Big 5 Hlabisa Local Municipality
Annual Financial Statements
for the year ended 30 June 2023
Auditor General of South Africa

General Information

Legal form of entity	Big 5 Hlabisa Local Municipality
Nature of business and principal activities	Service Delivery
The following is included in the scope of operation	Rates and Waste Management and general services Local Government Activities
Grading of local authority	Medium Capacity Municipality Grade 3
Accounting Officer	Dr VJ Mthembu
Chief Finance Officer (CFO)	Mr J.M Nkosi
Registered office	Municipal Buildings Hlabisa Lot 808 Off Masson Street Hlabisa 3937
Postal address	P O Box 387 Hlabisa 3937
Bankers	First National Bank ABSA Bank
Auditors	Auditor General of South Africa
Attorneys	Philip Walsh Attorneys
Mayor	Cllr CT Khumalo
Deputy Mayor	Cllr HT Nkosi
Speaker	Cllr BW Shangase
Exco Members	Cllr FZ Nkwanyana Cllr TN Ngema Cllr LL Ntshangase
Ordinary Councillors:	Cllr CN Maphisa Cllr JP Zungu Cllr MC Cele Cllr GMC Mdaka Cllr NH Nxumalo Cllr ZM Ngobese Cllr MM Dladla Cllr VW Mkhize Cllr JP Msezane Cllr SP Simelane Cllr ZW Ntuli Cllr AS Thela Cllr BS Ndlazi Cllr ONN Ndwandwe Cllr W Mngomezulu Cllr SF Mdaka

General Information

Cllr IS Manqele
Cllr CS Kwesaba
Cllr PS Mantengu
Cllr BS Gumbi
Cllr SI Mhlongo

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

GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
GAMAP	Generally Accepted Municipal Accounting Practice
VAT	Value Added Tax
SDL	Skills Development Levy
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
INEP	Intergrated National Electrification Programme
EDTEA	Economic Development, Tourism and Environmental Affairs

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Dr VJ Mthembu

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Land held for Sale	3	1 362 699	3 137 800
Receivables from exchange transactions	4	2 113 918	1 275 953
Receivables from non-exchange transactions	5	10 268 922	7 469 511
VAT receivable	11	1 987 952	1 703 569
Cash and cash equivalents	6	80 969 343	66 479 143
		96 702 834	**80 065 976**
Non-Current Assets			
Investment property	7	19 734 418	21 517 686
Property, plant and equipment	8	248 837 402	239 404 715
Intangible assets	9	351 310	452 552
Receivables from non-exchange transactions	5	145 441	188 157
		269 068 571	**261 563 110**
Total Assets		**365 771 405**	**341 629 086**
Liabilities			
Current Liabilities			
Finance lease obligation	12	-	9 975
Payables from exchange transactions	15	28 552 294	33 638 852
Employee benefit obligation	10	508 966	403 741
Unspent conditional grants and receipts	13	852 080	1 662 828
Provisions	14	1 476 558	1 211 383
		31 389 898	**36 926 779**
Non-Current Liabilities			
Employee benefit obligation	10	3 615 292	3 888 293
Provisions	14	10 223 579	9 751 362
		13 838 871	**13 639 655**
Total Liabilities		**45 228 769**	**50 566 434**
Net Assets		**320 542 636**	**291 062 652**
Accumulated surplus		320 542 635	291 062 654
Total Net Assets		**320 542 635**	**291 062 654**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		93 391	102 783
Service charges	17	2 098 747	2 157 712
Rendering of services		25 907	23 390
INEP Construction contracts revenue	51	5 217 392	4 774 133
Rental of facilities and equipment	18	276 105	130 416
Licences and permits	20	1 450 490	1 688 188
Other income	22	1 670 244	140 412
Interest received - investment	23	6 060 879	2 768 661
Total revenue from exchange transactions		**16 893 155**	**11 785 695**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	24 773 381	25 402 708
Transfer revenue			
Government grants & subsidies	26	170 254 002	183 632 126
Fines, penalties and forfeits	19	456 650	742 850
Donations Received	27	70 988	4 125 856
Total revenue from non-exchange transactions		**195 555 021**	**213 903 540**
Total revenue	16	**212 448 176**	**225 689 235**
Expenditure			
Employee related costs	28	(83 911 560)	(82 479 698)
Remuneration of councillors	29	(10 273 422)	(9 795 120)
Depreciation and amortisation	30	(18 009 846)	(19 113 883)
Finance costs	33	(1 212 276)	(917 215)
Lease rentals on operating lease	21	(1 249 754)	(1 499 050)
Debt Impairment	34	(1 525 127)	(6 085 802)
Accounts receivables written-off		(725 204)	(876 790)
INEP Construction Contract Expenditure	51	(5 217 392)	(4 774 133)
Contracted services	35	(30 286 521)	(41 633 578)
Transfers and Subsidies	25	(2 017 343)	(1 497 745)
General expenses	36	(33 097 418)	(22 973 111)
Total expenditure		**(187 525 863)**	**(191 646 125)**
Operating surplus		**24 922 313**	**34 043 110**
Gain on disposal of assets		5 019 783	168 670
Actuarial gains/losses	10	782 283	68 404
Impairment loss	32	(1 244 393)	(4 595 541)
		4 557 673	**(4 358 467)**
Surplus for the year		**29 479 986**	**29 684 643**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	279 510 916	279 510 916
Adjustments		
Prior year adjustments_refer to note 47	(18 132 905)	(18 132 905)
Balance at 01 July 2021 as restated*	**261 378 011**	**261 378 011**
Changes in net assets		
Surplus for the year	29 684 643	29 684 643
Total changes	29 684 643	29 684 643
Balance at 01 July 2021 as restated*	**291 062 649**	**291 062 649**
Changes in net assets		
Surplus for the year	29 479 986	29 479 986
Total changes	29 479 986	29 479 986
Balance at 30 June 2023	**320 542 635**	**320 542 635**
Note(s)		

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3 516 137	2 073 661
Service Charges		21 446 483	25 093 127
Grants		175 277 000	183 454 438
Interest income		6 060 879	2 768 661
		206 300 499	213 389 887
Payments			
Employee costs and Councillors		(94 184 982)	(93 167 895)
Suppliers		(78 746 523)	(72 562 206)
Finance costs		(892)	(7 265)
		(172 932 397)	(165 737 366)
Net cash flows from operating activities	37	**33 368 102**	**47 652 521**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(28 735 805)	(33 248 376)
Proceeds from sale of property, plant and equipment	8	506 000	-
Proceeds from sale of investment property	7	9 550 970	-
Purchase of other intangible assets	9	(188 200)	-
Net cash flows from investing activities		**(18 867 035)**	**(33 248 376)**
Cash flows from financing activities			
Movement in finance lease obligation		(10 867)	(41 040)
Net increase in cash and cash equivalents		**14 490 200**	**14 363 105**
Cash and cash equivalents at the beginning of the year		66 479 143	52 116 038
Cash and cash equivalents at the end of the year	6	**80 969 343**	**66 479 143**

* See Note 47

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						
Sale of goods	-	-	**-**	93 391	**93 391**	VE1
Service charges	2 138 000	(321 000)	**1 817 000**	2 098 747	**281 747**	
Rendering of services	-	-	**-**	25 907	**25 907**	VE1.1
Construction contracts - INEP	-	-	**-**	5 217 392	**5 217 392**	
Rental of facilities and equipment	696 000	(104 000)	**592 000**	276 105	**(315 895)**	VE2
Licences and permits	2 750 000	(412 000)	**2 338 000**	1 450 490	**(887 510)**	VE3
Other income	886 000	1 396 000	**2 282 000**	1 670 244	**(611 756)**	VE4
Interest received - investment	1 500 000	1 900 000	**3 400 000**	6 060 879	**2 660 879**	VE6
Total revenue from exchange transactions	**7 970 000**	**2 459 000**	**10 429 000**	**16 893 155**	**6 464 155**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28 306 000	-	**28 306 000**	24 773 381	**(3 532 619)**	VE7
Transfer revenue						
Government grants & subsidies	200 698 000	(30 072 000)	**170 626 000**	170 254 002	**(371 998)**	VE8
Fines, penalties and forfeits	400 000	-	**400 000**	456 650	**56 650**	VE9
Other revenue	-	-	**-**	70 988	**70 988**	VE10
Total revenue from non-exchange transactions	**229 404 000**	**(30 072 000)**	**199 332 000**	**195 555 021**	**(3 776 979)**	
Total revenue	**237 374 000**	**(27 613 000)**	**209 761 000**	**212 448 176**	**2 687 176**	
Expenditure						
Employee related costs	(81 107 000)	(6 827 000)	**(87 934 000)**	(83 911 560)	**4 022 440**	VE11
Remuneration of councillors	(7 135 000)	(3 457 000)	**(10 592 000)**	(10 273 422)	**318 578**	
Depreciation and amortisation	(21 896 000)	-	**(21 896 000)**	(18 009 846)	**3 886 154**	VE12
Impairment loss	-	-	**-**	(1 244 393)	**(1 244 393)**	VE13
Finance costs	(1 500 000)	-	**(1 500 000)**	(1 212 276)	**287 724**	VE14
Lease rentals on operating lease	-	-	**-**	(1 249 754)	**(1 249 754)**	VE15
Bad debts provision	-	-	**-**	(1 525 127)	**(1 525 127)**	VE16
Accounts receivable written off	(11 568 000)	55 000	**(11 513 000)**	(725 204)	**10 787 796**	VE16
Construction contracts - INEP	-	-	**-**	(5 217 392)	**(5 217 392)**	
Contracted services	(37 513 000)	7 217 000	**(30 296 000)**	(30 286 521)	**9 479**	VE17
Transfers and Subsidies	(2 975 000)	(500 000)	**(3 475 000)**	(2 017 343)	**1 457 657**	VE18
General expenses	(67 317 000)	33 914 000	**(33 403 000)**	(33 097 418)	**305 582**	VE19
Total expenditure	**(231 011 000)**	**30 402 000**	**(200 609 000)**	**(188 770 256)**	**11 838 744**	
Operating surplus	**6 363 000**	**2 789 000**	**9 152 000**	**23 677 920**	**14 525 920**	
Gain on disposal of assets and liabilities	-	-	**-**	5 019 783	**5 019 783**	VE20
Actuarial gains/losses	-	-	**-**	782 283	**782 283**	
	-	**-**	**-**	**5 802 066**	**5 802 066**	
Deficit for the year	**6 363 000**	**2 789 000**	**9 152 000**	**29 479 986**	**20 327 986**	

