



**UBUHLEBEZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

The Municipality's operations are governed by the Local Government Municipal structures Act ,Act 117 of 1998 ,the Local Government Municipal Systems Act ,Act 32 of 2000 ,The Local Government Municipal Finance Management Act ,Act 56 of 2003 and other various Acts and regulations.

Nature of business and principal activities

The Activities of the Municipality include Planning , Land ,Economic and Environmental development ,Levying of rates and provision of general service to the community, The municipality is also involved in demarcation and grading of Land.

Mayoral committee

Mayor

Cllr E Ngubo (Mayor)

Cllr ZL Miya (Deputy Mayor)

Cllr SMN Chiya (Speaker)

Councillors

Cllr CN Ntabeni

Cllr GJ Ngcongo

Cllr MC Nkontwana (Council Whip)

Cllr BR Zulu

Cllr N.C. Ngcongo

Cllr LSN Mbhele

Cllr T.J. Mzolweni

Cllr S. Mbatha

Cllr T.L. Mahlaba

Cllr T.A. Ngcongo

Cllr B.P. Nzimande

Cllr BP Zuma

Cllr L.W. Nyala

Cllr Z.P. Shange

Cllr M.S.Ngubo

Cllr H.V. Msomi

Cllr BP Zuma

Cllr N.H. Zaca

Cllr S.C. Jali

Cllr S.B.M. Chiya

Cllr L.A. Zondi

Cllr Z.M.Ngidi

Cllr M.E. Mkhize

Cllr. F.Z. Mhlongo

Grading of local authority

Grade 3 (KZN 434)

Accounting Officer

Mlungisi Eleutheruis Mkhize

Chief Finance Officer (CFO)

Siyasanga Yolani Sityata

Business address

29 Margaret Street

Ixopo

3276

Postal address

P.O. Box 132

Ixopo

3276

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Bankers	NEDBANK
Auditors	Auditor General (S.A) Registered Auditors
Municipality Name Change	UBuhlebezwe Municipality was Promulgated on 12 September 2023 for the name change from UBuhlebezwe Local Municipality to Johannes Phumani Phungula Local Municipality.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Abbreviations used:

MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
Cllr	Councilor
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
SALGA	South African Local Government Association
SDL	Skills Development Levy
MPRA	Municipal Property Rates Act
EPWP	Expanded Public Works Programme
Stats SA	Statistics South Africa
LED	Local Economic Development
LGSETA	Local Government Sector Education Training Authority

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 5, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2024 and were signed by:

ME Mkhize
Accounting Officer

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	5 894 377	5 713 234
Receivables from exchange transactions	4	13 014 757	13 929 989
Receivables from Non-Exchange Transactions	5	35 497 025	20 315 037
Cash and cash equivalents	6	202 422 031	181 054 949
		256 828 190	221 013 209
Non-Current Assets			
Investment property	7	28 922 942	26 898 294
Property ,Plant and Equipment	8	354 096 200	333 345 890
Intangible assets	9	3 280 192	3 414 816
Heritage assets	10	4 808 819	4 808 819
		391 108 153	368 467 819
Total Assets		647 936 343	589 481 028
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	23 095 769	22 724 909
Unspent conditional grants and receipts	12	100 000	5 258 921
Provision for Long Service - Short Term Portion	39	337 678	407 739
		23 533 447	28 391 569
Non-Current Liabilities			
Employee Service Obligation - Medical Aid	13	7 655 000	5 315 000
Provisions for Long Service - Long Term Portion	39	4 016 322	2 903 261
		11 671 322	8 218 261
Total Liabilities		35 204 769	36 609 830
Net Assets		612 731 574	552 871 198
Reserves			
Housing Development Fund	16	373 787	373 787
Accumulated surplus		612 357 787	552 497 411
Total Net Assets		612 731 574	552 871 198

* See Note 51

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	3 385 649	3 236 591
Rental of facilities and equipment	17	2 991 053	2 896 809
Interest on Overdue Accounts	20	815 513	-
Agency Services	41	1 310 185	1 208 640
Licences and permits	42	3 377 307	2 662 856
Construction Revenue	43	19 011 304	6 081 715
Other income	18	3 123 220	1 304 879
Interest received - investment	19	19 799 827	14 673 136
Total revenue from exchange transactions		53 814 058	32 064 626
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	51 941 289	23 611 101
Interest on Overdue Accounts	20	8 123 906	-
Transfer revenue			
Government grants & subsidies	22	193 404 367	169 781 635
Donation Received	23	-	1 500
Fines, Penalties and Forfeits	24	847 550	820 600
Property Transfer - STATS SA	25	-	4 119 640
LGSETA		92 362	183 133
Lollipop - Receipts		464 244	229 970
Total revenue from non-exchange transactions		254 873 718	198 747 579
Total revenue	14	308 687 776	230 812 205
Expenditure			
Employee related costs	26	(93 999 832)	(83 367 857)
Remuneration of councillors	27	(11 816 290)	(11 233 077)
Depreciation and amortisation	29	(28 764 913)	(29 271 922)
Transfers and Subsidies Expense	28	(2 072 043)	(2 497 256)
Operating Leases	31	(555 411)	(939 304)
Debt Impairment	32	(18 292 617)	(9 576 644)
Bad debts written off	34	(1 813 325)	-
Inventory Consumed	33	(1 486 834)	(1 368 521)
Interest Paid	35	(3 078)	(6 405)
Contracted services	36	(27 469 241)	(20 961 310)
Construction Contract Cost	37	(19 011 304)	(6 081 715)
Impairment Loss / Reversal of impairment	30	(3 553 535)	(12 145 245)
Operational Cost	38	(39 629 397)	(30 382 641)
Total expenditure		(248 467 820)	(207 831 897)
Operating surplus		60 219 956	22 980 308
Loss on disposal of assets and liabilities		(359 585)	(1 184 408)
Surplus for the year		59 860 371	21 795 900

* See Note 51

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

	Housing Development Fund	Accumulated surplus / deficit	Total net assets
Figures in Rand			
Opening balance as previously reported	373 787	528 455 754	528 829 541
Adjustments			
Prior year adjustments	-	2 245 757	2 245 757
Balance at 01 July 2022 as restated*	373 787	530 701 511	531 075 298
Changes in net assets			
Net income (losses) recognised directly in net assets	-	-	-
Surplus for 30 June 2023	-	21 795 900	21 795 900
Total recognised income and expenses for the year	-	21 795 900	21 795 900
Total changes	-	21 795 900	21 795 900
Restated* Balance at 01 July 2023	373 787	552 497 416	552 871 203
Changes in net assets			
Surplus for 30 June 2024	-	59 860 371	59 860 371
Total changes	-	59 860 371	59 860 371
Balance at 30 June 2024	373 787	612 357 787	612 731 574
Note(s)	16		

* See Note 51

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		40 705 096	18 303 119
Sale of goods and services		12 042 310	11 971 064
Grants		188 802 052	169 846 104
Interest income		27 339 334	13 388 906
		268 888 792	213 509 193
Payments			
Employee costs		(102 427 324)	(98 278 337)
Suppliers		(87 656 782)	(60 688 361)
Operating Leases		(3 078)	(6 405)
Transfers and Subsidies		(2 072 043)	(2 497 257)
Other cash item		-	345 175
		(192 159 227)	(161 125 185)
Net cash flows from operating activities	45	76 729 565	52 384 008
Cash flows from investing activities			
Purchase of property ,plant and equipment	8	(55 103 680)	(36 386 130)
Proceeds from sale of property ,plant and equipment	8	44 997	278 254
Purchase of other intangible assets	9	(303 800)	(372 859)
Net cash flows from investing activities		(55 362 483)	(36 480 735)
Net increase/(decrease) in cash and cash equivalents		21 367 082	15 903 273
Cash and cash equivalents at the beginning of the year		181 054 949	165 151 676
Cash and cash equivalents at the end of the year	6	202 422 031	181 054 949

