		13 157 835	**30 591 772**
Non-Current Assets			
Investment property	10	21 042 000	20 119 000
Property, plant and equipment	11	430 029 850	371 994 338
Intangible assets	12	2 980	4 307
Heritage assets	13	147 149	147 149
		451 221 979	**392 264 794**
Total Assets		**464 379 814**	**422 856 566**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	31 596 462	30 326 605
Income received in advance	15	5 209 509	4 603 055
VAT payable	16	1 194 643	-
Consumer deposits	17	250 090	244 064
Unspent conditional grants and receipts	18	-	19 644 000
Employee benefit obligation	19	390 698	390 698
		38 641 402	**55 208 422**
Non-Current Liabilities			
Employee benefit obligation	19	13 615 000	12 196 000
Provisions	20	14 990 069	13 497 391
		28 605 069	**25 693 391**
Total Liabilities		**67 246 471**	**80 901 813**
Net Assets		**397 133 343**	**341 954 753**
Reserves			
Housing development fund	21	100 348	100 348
Accumulated surplus		397 032 995	341 854 405
Total Net Assets		**397 133 343**	**341 954 753**

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	36 278 449	31 606 577
Rental of facilities and equipment	23	1 438 291	1 486 096
Licences and permits	24	987 026	1 184 534
Other income	25	2 616 995	2 684 668
Interest received	26	7 203 304	6 390 843
Infrastructure development construction contracts	27	15 129 170	6 275 601
Total revenue from exchange transactions		**63 653 235**	**49 628 319**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	32 663 527	28 832 487
Interest received (non-exchange)	28	3 963 624	3 290 632
Transfer revenue			
Government grants and subsidies	29	206 418 000	141 604 003
Fines	30	2 436 679	2 376 600
Total revenue from non-exchange transactions		**245 481 830**	**176 103 722**
Total revenue		**309 135 065**	**225 732 041**
Expenditure			
Employee related costs	31	(85 813 200)	(80 529 431)
Remuneration of councillors	32	(8 644 449)	(8 081 000)
Depreciation and amortisation	33	(24 198 738)	(17 492 812)
Impairment losses	34	(6 881 301)	(1 711 918)
Finance costs	35	(2 960 766)	(3 057 612)
Debt impairment	36	(25 495 444)	(15 582 569)
Bulk purchases	37	(42 660 352)	(35 590 192)
Lease rentals on operating lease	38	(283 112)	(283 112)
Contracted services	39	(25 203 726)	(22 472 929)
Loss on disposal of assets and liabilities	40	(298 862)	(854 515)
Infrastructure development construction contracts	27	(15 129 170)	(7 414 823)
General expenses	41	(17 540 358)	(21 420 463)
Total expenditure		**(255 109 478)**	**(214 491 376)**
Surplus for the year before extraordinary items		**54 025 587**	**11 240 665**
Fair value adjustments	42	923 000	1 200 000
Actuarial gains (losses)	19	230 003	1 811 289
Surplus for the year		**55 178 590**	**14 251 954**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	100 348	326 625 607	326 725 955
Adjustments			
Prior year adjustments (Note 48)	-	976 844	976 844
Balance at 01 July 2022 as restated*	**100 348**	**327 602 451**	**327 702 799**
Changes in net assets			
Surplus for the year	-	14 251 954	14 251 954
Total changes	-	14 251 954	14 251 954
Restated* Balance at 01 July 2023	**100 348**	**341 854 405**	**341 954 753**
Changes in net assets			
Surplus for the year	-	55 178 590	55 178 590
Total changes	-	55 178 590	55 178 590
Balance at 30 June 2024	**100 348**	**397 032 995**	**397 133 343**
Note	21		

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		25 245 226	32 686 445
Sale of goods and services		29 931 430	20 684 446
Grants and subsidies received		204 779 000	150 648 003
Interest income		1 725 481	1 021 695
		261 681 137	205 040 589
Payments			
Employee costs		(94 025 191)	(86 067 714)
Suppliers		(99 041 512)	(70 250 378)
Finance costs		(96 410)	(66 209)
		(193 163 113)	(156 384 301)
Net cash flows from operating activities	44	**68 518 024**	**48 656 288**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(87 393 272)	(40 601 478)
Proceeds from sale of property, plant and equipment	11	60 000	99 970
Net cash flows from investing activities		**(87 333 272)**	**(40 501 508)**
Net increase/(decrease) in cash and cash equivalents		**(18 815 248)**	**8 154 780**
Cash and cash equivalents at the beginning of the year		21 023 769	12 868 989
Cash and cash equivalents at the end of the year	9	**2 208 521**	**21 023 769**

The accounting policies on pages 12 to 37 and the notes on pages 38 to 83 form an integral part of the annual financial statements.

* See Note 48

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54 913 000	1 008 000	**55 921 000**	36 278 449	**(19 642 551)**	Note 60
Rental of facilities and equipment	1 522 000	-	**1 522 000**	1 438 291	**(83 709)**	Note 60
Licences and permits	734 000	-	**734 000**	987 026	**253 026**	Note 60
Other income	1 252 000	8 284 000	**9 536 000**	2 616 995	**(6 919 005)**	Note 60
Interest received - consumers	6 235 000	-	**6 235 000**	5 477 823	**(757 177)**	Note 60
Interest received - investments	1 249 000	1 706 000	**2 955 000**	1 725 481	**(1 229 519)**	Note 60
Construction cost revenue	-	-	**-**	15 129 170	**15 129 170**	Note 60
Total revenue from exchange transactions	**65 905 000**	**10 998 000**	**76 903 000**	**63 653 235**	**(13 249 765)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32 541 000	298 000	**32 839 000**	32 663 527	**(175 473)**	
Property rates - penalties	767 000	3 012 000	**3 779 000**	3 963 624	**184 624**	Note 60
Licences and permits	1 248 000	-	**1 248 000**	-	**(1 248 000)**	
Transfer revenue						
Government grants	149 136 000	73 888 000	**223 024 000**	206 418 000	**(16 606 000)**	Note 60
Fines	3 244 000	-	**3 244 000**	2 436 679	**(807 321)**	Note 60
Total revenue from non-exchange transactions	**186 936 000**	**77 198 000**	**264 134 000**	**245 481 830**	**(18 652 170)**	
Total revenue	**252 841 000**	**88 196 000**	**341 037 000**	**309 135 065**	**(31 901 935)**	
Expenditure						
Employee related costs	(78 210 000)	(6 648 000)	**(84 858 000)**	(85 813 200)	**(955 200)**	
Remuneration of councillors	(8 533 000)	(1 395 000)	**(9 928 000)**	(8 644 449)	**1 283 551**	
Depreciation and amortisation	(12 642 000)	(5 000 000)	**(17 642 000)**	(24 198 738)	**(6 556 738)**	Note 60
Impairment loss	-	-	**-**	(6 881 301)	**(6 881 301)**	Note 60
Finance costs	(1 282 000)	-	**(1 282 000)**	(2 960 766)	**(1 678 766)**	Note 60
Lease rentals on operating lease	-	-	**-**	(283 112)	**(283 112)**	Note 60
Debt impairment	-	(7 099 000)	**(7 099 000)**	(25 495 444)	**(18 396 444)**	Note 60
Bad debts written off	(7 099 000)	3 017 000	**(4 082 000)**	-	**4 082 000**	
Bulk purchases	(48 090 000)	-	**(48 090 000)**	(42 660 352)	**5 429 648**	
Contracted services	(34 224 000)	(1 272 000)	**(35 496 000)**	(25 203 726)	**10 292 274**	Note 60
General expenses	(19 101 000)	(1 147 000)	**(20 248 000)**	(17 540 358)	**2 707 642**	
Total expenditure	**(209 181 000)**	**(19 544 000)**	**(228 725 000)**	**(239 681 446)**	**(10 956 446)**	
Operating surplus	**43 660 000**	**68 652 000**	**112 312 000**	**69 453 619**	**(42 858 381)**	
Loss on disposal of assets	-	-	**-**	(298 862)	**(298 862)**	
Fair value adjustments	-	-	**-**	923 000	**923 000**	Note 60
Actuarial gains/losses	-	-	**-**	230 003	**230 003**	Note 60
Loss on construction contracts	-	-	**-**	(15 129 170)	**(15 129 170)**	Note 60
	-	**-**	**-**	**(14 275 029)**	**(14 275 029)**	
Surplus for the year	**43 660 000**	**68 652 000**	**112 312 000**	**55 178 590**	**(57 133 410)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	139 000	200 000	**339 000**	90 982	**(248 018)**	Note 60
Other receivables from exchange transactions	-	-	**-**	4 462 132	**4 462 132**	Note 60
Other receivables from non-exchange transactions	3 010 000	(3 010 000)	**-**	1 507 475	**1 507 475**	Note 60
VAT receivable	(876 000)	10 224 000	**9 348 000**	-	**(9 348 000)**	Note 60
Consumer debtors	32 448 000	(20 726 000)	**11 722 000**	4 888 725	**(6 833 275)**	Note 60
Cash and cash equivalents	19 889 000	13 492 000	**33 381 000**	2 208 521	**(31 172 479)**	Note 60
	54 610 000	**180 000**	**54 790 000**	**13 157 835**	**(41 632 165)**	
Non-Current Assets						
Investment property	-	20 119 000	**20 119 000**	21 042 000	**923 000**	
Property, plant and equipment	369 673 000	86 488 000	**456 161 000**	430 029 850	**(26 131 150)**	Note 60
Intangible assets	205 000	-	**205 000**	2 980	**(202 020)**	Note 60
Heritage assets	147 000	-	**147 000**	147 149	**149**	
	370 025 000	**106 607 000**	**476 632 000**	**451 221 979**	**(25 410 021)**	
Total Assets	**424 635 000**	**106 787 000**	**531 422 000**	**464 379 814**	**(67 042 186)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	1 283 000	(1 000)	**1 282 000**	31 596 462	**30 314 462**	Note 60
Income received in advance	-	-	**-**	5 209 509	**5 209 509**	Note 60
VAT payable	9 374 000	(9 374 000)	**-**	1 194 644	**1 194 644**	Note 60
Consumer deposits	-	391 000	**391 000**	250 090	**(140 910)**	Note 60
Employee benefit obligation	-	32 659 000	**32 659 000**	390 698	**(32 268 302)**	Note 60
	10 657 000	**23 675 000**	**34 332 000**	**38 641 403**	**4 309 403**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	13 615 000	**13 615 000**	Note 60
Provisions	-	-	**-**	14 990 069	**14 990 069**	Note 60
	-	**-**	**-**	**28 605 069**	**28 605 069**	
Total Liabilities	**10 657 000**	**23 675 000**	**34 332 000**	**67 246 472**	**32 914 472**	
Net Assets	**413 978 000**	**83 112 000**	**497 090 000**	**397 133 342**	**(99 956 658)**	
Net Assets						
Reserves						
Housing development fund	111 000	-	**111 000**	100 348	**(10 652)**	
Accumulated surplus	413 867 000	83 112 000	**496 979 000**	397 032 995	**(99 946 005)**	
Total Net Assets	**413 978 000**	**83 112 000**	**497 090 000**	**397 133 343**	**(99 956 657)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	26 098 000	1 102 000	**27 200 000**	25 245 226	**(1 954 774)**	Note 60
Sale of goods and services	37 968 000	12 466 000	**50 434 000**	29 931 430	**(20 502 570)**	Note 60
Grants	149 595 000	73 878 000	**223 473 000**	204 779 000	**(18 694 000)**	
Interest income	1 249 000	1 706 000	**2 955 000**	1 725 481	**(1 229 519)**	Note 60
Other receipts	25 303 000	3 138 000	**28 441 000**	-	**(28 441 000)**	Note 60
	240 213 000	**92 290 000**	**332 503 000**	**261 681 137**	**(70 821 863)**	
Payments						
Employee costs and suppliers	(202 526 000)	(10 810 000)	**(213 336 000)**	(193 066 706)	**20 269 294**	Note 60
Finance costs	(20 000)	20 000	**-**	(96 410)	**(96 410)**	Note 60
	(202 546 000)	**(10 790 000)**	**(213 336 000)**	**(193 163 116)**	**20 172 884**	
Net cash flows from operating activities	**37 667 000**	**81 500 000**	**119 167 000**	**68 518 021**	**(50 648 979)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(42 479 000)	(75 868 000)	**(118 347 000)**	(87 393 272)	**30 953 728**	Note 60
Proceeds from sale of property, plant and equipment	-	8 060 000	**8 060 000**	60 004	**(7 999 996)**	Note 60
Net cash flows from investing activities	**(42 479 000)**	**(67 808 000)**	**(110 287 000)**	**(87 333 268)**	**22 953 732**	
Net increase/(decrease) in cash and cash equivalents	(4 812 000)	13 692 000	**8 880 000**	(18 815 247)	**(27 695 247)**	
Cash and cash equivalents at the beginning of the year	24 700 000	-	**24 700 000**	21 023 769	**(3 676 231)**	
Cash and cash equivalents at the end of the year	**19 888 000**	**13 692 000**	**33 580 000**	**2 208 522**	**(31 371 478)**	