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
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**6 363 000**	**2 789 000**	**9 152 000**	**29 479 986**	**20 327 986**	
Reconciliation						

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						
Land held for Sale	-	-	**-**	1 362 699	**1 362 699**	
Receivables from exchange transactions	22 830 000	(16 770 000)	**6 060 000**	2 113 918	**(3 946 082)**	
Receivables from non-exchange transactions	20 971 000	997 000	**21 968 000**	10 268 922	**(11 699 078)**	
VAT receivable	-	-	**-**	4 707 846	**4 707 846**	
Cash and cash equivalents	33 288 000	27 529 000	**60 817 000**	80 969 343	**20 152 343**	
	77 089 000	**11 756 000**	**88 845 000**	**99 422 728**	**10 577 728**	
Non-Current Assets						
Investment property	1 122 000	-	**1 122 000**	19 734 418	**18 612 418**	
Property, plant and equipment	297 206 000	(23 907 000)	**273 299 000**	248 837 402	**(24 461 598)**	
Intangible assets	167 000	-	**167 000**	351 310	**184 310**	
Receivables from non-exchange transactions	-	-	**-**	145 441	**145 441**	
	298 495 000	**(23 907 000)**	**274 588 000**	**269 068 571**	**(5 519 429)**	
Total Assets	**375 584 000**	**(12 151 000)**	**363 433 000**	**368 491 299**	**5 058 299**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(33 028 000)	3 230 000	**(29 798 000)**	28 552 294	**58 350 294**	
VAT payable	-	-	**-**	2 719 894	**2 719 894**	
Employee benefit obligation	-	-	**-**	508 966	**508 966**	
Unspent conditional grants and receipts	-	-	**-**	852 080	**852 080**	
Provisions	116 000	-	**116 000**	1 476 558	**1 360 558**	
	(32 912 000)	**3 230 000**	**(29 682 000)**	**34 109 792**	**63 791 792**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	3 615 292	**3 615 292**	
Provisions	6 478 000	-	**6 478 000**	10 223 579	**3 745 579**	
	6 478 000	**-**	**6 478 000**	**13 838 871**	**7 360 871**	
Total Liabilities	**(26 434 000)**	**3 230 000**	**(23 204 000)**	**47 948 663**	**71 152 663**	
Net Assets	**402 018 000**	**(15 381 000)**	**386 637 000**	**320 542 636**	**(66 094 364)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	408 977 000	(15 381 000)	**393 596 000**	320 542 637	**(73 053 363)**	

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						
Property Rates	17 833 000	-	**17 833 000**	21 435 488	**3 602 488**	
Service charges	1 411 000	-	**1 411 000**	-	**(1 411 000)**	
Grants received	183 824 000	-	**183 824 000**	175 277 000	**(8 547 000)**	
Interest income	-	-	**-**	6 060 879	**6 060 879**	
Other revenue	4 364 000	-	**4 364 000**	4 545 905	**181 905**	
	207 432 000	**-**	**207 432 000**	**207 319 272**	**(112 728)**	
Payments						
Employee costs & suppliers	(186 072 000)	-	**(186 072 000)**	(173 950 278)	**12 121 722**	
Finance costs	(1 500 000)	-	**(1 500 000)**	(892)	**1 499 108**	
Transfers and Grants	(9 975 000)	-	**(9 975 000)**	-	**9 975 000**	
	(197 547 000)	**-**	**(197 547 000)**	**(173 951 170)**	**23 595 830**	
Net cash flows from operating activities	**9 885 000**	**-**	**9 885 000**	**33 368 102**	**23 483 102**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(33 374 000)	-	**(33 374 000)**	(28 735 805)	**4 638 195**	
Proceeds from sale of property, plant and equipment	2 200 000	-	**2 200 000**	506 000	**(1 694 000)**	
Proceeds from sale of investment property	-	-	**-**	9 550 970	**9 550 970**	
Purchase of other intangible assets	-	-	**-**	(188 200)	**(188 200)**	
Net cash flows from investing activities	**(31 174 000)**	**-**	**(31 174 000)**	**(18 867 035)**	**12 306 965**	
Net increase/(decrease) in cash and cash equivalents	(21 289 000)	-	**(21 289 000)**	14 501 067	**35 790 067**	
Cash and cash equivalents at the end of the year	**(21 289 000)**	**-**	**(21 289 000)**	**14 501 067**	**35 790 067**	
Reconciliation						

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

BUDGET vs ACTUAL Explanations

VE1 - Sale of goods was budgeted for under Other income
VE1.1 - Budgeted for under Other Income.
VE2 - Overstatement of Annual Budget, facilities were not utilised as initially anticipated.
VE3 - Budget was overstated municipality anticipated more income to be generated under this line item as the two Testing stations were anticipated to be in full operation by year-end
VE4 - The budget is exceeded as the municipality received insurance refunds that were not anticipated
VE6 - More funds were re-invested in the current year which resulted in more interest earned
VE7 - Reversal of billing for properties that belong to the municiaplity resulted in the decrease in Billed revenue.
VE8 - Most of the grants were fully spent/utilised in the current year compared to prior year e.g Sport grant has over R5mil unspent in the prior year and fully spent in the current year
VE9 - More fines were issued than anticipated. The lifting of lockdown regulations may also have contributed to more cars on the road and more offences
VE10 - The municipality budgeted for donation under Other income
VE12 -Assets disposal has resulted in the decrease of depreciation expense
VE13 - Budgeted for under General Expenditure
VE 14 - Finance costs from Landiff site provision were less than budgeted for.
VE15 - The usage of machines/ bill for usage was less than anticipated.
VE16 - Budget is based on the collection rate. The collection rate is low hence high
VE18 - Under this line item there is budget for disaster management, poverty alleviation and social relief, cost cutting matters was implemented also the national pandemic disaster has improved.
VE20- Municipality transfered a number of ERF's in the current year which resulted in a gain on sale of Land. This was not catered for in the budget as the Deeds process takes time..

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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.

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 14 - Provisions.

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.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Allowance for doubtful debts

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 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.

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years
Lifts	30 years
Air-conditioners	10 years
Other components	10 years

1.5 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.

1.5 Property, plant and equipment (continued)

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.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Fiance leased asset	Straight-line	5 years
Plant and machinery	Straight-line	10 - 15 years
Furniture and fixtures	Straight-line	7-10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3-7 years
Land fill site	Straight-line	30 years
Infrastructure		
• Roads and Paving	Straight-line	30 years
• Roads and water	Straight-line	30 years
Community Assets:	Straight-line	
• Recreational Facilities	Straight-line	20-30 years
• Security	Straight-line	5 years
• Community Halls	Straight-line	30 years
• Libraries	Straight-line	30 years

1.5 Property, plant and equipment (continued)

• Parks and Gardens	Straight-line	10 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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 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.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

1.7 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

1.8 Financial instruments

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

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

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

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

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

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

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

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or

1.8 Financial instruments (continued)

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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.

1.9 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.

Recognition

The municipality recognises statutory receivables as follows:

1.9 Statutory receivables (continued)

- 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 (Taxes and transfers), 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 (Taxes and transfers).

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.

In estimating the future cash flows, an 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.

1.9 Statutory receivables (continued)

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.

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

1. Receivables from non-exchange transactions Measured at cost
2. VAT Recivable/(Payable) Measured at cost
3. Traffic fines Measured at cost

1.10 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 - 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.

1.10 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.

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

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

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

Operating leases - lessee

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

1.11 Land held for Sale

Land held for Sale are initially measured at cost except where land held for sale are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently land held for sale are measured at the lower of cost and net realisable value.

Land held for Sale 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 land held for sale comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the land held for sale to their present location and condition.

The cost of land held for sale 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 land held for sale is assigned using the weighted average cost formula. The same cost formula is used for all land held for sale having a similar nature and use to the municipality.

When land held for sale are sold, the carrying amounts of those land held for sale 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 land held for sale to net realisable value or current replacement cost and all losses of land held for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of land held for sale, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of land held for sale recognised as an expense in the period in which the reversal occurs.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

1.12 Construction contracts and receivables (continued)

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

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.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 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.

Accounting Policies

1.14 Employee benefits (continued)

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.14 Employee benefits (continued)

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.

Big Five Hlabisa offers long service awards for every 5 years of completed service from 10 years to 45 years, therefore employee obligation will be made up of long service award anticipated to be paid to qualifying employees.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.14 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

The 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.

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.15 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.

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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 38.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 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.

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 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.

1.18 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.

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

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

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

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

Recognition

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

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

1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- There has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Transfers

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

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

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

Fines

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

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

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

1.18 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.19 Investment income

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

1.20 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.