* See Note 51

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3 506 893	479 477	3 986 370	3 385 649	(600 721)	-15%(a)
Rental of facilities and equipment	1 859 000	578 701	2 437 701	2 991 053	553 352	23%(b)
Interest on overdue accounts	-	911 916	911 916	815 513	(96 403)	-11%(c)
Agency services	1 300 000	-	1 300 000	1 310 185	10 185	1%
Licences and permits	2 452 100	940 100	3 392 200	3 377 307	(14 893)	0%
Construction Revenue	-	21 683 000	21 683 000	19 011 304	(2 671 696)	-15% (d)
Other income	1 243 250	529 566	1 772 816	3 123 220	1 350 404	74%(e)
Interest received - investment	12 500 000	7 000 000	19 500 000	19 799 827	299 827	2 %
Total revenue from exchange transactions	22 861 243	32 122 760	54 984 003	53 814 058	(1 169 945)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	52 763 951	(278 159)	52 485 792	51 941 289	(544 503)	-1%
Interest on overdue accounts	110 000	7 978 084	8 088 084	8 123 906	35 822	0%
Transfer revenue						
Government grants & subsidies	191 832 000	1 536 366	193 368 366	193 404 367	36 001	0%
Fines, Penalties and Forfeits	870 810	1	870 811	847 550	(23 261)	-3%
LGSETA	150 000	-	150 000	92 362	(57 638)	-38%(f)
Lollipop - Receipt	-	-	-	464 244	464 244	100 % (g)
Total revenue from non-exchange transactions	245 726 761	9 236 292	254 963 053	254 873 718	(89 335)	
Total revenue	268 588 004	41 359 052	309 947 056	308 687 776	(1 259 280)	
Expenditure						
Employee Related Cost	(94 410 179)	(118 018)	(94 528 197)	(93 999 832)	528 365	-1%
Remuneration of councillors	(10 959 521)	(455 996)	(11 415 517)	(11 816 290)	(400 773)	4%
Depreciation and amortisation	(32 000 000)	-	(32 000 000)	(28 764 913)	3 235 087	-10%(h)
Transfers and Subsidies	(9 826 230)	6 661 140	(3 165 090)	(2 072 043)	1 093 047	-35% (i)
Operating Lease	(559 992)	-	(559 992)	(555 411)	4 581	-1%
Debt Impairment	(1 700 000)	(8 955 000)	(10 655 000)	(18 292 617)	(7 637 617)	69 %(j)
Bad debts written off	(2 378 155)	-	(2 378 155)	(1 813 325)	564 830	-24%(k)
Inventory Consumed	(1 535 479)	1 641	(1 533 838)	(1 486 834)	47 004	-3%
Interest Paid	(5 000)	3 000	(2 000)	(3 078)	(1 078)	52%(l)
Contracted Services	(25 446 914)	(1 216 630)	(26 663 544)	(27 469 241)	(805 697)	3%
Construction Contract Cost	-	(19 011 311)	(19 011 311)	(19 011 304)	7	0%
Impairment Loss / Reversal of Impairment	(4 000 000)	-	(4 000 000)	(3 553 535)	446 465	-11%(m)
Operational Cost	(30 758 789)	(9 955 034)	(40 713 823)	(39 629 397)	1 084 426	3%
Total expenditure	(213 580 259)	(33 046 208)	(246 626 467)	(248 467 820)	(1 841 353)	
Operating surplus	55 007 745	8 312 844	63 320 589	60 219 956	(3 100 633)	
Loss on disposal of assets and liabilities	-	-	-	(359 585)	(359 585)	

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	55 007 745	8 312 844	63 320 589	59 860 371	(3 460 218)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	55 007 745	8 312 844	63 320 589	59 860 371	(3 460 218)	

(a) Service Charges

Service charges were budgeted as per the valuation roll, however there were changes in some of the categories which had a downward effect on the overall anticipated projections.

(b) Rental of facilities

The increase in rental was due to the rental income escalation on properties.

(c) Interest on Overdue Accounts

Interest on overdue accounts billed is less than the anticipated budget due to payments and write-off processed as a result of debt amnesty.

(d) Construction Revenue

The difference is due to budget that was VAT inclusive and actual is VAT exclusive as per GRAP 11.

(e) Other Income

This is due to the revenue that was received from Auction sales.

(f) LGSETA

The difference is due to the decrease on the number of trainings that was conducted by the municipality

(h) Depreciation

Depreciation is based on an estimated useful lives and revised remaining useful lives of assets. There were assets that were impaired last financial year which had an impact on a decrease of current year depreciation.

(i) Transfers and Subsidies - Expense

Difference between actuals and budget is due to the number of approved indigents that was below the anticipated budgeted amount.

(j) Debt Impairment

Variance on debt impairment is based on an outstanding debt and payment patterns. Individual assessment was performed for customers, this is a non cash item and it was expected that there will be an improvement in collection which then triggered the under budgeting. The municipality had a debt amnesty in place and anticipated an improved collection.

(k) Bad Debt Written Off

The difference between budget and actuals is due to Debt Amnesty. There is slow response from Debtors who are applying for debt amnesty which resulted to the municipality extending application period.

(l) Interest Paid

Interest paid on outstanding accounts was incurred due to statements which were received late from Eskom.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

(m) Impairment Loss

Impairment provision is based on an estimate based on the condition of assets through conditional assessment and verification, the amount disclosed is as a result of that exercise performed by the experts which was not provided for.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	3 944 000	1 991 000	5 935 000	5 894 377	(40 623)	0,6%
Receivables from exchange transactions	11 370 000	(5 427 000)	5 943 000	13 014 757	7 071 757	118% (a)
VAT receivable	19 247 000	5 414 000	24 661 000	-	(24 661 000)	100% (b)
Receivables from non-exchange revenue	32 272 000	12 443 000	44 715 000	35 497 025	(9 217 975)	21%(c)
Other Current Assets	-	1 631 000	1 631 000	-	(1 631 000)	100%
Cash and cash equivalents	239 488 000	(43 193 000)	196 295 000	202 422 031	6 127 031	3%
	306 321 000	(27 141 000)	279 180 000	256 828 190	(22 351 810)	

Non-Current Assets

Investment property	22 812 000	752 000	23 564 000	28 922 942	5 358 942	23%(d)
Property, Plant and Equipment	358 668 000	1 271 000	359 939 000	354 096 200	(5 842 800)	2%
Intangible assets	3 285 000	(205 000)	3 080 000	3 280 192	200 192	5%
Heritage assets	4 809 000	-	4 809 000	4 808 819	(181)	
	389 574 000	1 818 000	391 392 000	391 108 153	(283 847)	

Total Assets	695 895 000	(25 323 000)	670 572 000	647 936 343	(22 635 657)	
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Liabilities

Current Liabilities

Payables from exchange transactions	17 659 000	3 078 000	20 737 000	24 944 876	4 207 876	20%(e)
VAT payable	1 408 000	453 000	1 861 000	-	(1 861 000)	100%(f)
Unspent conditional grants and receipts	21 818 000	(21 210 000)	608 000	100 000	(508 000)	84%(g)
Provision for Long Service - Short Term Portion	-	-	-	337 678	337 678	100%(h)
	40 885 000	(17 679 000)	23 206 000	25 382 554	2 176 554	

Non-Current Liabilities

Employee Service Obligation - Medical Aid	11 306 000	(5 991 000)	5 315 000	7 655 000	2 340 000	44%(h)
Provision for Long Service - Short Term Portion	-	3 311 000	3 311 000	4 016 322	705 322	21%(h)
	11 306 000	(2 680 000)	8 626 000	11 671 322	3 045 322	

Total Liabilities	52 191 000	(20 359 000)	31 832 000	37 053 876	5 221 876	
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Net Assets	643 704 000	(4 964 000)	638 740 000	610 882 467	(27 857 533)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Funds and Reserves	373 787	-	373 787	373 787	-	
Accumulated surplus	643 330 213	(4 964 000)	638 366 213	612 357 787	(26 008 426)	4%

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total Net Assets	643 704 000	(4 964 000)	638 740 000	612 731 574	(26 008 426)	

(a) Receivables from Exchange transactions.

- This is due to the low collection on rental and waste management.

(b) VAT Receivables

VAT Receivables is disclosed under receivables from exchange transactions.

(c) Receivable from Non-Exchange transactions

We have collected more than what was anticipated.

(d) Investment Properties

This was due to the newly identified land portions that were not disclosed in the last financial year.

(e) Payables from Exchange transactions

This is due to accruals that was raised which also include bonus accrual that was not accounted for.

(f) VAT Payable

VAT Payable is disclosed under payables from exchange transactions.

(g) Unspent Conditional Grants

The municipality has surrendered the amount of R 507 555 Sangwaba Grant to Human Settlement.