Accounting Policies

1. Significant account policies

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

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 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.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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

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

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher if an asset's fair value less costs to sell and value in use.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment

The municipality's management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of the respective asset.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment is measured with reference to historical data and payment trend analysis per group consumers.

Selection of an appropriate reporting framework by the entity as a public entity

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.

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.

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.

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

Accounting Policies

1.5 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

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.

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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	
• Improvements		20 - 50 years
Plant and machinery	Straight-line	20 -50 years
Furniture and fixtures	Straight-line	3 - 10 years
Motor vehicles	Straight-line	
• Motor vehicles		3 - 7 years
• Heavy machinery and vehicles		3 - 10 years
Office equipment	Straight-line	2 - 7 years
Infrastructure	Straight-line	
• Electricity		7 - 50 years
• Roads		8 - 50 years
• Sewerage and solid waste		5 - 50 years
• Stormwater		20 - 50 years
• Water		5 - 50 years
• Bridge		30 - 80 years
Community	Straight-line	
• Buildings		20 - 50 years
• Recreational facilities		7 - 50 years
• Security measures		3 - 5 years
Other property, plant and equipment	Straight-line	
• Other equipment		2 - 10 years
• Fences and gates		15 - 25 years
• Paving		3 - 10 years
Other equipment	Straight-line	3 - 10 years
Leased assets	Straight-line	2 - 3 years

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.7 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.

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	Amortisation method	Average useful life
Computer software	Straight-line	3 - 5 years

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

1.8 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.

1.8 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.

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.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

The municipality 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.

1.9 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.

1.9 Financial instruments (continued)

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
- 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.

Accounting Policies

1.9 Financial instruments (continued)

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;
- 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.

1.10 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.10 Statutory receivables (continued)

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions, whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

1.10 Statutory receivables (continued)

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

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.

1.11 Leases (continued)

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.

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

Operating leases - lessee

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

1.12 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.

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 weighted average cost 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 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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.

Discount rate

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

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.15 Impairment of non-cash-generating assets

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

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

Accounting Policies

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

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.

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.

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 municipality 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.

1.16 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount 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 obligation.

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.

1.16 Employee benefits (continued)

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.

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.

1.16 Employee benefits (continued)

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-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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.

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.

Accounting Policies

1.17 Provisions and contingencies (continued)

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.

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 52.

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

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.

Accounting Policies

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.

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 services performed to date as a percentage of total services to be performed.

Interest

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

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

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

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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.

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.The full amount of traffic fines issued during the year is recognised at the initital transaction date asrevenue in accordance with iGRAP 1. Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historical trends.

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

1.21 Investment income

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

1.22 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.

1.23 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.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

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.

Accounting Policies

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, 1997 (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.

1.29 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report.

Measurement

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

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

1.30 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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

1.31 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.

Accounting Policies

1.31 Related parties (continued)

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.

1.32 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.

1.33 Value added tax (VAT)

The municipality accounts for VAT on the accrual basis in the annual financial statements. However, VAT is declared to the South African Revenue Services as input or output VAT only when payments are made to suppliers or payments are received for goods and services. The net difference of VAT payable / receivable on output VAT on receivables (where money has not been received) and input VAT on payables (accruals where payment has not been made) is disclosed in the statement of financial position.

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact was not material
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact was not material
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact was not material
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	The impact was 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• The Application of Materiality to Financial Statements	01 April 2024	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites		
• GRAP 103 (as revised): Heritage Assets	01 April 2024	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2024	Unlikely there will be a material impact

3. Inventories

Consumables	90 982	56 680

No inventories have been pledged as security for the overdraft facilities of the municipality.

Inventories is valued at the lower of cost and net reliasable value (NRV). No inventory was written down during the year.

4. Receivables from exchange transactions

Gross balances		
Electricity	15 945 553	12 662 375
Refuse	109 555 642	104 579 624
Housing rental	198 408	130 324
	125 699 603	**117 372 323**
Less: Allowance for impairment		
Electricity	(15 686 906)	(11 019 273)
Refuse	(107 374 256)	(103 101 541)
Housing rental	(198 408)	-
	(123 259 570)	**(114 120 814)**

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

Net balance		
Electricity	258 647	1 643 102
Refuse	2 181 386	1 478 083
Housing rental	-	130 324
	2 440 033	**3 251 509**
Electricity		
Current (0 -30 days)	56 888	303 989
31 - 60 days	24 037	39 005
61 - 90 days	16 961	18 742
91 - 120 days	7 773	29 397
> 120 days	152 988	1 251 969
	258 647	**1 643 102**
Refuse		
Current (0 -30 days)	8 213	16 184
31 - 60 days	8 524	3 699
61 - 90 days	8 454	3 919
91 - 120 days	8 646	4 795
> 120 days	2 147 549	1 449 486
	2 181 386	**1 478 083**
Housing rental		
Current (0 -30 days)	-	25 207
31 - 60 days	-	18
61 - 90 days	-	7 226
91 - 120 days	-	9 507
> 120 days	-	88 366
	-	**130 324**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	901 403	1 941 132
31 - 60 days	628 843	622 466
61 - 90 days	532 483	627 603
91 - 120 days	382 378	1 161 897
> 120 days	86 800 492	105 488 108
	89 245 599	109 841 206
Less: Allowance for impairment	(87 743 343)	(106 769 419)
	1 502 256	**3 071 787**
Industrial / commercial		
Current (0 -30 days)	1 362 486	1 737 718
31 - 60 days	354 679	7 583
61 - 90 days	230 054	22 444
91 - 120 days	137 692	88 826
> 120 days	9 922 728	2 021 145
	12 007 639	3 877 716
Less: Allowance for impairment	(11 698 742)	(3 785 177)
	308 897	**92 539**

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

National and provincial government		
Current (0 -30 days)	754 380	573 802
31 - 60 days	517 684	223 033
61 - 90 days	403 170	63 620
91 - 120 days	221 332	205 318
> 120 days	22 549 800	2 587 629
	24 446 366	3 653 402
Less: Allowance for impairment	(23 817 485)	(3 566 217)
	628 881	**87 185**

Total		
Current (0 -30 days)	3 018 268	4 252 651
31 - 60 days	1 501 206	853 082
61 - 90 days	1 165 707	713 666
91 - 120 days	741 402	1 456 041
> 120 days	119 273 021	110 096 981
	125 699 604	117 372 421
Less: Allowance for impairment	(123 259 570)	(114 120 813)
	2 440 034	**3 251 608**

Less: Allowance for impairment		
Current (0 -30 days)	(2 940 623)	(4 142 477)
31 - 60 days	(1 462 587)	(832 724)
61 - 90 days	(1 135 719)	(696 635)
91 - 120 days	(722 330)	(1 421 294)
> 120 days	(116 998 311)	(107 027 683)
	(123 259 570)	**(114 120 813)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(114 120 813)	(107 571 327)
Contributions to allowance	-	(6 549 486)
Debt impairment written off against allowance	(9 138 757)	-
	(123 259 570)	**(114 120 813)**

Consumer debtors pledged as security

None of the consumer debtors have been pledged as security for the municipality's financial liabilities.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of consumer debtors

Management of the municipality is of the opinion that the current value of the consumer debtors recorded at amortised cost in the financial statements approximate their fair value.

Consumer debtors impaired

As of 30 June 2024, consumer debtors of R 122 465 987 (2023: R 114 120 813) were impaired and provided for.

The amount of the provision was R 123 259 570 as of 30 June 2024 (2023: R 114 120 813).