1.21 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.

Accounting Policies

1.21 Accounting by principals and agents (continued)

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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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

1.24 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.

Accounting Policies

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act and has not been condoned in terms of section 170, or
(b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);
(d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

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.

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

1.26 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. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Accounting Policies

1.26 Segment information (continued)

Measurement

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

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

1.27 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 2020/07/01 to 2021/06/30.

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.

1.28 Related parties

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

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

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

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

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

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

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

1.28 Related parties (continued)

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

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

1.29 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.

1.30 Contracted Services

Transactions and events are classified as contracted services if and only if they are supplied by external parties not within the municipality. Contracted services can either be outsourced services, contractors or business and professional services.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	No effective date determined	Unlikely there will be a material impact
• GRAP 1(Amended): Presentation of financial statemnts	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (Amended) : Heritage Assets	No effective date determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	No effective date determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Land held for Sale

	2023	2022
Land held for sale	1 362 699	3 137 800

3.1 Reconciliation of land held for sale

	2023	2022
Opening Balance	3 116 677	2 021 408
Land classified as held for sale in current year	1 518 217	1 122 160
Land sold and transferred	(3 272 196)	(5 768)
	1 362 698	**3 137 800**

4. Receivables from exchange transactions

	2023	2022
Consumer debtors - Refuse	22 231 396	20 928 695
Consumer debtors - Rental	41 146	41 146
Consumer debtors - Provision for bad debts refuse	(20 107 211)	(19 643 436)
Consumer debtors - Provision for bad debts rental	(17 182)	(16 221)
Other Debtors	(34 231)	(34 231)
	2 113 918	**1 275 953**
Refuse		
Current (0-30 days)	203 655	192 063
31 - 60 days	181 379	161 432
61-90 days	169 706	154 712
91 -120 days	173 973	153 934
121 - 365 days	21 502 683	20 266 554
	22 231 396	**20 928 695**
Rentals and other		
121 - 365 days	41 146	41 146
Total Debt impairment from exchange transactions above	**(20 158 624)**	**(19 693 888)**
Total receivables from exchange transactions	2 113 918	1 275 953

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

4. Receivables from exchange transactions (continued)

No receivables were pledged as security in the current year

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2023, - (2022: -) were past due but not impaired.

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

1 month past due	203 655	192 063

Trade and other receivables impaired

The ageing of these receivables is as follows:

2 to 6 months	525 059	470 078
Over 6 months	21 502 683	20 266 555

During calculation of provision for bad debts, customers are assessed individually to determine if there is any indication for impairment. Customers are classified into different categories based on each customer's risk profile. Customers are grouped into three categories which are high risk, moderate risk and low risk. Below are the factors considered during assessment of bad debts impairment:
a. All customer accounts indicated as in-active and no current transaction on the system.
b.Customer accounts where the account holder has approached the municipality for settlement arrangement.
c. Accounts formally presented to management as invalid and non-existing
d. All customer accounts with balance older than 90 days.

5. Receivables from non-exchange transactions

Statutory debtors - Property rates	40 419 068	36 904 701
Provision for bad debts - Property rates	(32 310 975)	(31 462 499)
Other Debtors	295 089	342 323
Statutory debtors - traffic fines	19 419 782	18 988 482
Provision for bad debts - traffic fines	(17 884 299)	(17 672 384)
Staff debtors	392 805	434 323
Provision for bad debts - staff debtors	(204 289)	(204 289)
Creditors with Debit Balances	287 182	327 011
	10 414 363	**7 657 668**

Non-current assets	145 441	188 157
Current assets	10 268 922	7 469 511
	10 414 363	**7 657 668**

Rates		
Current (0-30 days)	1 066 189	1 041 893
31-60 days	499 176	750 185
61-90 days	710 553	654 685
91-120 days	675 578	667 282
121-365 days	37 467 572	33 790 655
	40 419 068	**36 904 700**

Notes to the Annual Financial Statements

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5. Receivables from non-exchange transactions (continued)

Traffic fines		
0-30 days	47 650	85 400
31-60 days	57 850	59 050
61 - 90 days	30 500	89 500
91 - 120 days	26 500	94 500
121 -365 days	19 257 282	18 660 032
	19 419 782	**18 988 482**
Total Debt impairment included in receivables from non-exchange transactions above	**(49 424 487)**	**(29 708 160)**
Total receivables from non-exchange transactions	10 414 363	23 552 189

5. Receivables from non-exchange transactions (continued)

	2023	2022
	-	-

Reconciliation for bad debts - statutory debtors: (Property rates)

	2023	2022
Opening Balance	31 462 499	27 723 165
Provision for bad debts expenses-property rates	848 476	3 739 334
	-	-
	32 310 975	**31 462 499**
	-	-

Reconciliation for bad debts - statutory debtors: (Traffic fines)

	2023	2022
Opening Balance	17 672 384	17 326 372
Provision for bad debts expenses-traffic fines	211 915	346 012
	-	-
	17 884 299	**17 672 384**

Included in receivables from non-exchange transaction is an amount of_**R**392 805 owed by employees.The municipality has made agreements with the employees for the periods of settlement hence part of the balance was presented as non-current asset . The municipality does not charge interest on outstanding debtors (both exchange and non-exchange transactions).

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Provision for bad debts on statutory debtors is determined risk profile of each customer and default rate per risk profile as determined by the municipality. The main trigger for impairment loss on statutory debtors is late payment or non-payment of accounts by customers.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book. Due to high rate of default payments of traffic fines, the municipality has implemented a policy to provide for bad debts at rate of 50% of the issued fines issued and not collected..

Summary of receivables from exchange and non- exchange transactions

	2023	2022
Business and Commercial		
Current (0 -30 days)	378 922	396 006
31 - 60 days	179 573	207 525
61 - 90 days	171 361	148 166
91 - 120 days	147 940	154 312
121 - 365 days	9 470 833	8 948 696
	10 348 629	**9 854 705**
Residential		
Current (0 -30 days)	295 891	299 381
31 - 60 days	300 372	283 880
61 - 90 days	263 869	290 083
91 - 120 days	311 365	285 842
121 - 365 days	26 433 203	24 093 508
	27 604 700	**25 252 694**
Agriculture		
Current (0 -30 days)	572 133	520 981
31 - 60 days	179 343	404 253

Figures in Rand	2023	2022

5. Receivables from non-exchange transactions (continued)

61 - 90 days	412 337	343 766
91 - 120 days	369 038	365 161
121 - 365 days	17 877 355	16 546 180
	19 410 206	**18 180 341**

Other Debtors

Current (0 -30 days)	694	470
31 - 60 days	694	470
61 - 90 days	694	470
91 - 120 days	694	470
121 - 365 days	42 693	407 982
	45 469	**409 862**

Government

Current (0 -30 days)	22 203	17 119
31 - 60 days	20 573	15 489
61 - 90 days	31 998	26 913
91 - 120 days	20 515	15 430
121 - 365 days	5 187 315	4 101 987
	5 282 604	**4 176 938**

No statutory debtors were pledged as security in current financial year.

Statutory debtors past due but not impaired

Receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2023, R 464 633- (2022: R 1 405 915 were past due but not impaired.

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

1 month past due	1 066 189	1 041 893

Statutory debtors impaired

The ageing of these receivables is as follows:

2 to 6 months	1 885 307	2 072 152
Over 6 months	37 467 572	33 790 655

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 148	5 148
Bank balances	944 980	3 670 334
Short-term deposits	80 019 215	62 803 661
	80 969 343	**66 479 143**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	**30 June 2022**	**30 June 2021**	**30 June 2023**	**30 June 2022**	**30 June 2021**
ABSA BANK - 4053709558	19 712 833	15 566 185	10 526 084	19 712 833	15 566 185	10 526 084
FNB BANK - 62641677466	9 784 452	9 191 914	8 886 532	9 784 452	9 191 914	8 886 532
FNB BANK - 62641681251	13 453 907	12 639 150	12 219 241	13 453 907	12 639 150	12 219 241
Nedbank BANK - 03/7165016708/000001	113 761	107 405	104 356	113 761	107 405	104 356
Mercantile - 4100167725	23 013	21 461	20 594	23 013	21 461	20 594
FNB Main BANK Account - 62632389450	500 510	1 948 650	1 050 344	500 510	1 948 650	1 050 344
FNB Main BANK Account-62022340385	444 470	1 721 684	1 733 097	444 470	1 721 684	1 733 097
FNB BANK - 62641679123	1 853 834	1 735 322	1 646 383	1 853 834	1 735 322	1 646 383
FNB Call Account - 62641675890	35 077 415	23 542 224	15 924 259	35 077 415	23 542 224	15 924 259
Petty Cash	-	-	-	5 148	5 148	5 148
Total	**80 964 195**	**66 473 995**	**52 110 890**	**80 969 343**	**66 479 143**	**52 116 038**

Notes to the Annual Financial Statements

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7. Investment property

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	20 682 891	(948 473)	19 734 418	22 201 108	(683 422)	21 517 686

Reconciliation of investment property - 2023

	Opening balance	**Transfers to Land Held for sale**	**Depreciation**	**Total**
Investment property	21 517 686	(1 518 216)	(265 052)	19 734 418

Reconciliation of investment property - 2022

	Opening balance	**Disposals**	**Transfers to Land Held for sale**	**Depreciation**	**Total**
Investment property	23 293 693	(409 258)	(1 101 697)	(265 052)	21 517 686

Figures in Rand	2023	2022

7. Investment property (continued)

Pledged as security

None of the investment property has been pledged as security in current year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.
The transfers relates to land that has been reclassified to "Land held for sale"