(h) Non-Current Liabilities

These amounts are provided by the Actuaries, the municipality has just done the reasonable estimate based on the prior year projected figures.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from Operating Activities						
Taxation Revenue	42 103 000	(9 234 000)	32 869 000	40 705 096	7 836 096	24% (a)
Sale of goods and services	11 463 000	2 858 000	14 321 000	12 042 310	(2 278 690)	16% (b)
Grants	213 695 000	3 295 000	216 990 000	188 802 052	(28 187 948)	13% (c)
Interest income	12 610 000	15 890 000	28 500 000	27 339 334	(1 160 666)	4%
	279 871 000	12 809 000	292 680 000	268 888 792	(23 791 208)	
Payments						
Suppliers and Employees	(192 462 000)	(10 481 000)	(202 943 000)	(190 084 106)	12 858 894	5%
Operating Leases	(5 000)	3 000	(2 000)	(3 078)	(1 078)	54% (d)
Transfers and Subsidies	(9 826 000)	6 661 000	(3 165 000)	(2 072 043)	1 092 957	35% (e)
	(202 293 000)	(3 817 000)	(206 110 000)	(192 159 227)	13 950 773	
Net cash flows from operating activities	77 578 000	8 992 000	86 570 000	76 729 565	(9 840 435)	
Cash flows from investing activities						
Payments - Capital Assets	(67 200 000)	(3 931 000)	(71 131 000)	(55 407 480)	15 723 520	22% (f)
Proceeds from sale of property, plant and equipment	-	-	-	45 000	45 000	100% (g)
Net cash flows from investing activities	(67 200 000)	(3 931 000)	(71 131 000)	(55 362 480)	15 768 520	
Net increase/(decrease) in cash and cash equivalents	10 378 000	5 061 000	15 439 000	21 367 085	5 928 085	
Cash and cash equivalents at the beginning of the year	228 631 000	(47 575 000)	181 056 000	181 054 949	(1 051)	
Cash and cash equivalents at the end of the year	239 009 000	(42 514 000)	196 495 000	202 422 034	5 927 034	

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

(a) Taxation Revenue

This was due to the revenue collected more than what the municipality has anticipated on Property rates.

(b) Revenue from sale of Goods and services

This was due to revenue collected less than what the municipality has anticipated from sale of goods and services.

(c) Grants

This is due to INEP grant which was initially budgeted under grants but the actual collection is under construction revenue.

(d) Finance Cost

The expenditure for finance cost which is mostly interest on overdue accounts was more than what the municipality had anticipated.

(e) Transfers and Subsidies

This was due to the approved number of indigents that was below the anticipated budget.

(f) Capital Assets Payments

This was due to savings from the projects /contracts.

(h) Proceeds on Sale of Assets

Due to number of factors, the municipality did not budget for any proceeds on sale.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Presentation Of Financial Statements

The 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 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 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.

Trade receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

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 39 - Provisions.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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 13.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships;

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 over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25- 30 years

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

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

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.4 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

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.

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.

Subsequent Measurement

Property ,Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses except for where specific decision has been taken to revalue the amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.5 Property ,Plant and Equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	25-30
Specialised Vehicles	Straight-line	7-20
Plant and machinery	Straight-line	5-15
Furniture and fixtures	Straight-line	7-10
Motor vehicles	Straight-line	5-10
Office equipment	Straight-line	5-7
IT equipment	Straight-line	5-7
Infrastructure - Cemeteries	Straight-line	15-30
Infrastructure - Electricity	Straight-line	15-30
Infrastructure - Roads	Straight-line	10-50
Infrastructure - Solid Waste Disposal	Straight-line	10-55

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 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 .

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 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.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are derecognised:

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

1.7 Heritage assets

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Significant Accounting Policies

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.

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.

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

A financial asset is:

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

A financial 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.

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

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

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

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

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and Cash Equivalent	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost

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

Initial Recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial asset using trade date accounting.

Initial measurement of financial asset.

The municipality measure financial asset and financial liability initially at fair value (if subsequently measured at fair value).

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised costs.

Gains and losses

A gain or loss arising from a change in the fair value of financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and collectability of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Significant Accounting Policies

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial asset measure at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at a fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Value Added Tax

The Municipality accounts for Value Added Tax (VAT) on Accrual basis.

1.9 Statutory VAT 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 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:

- 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.

Value Added Tax

The municipality accounts for VAT on the accrual basis.

Significant Accounting Policies

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.

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 Inventories

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

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

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

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

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

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

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

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

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

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

1.12 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.

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.

Significant Accounting Policies

1.12 Construction contracts and receivables (continued)

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.

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

Significant Accounting Policies

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

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

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

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

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

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

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

Useful life is either:

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

1.15 Employee benefits

The Short term employee benefits such as the following, if expected to be settled wholly before twelve months after the end on the reporting period in which the employees render the related services (1) Paid Annual leave and paid sick leave (2) Other long term employee benefits ,such as the following : Sabbatical leave.

Recognition and Measurement.

All Short - term employee benefit when an employee has rendered services to an entity during a reporting period, The entity shall recognise the undiscounted amount of short-term employee benefit expected to be paid in exchange for the service.

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services:

- (a) wages, salaries and social security contributions;
- (b) paid annual leave and paid sick leave;
- (c) bonus, incentive and performance related payments; and
- (d) non-monetary benefits such as medical care, housing, cars and free or subsidised goods or services for current employees.

As a liability (accrued expense) after deducting any amount already paid. If the amount already paid exceed the undiscounted amount of the benefits ,an entity shall recognise 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.

Accumulating paid absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Accumulating paid absences may be either vesting (In order words, employees are entitled to a cash payment for unused entitlement on leaving the entity) or non-vesting (employees are not entitled to a cash payment for unused entitlement on leaving). An obligation arises as employees render services that increases their entitlement to future paid absences. The obligation exists and is recognised, even if the paid absences are non-vesting, although the possibility that employees may leave before they use an accumulated non-vesting entitlement affects the measurement of that obligation.

Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Significant Accounting Policies

1.15 Employee benefits (continued)

Defined Benefits Plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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 amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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.

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

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

Contingent assets and contingent liabilities are recognised and disclosed in note 48.

1.17 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.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

Significant Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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.

Significant Accounting Policies

1.19 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.

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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and 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.

1.20 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).

uBuhlebezwe Local Municipality

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Significant Accounting Policies

1.20 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

The assessment of whether a municipality is a principal, or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

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

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

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

1.21 Comparative figures

All municipalities were required to comply mSCOA as from the 1st July 2017. uBuhlebezwe Local Municipality have implemented the mSCOA and comparative figures have been reclassified to conform to changes in the presentation.

1.22 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).

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

1.25 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.

Significant Accounting Policies

1.25 Segment information (continued)

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

Measurement

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

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

1.26 Budget information

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

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

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

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

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

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

1.27 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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.27 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.

1.28 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.

1.29 Unspent Conditional Grants and Receipts

Unspent portion of the conditional grants are accounted as current liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• GRAP 103 - Heritage Assets• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)• GRAP 104 (as revised): Financial Instruments		Impact is currently being assessed Impact is currently being assessed Impact is currently being assessed

3. Inventories

Consumable stores	474 956	293 813
Land Held for sale	5 419 421	5 419 421
	5 894 377	5 713 234

Carrying value of inventories carried at fair value less costs to sell	5 894 377	5 713 234
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No Inventories that were pledged as security for liabilities during the current year.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables from exchange transactions		
Housing debtors	101 775	101 775
Accrued Interest	3 030 965	1 631 053
Licence Commission	73 412	75 471
Inventory Debtor	258 509	258 509
Prepaid Expenses	951 959	1 037 120
Less : Allowance for Impairment - Inventory Debtor	(258 509)	-
Less : Allowances for Impairment - Waste Management	(10 019 692)	(7 876 754)
Less - Allowances for Impairment - Rental	(1 074 854)	(2 502 164)
Consumer Debtors- Waste Management	15 867 501	11 578 794
Consumer Debtors - Rental	1 702 173	3 678 170
VAT Control Receivable - Due from SARS	1 201 704	3 903 053
Input VAT Accrual	1 179 814	2 044 962
	13 014 757	13 929 989

Basis of Impairment for receivables from exchange transactions

Receivables from exchange transaction are impaired using the following methodology;

- Exclude debtors with Credit Balances.
- Exclude debtors related to Government debt , Government entities and Government Parastatals.
- Exclude debtors relates to current, 30 days and 60 days accounts.
- Exclude Outstanding balances in all days but less than R15 000.
- Exclude debtors handed over to the attorneys, made payment arrangements and have made payment in the last 3 months.
- Compare cumulative impairment amount for the year against prior year to obtain current year movement.

No receivables from exchange were pledge as security for liabilities.

None of the receivables from exchange have been renegotiated.

Housing Debtor: After exhausting all methods of trying to collect this amount, the council took a decision to write off this amount on 25 July 2024.