The ageing of these debtors is as follows:

3 to 6 months	5 677 521	5 671 836
Over 6 months	117 582 049	108 448 977

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from exchange transactions, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the recievables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

5. Receivables from non-exchange transactions

	2024	2023
Gross balances		
Rates	92 677 852	77 906 580
Less: Allowance for impairment		
Rates	(90 229 160)	(74 932 308)
Net balance		
Rates	2 448 692	2 974 272
Rates		
Current (0 -30 days)	43 202	158 771
31 - 60 days	38 479	71 830
61 - 90 days	38 070	71 783
91 - 120 days	40 385	91 625
> 120 days	2 288 556	2 580 263
	2 448 692	**2 974 272**

Summary of debtors by customer classification

	2024	2023
Consumers		
Current (0 -30 days)	504 940	1 248 979
31 - 60 days	630 816	561 959
61 - 90 days	680 573	554 496
91 - 120 days	815 145	533 115
> 120 days	62 885 120	31 331 568
	65 516 594	34 230 117
Less: Allowance for impairment	(63 761 927)	(32 923 300)
	1 754 667	**1 306 817**
Industrial / commercial		
Current (0 -30 days)	763 226	1 192 524
31 - 60 days	355 792	404 890
61 - 90 days	294 035	377 063
91 - 120 days	293 527	358 789
> 120 days	7 188 806	12 046 838
	8 895 386	14 380 104
Less: Allowance for impairment	(8 668 092)	(13 831 109)
	227 294	**548 995**

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

National and provincial government		
Current (0 -30 days)	422 582	1 761 654
31 - 60 days	519 308	727 440
61 - 90 days	515 297	711 729
91 - 120 days	471 831	702 309
> 120 days	16 336 853	25 393 227
	18 265 871	29 296 359
Less: Allowance for impairment	(17 799 142)	(28 117 899)
	466 729	**1 178 460**

Total		
Current (0 -30 days)	1 690 748	4 203 157
31 - 60 days	1 505 915	1 694 289
61 - 90 days	1 489 905	1 643 288
91 - 120 days	1 580 504	1 594 213
> 120 days	86 410 780	68 771 632
	92 677 852	77 906 579
Less: Allowance for impairment	(90 229 160)	(74 932 308)
	2 448 692	**2 974 271**

Less: Allowance for impairment		
Current (0 -30 days)	(1 647 546)	(4 042 692)
31 - 60 days	(1 467 435)	(1 629 605)
61 - 90 days	(1 451 835)	(1 580 552)
91 - 120 days	(1 540 119)	(1 533 350)
> 120 days	(84 122 225)	(66 146 109)
	(90 229 160)	**(74 932 308)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(74 932 308)	(63 772 941)
Contributions to allowance	(15 296 852)	(11 159 367)
	(90 229 160)	**(74 932 308)**

Receivables impaired

Relating specifically to statutory receivables

As of 30 June 2024, statutory receivables of R 90 309 747 (2023: R 74 932 308) were impaired and provided for.

The amount of the provision was R 90 229 160 on 30 June 2024 (2023: R 74 932 308).

The ageing of these loans is as follows:

3 to 6 months	4 680 255	7 618 099
Over 6 months	85 548 905	67 314 209

Consumer debtors pledged as security

None of the consumer debtors have been pledged as security for the municipality's financial liabilities.

None of the financial assets that are fully performing have been renegotiated in the last year.

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

Fair value of consumer debtors

Management of the municipality is of the opinion that the current value of the consumer debtors recorded at amortised cost in the financial statements approximate their fair value.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from non-exchange transactions, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

6. Other receivables from exchange transactions

	2024	2023
Sundry deposits	309 198	81 551
Staff debt	222 874	-
Recoverable debtor (due to loss)	3 930 060	-
	4 462 132	**81 551**

Sundry deposits consists of immaterial deposits paid by the municipality from time-to-time. Staff debt consists of recoverable debt due to irregular expenditure incurred.

Recoverable debtor is represented by fraudulent payments made during the year. The matter as been reported to the authorities and the case is being investigated, as required by the MFMA.

7. Other receivables from non-exchange transactions

	2024	2023
Fines	1 507 475	2 460 143

Statutory receivables included in receivables from non-exchange transactions above are as follows:

	2024	2023
Fines (gross balance)	23 345 597	21 146 797
Provision for impairment	(21 838 122)	(18 686 654)
Total other receivables from non-exchange transactions	**1 507 475**	**2 460 143**

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R 1 507 475 (2023: R 2 460 143) were past due but not impaired.

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

	2024	2023
3 months past due	1 507 475	2 460 143

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

	2024	2023
Opening balance	(18 686 654)	(17 020 418)
Provision for impairment	(3 151 468)	(1 666 236)
	(21 838 122)	**(18 686 654)**

8. VAT receivable

	2024	2023
VAT	-	743 848

Figures in Rand	2024	2023

8. VAT receivable (continued)

VAT is declared on the payments based and accounted for on the accrual basis for purposes of reporting.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	82	82
Bank balances	2 208 439	21 023 687
	2 208 521	**21 023 769**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2024	2023
Credit rating		
AAA	2 208 521	21 023 769

Cash and cash equivalents pledged as collateral

The municipality has a call account, which has a portion of guarantee withheld by the bank for the Eskom license guarantee. The amount for the guarantee is R 530 000 (2023: R 530 000).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
First National Bank - Current account - 532 8000 5944	796 316	578 494	11 503 929	796 316	578 494	11 503 929
First National Bank - Call account - 6221 9848 746	152 457	142 649	135 525	152 457	142 649	135 525
First National Bank - Call account - 6132 8003 233	809 351	560 975	769 632	809 351	560 975	769 632
First National Bank - Call account - 6203 3660 376	223 634	26 955	335 519	223 634	26 955	335 519
First National Bank - Call account - 6242 1843 807	204 755	19 694 373	105 279	204 755	19 694 373	105 279
Grindrod Bank - Investment account - 154 009	21 926	20 241	19 023	21 926	20 241	19 023
Total	**2 208 439**	**21 023 687**	**12 868 907**	**2 208 439**	**21 023 687**	**12 868 907**

10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 042 000	-	21 042 000	20 119 000	-	20 119 000

Figures in Rand	2024	2023

10. Investment property (continued)

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	20 119 000	923 000	21 042 000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	18 919 000	1 200 000	20 119 000

Pledged as security

Carrying value of assets pledged as security:

No investment property has been pledged as security for any liabilities of the municipality.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the valuation was 30 June 2024. The valuation was performed by an independent valuer, Mr. Alan Robert Stephenson of Mills Fitcher Property Valuers. Mills Fitcher Property Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions. The following criteria was used to determine whether a property should be classified as investment property:

- A building owned by the municipality and leased out to a third parties under one or more operating leases.
- Land currently held for undetermined future use.
- Property being constructed or developed for future use as investment property.

No restrictions exist unless a property is being leased out to a third party.

Amounts recognised in surplus and deficit for the year.

	2024	2023
Rental revenue from investment property	1 259 514	1 296 046

Maintenance of investment property

No repairs and maintenance were incurred on the investment property during the financial year.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	44 039 075	(8 809 036)	35 230 039	44 039 075	(8 809 036)	35 230 039
Buildings	57 442 989	(35 026 719)	22 416 270	57 513 931	(34 733 658)	22 780 273
Infrastructure	314 656 144	(86 594 474)	228 061 670	276 405 788	(113 499 348)	162 906 440
Community	176 858 446	(53 054 901)	123 803 545	172 685 308	(47 931 792)	124 753 516
Other property, plant and equipment	22 689 650	(13 703 078)	8 986 572	22 584 872	(12 681 922)	9 902 950
Work-in-progress	11 531 754	-	11 531 754	16 421 120	-	16 421 120
Total	**627 218 058**	**(197 188 208)**	**430 029 850**	**589 650 094**	**(217 655 756)**	**371 994 338**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfer to completed assets - WIP	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	35 230 039	-	-	-	-	-	-	35 230 039
Buildings	22 780 273	-	-	(13 663)	(2 003 516)	-	1 653 176	22 416 270
Infrastructure	162 906 440	532 818	85 740 953	(269 876)	(15 669 406)	(5 179 259)	-	228 061 670
Community	124 753 516	-	4 669 417	(47 026)	(5 392 666)	(179 696)	-	123 803 545
Other property, plant and equipment	9 902 950	267 799	-	(28 301)	(1 131 823)	(24 053)	-	8 986 572
Work-in-progress	16 421 120	85 521 004	(90 410 370)	-	-	-	-	11 531 754
	371 994 338	**86 321 621**	**-**	**(358 866)**	**(24 197 411)**	**(5 383 008)**	**1 653 176**	**430 029 850**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfer to completed assets - WIP	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	35 230 039	-	-	-	-	-	-	35 230 039
Buildings	24 778 471	-	-	-	-	(1 998 198)	-	22 780 273
Infrastructure	141 538 089	-	31 119 896	(670 072)	(525 704)	(8 521 866)	(33 903)	162 906 440
Community	121 184 914	-	8 796 019	(106 201)	-	(5 122 209)	993	124 753 516
Other property, plant and equipment	9 569 061	2 369 443	-	(178 068)	-	(1 845 334)	(12 152)	9 902 950
Work-in-progress	18 105 002	38 232 033	(39 915 915)	-	-	-	-	16 421 120
	350 405 576	**40 601 476**	**-**	**(954 341)**	**(525 704)**	**(17 487 607)**	**(45 062)**	**371 994 338**

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Property, plant and equipment (continued)

Other information

Reconciliation of the purchase of property, plant and equipment for the purpose of the cash flow statement:

	2024	2023
Additions as per the reconciliation note	86 321 621	40 601 478

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2024	2023
Switching station and MV infrastructure upgrade	7 024 931	7 024 931
The project is taking significantly longer due to the unavailability of funds.		
Ward 3 electrification projects and substation upgrade project	4 506 824	4 506 824
The project is taking significantly longer due to the unavailability of funds.		
	11 531 755	**11 531 755**

Reconciliation of work-in-progress - 2024

	Included within infrastructure	Included within community	Total
Opening balance	13 560 918	2 860 203	16 421 121
Additions/capital expenditure	99 358 869	1 809 184	101 168 053
GRAP 11 transfers	(15 647 049)	-	(15 647 049)
Transferred to completed items	(85 740 953)	(4 669 387)	(90 410 340)
	11 531 785	**-**	**11 531 785**

Reconciliation of work-in-progress - 2023

	Included within infrastructure	Included within community	Total
Opening balance	16 520 764	1 584 238	18 105 002
Additions/capital expenditure	39 461 646	6 185 209	45 646 855
GRAP 11 transfers	(7 414 822)	-	(7 414 822)
Transferred to completed items	(35 006 670)	(4 909 244)	(39 915 914)
	13 560 918	**2 860 203**	**16 421 121**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance:

	2024	2023
Building	-	485 314
Equipment	3 435 576	5 930 104
	3 435 576	**6 415 418**

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Figures in Rand	2024	2023

11. Property, plant and equipment (continued)

Housing scheme

The land at eDumbe township was sub-divided into 769 portions (as per the council resolutions provided) of land title deeds (excluding church and business stands) and were disposed off to the eDumbe location citizens under the Council Resolution No. 93 of 2000, dated 29 August 2000.

The 769 portions of land which should have been transferred to the aforementioned citizens are currently still registered in the name of the municipality as per the deeds office and register, but the land however belongs to the different beneficiaries and they already in the possession thereof.

12. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	232 961	(229 981)	2 980	232 961	(228 654)	4 307

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	4 307	(1 327)	2 980

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	9 511	(5 204)	4 307

Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security of any liabilities of the municipality.