Amounts recognised in surplus or deficit

Rental revenue from Investment property	270 975	122 129

8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	4 255 629	-	4 255 629	4 255 629	-	4 255 629
Buildings	48 962 840	(18 634 281)	30 328 559	42 516 099	(17 606 876)	24 909 223
Plant and machinery	3 646 541	(2 397 582)	1 248 959	3 329 887	(2 136 018)	1 193 869
Furniture and fixtures	2 660 741	(2 240 856)	419 885	2 676 213	(2 094 326)	581 887
Motor vehicles	12 227 721	(4 561 646)	7 666 075	10 999 110	(5 468 280)	5 530 830
Office equipment	1 836 075	(1 293 184)	542 891	2 506 275	(2 082 403)	423 872
IT equipment	2 906 365	(1 478 526)	1 427 839	2 448 485	(1 349 641)	1 098 844
Leased Assets	146 036	(134 130)	11 906	170 674	(147 391)	23 283
Infrastructure	137 509 208	(64 447 170)	73 062 038	131 260 636	(57 904 941)	73 355 695
Community	203 505 217	(75 695 886)	127 809 331	191 958 104	(68 529 092)	123 429 012
Landfill site asset	13 402 141	(11 337 851)	2 064 290	13 876 133	(9 273 562)	4 602 571
Total	**431 058 514**	**(182 221 112)**	**248 837 402**	**405 997 245**	**(166 592 530)**	**239 404 715**

Notes to the Annual Financial Statements

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through Work in Progress	Disposals	Donations received	Changes due to Valuation	Depreciation	Asset Write-off Losses	Closing Balance
Land	4 255 629	-	-	-	-	-	-	-	4 255 629
Buildings	24 909 223	376 200	6 070 540	-	-	-	(1 027 404)	-	30 328 559
Plant and machinery	1 193 869	392 400	-	-	-	-	(326 466)	(10 844)	1 248 959
Furniture and fixtures	581 887	22 400	-	-	-	-	(181 369)	(3 033)	419 885
Motor vehicles	5 530 830	3 193 871	-	(200 368)	-	-	(858 258)	-	7 666 075
Office equipment	423 872	222 200	-	-	-	-	(98 602)	(4 579)	542 891
IT equipment	1 098 844	601 875	-	-	70 988	-	(271 621)	(72 247)	1 427 839
Leased assets	23 283	-	-	-	-	-	(11 377)	-	11 906
Infrastructure	73 355 695	-	6 248 572	-	-	-	(6 542 229)	-	73 062 038
Community	123 429 012	179 520	11 428 226	-	-	-	(6 073 736)	(1 153 691)	127 809 331
Landfill site asset	4 602 571	-	-	-	-	(473 991)	(2 064 290)	-	2 064 290
	239 404 715	**4 988 466**	**23 747 338**	**(200 368)**	**70 988**	**(473 991)**	**(17 455 352)**	**(1 244 394)**	**248 837 402**

Notes to the Annual Financial Statements

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions through Work in Progress	Donations received	Depreciation	Impairment loss	Closing Balance
Land	4 255 629	-	-	-	-	-	4 255 629
Buildings	21 292 846	173 696	4 469 827	-	(1 027 146)	-	24 909 223
Plant and machinery	602 595	352 095	-	494 950	(255 771)	-	1 193 869
Furniture and fixtures	670 142	96 079	-	-	(183 989)	(345)	581 887
Motor vehicles	1 696 576	4 372 152	-	-	(537 898)	-	5 530 830
Office equipment	417 525	125 797	-	-	(119 450)	-	423 872
IT equipment	869 709	407 692	-	-	(178 557)	-	1 098 844
Leased assets	42 891	-	-	-	(18 330)	(1 278)	23 283
Infrastructure	77 775 461	54 443	2 095 466	-	(6 569 675)	-	73 355 695
Community	112 348 332	364 888	19 289 967	3 630 907	(7 611 163)	(4 593 919)	123 429 012
Landfill site asset	5 255 749	1 446 275	-	-	(2 099 453)	-	4 602 571
	225 227 455	**7 393 117**	**25 855 260**	**4 125 857**	**(18 601 432)**	**(4 595 542)**	**239 404 715**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged with security

Assets subject to finance lease (Net carrying amount)

Leasehold improvements	11 906	23 283

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	1 199 355	32 205 054	12 828 132	46 232 541
Additions/capital expenditure	6 248 572	11 428 226	6 070 541	23 747 339
Transferred to completed items	(5 561 511)	(11 575 457)	-	(17 136 968)
	1 886 416	**32 057 823**	**18 898 673**	**52 842 912**

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	3 618 908	12 915 088	8 358 304	24 892 300
Additions/capital expenditure	2 095 466	19 289 966	4 469 828	25 855 260
Transferred to completed items	(4 515 019)	-	-	(4 515 019)
	1 199 355	**32 205 054**	**12 828 132**	**46 232 541**

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		
Motor Vehicles	1 417 759	1 676 284
Land and Buildings	7 013 087	3 823 966
	8 430 846	**5 500 250**

Jabhisa Sportfield has been delayed due to poor performance by the service provider hence the contract was terminated. Further the project was impaired by R1 221 494 following physical demages to the project in 2021. The carrying amount of the projects as at 30 June 2023 is R713 695.00 , (30 June 2022 - R713 695)

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

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2023			2022		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	3 654 109	(3 302 799)	351 310	3 465 909	(3 013 357)	452 552

Reconciliation of intangible assets - 2023

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	452 552	188 200	(289 442)	351 310

Reconciliation of intangible assets - 2022

	Opening balance	**Amortisation**	**Closing Balance**
Computer software, other	699 951	(247 399)	452 552

Pledged as security

No intangible assets have been pledged with security

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(4 292 034)	(3 891 661)
Fair value of reimbursement rights	167 776	(400 373)
	(4 124 258)	**(4 292 034)**

Non-current liabilities	(3 615 292)	(3 888 293)
Current liabilities	(508 966)	(403 741)
	(4 124 258)	**(4 292 034)**

Employee benefit obligation relates to long service award extended to municipal staff who served on the payrol of the municipality for each five year interval completed as an employee.

The most recent actuarial valuations of present value of the defined benefit obligation were carried out as at 30 June 2021 by an expert who is a member of the Actuarial society of South Africa. The present value of the defined benefit obligation and the related current cost and past service costs, were measured using the projected Unit Credit Method.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP25.

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

Opening balance	4 292 034	3 891 661
Contributions by plan participants	464 850	455 385
Interest cost	473 641	357 775
Benefits paid	(323 984)	(344 383)
Net expense recognised in the statement of financial performance	(782 283)	(68 404)
	4 124 258	**4 292 034**

Net expense recognised in the statement of financial performance

Current service cost	464 850	455 385
Interest cost	473 641	357 775
Actuarial (gains) losses	(782 283)	(68 404)
Benefits Paid	(323 984)	(344 383)
	(167 776)	**400 373**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.36 %	11.58 %
Expected increase in salaries	5.77 %	6.90 %
General Inflation	6.77 %	7.90 %
Net Discount Rates	4.30 %	3.41 %

The basis used to determine the overall expected rate of return on assets is as follow:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 7.29 years. The duration is based on the weighted averages of the obligations of Big 5 False Bay and Hlabisa as at 30 June 2022. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 11.36% per annum, and the yield on inflation-linked bonds of a similar term was about 4.81% per annum. This implies an underlying expectation of inflation of 5.77% per annum ([1 + 11.36% - 0.5%] / [1 + 4.81%] - 1).

The experts have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.77% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.30% per annum ([1 + 11.36%] / [1 + 6.77%] - 1).

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases.

11. VAT receivable

VAT	1 987 952	1 703 569

Movement during the year

VAT claimed through VAT 201	3 379 885	2 585 119
Undeclared VAT output	(1 888 799)	(1 387 049)
Undeclared VAT input	496 866	505 499
	1 987 952	**1 703 569**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Finance lease obligation

	2023	2022
Minimum lease payments due		
- within one year	-	10 867
	-	10 867
less: future finance charges	-	(892)
Present value of minimum lease payments	**-**	**9 975**
Present value of minimum lease payments due		
- within one year	-	9 975

The average lease term was 3 years and the average effective borrowing rate was 16% (2022: 16%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2023	2022
Unspent conditional grants and receipts		
DOH - Disaster Management	667 785	667 785
Provincialisation of Libraries Grant	-	614 024
EDTEA Grant	84 094	280 819
Schemes Program Grant	100 200	100 200
Sport Grant	1	-
	852 080	**1 662 828**

Movement during the year

	2023	2022
Balance at the beginning of the year	1 662 828	7 195 384
Additions during the year	38 194 743	55 911 436
Income recognition during the year	(39 005 491)	(61 443 992)
	852 080	**1 662 828**

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 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.
Note on Municipal Infrastructure Grant:
Although Municipal Infrastrusture Grant was fully spent on the financial statements, There are invoices amounting to R 1 190 840.38 that were rejected by COGTA due to outstanding verification on their system. The invoices were paid for in the 2022/23 Financial year and the municipality is waiting for approval from COGTA.

Figures in Rand	2023	2022

14. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Reversed during the year	Change in discount factor	Closing Balance
Environmental rehabilitation	10 962 745	(473 992)	1 211 384	11 700 137

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	9 154 421	898 374	909 950	10 962 745

	2023	2022
Non-current liabilities	10 223 579	9 751 362
Current liabilities	1 476 558	1 211 383
	11 700 137	**10 962 745**

Environmental rehabilitation provision

The Provision for rehabilitation of land fill site relate to the legal obligation to rehabilitate the land used for waste disposal in accordance with the National Environment Management Act No 107 of 1998 and Environmental Conversation Act No 73 of 1989. It is calculated as a present value of the expenditure expected to be incurred to settle the future obligations during rehabilitation of the land.