Trade and other receivables past due but not impaired

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

More than 60 days past due	5 695 626	4 600 932
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Trade and other receivables impaired

60 to 180 Days	2 188 765	985 544
Over 180 days	8 905 781	9 393 374

5. Receivables from non-exchange transactions

Gross balances

Rates	96 289 300	64 483 612
Fines	5 782 745	4 994 625
	102 072 045	69 478 237

Less: Allowance for impairment

Rates	(60 802 684)	(44 173 569)
Fines	(5 772 336)	(4 989 631)
	(66 575 020)	(49 163 200)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Receivables from non-exchange transactions (continued)		
Net balance		
Rates	35 486 616	20 310 043
Fines	10 409	4 994
	35 497 025	20 315 037
Included in above is receivable from non- exchange transactions -Rates		
Current (0-30 days)	5 366 275	1 262 649
31-60 days	4 067 628	1 893 974
61-90 days	4 981 884	6 313 247
91-120 days	3 840 178	3 156 623
121-365 days	78 033 335	51 857 119
	96 289 300	64 483 612
Statutory receivables - Rates past due and impaired:		
61-90 days	2 450 944	4 734 935
91-120 days	3 357 248	2 367 467
121-365 days	54 994 492	50 689 416
	60 802 684	57 791 818
Statutory Receivables - Rates past due and not impaired:		
61-90 days	5 654 472	1 578 312
91-120 days	7 855 644	789 156
121-365 days	17 164 946	3 535 161
	30 675 062	5 902 629
Statutory Receivables - Fines		
Current (120 - 365)	5 782 745	4 994 625
Total Receivables from non - exchange transactions	35 497 025	20 315 037
Reconciliation of allowance for impairment		
Rates	(60 802 709)	(44 173 567)
Fines	(5 772 311)	(4 989 633)
	(66 575 020)	(49 163 200)

Basis of Impairment for receivables from non-exchange transactions

Receivables from non exchange transaction are impaired using the following methodology;

- Exclude debtors with Credit Balances.
- Exclude debtors related to Government debt, Government entities and Government Parastatals.
- Exclude debtors relates to current, 30 days and 60 days accounts.
- Exclude Outstanding balances in all days but less than R15 000.
- Exclude debtors handed over to the attorneys, made payment arrangements and have made payment in the last 3 months.
- Compare cumulative impairment amount for the year against prior year to obtain current year movement.

No receivables from Non exchange were pledge as security for liabilities.

None of the receivables from Non exchange have been renegotiated.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Cash and cash equivalents (continued)		
Cash on hand	3 986	1 696
Bank balances	558 294	10 907 534
Short-term deposits	201 859 751	170 145 719
	202 422 031	181 054 949

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
1214909418 - Nedbank	543 833	6 750 471	17 786 668	558 257	6 759 780	17 811 928
52552416194 - FNB	-	-	1 054 227	-	-	1 054 220
62143895988 - FNB	326 104	311 031	295 638	326 104	311 031	295 638
62248166218 - FNB	842 172	787 991	750 264	842 172	787 991	750 264
62895356113 - FNB	115 407	107 982	102 718	115 407	107 982	102 718
62833993060 - FNB	34 137	31 483	29 563	34 137	31 483	29 563
7881076763 / 118 - Nedbank	4 910 895	10 072 600	2 742 309	4 910 892	10 072 600	2 742 306
7881076763 / 167 - Nedbank	-	-	26 000 000	-	-	26 000 000
7881076763 / 166 - Nedbank	-	-	20 697 152	-	-	20 697 152
7881076763/179 - Nedbank	13 326 103	-	-	13 326 103	-	-
7881076763/180 - Nedbank	19 756 514	-	-	19 756 514	-	-
068730276 - 001-Standard Bank	143 219	135 483	130 312	143 219	135 483	130 312
068730276 - 008-Standard Bank	18 416	17 257	16 443	18 416	17 257	16 443
068730276 - 034-Standard Bank	-	-	25 689 641	-	-	25 689 641
068730276 - 035-Standard Bank	-	-	20 256 795	-	-	20 256 795
068730276 - 036-Standard Bank	-	-	27 235 526	-	-	27 235 526
068730276-047-Standard Bank	22 881 859	20 886 116	-	22 881 859	20 886 116	-
068730276 - 050-Standard Bank	30 071 173	27 626 882	-	30 071 173	27 626 882	-
2080309987 - ABSA Bank	24 763 588	22 312 674	21 319 574	24 763 588	22 312 674	21 319 574
2080845799 - ABSA Bank	-	20 545 753	-	-	20 545 753	-
2081163724 - ABSA Bank	31 902 123	-	-	31 902 123	-	-
2081347417 - ABSA Bank	23 748 288	-	-	23 748 288	-	-
7620067890 - FNB	29 019 740	26 526 706	-	29 019 740	26 526 706	-
7881076763 / 174 - Nedbank	-	18 363 501	-	-	18 363 501	-
7881076763 / 175 - Nedbank	-	22 420 243	-	-	22 420 243	-
7881076763 / 162 - Nedbank	-	-	1 023 229	-	-	1 023 229
Total	202 403 571	176 896 173	165 130 059	202 417 992	176 905 482	165 155 309

uBuhlebezwe Local Municipality
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Figures in Rand

7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32 254 673	(3 331 731)	28 922 942	32 299 673	(5 401 379)	26 898 294

Reconciliation of investment property - 30 June 2024

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	26 898 294	(45 000)	2 570 011	(500 363)	28 922 942

Reconciliation of investment property - 30 June 2023

	Opening balance	Additions	Impairments	Reversal of impairments	Prior Year Period Error	Total
Investment property	22 905 262	4 119 640	(2 681 050)	(621 058)	3 175 500	26 898 294

Fair value of investment properties

28 922 942 26 898 294

Repairs and Maintenance -Investment Property

Thusong Centre - R1,871,804.08

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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7. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	2 991 053	2 896 809
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None of the Investment Property that were pledge as security for liabilities.

None of the Investment Property that have been renegotiated.

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

uBuhlebezwe Local Municipality
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8. Property, Plant and Equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6 311 193	-	6 311 193	5 961 193	-	5 961 193
Buildings	79 721 646	(21 694 554)	58 027 092	78 407 509	(19 333 827)	59 073 682
Plant and machinery	24 070 487	(9 625 162)	14 445 325	22 966 774	(7 913 692)	15 053 082
Furniture and fixtures	6 998 733	(4 108 215)	2 890 518	6 516 544	(3 657 564)	2 858 980
Motor vehicles	17 348 523	(13 832 002)	3 516 521	16 023 028	(12 902 552)	3 120 476
IT equipment	8 247 056	(4 542 115)	3 704 941	7 692 316	(4 113 886)	3 578 430
Infrastructure	337 084 360	(226 003 305)	111 081 055	311 670 105	(198 076 551)	113 593 554
Community	261 034 565	(106 915 010)	154 119 555	229 787 671	(99 681 178)	130 106 493
Total	740 816 563	(386 720 363)	354 096 200	679 025 140	(345 679 250)	333 345 890

uBuhlebezwe Local Municipality
Annual Financial Statements for the year ended 30 June 2024
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Figures in Rand

8. Property, Plant and Equipment (continued)
Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	5 961 193	350 000	-	-	-	6 311 193
Buildings	59 073 682	1 532 450	(40 558)	(2 538 482)	-	58 027 092
Plant and machinery	15 053 082	1 142 954	(6 587)	(1 744 124)	-	14 445 325
Furniture and fixtures	2 858 980	717 466	(41 212)	(644 716)	-	2 890 518
Motor vehicles	3 120 476	1 791 328	(85 338)	(1 309 945)	-	3 516 521
IT equipment	3 578 430	1 150 659	(45 982)	(978 166)	-	3 704 941
Infrastructure	113 593 554	15 402 920	-	(12 577 808)	(5 337 611)	111 081 055
Community	130 106 493	33 015 904	(94 911)	(8 121 985)	(785 946)	154 119 555
	333 345 890	55 103 681	(314 588)	(27 915 226)	(6 123 557)	354 096 200

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

8. Property ,Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Prior Year Adjustment	Total
Land	4 461 193	1 500 000	-	-	-	-	5 961 193
Buildings	60 601 450	398 489	(7 430)	(1 914 045)	(4 782)	-	59 073 682
Plant and machinery	15 927 143	945 230	(74 870)	(1 744 421)	-	-	15 053 082
Furniture and fixtures	2 013 120	1 364 437	(36 398)	(482 179)	-	-	2 858 980
Motor vehicles	4 697 031	-	(231 415)	(1 345 140)	-	-	3 120 476
IT equipment	1 891 742	2 337 678	(62 534)	(588 456)	-	-	3 578 430
Infrastructure	119 588 388	7 651 808	(356 115)	(13 290 451)	(76)	-	113 593 554
Community	126 554 294	22 188 488	(390 008)	(8 511 429)	(9 459 412)	(275 440)	130 106 493
	335 734 361	36 386 130	(1 158 770)	(27 876 121)	(9 464 270)	(275 440)	333 345 890

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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8. Property ,Plant and Equipment (continued)

WIP Projects taking longer than expected to complete.