13. Heritage assets

	2024			2023		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayorial chain	147 149	-	147 149	147 149	-	147 149

Reconciliation of heritage assets - 2024

	Opening balance	**Total**
Mayorial chain	147 149	147 149

Figures in Rand	2024	2023

13. **Heritage assets (continued)**

Reconciliation of heritage assets - 2023

	Opening balance	Total
Mayorial chain	147 149	147 149

Pledged as security

No heritage asset has been pledged as security for any liabilities of the municipality.

14. **Payables from exchange transactions**

	2024	2023
Trade payables	18 302 883	17 134 134
Payments received in advanced - contract in process	1 818 036	602 443
Consumer debtors with credit balances	-	314 335
Salary control accounts	2 345 117	2 660 626
Accrued leave pay	5 672 017	5 143 759
Accrued bonus	1 993 417	1 821 711
Retentions	1 239 969	2 540 942
Unallocated deposits	225 023	108 655
	31 596 462	**30 326 605**

Included in trade payables are Eskom bulk purchases (2024: R 11 722 643; 2023: R 10 749 528); operating expenses (2024: R 3 035 388; 2023: R 3 154 386); contracted services (2024: R 2 420 977; 2023: R1 476 554); and maintenance (2024: R1 123 875; 2023: R 1 753 667).

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the credit of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. Payments received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

15. **Income received in advance**

	2024	2023
Integrated National Electrification Programme (INEP)	5 209 509	4 603 055

The infrastructure development construction contracts revenue and expenditure recognised are disclosed in note 27.

The stage of completion is measured and reported by the consulting engineer and represents the completion as a % of the project's overall budget.

The grant is paid by National Treasury in order to implement the INEP by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

At year end, not all funds were spent and the remaining portion was recognised as income received in advance in accordance with GRAP 11.

16. **VAT payable**

	2024	2023
VAT payable	1 194 643	-

VAT is declared on the payments based and accounted for on the accrual basis for purposes of reporting.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Consumer deposits

Electricity	250 090	244 064

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municiplaity can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of the consumer deposits approximate their fair value.

The fair value of the consumer deposits were determined after considering the standard terms and conditions of the agreements entered into between the municipality and its consumers.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Provincial: Department of Transport	-	19 644 000

Movement during the year

Balance at the beginning of the year	19 644 000	10 600 000
Additions during the year	204 779 000	69 439 000
Income recognition during the year	(206 418 000)	(55 791 945)
Income recognition during the year	(18 005 000)	(4 603 055)
	-	**19 644 000**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Employee benefit obligations

Post retirement medical aid benefit

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening accrued liability	8 024 000	8 227 000
Current service cost	507 000	524 000
Interest cost	1 060 000	996 000
Benefits paid	(92 217)	(84 798)
Actuarial (gains) / losses	(473 783)	(1 638 202)
	9 025 000	**8 024 000**

Membership data	**Males**	**Females**
Number of active employees	36	40
Subsidy weighted average	41,7	43,5
Subsidy weighted average past service	10,4	13,9
Number of spouses	14	4
Average salary payable during retirement	R 2 560	R 2 270

19. Employee benefit obligations (continued)

Continuation members (pensioners)	**Males**	**Females**
Number of continuation members	-	3
Subsidy weighted average	-	72,2
Average monthly salary	R -	R 2 680

Key financial variables / assumptions used

The two most important financial variables used in our calculation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Assumed valuation for the current and preceding valuations:	**Current valuation**	**Preceding valuation**
Discount rate	Yield curve	Yield curve
Consumer price index	Difference between nominal and yield curves	Difference between nominal and yield curves
Medical aid contribution inflation	CPI + 2,5%	CPI + 2,5%
Net effective discount rate	Yield curve based	Yield curve based

Subsidy agreement:

The municipality has agreed to subsidise the pension fund contributions of retired members in the following way:

- New pensioners (those that are still currently in the service of the municipality) and their dependents will receive 60% subsidy; and

- Existing continuation members (pensioners) and their dependents will continue to receive a 60% subsidy.

Mortality rate:

Average retirement age

- The average retirement age for all active employees was assumed to be 63 years of age. The assumptions implicity allows for ill-health and early retirements.

Normal retirement age

- The normal retirement age for all active employees was assumed to be 65 years of age.

Mortality rates

- Mortality before retirement has been based on the 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependents

- We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

19. Employee benefit obligations (continued)

Decremental withdrawal

Age band (in years) for withdrawal rates:	Males	Females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 -34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %

Long service award

Long service awards are granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises of a certain number of additional vacation leave days as prescribed on the basic condition of employment. The effective date used for the purpose of the valuation was 30 June 2024.

The most recent actuarial valuation of the unfunded defined benefit obligation was carried out as at 30 June 2024 by ZAQ Consultants and Actuaries.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening accrued liability	4 172 000	3 990 000
Current service cost	388 000	385 000
Interest cost	541 000	465 000
Benefits paid	(754 780)	(494 913)
Actuarial (gains) / losses	243 780	(173 087)
	4 590 000	**4 172 000**

Membership data:	Males	Females
Number of active employees	102	74
Subsidy weighted average age (in years)	43,2	41,6
Subsidy weighted average age past service (in years)	10,8	11,1

Formula used to calculate the total long service award liability:

	Liability (% of annual salary)	Completed years of service
(10 / 250) x annual salary	4 %	10
(20 / 250) x annual salary	8 %	15
(30 / 250) x annual salary	12 %	20
(30 / 250) x annual salary	12 %	25
(30 / 250) x annual salary	12 %	30
(30 / 250) x annual salary	12 %	35
(30 / 250) x annual salary	12 %	40
(30 / 250) x annual salary	12 %	45

Figures in Rand	2024	2023

19. Employee benefit obligations (continued)

Key financial variables / assumptions used

The two most important financial variables used in our calculation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Assumed valuation for the current and preceding valuations:	**Current valuation**	**Preceding valuation**
Discount rate	Yield curve	Yield curve
Consumer price index	Difference between nominal and yield curves	Difference between nominal and yield curves
Expected rate of return on assets	CPI + 1%	CPI + 1%
Expected rate of return on reimbursement rights	Yield curve based	Yield curve based

Mortality rate

Average retirement age

- The average retirement age for all active employees was assumed to be 63 years of age. The assumptions implicity allows for ill-health and early retirements.

Normal retirement age

- The normal retirement age for all active employees was assumed to be 65 years of age.

Mortality rates

- Mortality before retirement has been based on the 85-90 mortality tables. These are the most commonly used tables in the industry.

Decremental withdrawal

Age band (in years) for withdrawal rates:	**Males**	**Females**
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %

Employee benefit obligations		
Non-current liabilities	13 165 000	12 196 000
Current liabilities	390 698	390 698
	13 555 698	**12 586 698**

Figures in Rand	2024	2023

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	13 497 391	229 322	1 263 356	14 990 069

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	12 492 735	(525 704)	1 530 360	13 497 391

Environmental rehabilitation provision

The provision for the rehabilitation of the landfill sites relate to the legal obligation to rehabilitation sites used for waste disposal.

As at 30 June 2024, the estimated cost to be incurred by the municipality to restore its landfill sites at the end of their useful lives will be R 14 990 069 (2022: R 13 497 391). The amount of the rehabilitation is dependent on future costs, technology, inflation and site consumption. The landfill provision represents management's best estimate of the municipality's liability.

The municipality currently has two landfill sites:

- The old landfill site is situated near Esikhaleni; and
- The new landfill site by the Coal Siding.

The municipality has not utilised the old site as a landfill site since January 2014 and the current status of the old landfill site reflects that there are no traces of a landfill site. Therefore, the old landfill site does not acquire any provision for closure. The landfill site conditional assessment for both sites were conducted by Ducharme Consulting.

The new landfill site is expected to be fully operational until 30 June 2026 and it is assumed that the rehabilitation will only take place thereafter. The calculation of the provision amount for the new landfill site was done at 30 June 2024 by Ducharme Consulting, whereafter the report was issued to the municipality with a report date of July 2024.

21. Housing development fund

The fund contains all proceeds from housing developments, which include rental income and proceeds through the sale of houses.

Monies standing to the credit of the fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The balance of the funding is included in the municipality's primary and call bank accounts.

	2024	2023
Housing development fund	100 348	100 348

22. Service charges

	2024	2023
Sale of electricity (conventional)	20 494 602	17 320 585
Sale of electricity (prepaid)	13 069 219	11 519 800
Refuse removal	2 714 628	2 766 192
	36 278 449	**31 606 577**

The amounts disclosed above for revenue generated from service charges are in respect to services rendered and billed to the consumers on a monthly basis in accordance with the approved tariffs, except in the case of service rendered to consumers registered as indigent debtors. It is the municipality's practice not to bill indigent consumer debtors for services rendered.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

23. Rental of facilities and equipment

Premises		
Land	14 261	8 334
Plantation	1 259 514	1 296 046
Premises	164 516	181 716
	1 438 291	**1 486 096**

24. Licences and permits

Business	37 785	24 454
Driver and learner	377 320	617 112
Motor vehicle	571 921	542 968
	987 026	**1 184 534**

25. Other income

Building plan fees	27 500	12 940
Burial fees	29 750	32 132
Clearance certificates	12 790	9 077
Connection and re-connection fees	13 997	8 993
Hall hire	36 006	51 222
Insurance refund	26 835	22 220
Other income	112 067	600 000
Recoveries	1 969 684	1 618 187
SETA refund	1	36
Sale of meters	205 195	156 473
Staff rental income	84 664	81 802
Tender fees	98 506	91 586
	2 616 995	**2 684 668**

26. Investment revenue

Interest revenue		
Bank	1 725 481	1 021 695
Consumer debtors	5 477 823	5 369 148
	7 203 304	**6 390 843**

The amount included in investment revenue arising from exchange transactions amounted to R 7 203 304.

27. Infrastructure development construction contracts

Revenue received	15 129 170	6 275 601
Expenditure incurred	(15 129 170)	(7 414 823)
	-	**(1 139 222)**

The Infrastructure Development Construction Contracts relates to agreements entered into between the municipality and Eskom in respect to electrification infrastructure projects where the municipality is a project developer in this arrangement.

The Infrastructure Development Construction Contract expenses consists mainly of contracted services wherein the municipality procure the services of contractors and other consultants in the construction of the infrastructure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Property rates

Rates received

Residential	2 636 996	4 314 080
Commercial	6 121 980	5 950 571
State	17 209 182	13 092 824
Small holdings and farms	1 025 697	37 085
Industrial	1 066 450	1 240 328
Agricultural	4 431 139	4 261 553
Vacant land/stands	1 149 933	1 065 548
Less: Income forgone	(977 850)	(1 129 502)
	32 663 527	28 832 487
Property rates - penalties imposed	3 963 624	3 290 632
	36 627 151	**32 123 119**

Valuations

Residential	667 768 720	667 768 720
Commercial	351 394 000	351 394 000
State	645 338 000	645 338 000
Municipal	22 185 000	22 185 000
Place of Worship	15 348 000	15 348 000
Agricultural	2 158 852 000	2 158 852 000
Vacant land/stands	40 234 250	40 234 250
	3 901 119 970	**3 901 119 970**

Valuations on land and buildings are performed every 5 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.