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the landfill sites. Decommissioning costs includes costs associated with decommissioning end-use infrastructure, compacting works, capping, top-up soling and vegetation as well as construction of stormwater control systems. The discount rate used for the present value calculation was based on GOVI long bond and amounts to 9.35%.

Hlabisa landfill site is located approximately 1km west of Hlabisa Central Business District, on Portion 812 of the Farm Hlabisa, and takes access off an unnamed gravel road that branches off the D1907 road. It is located on top of a hill where a cutting was made to create a level area. The site coordinates are 28°08'36.88" S 31°51'50.98" E. Figure 2 shows the location of Hlabisa Landfill sitet.

Hlabisa Landfill Site had Waste Management Licence, Permit Number DC 27/WML/0002/2015 was issued in August 2016 and was valid for 5 years. The municipality has been issued with the Variation for the next 5 years.

The Hluhluwe landfill site is located approximately 1.6km southwest of the Hluhluwe town. The site coordinates are 28°01'36.97" S and 32°15'59.56" E The Hluhluwe landfill site received a closure licence valid for 10 years from February 2015 in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). During its operation, most of the waste was burnt and the site was cleared to accommodate the growing demand for residential spaces in the FY 2020/21 and all the waste transferred to an old quarry extraction site within the same ERF number 15944.
The landfill site was moved approximately 700m from the previous area, but within the same ERF number. The municipality . The estimated remaining site life of Hluhluwe landfill site is then 24* years.

Assumptions

Discount Rate	11.05%
Consumer price inflation	7.23%
Estimated remaining useful life - Hlabisa	5 years
Estimated remaining useful life - Hluhluwe	24 years
Net discount rate ((1+D)/(1+H)-1)	3.56%
Cover to waste ratio	1 to 4

Figures in Rand	2023	2022

15. Payables from exchange transactions

Trade payables	2 439 067	(4 282 465)
Accrued liabilites	(263)	5 839 907
Retention liability	4 623 165	4 484 693
Bonus accruals	2 177 219	2 039 709
Deposits received	102 671	103 032
Travel Claims Accruals	133 489	821 757
Other employee deductions	(1)	(1)
Unallocated Deposits	182 054	91 637
Payables -unions	(16)	(8)
Other Financial Liability - INEP	-	10 511
Deposit on sale of land	3 154 940	3 911 440
Leave pay provision	7 711 179	7 652 296
Consumer Deposits - Hall Hire	14 239	12 239
Debtors with credit balances	6 477 479	12 442 370
Customer Overpayment	-	953
Stated Benefit Payable	1 537 072	510 782
	28 552 294	**33 638 852**

16. Revenue

Sale of goods	93 391	102 783
Rendering of services	25 907	23 390
Service charges	2 098 747	2 157 712
Construction contracts	5 217 392	4 774 133
Rental of facilities and equipment	276 105	130 416
Licences and permits	1 450 490	1 688 188
Other income	1 670 244	140 412
Interest received - investment	6 060 879	2 768 661
Property rates	24 773 381	25 402 708
Government grants & subsidies	170 254 002	183 632 126
Fines, penalties and forfeits	456 650	742 850
Donations Received	70 988	4 125 856
	212 448 176	**225 689 235**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	93 391	102 783
Service charges	2 098 747	2 157 712
Rendering of services	25 907	23 390
Construction contracts	5 217 392	4 774 133
Rental of facilities and equipment	276 105	130 416
Licences and permits	1 450 490	1 688 188
Other income	1 670 244	140 412
Interest received - investment	6 060 879	2 768 661
	16 893 155	**11 785 695**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	24 773 381	25 402 708
Transfer revenue		
Government grants & subsidies	170 254 002	183 632 126
Fines, penalties and forfeits	456 650	742 850
Donation Received	70 988	4 125 856
	195 555 021	**213 903 540**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

17. Service charges

Refuse removal	2 098 747	2 157 712

18. Rental of facilities and equipment

Premises		
Premises	12 000	12 000
Hall hire	5 130	8 287
	17 130	**20 287**
Facilities and equipment		
Rental of facilities	258 975	110 129
	276 105	**130 416**

19. Fines, Penalties and Forfeits

Traffic fines	456 650	742 850

20. Licences and permits (exchange)

Road and Transport	1 370 363	1 565 511
Motor licensing	80 127	122 677
	1 450 490	**1 688 188**

21. Lease rentals on operating lease

Equipment		
Contractual amounts	1 249 754	1 499 050

22. Other income

Insurance Refund	1 539 434	23 440
Business licences	13 875	12 117
Commission received	71 837	62 611
Building Plans	45 098	42 244
	1 670 244	**140 412**

23. Investment revenue

Interest revenue		
Interest received from investments	6 060 879	2 768 661

Interest from investments arises from favourable bank balance and short term investments

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

24. Property rates

Rates

Residential	4 115 046	4 129 497
Business and commercial properties	6 253 792	6 770 438
Agriculture properties	5 079 705	5 579 201
Small holdings and farms	83 288	83 288
State Owned Properties	10 751 477	10 339 398
Less: Income forgone	(1 509 927)	(1 499 114)
	24 773 381	**25 402 708**

Valuations

Residential	277 152 003	277 152 003
Commercial	436 456 016	436 456 016
State	168 397 006	168 397 006
Municipal	67 523 001	67 523 001
Agriculture	1 083 099 000	1 083 099 000
Public Service Infrastructure	22 851 012	22 851 012
Special Properties	571 429 520	571 429 520
Place of worship	11 312 000	11 312 000
Rural Communal Land	108 906 000	108 906 000
Public Benefit Organisation	5 776 001	5 776 001
Hospitality Industry	54 702 003	54 702 003
Mining & Quaries	4 418 000	4 418 000
Protected Areas	257 521 000	257 521 000
	3 069 542 562	**3 069 542 562**

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

25. Transfers and subsidies

Other subsidies		
Social relief	2 017 343	1 497 745

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

26. Government grants and subsidies

Operating grants		
Equitable share	137 248 511	122 043 000
Extended Public Works Programme Intergrated Grant	2 304 000	1 545 000
Financial Management Grant	2 750 000	2 550 000
LG SETA	155 743	145 133
Housing grant	-	21 605 439
Community Library Service Grant	4 516 024	4 423 976
Sport Grant	582 999	5 915 497
	147 557 277	**158 228 045**
Capital grants		
EDTEA Grant	196 725	2 719 181
Schemes supporting programe	-	324 900
Municipal Infrastructure Grant	22 500 000	22 360 000
	22 696 725	**25 404 081**
	170 254 002	**183 632 126**

Conditional and Unconditional

Conditional grants were utilised in accordance with the conditions of the grant. No funds were delayed or withheld.Included in above are the following grants and subsidies received:

Conditional grants received	32 194 743	55 911 438
Unconditional grants received	137 284 511	122 043 000
	169 479 254	**177 954 438**

DOH - Disaster Management grant

Balance unspent at beginning of year	667 785	667 785

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant

Current-year receipts	22 500 000	22 360 000
Conditions met - transferred to revenue	(22 500 000)	(22 360 000)
	-	-

MIG was spent on the construction of roads, halls, taxi rank, creches and installation of high masts amongst other things.

Financial Management Grant

Current-year receipts	2 750 000	2 550 000
Conditions met - transferred to revenue	(2 750 000)	(2 550 000)
	-	-

FMG was spent on payment of salaries for interns, acquisition of laptops for interns and paying the consultants that were contracted to finance assist the municipality with the implementation of financial management systems.

LG SETA

Current-year receipts	155 743	145 135
Conditions met - transferred to revenue	(155 743)	(145 135)

Figures in Rand	2023	2022

26. Government grants and subsidies (continued)

	-	-

LGSETA was spent on the training for emergency management services.

Epanded Public Works Programme

Current-year receipts	2 304 000	1 545 000
Conditions met - transferred to revenue	(2 304 000)	(1 545 000)
	-	-

Community Library Service Grant

Balance unspent at beginning of year	614 024	637 000
Current-year receipts	3 902 000	4 401 000
Conditions met - transferred to revenue	(4 516 024)	(4 423 976)
	-	**614 024**

Library grant was used for operational costs for managing the libraries under Big 5 Hlabisa municipality

EDTEA Grant

Balance unspent at beginning of year	280 819	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(196 725)	(2 719 181)
	84 094	**280 819**

Conditions still to be met - remain liabilities (see note 13).

Schemes program Grant

Balance unspent at beginning of year	100 200	425 100
Current-year receipts	-	(324 900)
	100 200	**100 200**

Schemes program grant was used for land use management scheme for the municipality..

Sport Grant

Balance unspent at beginning of year	-	5 465 497
Current-year receipts	583 000	450 000
Conditions met - transferred to revenue	(582 999)	(5 915 497)
	1	**-**

Sports grant was spent on paying salaries of caretakers and buying cleaning tools as well as construction of Hlabisa Sports Field.