There were projects that had impairment indicators and were tested for impairment.

There are some projects under work in progress that are taking longer than planned to complete are as a result of challenges which have been experienced with the service providers. The municipality has taken all necessary remedial actions or corrective measures to ensure that the projects do get completed. 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.

No Property Plant and Equipment are Pledge as security.

Refer to Note 47 for the amount of contractual commitments for the acquisition of Property Plant and Equipment.

No contractual commitments for the acquisition, maintenance and restoration of heritage assets are in place at the moment.

The amount presented below is at carrying value.

1. Ithubalethu Roads.	1 179 451	-
2. Little Flower to Fairview Road	5 528 418	-

Reconciliation of Work-in-Progress - 30 June 2024

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	9 294 488	12 741 548	-	22 036 036
Additions/capital expenditure	15 024 914	33 015 903	1 091 908	49 132 725
Impairments	(1 742 797)	-	-	(1 742 797)
Transferred to completed items	(10 686 645)	(32 878 638)	(748 148)	(44 313 431)
	11 889 960	12 878 813	343 760	25 112 533

Reconciliation of Work-in-Progress 30 June 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	8 867 322	3 602 419	33 363 045	45 832 786
Additions/capital expenditure	7 651 679	22 188 487	771 347	30 611 513
Transferred to completed items	(7 224 568)	(13 049 358)	(34 134 392)	(54 408 318)
	9 294 433	12 741 548	-	22 035 981

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

Community Assets	161 341	236 376
Infrastructure Assets	4 425 878	326 738
Buildings	2 376 011	617 059
Motor Vehicle	1 044 242	998 638
Plant and Machinery	2 295 068	893 372
	10 302 540	3 072 183

uBuhlebezwe Local Municipality
Annual Financial Statements for the year ended 30 June 2024
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Figures in Rand

9. Intangible assets

	2024		2023			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	6 618 141	(3 337 949)	3 280 192	6 314 341	(2 899 525)	3 414 816

Reconciliation of intangible assets - 30 June 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 414 816	303 800	(438 424)	3 280 192

Reconciliation of intangible assets - 30 June 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 903 471	372 859	(861 514)	3 414 816

uBuhlebezwe Local Municipality
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10. Heritage assets

	2024		2023	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
				Accumulated impairment losses
			Carrying value	
				Carrying value
Heritage Assets	4 808 819	-	4 808 819	-
				4 808 819

Reconciliation of heritage assets - 30 June 2024

Historical Monuments	Opening balance 4 808 819	Total 4 808 819
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Reconciliation of heritage assets 30 June 2023

Historical Monuments	Opening balance 4 808 819	Total 4 808 819
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11. Payables from exchange transactions

Trade payables	3 703 565	3 527 490
Unallocated Deposits	5 517	1 954
Refundable Deposits for Hire of Community Assets	71 001	-
Retention	6 773 234	7 215 868
Advanced Payments	2 087 357	2 383 940
Leave Pay Accrual	8 397 425	7 276 392
Bonus Accrual	1 854 905	1 849 107
Output VAT Accrual	801 741	975 790
Output VAT Accrual - Provision for doubtful debt impairment	(598 976)	(505 632)
	23 095 769	22 724 909

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts	-	2 796 255
Small Town Rehabilitation Grant	-	507 555
Sangwaba Grant	100 000	100 000
Tittle Deeds Restoration Grant	-	1 855 111
LED Grant		
	100 000	5 258 921
Movement during the year		
Balance at the beginning of the year	5 258 921	607 555
Income recognition during the year	(5 158 921)	4 651 366
	100 000	5 258 921

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.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

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

13. Employee benefit obligations

Defined benefit plans - General information

Long Service Awards

Independent valuers, Zaq Finance Made Simple, carried out a statutory valuation as at 30 June 2024. The actuarial valuation determined that the retirement plan was in a sound financial position

Post Retirement Benefits Plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Post retirement medical Aid plan

The Municipality offers employees and continuation members (Pensioners) the opportunity of belonging to several medical aid schemes, the most of which offers a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

The Municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement provided they are the members of the municipality accredited medical aid schemes. All existing continuation members (pensioners) will continue to receive Company contribution of 60 % and 40 % from the pension Fund depending on when they retire. The subsidy is subject to the maximum amount of R 5 277.38 as regulated by SALGA (per month per member for the period 1 July 2023 to 30 June 2024.)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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13. Employee benefit obligations (continued)

Post Medical Aid benefits : The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening Balance	(5 315 000)	(11 306 498)
Current Interest Cost	(785 000)	(1 355 335)
Current Service Cost	(437 000)	(955 944)
Actuarial gains or losses over the financial year	(1 164 000)	8 261 777
Benefits paid	46 000	41 000
	(7 655 000)	(5 315 000)

Age		
20-24	16 %	16 %
25-29	12 %	12 %
30-34	10 %	10 %
35-39	8 %	8 %
40-44	6 %	6 %
45-49	4 %	4 %
50-54	2 %	2 %
60 +	1 %	1 %

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

Opening balance	5 315 000	11 306 498
Net expense recognised in the statement of financial performance	2 340 000	(5 991 498)
	7 655 000	5 315 000

Post Medical Aid Benefits: The amounts recognised in the Statement of Financial Performance were as follows:

Opening Balance	5 315 000	11 306 498
Current Interest Cost	785 000	1 355 335
Current Service Cost	437 000	955 944
Actuarial (Gains) Losses	1 164 000	(8 261 777)
Benefits Paid	(46 000)	(41 000)
	7 655 000	5 315 000

14. Revenue

Service charges	3 385 649	3 236 591
Rental of facilities and equipment	2 991 053	2 896 809
Interest on outstanding Debtors	815 513	-
Agency services	1 310 185	1 208 640
Licences and permits	3 377 307	2 662 856
Property Transfer - STATS SA	-	4 119 640
Construction Revenue	19 011 304	6 081 715
Other income - Miscellaneous	3 123 220	1 304 879
Interest received - investment	19 799 827	14 673 136
Property rates	51 941 289	23 611 101
Interest on Overdue Accounts	8 123 906	-
Government grants & subsidies	193 404 367	169 781 635
Donation Received	-	1 500
Fines, Penalties and Forfeits	847 550	820 600
LGSETA - Receipt	92 362	183 133
Lollipop - Receipt	464 244	229 970
	308 687 776	230 812 205

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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14. Revenue (continued)

The amount included in revenue arising from exchange of goods or services are as follows:

Service charges	3 385 649	3 236 591
Construction contracts	19 011 304	6 081 715
Rental of facilities and equipment	2 991 053	2 896 809
Interest On Overdue Account	815 513	-
Agency services	1 310 185	1 208 640
Licences and permits	3 377 307	2 662 856
Other income - Miscellaneous	3 123 220	1 304 879
Interest received - investment	19 799 827	14 673 136
	53 814 058	32 064 626

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	51 941 289	23 611 101
Property Transfer - STATS SA	-	4 119 640
Interest On Overdue Accounts	8 123 906	-
Transfer revenue		
Government grants & subsidies	193 404 367	169 781 635
Donation Received	-	1 500
Fines, Penalties and Forfeits	847 550	820 600
LGSETA	92 362	183 133
Lollipop - Receipts	464 244	229 970
	254 873 718	198 747 579

15. Service charges

Refuse removal	3 319 838	3 175 173
Service Charge - Fire service	65 811	61 418
	3 385 649	3 236 591

16. Housing Development Fund

Loans extinguished by government 1 April 1998	373 787	373 787
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17. Rental of facilities and equipment

Premises		
Hall hire	247 552	212 190
Rental of Buildings	2 743 501	2 684 619
	2 991 053	2 896 809

Included in the above rentals are operating lease rentals at straight-lined amounts of 2 896 809 for 30 June 2023: - as well as rentals of 2 991 053 for (30 June 2024: -).