Rebates of 10% (2023: 10%) are granted to businesses, while properties classified as Place of Worship, municipal properties, cummunal land and NPOs are 100% (2023: 100%) exempt.

29. Government grants and subsidies received

Operating grants

Equitable share	99 029 000	93 029 000
National: Finance Management Grant (FMG)	3 000 000	3 000 000
National: Extended Public Works Programme (EPWP)	1 638 000	1 500 000
Provincial: Arts and Culture	3 390 000	3 390 000
Provincial: Economic Development, Tourism and Environmental Affairs (Municipal Disaster Grant)	1 400 000	-
Provincial: Economic Development, Tourism and Environmental Affairs	-	1 000 000
	108 457 000	**101 919 000**

Capital grants

National: Municipal Infrastructure Grant (MIG)	19 385 000	29 055 000
Provincial: Small town rehabilitation	-	10 600 000
National: Integrated National Electrification Programme (INEP)	-	30 003
Provincial: Department of Transport	78 576 000	-
	97 961 000	**39 685 003**
	206 418 000	**141 604 003**

Figures in Rand	2024	2023

29. Government grants and subsidies received (continued)

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and the day-to-day running and operational costs of the municipality.

All registered indigents receive a monthly subsidy of 50 KWh (2023: 50 KWh), which is funded from the grant.

National: Finance Management Grant (FMG)

Current year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

National: Extended Public Works Programme (EPWP)

Current year receipts	1 638 000	1 500 000
Conditions met - transferred to revenue	(1 638 000)	(1 500 000)
	-	-

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Provincial: Arts and Culture

Current year receipts	3 390 000	3 390 000
Conditions met - transferred to revenue	(3 390 000)	(3 390 000)
	-	-

The grant funding is provided by the Department of Arts and Culture to fund library related costs including payment of salaries of library staff.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Provincial: Economic Development, Tourism and Environmental Affairs (Municipal Disaster Grant)

Current year receipts	1 400 000	-
Conditions met - transferred to revenue	(1 400 000)	-
	-	-

The grant funding is provided by the Kwa-Zulu Natal Department of Economic Development, Tourism and Environmental Affairs to fund the repairs.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Figures in Rand	2024	2023

29. Government grants and subsidies received (continued)

Provincial: Economic Development, Tourism and Environmental Affairs

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

The grant funding is provided by the Kwa-Zulu Natal Department of Economic Development, Tourism and Environmental Affairs to fund the compilation of the Long Term Integrated Spatial Economic Development Strategy

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Provincial: Small town rehabilitation

Balance unspent at beginning of year	-	10 600 000
Conditions met - transferred to revenue	-	(10 600 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant was allocated for the construction of roads and ablution facilities in terms of the submitted and approved business plan and memorandum of agreement (MOA). The funds were unspent in the previous financial year due to the fact that it was received during the month of June 2022.

All the conditions of the grant were met during the current financial year, and the grant was fully spent by the end of the financial year and no funds were withheld.

National: Integrated National Electrification Programme (INEP)

Current year receipts	18 005 000	11 850 000
Conditions met - transferred to revenue	-	(30 003)
Conditions met - GRAP 11 (construction contracts)	(17 994 106)	(7 216 942)
Transferred to income received in advance	(10 894)	(4 603 055)
	-	-

The grant is paid by National Treasury in order to implement the INEP by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

National: Municipal Infrastructure Grant (MIG)

Current-year receipts	19 385 000	29 055 000
Conditions met - transferred to revenue	(19 385 000)	(29 055 000)
	-	-

The MIG was allocated for the construction of roads, maintenance of aging municipal infrastructure and to provide for new rehabilitation and upgrading of municipal infrastructure.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Government grants and subsidies received (continued)

Province: Department of Transport

Balance unspent at beginning of year	19 644 000	-
Current year receipts	58 932 000	19 644 000
Conditions met - transferred to revenue	(78 576 000)	-
	-	**19 644 000**

Conditions still to be met - remain liabilities (see note 18).

The grant funding received from the Department of Transport in line with the signed memorandum of agreement (MOA) aims at providing rehabilitation of roads within the duristiction of the municipality.

No conditions were met at the year end and the full amount received remained unspent.

30. Fines

Traffic fines	2 436 679	2 376 600

The fines issued, but not yet collected at 30 June 2024 amounted to R 1 507 475 (2023: R 2 460 143). Based on past experience, it is management's best estimate that only 4% (2023: 4%) of the outstanding traffic fines have not been impaired.

31. Employee related costs

Basic	60 036 945	56 011 152
Bonus	4 575 359	4 086 243
Acting allowances	225 783	220 366
Car allowances	2 355 564	2 474 797
Cellphone allowances	394 832	414 796
Housing benefits and allowances	464 065	427 965
Pensioners alliowances	507 000	524 000
Risk allowances	170 414	165 171
Standby allowances	1 765 743	1 352 416
Overtime payments	1 046 507	1 131 188
Leave pay provision charge	983 442	1 247 946
Long service awards	388 000	385 000
Risk allowance	511 245	495 515
Defined contribution plans	9 196 895	8 571 061
Council contributions: Medical aid	2 721 004	2 564 253
Council contributions: UIF	434 487	423 520
Council contributions: SALGBC	35 915	34 042
	85 813 200	**80 529 431**

Remuneration of the Municipal Manager: Mr JFK Khumalo

Annual remuneration	615 137	635 760
Backpay	58 094	43 061
Performance bonus	120 912	94 339
Car allowance	123 027	177 895
Cellphone allowance	28 800	28 800
Housing allowance	133 279	87 164
Remote allowance	41 009	40 056
Leave payout	60 699	-
Council contribution: Pension	153 784	100 573
Council contribution: UIF	2 125	2 125
	1 336 866	**1 209 773**

Figures in Rand	2024	2023

31. Employee related costs (continued)

Remuneration of the Chief Finance Officer: Mr ZR Thusi

Annual remuneration	332 157	371 057
Backpay	45 369	2 119
Car allowance	50 196	55 659
Cellphone allowance	31 932	35 653
Remote allowance	22 061	24 737
Council contribution: Pension	83 660	92 764
Council contribution: Medical aid	72 505	24 737
Council contribution: UIF	1 417	1 594
	639 297	**608 320**

The contract of the CFO was terminated by the municipal council on 31 May 2024 (in terms of council resolution: EDCO 02/249.76-21/05/2024).

Remuneration of the Acting Chief Financial Officer: Mr GC Letsoalo

Annual remuneration	-	135 840
Acting allowance backpay	36 234	-
Car allowance	-	81 506
Cellphone allowance	-	9 600
Housing allowance	-	27 169
Remote allowance	-	10 868
Council contribution: Pension	-	27 169
Council contribution: UIF	-	708
	36 234	**292 860**

The CFO was paid a backpay for 2021/22 financial period (as per council resolution number: EDCO 11/22/7.52-2/11/2002).

Remuneration of the Director Infrastructure and Planning: Mr MN Nkala

Annual remuneration	-	122 871
Backpay	11 538	2 119
Car allowance	-	18 431
Cellphone allowance	-	11 844
Housing allowance	-	26 622
Remote allowance	-	8 191
Leave payout	-	19 935
Council contribution: Pension	-	30 718
Council contribution: UIF	-	708
	11 538	**241 439**

The former Director was paid a backpay to align his remuneration with the upper limits (as per the Government Gazette) for the 2022/23 financial period (in terms of council resolution number: EDCO 6/23/7.41-31/08/2023).

Remuneration of the Acting Director Infrastructure and Planning: Mr MB Buthelezi

Acting allowance	-	14 478
Acting allowance backpay	652	7 239
	652	**21 717**

The former Acting Director was paid a backpay to align his acting allowance with the upper limits (as per the Government Gazette) for the 2022/23 financial period (in terms of council resolution number: EDCO 6/23/7.41-31/08/2023).

Figures in Rand	2024	2023

31. Employee related costs (continued)

Remuneration of the Director Infrastructure and Planning: Mr MS Khanyile

Acting allowance	28 955	35 980
Acting allowance backpay	-	8 736
Annual remuneration	340 843	-
Backpay	2 171	-
Car allowance	115 364	-
Cellphone allowance	15 200	-
Housing allowance	56 807	-
Remote allowance	22 722	-
Council contribution: Medical aid	56 807	-
Council contribution: UIF	1 417	-
	640 286	**44 716**

The director was appointed to commence his duties as Director Infrastructure Services with effect from 01 November 2023.

Remuneration of the Acting Director Corporate and Community Services: Mr VB Mbatha

Annual remuneration	524 685	548 130
Backpay	50 105	42 799
Bonus	110 305	-
Car allowance	160 897	155 304
Cellphone allowance	22 800	22 800
Housing allowance	195 064	210 116
Remote allowance	34 979	36 542
Leave payout	-	80 015
Council contribution: UIF	2 125	2 125
	1 100 960	**1 097 831**

Remuneration of the Acting Chief Financial Officer: Mr SGZ Sibiya

Acting allowance	44 736	-

The acting allowance is for the period commencing on 01 March (in terms of council resolution number: EDCO 02/24/7.59-26/02/2024).

Remuneration of the former Director Infrastructure and Planning: S Cele

Performance bonus	108 675	-

The performance bonus paid to the Director was for 2019/20 financial period (in terms of council resolution number: EDCO 28/23/9.41-28/11/2023).

32. Remuneration of councillors

Executive Mayor	1 004 125	948 170
Deputy Mayor	814 143	839 113
Speaker	819 585	765 681
Chief Whip	459 032	5 676
MPAC Chairperson	438 996	-
Exco Member	455 905	425 607
Councillors	4 652 663	5 096 753
	8 644 449	**8 081 000**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Depreciation and amortisation

Property, plant and equipment	24 197 411	17 487 607
Intangible assets	1 327	5 205
	24 198 738	**17 492 812**

34. Impairment loss

Impairments

Property, plant and equipment	3 729 833	45 062
The impairment loss represents the losses identified during the preparation of the fixed asset register and is attributable to individual items in infrastructure - and community assets.		
Other receivables from non-exchange transactions	3 151 468	1 666 856
The impairment loss represents the movement in the provision for impairment for the fines debtors recognised.		
Total impairment losses recognised	**6 881 301**	**1 711 918**

35. Finance costs

Employee benefit liabilities	1 601 000	1 461 000
Provisions (reabilitation of landfill site)	1 263 356	1 530 360
Trade and other payables	96 410	66 252
	2 960 766	**3 057 612**

36. Debt impairment

Debt impairment	25 495 444	15 582 569

37. Bulk purchases

Electricity	42 660 352	35 590 192

Electricity losses

	Number (in KWh) 2024	Number (in KWh) 2023		
Units purchased	21 610 501	20 700 259	42 660 352	35 590 192
Units sold	(12 933 800)	(12 332 423)	(25 596 211)	(21 203 276)
Total loss	**8 676 701**	**8 367 836**	**17 064 141**	**14 386 916**

Comprising of:

Technical and non-technical losses	40 %	40 %	40 %	40 %

Figures in Rand	2024	2023

38. Lease rentals on operating lease

Lease rentals on operating lease

Contractual amounts	283 112	283 112

Operating lease rentals represent rentals payable by the municipality for photocopiers. Leases are normally negotiated for an average term of three (3) years. The municipality entered into a contract with ITEC Solution for photocopiers for a period of three (3) years.