27. Donations received

Department of Art and Culture		
Furniture	-	494 950
IT Equipment	70 988	-
Generators	-	3 630 906
	70 988	**4 125 856**

27. Donations received (continued)

The assets donated include the Makhasa Library , genarators and water pumps donated by Department of Arts and Culture

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Employee related costs

Basic	55 226 507	55 228 060
Bonus	4 520 516	4 228 554
Medical aid - company contributions	4 882 165	4 853 080
UIF	435 997	440 222
SDL	677 622	668 226
Bargain Council	27 303	27 202
Leave pay provision charge	745 087	872 843
Defined contribution plans	8 641 402	8 214 416
Overtime payments	190 926	32 036
Long-service awards	938 491	813 160
Car allowance	6 312 876	5 895 018
Housing benefits and allowances	637 834	657 312
Cell phones allowances	140 394	146 353
Other allowances	534 440	403 216
	83 911 560	**82 479 698**

Remuneration of municipal manager

Annual Remuneration	769 853	755 791
Skills and LGBC	11 865	12 018
Contributions to UIF, Medical and Pension Funds	2 303	2 125
Cellphone Allowance	21 460	23 630
Housing Allowance	142 523	153 347
Travel Allowance	282 370	310 922
	1 230 374	**1 257 833**

Remuneration of chief finance officer

Annual Remuneration	678 464	632 914
Travel Allowance	261 275	259 009
Skills and LGBC	10 196	9 620
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Housing Allowance	113 328	110 027
Cellphone Allowance	34 384	34 085
	1 099 772	**1 047 780**

Remuneration of Director Corporate Service

Annual Remuneration	662 267	719 758
Travel Allowance	165 097	95 098
Skills and LGBC	9 360	11 281
Contributions to UIF, Medical and Pension Funds	85 224	200 711
Cellphone Allowance	21 952	16 548
Housing Allowance	100 529	103 486
Travel Claims	-	4 378
	1 044 429	**1 151 260**

Director Corporate Services resigned in November 2022 and the new director was appointed in December 2022. The totals above includes the salaries of both directors.

Remuneration of Director Community Services

Annual Remuneration	665 015	632 914
Skills and LGBC	10 829	18 749
Backpay and other allowance	13 449	10 283

Figures in Rand	2023	2022

28. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	2 125	2 125
Travel Allowance	261 275	259 009
Housing Allowance	113 328	110 027
Cellphone Allowance	34 384	34 085
	1 100 405	**1 067 192**

Remuneration of Director Technical Services

Annual Remuneration	323 014	493 835
Skills Levy	4 954	8 305
Contributions to UIF, Medical and Pension Funds	1 240	1 771
Housing Allowance	58 248	100 858
Cellphone Allowance	15 886	31 245
Travel and other allowances	132 383	237 424
	535 725	**873 438**

The Director of Technical Services resigned in May 2022 and the new Director was appointed on 21 November 2022.

29. Remuneration of councillors

Mayor	1 003 926	922 134
Deputy Mayor	792 047	544 743
Exco Members	1 510 658	1 303 114
Speaker	460 531	451 863
Councillors	6 006 124	6 166 509
MPAC	500 136	406 757
	10 273 422	**9 795 120**

In-kind benefits

The Mayor and Deputy Mayor are full -time employees. The Speaker and Exco Members are part-time employees.The Mayor, Deputy Mayor and Speaker have offices and secretarial support (with exception to Deputy Mayor) at the cost of the council. The Mayor, Deputy Mayor and Speaker has use of a Council owned vehicles for official duties. The Mayor and Speaker have full-time bodyguards. The gazette No.43246 of April 2020 relating to upper limits of salaries, allowances and benefits of the municipal council was used to pay the salaries and allowance for councillors in 2019/2020 financial years as no gazette was issued in Financial year 2020/2021.The new gazette was issued (No. 11440) dated 30 June 2022 and effective from 01 July 2021. The accruals as at 30 June 2022 were raised and payments made during the 2022/23 financial year.
Councillors are paid standard amounts as per the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. As a result, the disclosure of councillors remuneration per person was not considered material

30. Depreciation and amortisation

Property, plant and equipment	17 455 352	18 601 432
Investment property	265 052	265 052
Intangible assets	289 442	247 399
	18 009 846	**19 113 883**

31. Change in Accounting Estimate

The municipality performed conditional assessment of municipal assets during the financial year under review. Estimated useful life of property plant and equipment items has been revised to match with the expected future economic benefits as per conditional assessment results. The effect of this revision has increased the depreciation charges for the current financial year by R1 610 919 . The change in estimate has been applied prospectively. Amount of the effect in future periods is not disclosed because estimating it is impracticable. Below is the detailed breakdown of the change in estimate.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Change in Accounting Estimate (continued)

Property, plant and equipment

Infrastructure		99 247
Community		2 431 220
Leased Assets		(30 877)
Plant and Equipment		(249 611)
IT Equipment		(174 430)
Office Equipment		(155 518)
Furniture & Fixtures		(309 112)
		1 610 919

32. Impairment of assets

Impairments

Property, plant and equipment	1 244 393	4 595 541

A conditional assessment was performed for all property plant and equipment items. Based on the assessment results, assets assessed to have a very poor conditions and not in use were impaired to nil value. Conditions considered during this assessment includes amongst others, the functionality of the assets as well as its physical status. Some infrastructure and community assets as well as office buildings have been impaired during the year.

33. Finance costs

Finance leases	892	7 265
Interest expenses -provision for landfill Site	1 211 384	909 950
	1 212 276	**917 215**

34. Debt Impairment

Traffic fines	211 915	346 013
Property rates	848 476	3 739 334
Refuse removal and rental	464 736	2 000 455
	1 525 127	**6 085 802**

35. Contracted services

Outsourced Services		
Catering Services	390 223	256 419
Cleaning Services	210 473	270
Hygiene Services	508 953	546 608
Internal Auditors	4 882 309	4 123 054
Consultants and Professional Services		
Professional fees	4 134 700	3 147 265
Infrastructure and Planning	-	18 720 894
Legal Cost	325 894	204 844

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Contracted services (continued)

Contractors		
Artists and Performers	44 882	118 455
Catering Services	76 334	17 497
Employee Wellness	14 766	159 490
Event Promoters	3 888 271	3 030 549
Interior Decorator	17 850	16 994
Maintenance of Land and Buildings	7 013 087	3 823 966
Maintenance of Motor Vehicles	1 417 759	1 676 283
Safeguard and Security	7 263 512	5 694 176
Stage and Sound Crew	97 508	96 814
	30 286 521	**41 633 578**

36. General expenses

Advertising	2 859 108	2 243 000
Auditors remuneration	3 238 427	1 772 771
Bank charges	302 690	259 747
Commission Expense	46 000	-
Insurance	2 179 552	1 549 271
Software and Licences	3 497 935	2 174 215
Municipal Events	507 079	715 549
Fuel and oil	2 553 869	1 177 958
Printing and stationery	368 645	821 806
Protective clothing	174 079	26 028
Subscriptions and membership fees	965 368	1 012 475
Telephone and cellphone costs	2 621 411	2 711 419
Training	1 977 192	583 010
Travel - local	4 164 578	2 092 605
Electricity	1 182 839	1 242 361
Uniforms	222 754	360 236
Bursary non-employees	110 000	110 000
Consumables and Other	388 574	78 399
Learnership and Internship	2 948 438	2 639 264
Remuneration of ward committees	2 598 401	1 237 981
Audit Committee Fees	190 479	165 016
	33 097 418	**22 973 111**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

37. Cash generated from operations

Surplus	29 479 986	29 684 643
Adjustments for:		
Depreciation and amortisation	18 009 846	19 113 883
Loss on sale of assets and liabilities	(5 019 783)	(168 670)
Finance costs - Finance leases	892	7 265
Impairment loss	-	4 595 541
Bad debts	-	2 794 350
Bad debts written off	-	876 790
Movement in long service award obligation	(167 776)	400 373
Movements in provisions	737 392	1 808 328
Other non-cash items	(146 079)	-
Changes in working capital:		
Land held for Sale	1 775 101	(1 109 188)
Receivables from exchange transactions	(837 965)	(2 544 776)
Provision for bad debts and write-off	(1 525 127)	(6 085 802)
Receivables from non-exchange transactions	(2 756 695)	3 443 823
Payables from exchange transactions	(5 086 558)	(283 718)
VAT	(284 384)	652 235
Unspent conditional grants and receipts	(810 748)	(5 532 556)
	33 368 102	**47 652 521**

Figures in Rand	2023	2022

38. Contingencies

The municipality has the following litigation cases

<u>BIG2/0001- Republic Watch (Pty) Ltd:</u>
When two municipality merged, The Republic Watch Pity Ltd was appointed by BIG 5 before merger using section 36 of MFMA but the appointment process was not properly followed. The municipality contested this since there was no valid contract or any supporting documentation. Municipality stopped paying the supplier therefore they took the matter to court. The matter will be set down for argument in the High Court Pietermaritzburg and we estimate your exposure to be in the region of R1.8 million. The case have not been progressing since 2020 and attorneys have logged an application to overturn the judgement granted against the municipality. Big5 Hlabisa was ordered to pay R 1,056,220.83 together with interest as from 10th day of January 2017and further to comply with service level agreement. The Municipality was also requested to allow the applicant to render services as per signed service level agreement and pay for the services up to 31st of October 2019.
Legal costs already paid amount to R114,000 and additional R120 000 is anticipated by the attorneys depending on the progress of the matter.It is not clear whether the Plaintiff still wants to persue the matter or not

<u>BIG2/0002 - Vezwe Investment CC:</u>
The municipality was sued for payments made on work performed by Bonakude Consulting (Pty) Ltd which claim was ceded to Vezwe Investment CC. Application for summary judgement was made and opposed, plaintiff attorneys suggested payment of 50% of the claimed amount which the municipality rejected.
Should the matter proceed to trial, anticipated costs are close to R20 000.