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
18. Other income		
Rates Clearance	7 521	6 436
Insurance Refund	46 573	942 480
Tender Document	63 762	101 845
Other Revenue	2 647 015	144 556
Breakages and losses recovered	2 001	11 548
Photocopies and faxes	40 137	17 942
Revenue from sale of land	157 641	43 391
Building plans approval	132 367	10 547
Cemetery and burial fees	26 203	26 134
	3 123 220	1 304 879
19. Investment revenue		
Interest revenue		
Short term Investment	19 799 827	14 673 136
20. Interest on overdue account		
Interest on overdue account - Exchange Transactions	815 513	-
Interest on overdue account Non -Exchange Transactions	8 123 906	-
	8 939 419	-

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
21. Property rates		
Statutory Revenue		
Residential	18 918 872	10 626 229
Commercial	13 322 124	3 536 645
State owned properties	13 117 036	9 094 444
Agricultural	5 881 349	48 510
Industrial	465 022	305 272
Vacant Land	236 886	-
	51 941 289	23 611 100

Valuations

Residential	1 315 434 000	618 364 390
Commercial	597 744 000	227 462 503
State Owned	610 704 000	440 602 000
Municipal Properties	122 991 700	66 376 003
Agriculture	2 255 240 892	1 543 931 964
Communal Land	-	83 252 701
Industrial	14 075 000	13 916 000
Public Service Infrastructure	624 000	220 000
Special Purpose / Place of Worship	36 320 000	14 785 000
Vacant Land	11 699 500	18 663 003
Mining	5 700 000	-
	4 970 533 092	3 027 573 564

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied in 12 months equal instalments with the first being due at the end of July and the last instalment in June.

The Municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below :

Residential
Agriculture
Small Holdings (Agriculture)
Commercial
Industrial and
Communal

The new general valuation was implemented on 01 July 2023.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
22. Government grants & subsidies		
Operating grants		
Equitable share	139 317 000	131 712 000
FMG Grant	1 950 000	1 950 001
Library Grant	1 235 001	1 235 000
EPWP Grant	7 394 000	2 245 000
	149 896 001	137 142 001
Capital grants		
MIG Grant	36 857 000	30 291 000
Small Town Rehabilitation Grant	2 796 255	2 203 745
LED Grant	3 855 111	144 889
	43 508 366	32 639 634
	193 404 367	169 781 635
Conditional and Unconditional		
Conditional grants were utilised in accordance with the conditions of the grant. No funds were delayed or withheld. Included in the above are the following grants and subsidies received:		
Conditional grants received	54 087 367	38 069 635
Unconditional grants received	139 317 000	131 712 000
	193 404 367	169 781 635
Equitable Share		
Current-year receipts	139 317 000	131 712 000
Conditions met - transferred to revenue	(139 317 000)	(131 712 000)
	-	-
FMG Grant		
Current-year receipts	1 950 000	1 950 000
Conditions met - transferred to revenue	(1 950 000)	(1 950 000)
	-	-
FMG was spent on payment of salaries for interns, MFMP training, acquisition of laptops for interns and paying the consultants that were contracted to Budget and Treasury office to assist the municipality with the implementation of financial management systems.		
Library Grant		
Current-year receipts	1 235 001	1 235 000
Conditions met - transferred to revenue	(1 235 001)	(1 235 000)
	-	-
Library grant was used for operational costs for managing the libraries under UBuhlebezwe Local Municipality.		
Small Town Rehabilitation Grant		
Balance unspent at beginning of year	2 796 255	5 000 000
Conditions met - transferred to revenue	(2 796 255)	(2 203 745)
	-	2 796 255

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
22. Government grants & subsidies (continued)		
Roll over for Small Town rehabilitation grant was used for Light Industrial Park.		
Municipal Infrastructure Grant		
Current-year receipts	36 857 000	30 291 000
Conditions met - transferred to revenue	(36 857 000)	(30 291 000)
	-	-
MIG was spent on the construction of roads, halls, taxi rank, creches and installation of high masts amongst other things.		
Sangcwaba Grant		
Balance unspent at beginning of year	507 555	507 555
Conditions met - transferred to revenue	(507 555)	-
	-	507 555
Roll Over Application for Sangwaba Grant was not approved by the department of Human Settlement and the Balance was returned back to the department.		
EPWP Grant		
Current-year receipts	7 394 000	2 245 000
Conditions met - transferred to revenue	(7 394 000)	(2 245 000)
	-	-
EPWP Grant was utilised for Stipend and tools.		
Title Deeds Restoration Grant		
Balance unspent at beginning of year	100 000	100 000
LED Grant		
Balance unspent at beginning of year	1 855 111	-
Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(3 855 111)	(144 889)
	-	1 855 111
Local Economic Development Grant was utilised on IXopo and Highflats Market stalls.		
23. Donations Received		
Donation Received	-	1 500
24. Fines, Penalties and Forfeits		
Law Enforcement Fines	847 550	820 600
25. Property Transfer - STATS SA		
Property Transfer - STATS SA	-	4 119 640

uBuhlebezwe Local Municipality

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Figures in Rand	2024	2023
26. Employee related costs		
Basic	61 368 434	59 453 956
Bonus	4 983 598	6 917 743
Medical aid - company contributions	6 258 949	(2 350 276)
UIF	512 195	506 495
Other payroll levies	78 323	32 367
Leave pay	3 518 015	2 727 071
Pension	9 346 175	8 870 468
Travel, motor car, accommodation, subsistence and other allowances	2 526 106	2 431 650
Overtime payments	3 370 870	3 150 468
Long-service awards	1 450 739	1 141 233
Acting allowances	82 383	-
Housing benefits and allowances	156 763	117 365
Scarce Skills Allowance	206 610	195 619
Rural Allowance	140 672	173 699
	93 999 832	83 367 858

Remuneration of municipal manager

Annual Remuneration	1 084 361	991 464
Performance Bonuses	77 837	149 076
Contributions to UIF, Medical and Pension Funds	14 631	71 312
Other	90 287	148 486
	1 267 116	1 360 338

Remuneration of chief finance officer

Annual Remuneration	778 259	663 988
Travel Allowance	120 000	-
Performance Bonuses	76 690	65 205
Contributions to UIF, Medical and Pension Funds	12 385	78 893
Other	74 588	198 322
	1 061 922	1 006 408

Corporate and human resources (corporate services)

Annual Remuneration	391 560	740 197
Car Allowance	81 336	-
Performance Bonuses	68 167	65 205
Contributions to UIF, Medical and Pension Funds	7 918	107 683
Other	139 115	89 551
Acting Allowance	45 094	-
	733 190	1 002 636

Director Corporate services (Ms. Luswazi) resigned on November 2023 and the new director has resumed the post on the 04 June 2024.

Community and Social Services

Annual Remuneration	778 259	613 826
Travel Allowance	120 000	-
Performance Bonuses	68 169	77 272
Contributions to UIF, Medical and Pension Funds	11 700	144 160
Other	89 679	335 970
	1 067 807	1 171 228

uBuhlebezwe Local Municipality

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Figures in Rand	2024	2023
26. Employee related costs (continued)		
Infrastructure, Planning and Development		
Annual Remuneration	377 205	726 983
Car Allowance	95 000	-
Performance Bonuses	68 169	63 903
Contributions to UIF, Medical and Pension Funds	7 664	2 125
Other	71 639	-
Long Service	42 896	261 953
	662 573	1 054 964

The director has resigned in August 2023 and the new director has resumed the post on the 1 April 2024

27. Remuneration of councillors

Mayor	1 001 857	957 559
Deputy Mayor	810 768	775 642
EXCO Members	2 545 681	2 424 992
Speaker	809 827	773 304
Councillors	6 648 157	6 301 580
	11 816 290	11 233 077

In-kind benefits

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

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

The Mayor has two full-time bodyguards. The Speaker has one full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

The Salaries, allowances and benefits of political office bearers and councillors of the municipality whether financial or in kind, including a statement by the accounting officer whether or not those salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the constitution.

28. Grants and Subsidies Expense

Grants and Subsidies Expense	2 072 043	2 497 256
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There was a reclassification from operational cost to transfers and subsidies of an amount of R2 497 256 and has been done as a result of the implementation of MSCAO AFS Specimen.

29. Depreciation and amortisation

Property, Plant and Equipment	27 826 126	27 789 350
Investment property	500 363	621 058
Intangible assets	438 424	861 514
	28 764 913	29 271 922

Included above there is an amount of R87 030.35 for Plant used in the construction of Internal Projects.

uBuhlebezwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Impairment loss		
Property ,Plant and Equipment	(2 570 011)	2 681 050
Impairment - Municipal Building	-	4 782
Impairment - Roads	5 337 611	-
Impairment - Community Assets	785 936	9 459 412
	3 553 536	12 145 244

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. 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.