39. Contracted services

Outsourced Services		
Burial services	130 252	148 124
Business and advisory	3 299 687	2 990 376
Catering services	1 113 838	1 469 322
Clearing and grass cutting services	1 620 000	1 620 000
Professional staff	467 703	249 532
Refuse removal	145 294	233 699
Security services	7 824 905	4 884 798
Transport services	1 028 624	847 431
Consultants and Professional Services		
Business and advisory	1 275 979	1 681 904
Infrastructure and planning	39 340	428 406
Legal cost	456 457	1 503 919
Contractors		
Maintenance of buildings and facilities	813 927	485 314
Maintenance of equipment	2 215 043	1 953 041
Maintenance of unspecified assets	4 772 677	3 977 063
	25 203 726	**22 472 929**

40. Gain (loss) on disposal of assets and liabilities

Proceeds with the disposal of assets and liabilities	60 000	99 970
Carrying value of assets disposed / written-off / derecognised	(358 862)	(954 485)
	(298 862)	**(854 515)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. General expenses

Advertising	696 030	894 480
Auditors remuneration	1 953 957	2 025 780
Bank charges	100 562	129 217
Computer expenses	34 243	22 920
Consulting and professional fees	3 188 003	4 026 384
Consumables	(34 301)	(14 207)
Electricity	575 874	3 075 981
Accommodation	1 031 180	1 431 008
Seating allowance	45 557	38 541
Skills development levy	802 299	731 426
Fuel and oil	3 435 576	3 183 266
Ward committee	1 169 700	1 174 700
Prepaid electricity	321 453	407 902
Internet costs	94 794	(6 610)
Insurance	1 521 118	1 143 348
Postage and courier	2 322	-
Printing and stationery	529 674	734 085
Protective clothing	188 620	497 062
Subscriptions and membership fees	967 726	908 208
Telephone and fax	367 048	578 759
Travel - local	548 923	438 213
	17 540 358	**21 420 463**

42. Fair value adjustments

Investment property (fair value model)	923 000	1 200 000

43. Auditors' remuneration

Fees	1 953 957	2 025 780

44. Cash generated from operations

Surplus	55 178 590	14 251 954
Adjustments for:		
Depreciation and amortisation	24 198 738	17 492 812
Loss (gain) on sale of assets and liabilities	298 862	854 515
Fair value adjustments	(923 000)	(1 200 000)
Impairment of assets	6 881 301	1 711 918
Debt impairment	25 495 444	15 582 569
Movements in retirement benefit assets and liabilities	1 419 000	(21 000)
Movements in provisions	1 492 678	1 004 656
Non-cash movement in property, plant and equipment	1 071 651	525 703
Changes in working capital:		
Inventories	(34 302)	(7 868)
Other receivables from exchange transactions	(4 380 581)	78 498
Consumer debtors	(24 158 388)	(15 823 645)
Other receivables from non-exchange transactions	(2 198 801)	(2 147 338)
Payables from exchange transactions	1 269 857	6 577 135
VAT	1 938 495	(3 875 954)
Income received in advance	606 454	4 602 913
Unspent conditional grants and receipts	(19 644 000)	9 044 000
Consumer deposits	6 026	5 420
	68 518 024	**48 656 288**

Figures in Rand	2024	2023

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1 758 400	95 931 363
Total capital commitments		
Already contracted for but not provided for	1 758 400	95 931 363

Total commitments

Total commitments		
Authorised capital expenditure	1 758 400	95 931 363

This committed expenditure relates to property and will be financed through grant funding from the Departmet of Cooperative Governance and Traditional Affairs (COGHTA) and the Department of Energy, with other portions funded through internally generated funds.

46. Related parties

Relationships	
Executive management	Refer to note 31

All related party transactions are concluded at arm's length, unless stated otherwise. The municipality did not conduct any business with a party that was considered to be a related party.

Remuneration of management

Councillors

2024

Name	Basic salary	Backpay	Other short-term employee benefits	Post-employment benefits	Re-imbursive	Total
MS Mkhabela	903 298	55 408	42 200	2 219	1 000	1 004 125
SJ Kunene	722 639	46 085	42 200	2 219	1 000	814 143
DJ Nhlengethwa	722 639	46 085	42 200	2 219	6 442	819 585
VA Mthethwa	377 950	27 736	42 200	2 219	8 927	459 032
HH Vilakazi	366 856	27 723	42 200	2 219	-	438 998
ND Ndlangamandla	377 950	28 295	42 200	2 219	5 248	455 912
ME Kunene	285 860	20 772	42 200	2 219	-	351 051
NS Magagula	285 860	23 542	42 200	2 219	-	353 821
MVS Mkhwanazi	285 860	23 542	42 200	2 219	9 908	363 729
TS Mthethwa	285 860	23 542	42 200	2 219	7 657	361 478
TE Kunene	285 860	23 542	42 200	2 219	6 886	360 707
DM Mbokazi	285 860	23 542	42 200	2 219	-	353 821
K Ngema	285 860	23 542	42 200	2 219	13 024	366 845
CB Mthethwa	285 860	23 542	42 200	2 219	3 969	357 790
TTI Zwane	285 860	23 542	42 200	2 219	1 732	355 553
ND Mngomezulu	285 860	23 542	42 200	2 219	-	353 821
BM Nxusa	285 860	23 542	42 200	2 219	-	353 821
ND Sibiya	285 860	23 542	42 200	2 219	8 334	362 155
ZG Mosondo	285 860	23 542	42 200	2 219	4 241	358 062
	7 187 512	**534 608**	**801 800**	**42 161**	**78 368**	**8 644 449**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

46. Related parties (continued)

2023

Name	Basic salary	Cellphone allowance	Data allowance	Re-imbursive	Total
MS Mkhabela	897 051	40 800	1 500	8 820	948 171
SJ Kunene	720 146	40 800	1 500	76 667	839 113
DJ Nhlengethwa	714 750	40 800	1 500	8 631	765 681
SN Ntuli	24 340	3 400	300	5 676	33 716
VA Mthethwa	358 261	40 800	1 500	12 197	412 758
HH Vilakazi	362 941	40 800	1 500	7 062	412 303
ND Ndlangamandla	374 389	40 800	1 500	8 918	425 607
ME Kunene	238 096	34 000	900	7 301	280 297
NS Magahula	280 407	40 800	1 500	750	323 457
MVS Mkhanazi	280 407	40 800	1 500	10 874	333 581
TS Mthethwa	280 407	40 800	1 500	3 962	326 669
TE Kunene	280 407	40 800	1 500	750	323 457
DM Mbokazi	280 407	40 800	1 500	-	322 707
K Ngema	280 407	40 800	1 500	10 720	333 427
CB Mthethwa	280 407	40 800	1 500	5 536	328 243
TTI Zwane	280 407	40 800	1 500	9 228	331 935
ND Mngomezulu	281 741	40 800	1 500	7 879	331 920
BM Nxusa	280 407	40 800	1 500	750	323 457
ND Sibiya	282 270	40 800	1 500	10 961	335 531
ZG Masondo	280 407	40 800	1 500	10 657	333 364
Previous councillors (backpay)	15 606	-	-	-	15 606
	7 073 661	**771 800**	**28 200**	**207 339**	**8 081 000**

47. Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

	2024	2023
Other property, plant and equipment	1 363 542	841 816
Infrastructure assets	(6 339 947)	119 667
Buildings	8 405	927
Total change in estimate for useful life of property, plant and equipment	**(4 968 000)**	**962 410**

Intangible assets

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

	2024	2023
Computer software	3 889	-

Figures in Rand	2024	2023

48. Prior period errors

Adjustments made to the carrying value of property, plant and equipment:

During physical asset verification and the compilation of the asset register, management had to make adjustments to the carrying values of individual assets to ensure the balances are accurate and complete. These adjustments were made retrospectively as it constituted prior period errors.

The effect of the adjustments were:

Statement of financial position		
Property, plant and equipment	905 938	905 938
Opening accumulated surplus	-	(976 884)
Closing accumulated surplus	(905 938)	-
Statement of financial performance		
Depreciation and amortisation	-	70 906

Adjustments made to the consumer debtors:

During the current financial year various adjustments were made to consumer accounts due to incorrect billing, debt reduction, etc. This error has been corrected, which resulted in the service charges of the previous year being restated. These adjustments were made retrospectively as it constituted prior period errors.

The effect of the adjustments were:

Statement of financial position		
Receivables from exchange transactions	-	452 829
Closing accumulated surplus	(452 829)	-
Statement of financial performance		
Service charges	-	(452 829)

49. Unauthorised expenditure

Opening balance as previously reported	152 457 732	122 650 599
Add: Unauthorised expenditure - current	61 570 605	25 204 078
Add: Unauthorised expenditure - current (INEP)	-	4 603 055
Less: Amount approved by Council - prior period	(85 098 561)	-
Closing balance	**128 929 776**	**152 457 732**

The amount of unauthorised expenditure is as a result of actual amounts exceeding approved and adjusted budgets. The amount also includes non-cash items.

The unauthorised expenditure was investigated and presented to MPAC and Council. Council approved the expenditure as valid expenditure on 28 August 2024 (council reslution no. EDCO 08/24/7.9.1).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

49. Unauthorised expenditure (continued)

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

Employee related costs	955 200	120 431
Depreciation and amortisation	6 556 738	5 415 906
Impairment of assets	6 881 301	1 711 918
Finance cost	1 678 766	1 826 612
Lease rentals on operating lease	283 112	283 112
Debt impairment	25 495 444	6 789 569
Bulk purchases	-	787 192
Loss with disposal of assets and liabilities	298 862	854 515
Loss with construction contracts	15 129 170	7 414 823
Integrated National Electrification Programme (expenditure)	4 292 012	4 603 055
	61 570 605	**29 807 133**

Analysed as follows: cash

Employee related cost	955 200	120 431
Lease rentals on operating lease	283 112	283 112
Bulk purchases	-	787 192
Integrated National Electrification Programme (expenditure)	4 292 012	4 603 055
	5 530 324	**5 793 790**

Analysed as follows: non-cash

Depreciation and amortisation	6 556 738	5 415 906
Impairment of assets	6 881 301	1 711 918
Finance cost (employee benefit liabilities)	1 678 766	1 826 612
Debt impairment	25 495 444	6 789 569
Loss with disposal of assets and liabilities	298 862	854 515
Loss with construction contracts	15 129 170	7 414 823
	56 040 281	**24 013 343**

50. Fruitless and wasteful expenditure

Opening balance as previously reported	7 950 861	7 884 609
Add: Fruitless and wasteful expenditure identified - current	4 026 514	66 252
Less: Amount approved by Council as valid - current	(96 454)	-
Less: Amount approved by Council as valid - prior	(1 637 307)	-
Closing balance	**10 243 614**	**7 950 861**

Fruitless and wasteful expenditure is presented inclusive of VAT.