<u>WAMKELWA TRADING ENTERPRISE CC</u>
This supplier was appointed to do the back up system and maintenance of preconditions. The documentation was not signed by the supplier within stipulated time. Hence the supplier claimed that the municipality owes them. This have been taken to court. It is estimated that the contingent liability to be in the region of R600 000.00 and the matter has yet to be set down for hearing in the High Court, Pietermaritzburg.

<u>SAMWU OBO MP PHAKATHI/ LABOUR COURT</u>
When the two municipalities merged, there was a placement policy affecting the staff members. Mr Phakathi wanted to be placed in the position of Deputy CFO, however he was placed as a Manager Income. This led to a disagreement and the case was taken to court for adjudication. Mr Phakathi has instituted proceedings for the sitting aside of arbitration award, whinch matter is being dealt with the labour court. Should the matter proceed to finalisation, we suggest a contingency of R 8000 in respect of legal costs. A deposit of R 40000 was paid on this matter

<u>XOLANI ERIC BUKHOSINI</u>
The case relates to allegations for stealing diesel on the 24th of January 2019 of which Xolani is defending the case. The matter is at regional court and expected financial exposure is R46 000 if the matter succeed.

<u>MFUYI INVESTMENT HOLDINGS</u>

A case against the municipality and expected financial exposure is R238,000 if the matter succeed.

<u>Municipal Vs COGTA</u>
The matter relates to a dispute between COGTA and BIG 5 Hlabisa Local Municipality regarding properties. The expected legal cost amounts to R 23,000.00.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

38. Contingencies (continued)

SPAR RENTAL CLAIM
The matter has been stagnant. No further action of legal proceeding has been filed on this matter. Additional information is required for the attorneys to continue with the legal proceedings. Financial loss expected to be R65 000 if the matter to proceed to judgement

Contravention - Law of Property
Mr Leon Geldenhuys sued his neighbour for being troublesome, that was encroachment of one’s right to ownership. Expected legal costs is R46 000

TOSSEF ALI KHAN FAMILY TRUST ERF 285 HLUHLUWE
The matter relates to the deposit that was made by Mr Ali for site 285 of Hluhluwe which was not accepted by the municipality and the refund was paid back, however the plaintiff is suing the municipality for the interest that could have been earned while the sum of money was held by the municipality. Expected contingent is R57 500

Details of cases addressed by municipal legal department internally are detailed below:

V.S THWALA -Charged for Absenteeism and the matter is pending at year-end.
M N NTULI - Charged for Absenteeism and the matter is pending at year-end.
C N MYENI - Charged for Absenteeism and the matter is pending at year-end.
B S HLELA - Allegations of bribery and corruption. The employee is oon suspension pending the investigation

39. Related parties

Relationships

Compensation of key management	Refer to accounting officer's report note 28
Compensation to councillors	Refer to note 29

Related party balances

	2023	2022
Loan accounts - Owing (to) by related parties		
Councillor FZ Nkwanyana	27 728	25 722

Other related parties (Non-financial impact)
Mr J Mngomezulu is the municipal manager for Jozini Municipality and sits in the performance committee. Mr Mngomezulu does not charge the municipality, however he is only re-imbursed for Travelling expenses

Figures in Rand	2023	2022

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	20 116 727	6 493 626
Total capital commitments		
Already contracted for but not provided for	20 116 727	6 493 626

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	20 116 727	6 493 626

1. Commitment are calculated using approved value-(including VAT) of the project which includes costs for consultants, and contracted supplier/construction company/vendor
2. Commitments for capital projects/MIG are removed from the commitment schedule when the completion certificate is prepared and the municipality is satisfied with the work done.
3. Commitments balance at the end of the financial period excludes retention payments/value, as retention is a creditor and forms part of the accounting records already.

Operating leases - as lessee (expense)

The municipality's operating lease commitments consist of the following:
The municipality entered into a three year lease agreement for machine rental (01 March 2023 to 01 March 2026).Operating lease payments represent rentals payable by the municipality for the leased machines. The municipality has leased eight (8) machines at a fixed rate for three years (i.e no escalation rate). No contingent rent is payable.The comparative relates to the old lease contract which ended during the financial year.

Minimum lease payments due		
- within one year	457 943	961 939
- in second to fifth year inclusive	763 238	-
	1 221 181	**961 939**

41. Risk management

Financial risk management

Liquidity risk

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

Financial instrument	**2023**	**2022**
Payables from Exhange transactions	28 552 294	33 638 852
Employee Obligation	4 124 258	4 292 034
Unspent Conditional Grant	852 080	1 662 828

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Risk management (continued)

Credit risk

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

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

Financial instrument	**2023**	**2022**
Cash and Cash Equivalents	80 969 343	66 479 143
Receivables from Exchange Transactions	2 114 879	1 275 953
Receivables from non-exchange Transactions	10 414 333	7 657 668

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long service award obligation and provision for landfill site.

42. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 320 542 635 and that the municipality's total liabilities exceed its assets by 320 542 635.

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to get support through government grants as well as funds received from services rendered to the community. The municipality has implemented policies to increase their cashflows through collections from debtor and to reduce bad debts.

Revenue fines, penalties,service charges, licenses and permits are some of the income streams which were hit hardly by the effects of this pandemic and the municipality figures were below anticipated amounts for the past two years. However, the municipality is slowly recovering and has implemented the cost cutting measures to ensure that the municipality retains a favourable balance.

The pandemic has affected the collection rate in relation to debtors, however the municipality has implemented strategies to encourage debtors to pay and that has increased the collection rate in relation to the past two years

Based on the above discussion, the financial statement have been prepared on a going concern as the effect of the pandemic is going down and the municipality will continue receive funding support from the government.

43. Events after the reporting date

Approval of Unauthorised and Irregular Expenditure write offs by municipal council. Refer to Note 45 and 47

44. Unauthorised expenditure

Opening balance as previously reported	-	48 497 339
Opening balance as restated	**-**	**48 497 339**
Add: Expenditure identified - current	1 249 754	5 075 895
Less: Approved/condoned/authorised by council	(1 249 754)	(53 573 234)
Closing balance	**-**	**-**

Figures in Rand	2023	2022

44. Unauthorised expenditure (continued)

Analysed as follows: cash

Remuneration for councillors	-	91 255
Contracted services	1 249 754	-
Employee related costs	-	4 984 640
	1 249 754	**5 075 895**

Unauthorised expenditure under investigation

Opening Balance	-	48 497 339
Remuneration for Councillors	-	91 255
Contracted Services	1 249 754	-
Employee related costs	-	4 984 640
Write off - Prior Years	-	(48 497 339)
Write off - Current Year	(1 249 754)	(5 075 895)
Closing Balance	**-**	**-**

45. Fruitless and wasteful expenditure

Opening balance as previously reported	3 717 226	3 378 500
Interest on late payments of supplier accounts	-	648
Opening balance as restated	**3 717 226**	**3 379 148**
Add: Expenditure identified - current	449	338 078
Closing balance	**3 717 675**	**3 717 226**

Fruitless and wasteful expenses arises from late payment of supplier accounts

Total of R 3,717,675 for current and prior years is still uder investigation.

46. Irregular expenditure

Opening balance as previously reported	172 970 598	172 156 978
Opening balance as restated	**172 970 598**	**172 156 978**
Add: Irregular Expenditure - Incorrect composition of BAC	5 565 654	5 632 359
Add: Irregular Expenditure - Overexpenditure	433 953	1 448 838
Add: Irregular - Interest not declared	62 570	-
Add: Irregular - Competitive bids not invited	756 660	-
Add: Emergency deviation ,required quotations not obtained	205 500	-
Add: Regulation 8 not followed	-	183 090
Less:Amount written off - current	(5 845 865)	(5 632 359)
Less: Amount written off - Prior period	(1 176 637)	(818 308)
Closing balance	**172 972 433**	**172 970 598**

Cases under investigation

Irregular expenditure arises mainly from non-compliance with supply chain regulations as well as incomplete supporting documentation submitted by the appointed supplier. The investigation of irregular expenditure is still underway and part of the irregular expenditure have been finalised. A recommendation was made and approved by council to write-off the finalised items as presented above.

Figures in Rand	2023	2022

46. Irregular expenditure (continued)

Amounts recoverable

After the council committee investigations, council adopted the council committee recommendations to recover an amount of - from the supplier as it was proven without reasonable doubt that the supplier was liable for the identified non-compliance to the SCM processes. The irregular expenditure of R171 947 703 is still under investigation.

	2023	2022
Hluhluwe Spar	-	7 812
Hlabisa Build IT	-	54 814
	-	**62 626**

47. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	4	6 613 270	(5 337 317)	-	1 275 953
Receivables from non-exchange transactions		23 364 032	(15 894 521)	-	7 469 511
Land held for sale		1 558 196	1 579 604	-	3 137 800
VAT Receivable		1 710 625	(7 056)	-	1 703 569
Investment Property		21 078 901	438 785	-	21 517 686
Payables from Exchange Transactions		31 979 784	1 636 318	22 750	33 638 852
Accumulated Surplus		311 919 475	(20 856 819)	-	291 062 656
Consumer Deposits		12 239	-	(12 239)	-
Principal vs Agent Liability		-	-	(10 511)	(10 511)
		398 236 522	**(38 441 006)**	**-**	**359 795 516**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

47. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges		2 161 227	(3 515)	-	2 157 712
Property Rates		25 510 022	(107 314)	-	25 402 708
Depreciation and amortisation		18 953 935	159 948	-	19 113 883
Debt Impairment		3 579 941	2 505 861	-	6 085 802
Contracted Services		41 774 331	(51 319)	(89 437)	41 633 575
General Expenses		21 992 000	-	981 110	22 973 110
Remuneration for councillors		10 442 255	(1 403)	(645 731)	9 795 121
Employee related costs		82 725 640	-	(245 942)	82 479 698
INEP Construction contract revenue		-	4 774 133	-	4 774 133
INEP Construction contract revenue		-	(4 774 133)	-	(4 774 133)
Surplus for the year		**207 139 351**	**2 502 258**	**-**	**209 641 609**

Errors

The following prior period errors adjustments occurred.