31. Operating Leases

Operating Leases	555 411	939 304
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There was a reclassification from operational cost to Operating Leases of an amount of R939 304 and has been done as a result of the implementation of MSCAO AFS Specimen.

32. Debt Impairment

Provision for Inventory Debtor	258 509	-
Provision For Traffic Fines	782 705	739 884
Provision For Bad Debts Receivables	17 251 403	8 836 758
	18 292 617	9 576 642

33. Inventory Consumed

Inventory Consumed	1 486 834	1 368 521
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34. Bad Debt Written Off

Bad Debt Written Off	1 813 325	-
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35. Interest Paid

Finance cost	3 078	6 405
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36. Contracted services

Security Services	8 666 750	5 333 087
Legal Fees	705 925	2 814 661
Valuation Services	283 962	724 217
Repairs and Maintenance	6 156 444	3 038 955
Landfill Site Rental	1 036 696	490 117
Catering Services	700 295	589 890
Events Promoters	756 625	1 001 972
Consultants and professional fees	5 531 612	6 668 513
Pest Control and fumigation	207 648	30 296
Audit Committee Fees	3 423 284	269 602

uBuhlebezwe Local Municipality

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Figures in Rand	2024	2023
36. Contracted services (continued)	27 469 241	20 961 310
37. Construction Contract Cost		
Contractors - Electricity / INEP	18 874 044	6 081 715
Retention	137 260	-
	19 011 304	6 081 715
38. Operational Costs		
mSCOA Implementation and System Development	1 321 000	1 425 129
Advertising	2 504 727	1 683 016
Auditors remuneration	2 562 689	3 004 560
Bank charges	329 485	423 191
Compensation Fund	482 318	429 253
Entertainment	146 729	79 113
Road Traffic Levies	4 233	5 493
Free Basic Services	-	117 400
Insurance	1 816 235	1 326 045
Parking Fees	133 639	129 884
Skills Development Levy	868 741	840 231
Specialised Computer Equipment	959 026	1 236 565
Fuel and oil	4 702 420	4 686 915
Postage, Printing and stationery	605 237	441 193
Trainings	1 156 811	883 075
Software Expenses	1 279 259	984 128
Ward Committees	1 646 445	1 495 945
Subscriptions and membership fees	1 127 892	1 053 923
EPWP Stipend	8 781 454	2 544 467
Travel - local	1 631 938	1 897 074
Water and Electricity	2 754 509	1 298 795
Uniforms / Protective Clothing	1 100 216	1 156 375
Communication Costs	2 303 264	2 191 665
Licences and Permits	186 232	414 624
Community Development Programme	1 224 898	634 582
	39 629 397	30 382 641

There was a reclassification from operational cost to the following items due to mSCOA Specimen:

- (1) Transfers and subsidies of an amount of R2 497 256.
- (2) Inventory Consumed of an amount of R1 368 52.
- (3) Operating Leases of an amount of R 939 304.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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39. Provision for Long Service - Short Term Portion

Long Service Award - 30 June 2024

	Opening Balance	Additions	Total
Long term service award provision	2 903 261	1 113 061	4 016 322
Short term service award provision	407 739	(70 061)	337 678
	3 311 000	1 043 000	4 354 000

Reconciliation of provision for long service - short term portion - 30 June 2023

	Opening Balance	Total
Long term service award provision	2 244 275	2 903 261
Short term service award provision	601 736	407 739
	2 846 011	3 311 000

Provision for Long Service Awards has been reclassified between the short- term portion and the Long-term portion in the current financial year.

Long services award in the form of monetary value are payable after ten years of continuous service and every five years. The Valuation was performed in line with GRAP 25 Employee benefits by an Independent Actuaries and Consultants as at 30 June 2024.

Provision is an estimate of the long service award base on historic staff turnover, taking into account management estimate of the likelihood that staff may leave before long services become due. No other long services benefit are provided to employees.

40. Councillors / Employees owing the municipality

Below are the staff members /Councillors who were in arrears for more than 90 days as at 30 June 2024 in terms on Section 214 1 (b) of the MFMA.

The Staff members disclosed below has entered into payment arrangement in terms of section 103 of the Municipal Systems Act.

Account Numbers	180 Days	150 Days	120 > Days	Total
1. 116 662	16 072	783	3 914	20 769
2. 169 763	50 198	1 715	8 547	60 460
3. 136 770	2 057	828	4 149	7 034
4. 185 926	12 862	6 247	7 641	26 750
5. 117 508	36 066	1 112	5 621	42 799
6. 117 625	15 092	524	531	16 147
7. 103 309	2 200	187	965	3 352
8. 142 562	21 395	242	242	21 879
	155 942	11 638	31 610	199 190

41. Agency Services

Licence Commission	1 310 185	1 208 640
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The municipality receives revenue from the Department of Transport as commission for issuing motor vehicle licenses on it's behalf. The Municipality has accrued income of R 73,412 for the month of June 2024 disclosed in Note 4.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
42. Licences and permits		
Drivers Licences	3 313 678	2 601 445
Market Porters / Hawkers Permits	63 629	61 411
	3 377 307	2 662 856
43. Construction Revenue		
Construction Revenue	19 011 304	6 081 715
44. Unauthorised Expenditure		
Opening balances as previously reported	20 040 040	83 920
Add: Unauthorised Expenditure - Current - Non Cash	7 404 759	19 956 120
Add: Unauthorised Expenditure - Current - Cash	2 489 764	-
Less: Unauthorised Written Off	(22 040 040)	-
	7 894 523	20 040 040
Unauthorised expenditure is derives from Debt impairment and Capital Asset.		
45. Cash generated from operations		
Surplus	59 860 371	21 795 900
Adjustments for:		
Depreciation and amortisation	28 764 913	29 271 922
Income from equity accounted investments	-	(4 119 642)
Impairment Loss	3 553 535	12 145 245
Debt impairment	18 292 617	9 576 643
Long Service Award	1 043 000	464 984
Post Retirement Benefits	2 340 000	(5 991 498)
Bad Debt Written Off	1 813 325	-
Loss on sale	359 585	879 408
Changes in working capital:		
Inventories	(181 143)	(276 221)
Receivables from exchange transactions	(2 651 265)	(2 829 643)
Receivables from non - exchange transaction	(15 181 986)	(12 194)
Provision for Impairment	(20 105 942)	(10 082 274)
Other Current Assets	-	345 159
Payables from exchange transactions	682 371	1 475 459
VAT	3 299 105	89 372
Unspent conditional grants and receipts	(5 158 921)	4 651 388
Payables From Non exchange transactions	-	(5 000 000)
	76 729 565	52 384 008
46. Financial instruments disclosure		
Categories of financial instruments		
30 June 2024		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	11 813 053	11 813 053
Cash and cash equivalents	202 422 031	202 422 031
	214 235 084	214 235 084

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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46. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	24 944 876	24 944 876

30 June 2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10 026 936	10 026 936
Cash and cash equivalents	181 054 949	181 054 949
	191 081 885	191 081 885

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	22 724 909	22 724 909

uBuhlebezwe Local Municipality

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47. Commitments		
Authorised capital expenditure		
Already contracted and provided for		
• Infrastructure	7 007 283	8 852 167
• Community Assets	16 868 017	3 500 503
• Prior Year Correction on Infrastructure Projects	-	289 797
• Prior Year Correction on Community Projects	-	602 457
	23 875 300	13 244 924
Already Contracted but not Provided for		
• Infrastructure	478 505	-
Total capital commitments		
Already contracted for but provided for	23 875 300	13 244 924
Already Contracted but not Provided for	478 505	-
	24 353 805	13 244 924
Authorised operational expenditure		
Already contracted and provided for		
• Operating Expenditure	10 924 751	22 626 888
• Electrification	9 243 421	4 041 936
• Prior Year Adjustment of Electrification Projects	-	148 476
	20 168 172	26 817 300
Already contracted for but not provided for		
• Electrification	799 341	-
Total operational commitments		
Already contracted for but not provided for	20 168 172	26 817 300
Already Contracted for but not provided for	799 341	-
	20 967 513	26 817 300
Total commitments		
Total commitments		
Authorised capital expenditure	24 353 805	13 244 924
Authorised operational expenditure	20 967 513	26 817 300
	45 321 318	40 062 224

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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47. Commitments (continued)

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses and grants.