The fruitless and wasteful expenditure incurred during the year was for the interest raised by Eskom, SARS, pension funds and other service providers for non-payments. The cash flow challenges faced by the municipality was the root cause for failure to settle the debts within the prescribed period as per section 65 of the MFMA.

The fruitless and wasteful expenditure was investigated and presented to MPAC and Council. Council approved the expenditure as valid expenditure on 28 August 2024 (council reslution no. EDCO 08/24/7.9.1).

Figures in Rand		2024	2023

50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue accounts	Council to investigate and write-off or recover expenditure	96 454	66 252
Loss due to fraudulent payments	Council to investigate and recover expenditure	3 920 060	-
		4 016 514	**66 252**

51. Irregular expenditure

Opening balance as previously reported	54 317 112	28 595 769
Opening balance as restated	**54 317 112**	**28 595 769**
Add: Irregular expenditure - current	88 524 350	3 097 739
Add: Irregular expenditure - current (additionally identified)	473 612	22 623 604
Less: Amount recoverable - current	(450 765)	-
Less: Amounts approved by council as valid expenditure	(140 405 131)	-
Irregular expenditure is presented inclusive of VAT.	-	-
Closing balance	**2 459 178**	**54 317 112**

Irregular expenditure is presented inclusive of VAT.

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

SCM process not followed	84 545 125	16 135 755
Tax clearances not obtained	-	2 070 389
Incorrect disqualification	-	221 061
Awards to person in the service of the state	-	12 074
Unjustifiable deviations	4 452 837	40 000
Bid committee non-compliance	-	754 215
Rebates granted incorrectly	-	439 087
	88 997 962	**19 672 581**

Amount written-off

Irregular expenditure amounting to R 140 405 131 was investigated and presented to MPAC and Council. Council approved the expenditure as valid expenditure (council resolution numbers: EDCO 03/24/9.63 and EDCO EDCO 08/24/7.9.1 held on 27 March 2024 and 28 August 2024, respectively).

52. Contingencies

Mgemfu Trading Projects

The municipality has been sued by Mgemfu Trading Projects for the amount of R 120 000 (2023: R 120 000), claiming that he was appointed to deliver 100 000 refuse bags for the municipality, R 60 000 (2023: R 60 000) in respect to unpaid invoices for partial delivery of the aforesaid and R114 000 (2023: R 114 000) for loss of income as a result of the unlawful cancellation of the appointment. The matter has become stagnant as SCM processes were not followed.

MMSD Transport and General Services

The municipality is being sued by MMSD Transport and General Services for loss of income of claiming that he was appointed by the then acting Municipal Manager for the supply and delivery of wet fuel, for which those services were never utilized. The matter was addressed by the then acting Municipal Manager, which has led to the matter not further being persued by the clamaint.

52. Contingencies (continued)

Maximum Profit Recovery

The municipality is being sued by Maximum Profit Recovery for the deemed unlawful terms surrounding the advertisement and appointment of MBD consulting for the recovery of VAT. The claim totals R 600 000 (2023: R 600 000). The matter is currently at the SCA.

Faizel Kotwal and Kotwal Motor Spares

The matter relates to a letter of demand dated 15 May 2023. The municipality denied liability for the damages suffered by the claimant. The matter is currently pending.

Zenele F. Dlamini

Mr. Dlamini was appointed by main contractor to sub-contract on the housing project and the main contractor did not pay Mr. Dlamini. Mr. Dlamini is now suing the municipality for non-payment. The matter is currently pending.

Mr. MF Madi

Mr. Madi is claiming unfair labour practices and applied to the SALGBC for arbitration and the matter was finalised in June 2023 in favour of the municipality. In an effort to reverse the decision, Mr. Madi took the matter to the Labour Court. The matter is currently pending.

53. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the GRAP mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Finance and Administration monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation. 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.

53. Risk management (continued)

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	31 596 462	-	-	-
Income received in advance	5 209 509	-	-	-
Consumer deposits	250 090	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	30 326 605	-	-	-
Income received in advance	4 603 055	-	-	-
Consumer depoists	244 064	-	-	-

Credit risk

Financial instrument	2024	2023
Receivables from exchange transactions	2 440 034	2 798 851
Other receivables from exchange transactions	4 462 132	81 551
Cash and cash equivalents	2 208 521	21 023 769

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

53. Risk management (continued)

- The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

53. Risk management (continued)

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality’s exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in the market prices.

These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the matrix. The municipality's financial instruments are affected by the whole sale price of electricity from Eskom.

54. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 440 034	2 440 034
Other receivables from exchange transactions	4 462 132	4 462 132
Cash and cash equivalents	2 208 521	2 208 521
	9 110 687	**9 110 687**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	31 596 462	31 596 462
Consumer deposits	250 090	250 090
Income received in advance	5 209 509	5 209 509
VAT	1 194 642	1 194 642
	38 250 703	**38 250 703**

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	3 251 509	3 251 509
Other receivables from exchange transactions	81 551	81 551
VAT	743 848	743 848
Cash and cash equivalents	21 023 769	21 023 769
	25 100 677	**25 100 677**

Figures in Rand	2024	2023

54. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	31 606 577	31 606 577
Consumer deposits	244 064	244 064
Unspent conditional grants	19 644 000	19 644 000
Income received in advance	4 603 055	4 603 055
	56 097 696	**56 097 696**

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2024	2023
Opening balance	1 366 208	791 822
Current year membership / subscription fee	954 476	901 208
Amount paid - current year	-	(326 822)
Amount paid - previous years	(1 366 208)	-
	954 476	**1 366 208**

Audit fees

	2024	2023
Opening balance	4 860	-
Current year audit fee	2 247 051	2 329 647
Current year interest expense	809	9 421
Amount paid - current year	(2 252 720)	(2 334 208)
	-	**4 860**

PAYE and UIF

	2024	2023
Opening balance	966 501	1 110 756
Current year payroll expenses	14 091 486	12 780 625
Amount paid - current year	(12 993 236)	(11 784 124)
Amount paid - previous years	(966 501)	(1 110 756)
	1 098 250	**996 501**

Pension and medical aid fund deductions

	2024	2023
Opening balance	1 448 718	-
Current year deductions and council contributions	18 632 731	17 386 233
Amount paid - current year	(18 945 929)	(15 937 515)
	1 135 520	**1 448 718**

VAT

	2024	2023
VAT payable	(1 194 640)	743 674

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

Figures in Rand	2024	2023

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

Councillors' arrear consumer accounts

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

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
DJ Nhlengethwa	1 014	173	1 187
K Ngema	3 097	23 136	26 233
SJ Kunene	579	29 298	29 877
VA Mthethwa	1 194	9 147	10 341
	5 884	**61 754**	**67 638**

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
K Ngema	2 829	14 303	17 132
SJ Kunene	427	27 721	28 148
VA Mthethwa	930	5 891	6 821
	4 186	**47 915**	**52 101**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the SCM Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident:

Afrihost (E-mail account host)	14 520	14 520
Afrilectrical Consulting Engineers	199 650	-
Dumbo Towing and Recovery	15 000	-
Esri South Africa	45 241	-
Isulami Trading and Projects (Strip and qoute for repairs)	129 607	-
Kambula Electrical CC (Emergency situation)	-	142 364
Khuphukani Electrical CC (Emergency situation)	-	91 172
Sibanesihle Trading and Projects (Strip and quote for repairs)	210 432	179 975
Sibanesihle Trading and Projects (Strip and quote for repairs)	366 872	-
The Truth Verification Specialists	-	36 740
Thokomela Engineering (Emergency situation)	-	105 145
Tolini Trading Enterprises CC	43 000	-
Van Zon Transport (Local service providers unavailable)	70 000	-
Zandi Power CC (Emergency situation)	147 954	-
	1 242 276	**569 916**

56. Accounting by principals and agents

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

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

The municipality is the principal in the principal-agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third party vendors on behalf of the municipality.

The municipality is the agent in the principal-agent arrangement with the Department of Human Settlements. The municipality undertakes to appoint third party contractors and serve as project managers. No fees are charged for the project management.

The municipality is the agent in the principal-agent arrangement with the Department of Transport. The municipality is responsible for the issuing of vehicles and drivers licences on behalf of the department in exchange for commission of 8,55% (2023: 8,55%).

No significant judgements were applied in determining if the municipality was the principal or agent.

No changes have been made to the terms and conditions for the arrangements during the reporting period.

No significant risks and benefits associated with the arrangements have been identified.

Entity as agent

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

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R385 419 (2023: R -).

Expenses paid or accrued

Entity as principal

Fee paid

The municipality paid 4% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct recourse or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on the service delivery continuity and revenue generation negatively due to the reduction in service points.

57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

The four major functional areas comprise of:

- Executive and council which includes the mayor and council; and municipal manger, town secretary and chief executive. Revenue is derived through grants that are allocated to the department.
- Finance and administration which includes administrative and corporate support; asset management; finance; information technology; and legal services. The department derive revenue through a number of sources, which includes property rates; service charges; grants and subsidies received; licences and permits; and other income. This department is not a reportable segment.
- Community and social services which includes aged care; animal care and diseases; community halls and facilities; disaster management; fire fighting and protection; police force, traffic and street parking control; libraries and archives; recreational facilities; economic development; regional planning and development; town planning buildind regulations and enforement; and road and traffic regulation. Grants and subsidies are allocated to the department, and in addition to this, the department furthermore generates income through other income, service charges and public contributions and donations received.
- Techncial services which includes energy sources (electricity); and solid waste removal. The department's main source of revenue is service charges, with less significant revenue generated by rental of facilities and equipment. In addition to the aforementioned, government grants and subsidies is allocated to the department.

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

Management does not monitor performance geographically and does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

The surplus or deficit for each reported segment is calculated by subtracting the segmental expenditure from the segmental revenue. The assets and liabilities per segment is measured in accordance with the accounting policies and no adjustment has been made to the method of measurement.

Information to report on different geographic areas is not available.