Error 1

Receivables from Exchange and Non-Exchange Transactions - The adjustment is due to reversal of rates and refuse billing relating to Investment property that was donated by the department of Public Works to the municipality. Revenue is debited and Receivables are credited and this also affects VAT output
Transfers and Subsidies - This error relates to reversal of invoice for goods that were not recieved by the municipality. Debtor is raised and the service provider refunded the full amount in the current year
Debt impairment - Application of Grap 104 has been applied from 2021 resulting in adjusting Debt impairment expense and recievables for the past three years

Error 2

Payables from Exchange Transactions - The correction relates to Land deposits that were previously recognised as income in previous years. The correction affects Deposit for Land and Accumulated Surplus.
There is also correction of an error for the customer that paid for the service in the prior year , the service was not delivered and the refund was processed in the current year. The correction raises a creditor in the prior year and derecognises the revenue.

Error 3

Investment Property and depreciation - This adjustment is recognition of Investment property that was donated to the municipality in the previous years. The depreciation is restated from 2021.

Error 4

INEP Construction Contract Revenue and Expenditure - This error relates to the past treatment of INEP by the municipality. The prior was opened to correct the revenue and expenditure that should have been recognised. The net effect is zero on the profit but the line items have been disclosed appropriately.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Additional disclosure in terms of Municipal Finance Management Act

SALGA fees

	2023	2022
Opening balance	5 839 907	6 877 616
Current year subscription / fee	921 610	1 010 175
Amount paid - current year	(6 761 781)	(2 047 884)
	(264)	**5 839 907**

Skills Development Levy

	2023	2022
Current year subscription / fee	778 260	750 002
Amount paid - current year	(778 260)	(750 002)
	-	-

Audit fees

	2023	2022
Current year subscription / fee	3 724 192	1 772 771
Amount paid - current year	(3 724 192)	(1 772 771)
	-	-

PAYE and UIF

	2023	2022
Current year subscription / fee	12 636 384	11 790 768
Amount paid - current year	(12 636 384)	(11 790 768)
	-	-

Pension and Medical Aid Deductions

	2023	2022
Current year subscription / fee	21 846 179	21 181 715
Amount paid - current year	(21 846 179)	(21 181 715)
	-	-

VAT

	2023	2022
VAT receivable	1 987 952	1 703 569

VAT output payables and VAT input receivables are shown in note 11.

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

Figures in Rand	2023	2022

49. Deviation from supply chain management regulations

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

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

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Additional costs were incurred during the financial year under review and process followed in incurring those costs deviated from the precision of par 12(1) (d)(i) as stated above. The reason for these deviations were documented.

Deviations are disclosed as follows:	2023	2022
Current Year Deviation	373 574	50 438
Approved by council	(373 574)	(50 438)
	-	-

50. Auditors' remuneration

Fees	3 238 427	1 772 771

51. Construction contracts and receivables

Big 5 Hlabisa Local Municipality entered into an agreement with department of energy to undertake rural electrification projects on behalf of the department. The municipality's responsibilities include appointment of the service provider, management of the project from the start to the end and paying amounts owed to the service providers. The municipality is required to submit monthly progress reports to the department of energy reflecting stage of completion.
The municipality is allocated the grant under Schedule 5B and does not have the licence to provide electricity, It is constructing the asset on behalf of Eskom. The munipality is constructing the asset on behalf of Eskom
The INEP Construction Contract Expenses consists mainly of costs incurred to obtain goods and services from suppliers or subcontractors for the construction of Eletrification Infrastructure.
The INEP Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.
The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.
The amounts received in advance for work to be done is recognised as a liability and disclosed in Note 15: Payables from exchange transactions.

At 30 June 2023, there were no amounts withheld as retentions for INEP construction contract.

At 30 June 2023, Total expenditure and revenue excluding VAT equals R 5 217 392 - (2022: R4774 133-).

52. Segment information

General information

Notes to the Annual Financial Statements

52. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and administration, Community and public safety, Economic planning and development and Trading services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the fourteen (14) wards under Big 5 Hlabisa Municipality dermacations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Big 5 Hlabisa were sufficiently similar to warrant aggregation.

Community and public safety: Sports and recreation, Parks and gardens, Human settlements, Library services and Community services. Economic planning and development: Local Development and Technical departments. Trading services: Waste management.

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community and public safety	Economic planning and development	Trading services	Municipal Governance	Total
Revenue					
Revenue from non-exchange transactions	582 999	22 500 000	2 304 000	170 168 021	195 555 020
Revenue from exchange transactions	3 278	1 511 238	2 098 747	13 279 893	16 893 156
Gain from sale of assets	-	-	-	5 019 783	5 019 783
Acturial gains	-	-	-	782 283	782 283
Total segment revenue	**586 277**	**24 011 238**	**4 402 747**	**189 249 980**	**218 250 242**
Entity's revenue					**218 250 242**
Expenditure					
Employee related costs	31 404 794	8 008 208	5 713 485	38 785 072	83 911 559
Remuneration for councillors	-	-	-	10 273 423	10 273 423
Debt Impairment	-	-	-	1 525 127	1 525 127
Bad debts written off	-	-	-	725 204	725 204
Depreciation and amortisation	6 073 735	-	-	11 936 110	18 009 845
Interest,dividends and Rent on Land	1 212 276	-	-	-	1 212 276
Contracted services	5 910 968	4 535 900	1 595 586	18 244 066	30 286 520
Operating leases	1 249 754	-	-	-	1 249 754
General expenses	571 139	1 973 104	3 059 598	27 493 577	33 097 418
Transfers and Subsidies	2 017 343	-	-	-	2 017 343
INEP Construction contract	-	5 217 392	-	-	5 217 392
Impairment loss	-	-	-	1 244 393	1 244 393
Total segment expenditure	**48 440 009**	**19 734 604**	**10 368 669**	**110 226 972**	**188 770 254**
Total segmental surplus/(deficit)					**29 479 988**

52. Segment information (continued)

	Community and public safety	Economic planning and development	Trading services	Municipal Governance	Total
Assets					
Current Assets	632 667	660 375	-	95 409 790	96 702 832
Non-Current Assets	125 044 507	62 209 386	-	81 814 680	269 068 573
Total segment assets	**125 677 174**	**62 869 761**	**-**	**177 224 470**	**365 771 405**
Total assets as per Statement of financial Position					**365 771 405**
Liabilities					
Current Liabilities	(698 667)	5 802 966	-	(36 494 196)	(31 389 897)
Non-Current Liabilities	-	-	-	(13 838 871)	(13 838 871)
Total segment liabilities	**(698 667)**	**5 802 966**	**-**	**(50 333 067)**	**(45 228 768)**
Total liabilities as per Statement of financial Position					**(45 228 768)**

2022

	Community and public safety	Economic planning and development	Trading services	Municipal Governance	Total
Revenue					
Revenue from non-exchange transactions	5 915 497	22 684 900	1 545 000	183 758 141	213 903 538
Revenue from exchange transactions	9 721	1 744 172	2 157 712	7 874 090	11 785 695
Acturial Gains	-	-	-	68 404	68 404
Gains and losses	-	-	-	168 670	168 670
Total segment revenue	**5 925 218**	**24 429 072**	**3 702 712**	**191 869 305**	**225 926 307**
Entity's revenue					**225 926 307**

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Expenditure					
Contracted Services	3 283 677	21 829 302	1 576 007	14 944 590	41 633 576
Employee related costs	29 951 598	8 722 761	5 390 305	38 415 038	82 479 702
Remuneration for councillors	-	-	-	9 795 119	9 795 119
Transfers and Susbsidies	1 492 805	-	-	4 940	1 497 745
Interest,dividends and rent	917 215	-	-	-	917 215
Operating leases	1 499 050	-	-	-	1 499 050
General expenses	727 968	1 338 270	2 999 501	17 907 374	22 973 113
Debt impairment	-	-	-	6 085 802	6 085 802
Accounts Receivable written off	-	-	-	876 790	876 790
Depreciation and amortisation	-	-	-	19 113 883	19 113 883
INEP Construction expenditure	-	4 774 133	-	-	4 774 133
Impairment losses	-	-	-	4 595 501	4 595 501
Total segment expenditure	**37 872 313**	**36 664 466**	**9 965 813**	**111 739 037**	**196 241 629**
Total segmental surplus/(deficit)					**29 684 678**
Assets					
Current Assets	-	-	-	80 065 976	80 065 976
Non-current Assets	108 446 207	65 283 969	-	91 037 622	264 767 798
Total segment assets	**108 446 207**	**65 283 969**	**-**	**171 103 598**	**344 833 774**
Total assets as per Statement of financial Position					**344 833 774**
Liabilities					
Current Liabilities	-	5 839 908	-	31 086 874	36 926 782
Non-current Liabilities	-	-	-	13 639 655	13 639 655
Total segment liabilities	**-**	**5 839 908**	**-**	**44 726 529**	**50 566 437**
Total liabilities as per Statement of financial Position					**50 566 437**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.