57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Executive and council	Finance and administration	Community and social services	Technical services	Total
Revenue					
Service charges	-	7 836 212	2 714 628	25 731 549	36 282 389
Rental of facilities and equipment	14 261	-	-	1 424 030	1 438 291
Licences and permits	-	987 026	-	-	987 026
Other income	-	666 282	1 718 016	228 755	2 613 053
Property rates	-	36 627 152	-	-	36 627 152
Government grants and subsidies	14 854 350	111 284 700	24 595 800	55 683 150	206 418 000
Fines	-	2 436 679	-	-	2 436 679
Interest revenue	-	7 203 305	-	-	7 203 305
Infrastructure development construction contracts	-	15 129 170	-	-	15 129 170
Fair value adjustment	-	923 000	-	-	923 000
Actuarial gain	-	-	230 003	-	230 003
Total segment revenue	**14 868 611**	**183 093 526**	**29 258 447**	**83 067 484**	**310 288 068**
Entity's revenue					**310 288 068**
Expenditure					
Salaries and wages	18 688 348	38 902 504	15 958 106	20 922 224	94 471 182
Other expenses	6 889 617	4 726 288	867 795	5 326 237	17 809 937
Depreciation and amortisation	-	24 198 738	-	-	24 198 738
Interest expense	-	1 697 410	1 263 356	-	2 960 766
Impairment loss	-	6 881 301	-	-	6 881 301
Debt impairment	-	25 495 444	-	-	25 495 444
Bulk purchases	-	-	-	42 660 352	42 660 352
Contracted services	213 677	15 240 090	2 287 757	7 462 202	25 203 726
Loss on disposal of assets and liabilities	-	298 862	-	-	298 862
Infrastructure development construction contracts	-	15 129 170	-	-	15 129 170
Total segment expenditure	**25 791 642**	**132 569 807**	**20 377 014**	**76 371 015**	**255 109 478**
Total segmental surplus/(deficit)	**(10 923 031)**	**50 523 719**	**8 881 433**	**6 696 469**	**55 178 590**
Assets					
Segment assets	147 149	254 390 570	(37 578 357)	247 420 453	464 379 815
Total assets as per Statement of financial position					**464 379 815**
Liabilities					
Segment liabilities	368	14 007 799	1 044 000	(82 298 639)	(67 246 472)
Total liabilities as per Statement of financial position					**(67 246 472)**

	Finance and administration	Community and social services	Technical services
Other information			
Capital expenditure	479 518	1 826 817	99 662 335

57. Segment information (continued)

2023

	Executive and council	Finance and administration	Community and social services	Techncial services	Total
Revenue					
Service charges	-	6 690 003	2 766 192	21 697 724	31 153 919
Rental of facilities and equipment	8 334	-	-	1 477 762	1 486 096
Licences and permits	-	1 184 533	-	-	1 184 533
Other income	-	423 025	2 092 087	169 413	2 684 525
Property rates	-	28 832 488	-	-	28 832 488
Government grants and subsidies	13 954 350	41 508 700	21 995 800	64 145 153	141 604 003
Fines	-	2 376 600	-	-	2 376 600
Interest revenue	-	9 681 475	-	-	9 681 475
Infrastructure development construction contracts	-	-	-	6 275 601	6 275 601
Fair value adjustment	-	-	1 200 000	-	1 200 000
Actuarial gain	-	-	1 811 289	-	1 811 289
Total segment revenue	**13 962 684**	**90 696 824**	**29 865 368**	**93 765 653**	**228 290 529**
Entity's revenue					**228 290 529**
Expenditure					
Salaries and wages	16 907 108	35 982 198	15 675 221	20 047 605	88 612 132
Other expenses	6 646 628	10 188 512	541 918	3 948 467	21 325 525
Depreciation and amortisation	-	17 492 812	-	-	17 492 812
Interest expense	-	1 527 252	1 530 360	-	3 057 612
Impairment loss	-	1 711 918	-	-	1 711 918
Debt impairment	-	15 582 569	-	-	15 582 569
Bulk purchases	-	-	-	35 590 192	35 590 192
Contracted services	253 917	11 426 399	2 580 252	8 212 363	22 472 931
Loss on disposal of assets and liabilities	-	854 515	-	-	854 515
Infrastructure development construction contracts	-	-	-	7 414 823	7 414 823
Total segment expenditure	**23 807 653**	**94 766 175**	**20 327 751**	**75 213 450**	**214 115 029**
Total segmental surplus/(deficit)	**(9 844 969)**	**(4 069 351)**	**9 537 617**	**18 552 203**	**14 175 500**
Assets					
Segment assets	124 313 438	141 744 067	92 466 807	62 973 116	421 497 428
Total assets as per Statement of financial position					**421 497 428**
Liabilities					
Segment liabilities	-	(19 032 174)	1 044 000	(62 913 639)	(80 901 813)
Total liabilities as per Statement of financial position					**(80 901 813)**

	Finance and administration	Community and social services	Techncial services
Other information			
Capital expenditure	2 369 443	8 208 705	30 023 329

Notes to the Annual Financial Statements

58. In-kind donations and assistance

No in-kind donations and assistance were received during the year under review.

59. Events after the reporting date

After the financial year end, but before the authorisation of the annual financial statements, management became aware of fraudulent activities that have resulted in a financial loss to the municipality. The case has been reported to the authorities for further investigation, as required by the MFMA. At time of these statements, the extent and amount of these activities are unknown and sufficient information is not yet available to determine the impact thereof on the annual financial statements, if any.

60. Budget differences

Material differences between budget and actual amounts

The reasons for the material differences (in excess of 10%) between the budget and actual amounts is attributed to the following:

Statement of financial performance:

1. Service charges: The municipality has an approved policy that allows indigent households with residential values of R110 000 or less not to be billed. In addition to the aforementioned, the municipality embarked on a process to recover outstanding debt by providing discount on debtor current accounts.

2. Licences and permits: More revenue generated as expected. In the previous year, the municipality generated less revenue than budgeted for, which resulted in the current year budget being adjusted downwards.

3. Other income: Management over-budgeted for other income as it planned to open revenue sources to boost its revenue. Unfortunately, due to the economic challenges and the number of indigents within the municipal area, the planned additional revenue sources are not seeing the light of day.

4. Interest received on outstanding debtors: Although included in the budget, less interest was generated as expected. This is due to the number of consumers being provided for as doubtful debt.

5. Interest received on external investments: The decrease in the municipality's bank balances resulted in the target amount not being reached.

6. Property rates - imposed penalties: Budget included in the interest received on outstanding debtors.

7. Infrastructure development construction contracts: During the current financial year the INEP-related projects that are undertaken in the Eskom area of supply were accounted for in accordance with GRAP 11 and the related guidelines. Due to the timing thereof, it was not taken into consideration during the budgeting process.

8. Fines: Less fines were issued than budgeted for.

9. Depreciation and amortisation: Management based their budgeted figure on the results of previous financial years. Due to decrease in the conditions of the assets (through normal use), the depreciation expense was more than expected..

10. Impairment loss (reversal): Non-cash flow item not budgeted for as no impairment of fixed assets were expected.

11. Finance cost: The movement in the employee benefit liabilities are based on actuarial valuations. Management included the budgeted figure based on their best estimate.

12. Lease rental in operating lease: Budget included in general expenses.

13. Debt impairment. Due to non-payment of consumers, the movement in the provision for impairment of consumer debtors increased significantly.

14. Inventory consumed: Although budgeted for seperately, this is classified as general expenses and included as such.

15. Fair value adjustment: Not budgeted for by management.

60. Budget differences (continued)

16. Actuarial gains (losses): This is part of the movement due to the actuarial valuation conducted on the employee benefit obligations, and was therefore budgeted for as part of the employee related costs.

Statement of financial position:

17. Inventory: More inventory was consumed as expected.

18. Other receivables from exchange transactions: Due to the sundry nature of these receivables, the were not specifically budgeted for.

19. Other receivables from non-exchange transactions: Due to the sundry nature of these receivables, the were not specifically budgeted for.

20. Consumer debtors: The balance at year end is signficantly less than the budgeted balance, which is due to the material movement in the provision for doubtful debt.

21. VAT receivable (payable): Municipality did not budget for any outstanding VAT receipts and / or payments at year end.

22. Cash and cash equivalents: The cash balance was expected to be significantly higher than the actual budget was. This is mainly due to the service charges budget that was significantly higher than the actual results..

23. Intangible assets: Due to the amortisation expense being recognised every year. No new intangible assets were acquired during the year.

24. Payables from exchange transactions: Due to cash flow constraints, the municipality was not able to settle its creditors by year end.

25. Consumer deposits: Less consumer deposits were generated.

26. Employee benefit obligations: Not included in the budget.

27. Income received in advance: In the previous year INEP funds were utilised for projects that were not approved, resulting in the revenue being written back and the income received in advance being recorded, as required by GRAP 11. This was not budgeted for as management was of the opinion that the costs related to approved projects.

28. Provisions: Management included the budgeted balance based on their best estimate, which were materially different to the actual results.

29. Accumulated surplus: The material difference is the combined result of all listed reasons.

Cash flow statement:

30. The net decrease in the cash and cash equivalent balances is mainly attributable to:

- Under recovery (and charge) of services charges, whilst no other income was generated during the year (due to a lack of additional revenue sources).

- Although not budgeted for, finance cost were incurred as the municipality could not settle their creditors in time.

- The capital expenditure was materially less than was expected, due to cash flow constraints. In adition to this, the proceeds received for the sale of capital assets was signifiantly less in comparison to the budget.

61. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 397 032 995 and that the municipality's total liabilities exceed its assets by R 397 133 343.

61. Going concern (continued)

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. Management considered the following matters relating to the going concern assumption:

- The 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.

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

- The ability of the municipality to continue as a going concern is dependant 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.

The municipality is currently not experiencing financial difficulties. Indicators of the municipality's sound financial position are:

- Surplus of R 55 178 590 (2023: R 14 251 954) was realised and government grants and subsidies contributed R 206 418 000 (2023: R 141 604 003).

- The municipality's unspent conditional grants for the current year amounted to R - (2023: R 19 644 000) and it's income received in advance to R 5 209 509 (2023: R 4 603 055). This is an indication that monies received are utilised for the specific projects under construction.

- The creditors were paid within 30 days as required by the MFMA.

- Debt collection period has improved during the current financial year.

- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R 212 695 146 (2023: R 189 053 122) has been disclosed in the financial statements.

- As at 30 June 2024 the municipality's current liabilities amounted to R 38 641 403 (2023: R 55 208 422), whilst the current assets amounted to R 13 157 836 (2023: R 30 591 772).

- The current and acid test ratios are above the required ratio of 0,34:1 and 0,32:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The eDumbe Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2025 financial year, the allocated Equitable Share allocation amounts to R 105 089 000 and the Financial Management Improvement Grant to R 3 000 000.

- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2023 furthermore disclosed government's proposed allocation of the 2025 and 2026 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.

- The municipality has not been placed under administration for the 12 months ending 30 June 2024.