- Correction on infrastructure was as a result of additional studies for Little Flower to Fairview project which had not been accounted for in the previous financial year.
- Correction on INEP emanated from variation order for KwaNothi electrification that was not included in the previous financial year calculations.
- Correction on community assets relates to formula error that did not pull through correctly in the previous financial year under Ixopo Industrial Park, payment certificate number 7 was not included for Plain Hill hall under the previous year and highflats market stall's expenditure was erroneously included whereas there was not expenditure incurred in 2022/23 financial year.

Commitments Amounts disclosed are VAT Inclusive.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	456 393	1 016 070
- Prior Year Adjustment	-	(1 864)
	456 393	1 014 206

Operating Leases relates to the rental of photocopying machines which is on a long term contract.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

48. Contingent Liability

LEGAL MATTERS

1. SZ Mntungwa & another v Ubuhlebezwe LM

Two former municipal Employees (PA to IPD Director and GA Office Cleaner) were dismissed in July as a result of an alleged misconduct where an internal disciplinary hearing there were found guilty, and sanction of disposal was imposed, Further Mntungwa and others Appealed the case at the labour court and the matter is still pending.

REASONS/ BACKGROUND

UNDERTAKEN BY/
OTHER PARTY

CONTINGENT
LIABILITY
AMOUNT

CONTINGENT
ASSETS
AMOUNT

Mdledle Inc.

In the event that the Appellant becomes successful there is anticipated contingent liability of and amount of R115 082.82 and R50 000 for Legal and disbursement cost.

2. T Gumede V Ubuhlebezwe LM

This is a labour Court matter, an application for review of an arbitration award issued by the commissioner after an arbitration hearing was held at the bargaining council to confirm a dismissal of the application from his employment. The matter is still at pleading stage where evidence in a material form. T Gumede Appealed the case at the labour court and the matter is still pending.

Mdledle Inc.

In the event that the Appellant becomes successful there is anticipated contingent liability of and amount of R361 ,408.71 and R80 000 for Legal and disbursement cost.

uBuhlebezwe Local Municipality

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49. Related parties

There were Related Party Transactions in the current financial year. The Two related party transactions were the municipalities councillors and S57 Employees as per GRAP 20.

Remuneration of management

Remuneration of Management

30 June 2024

Name	Basic salary	Bonuses and performance related payments	Travelling Allowances	Other benefits received	Total
Municipal Manager	1 084 361	77 837	-	104 918	1 267 116
Chief Financial Officer	778 259	76 690	120 000	86 973	1 061 922
Director Infrastructure, planning and development.	377 205	68 169	95 000	122 199	662 573
Director Community and Social Services	778 259	68 169	120 000	101 379	1 067 807
Director Corporate Services	391 560	67 169	81 336	193 125	733 190
	3 409 644	358 034	416 336	608 594	4 792 608

30 June 2023

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Other benefits received	Total
Municipal Manager	991 464	149 076	71 312	148 486	1 360 338
Chief Financial Officer	663 988	65 205	78 893	198 322	1 006 408
Director Corporate Services	740 197	65 205	107 683	89 551	1 002 636
Director Community and Social Services	613 826	77 272	144 160	335 970	1 171 228
Director Infrastructure ,Planning and Development	726 983	63 903	2 125	261 953	1 054 964
	3 736 458	420 661	404 173	1 034 282	5 595 574

Councillors

30 June 2024

Councillors	Bonuses and performance related payments	Councillors Remuneration	Total
Councillors	358 034	11 816 290	11 816 290

30 June 2023

Councillors	Councillors Remuneration	Total
Councillors	11 233 077	11 233 077

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Figures in Rand	2024	2023
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49. Related parties (continued)

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."

50. Change of Accounting estimation uncertainties and Adjustments

Property ,Plant and Equipment

The useful life of assets was changed as a result of different classes of assets that are still in use but fully depreciated or close to the end of their lifespan.

Assets Class	Previous estimate	Impact due to change in accounting estimate	Current estimate
IT Equipment	27 059	(9 776)	17 283
Furniture	29 818	(10 581)	19 237
Machinery	59 345	(23 464)	35 881
Transport	57 570	(17 766)	39 804
Infrastructure	1 115 847	(181 995)	933 852
Community	95 820	(24 184)	71 636
Other assets(Buildings)	3 497	(445)	3 052
Intangible	267 405	(102 183)	165 222
	1 656 361	(370 394)	1 285 967

51. Prior period errors

1. Bank charges that were erroneously classified in the previous year as Expenditure under bank charges instead of cash and cash equivalent. (reclassification)
2. Correction of License Commission relates to June 2023 accrual that was not raised in the previous financial year and reversal of previously raised accruals that were not reversed.
3. Correction Of Understated Depreciation for Motor Vehicles.
4. Correction of Overstated Community Assets relates to a hall that was duplicated.
5. Correction of understated Investment Property relates to newly identified land portions that were previously not accounted for.
6. Correction of Receivables from non-exchange transaction (Rates) Public works payment that was erroneously recognised under LG Seta revenue account.
7. Apportionment of VAT portion on prior year Debt Impairment that was previously not accountant for.
8. Correction of Investment Property that was erroneously included under Investment Property but is privately owned.
9. Bonus Accrual relating to 13th cheque for staff member that was previously not provided for; but budgeted for.
10. Correction of Receivables from Exchange Transactions and Payables from Exchange Transactions due to VAT reclassification.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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51. Prior period errors (continued)

Statement of Financial Position	Amount Previously Reported	Adjustment	Total
1. Cash and Cash Equivalent	181 055 976	(1 027)	181 054 949
2. Receivables from Exchange transactions	8 671 603	75 551	8 747 154
2. Receivables from Exchange transactions	8 747 154	(765 180)	7 981 974
2. Accumulated Surplus	552 083 672	(765 180)	551 318 492
3. Property ,Plant and Equipment	333 622 179	(1 108)	333 621 071
4. Property ,Plant and Equipment	333 621 071	(275 181)	333 345 890
5. Investment Property	23 722 794	3 480 500	27 203 294
4. Accumulated Surplus	551 318 492	(275 181)	551 043 311
5. Accumulated Surplus	551 043 311	3 480 500	554 523 811
6. Receivables form non exchange transactions	20 766 380	(451 341)	20 315 039
6. Accumulated Surplus	554 523 811	(451 341)	554 072 470
7. VAT Receivables	4 972 225	505 632	5 477 857
8. Investment property	29 227 942	(305 000)	28 922 942
8. Accumulated Surplus	554 651 518	(305 000)	554 346 518
9. Payables from exchange transactions	20 405 639	1 849 107	22 254 746
10. Vat Receivable	5 477 857	(5 477 857)	-
10. Receivables from Exchange transactions	7 981 974	5 948 015	13 929 989
10. Payables from Exchange Transactions	22 254 749	470 159	22 724 908
	3 764 148 347	6 736 068	3 770 884 415

Statement of financial Performance	Amount Previously Reported	Adjustment	Total
1. Bank Charges	554 072 470	(1 027)	554 071 443
2. Licence Commission	554 071 443	75 551	554 146 994
3. Depreciation	554 146 994	(1 108)	554 145 886
7. Debt Impairment	554 145 886	505 632	554 651 518
9. Bonus	554 346 518	(1 849 107)	552 497 411
	2 770 783 311	(1 270 059)	2 769 513 252

52. 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 and Trade payables from exchange transaction amounting to R21 038 097.

uBuhlebezwe Local Municipality

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52. 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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	30 June 2024	30 June 2023
Cash and Cash Equivalent	202 422 031	181 054 949
Trade and other receivables from exchange transaction.	11 813 053	10 026 936

53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of 612 357 787 and that the municipality's total Assets exceed its Liabilities by 612 731 574.

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.

54. Fruitless and wasteful expenditure

Opening balance as previously reported	7 546	1 142
Add: Fruitless and wasteful expenditure identified - current	3 078	6 404
Less: Amount written off - current	(10 405)	-
Closing balance	219	7 546

55. Irregular expenditure

Opening balance as previously reported	3 242 262	20 285 543
Add: Irregular expenditure - current	533 348	7 129 472
Add: Irregular expenditure - prior period	330 435	485 218
Less: Amount written off - current	(4 106 045)	(24 657 971)
Closing balance	-	3 242 262

Analysis of Expenditure awaiting write off .

Current Year	-	3 242 262
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The Irregular Expenditure is based on all transactions that were incurred whilst the composition of the Bid adjudication was not as per the required legislation and any additional findings due to non-compliance with the legislations in terms of SCM processes. Disclose on Irregular Expenditure incurred is at 100 % coverage for 2020/2021, 2021/22 ,2022/23 and 2023/24 financial years.

The Irregular Expenditure reported is exclusive of Value Added Tax.

There was no deviation for the year.

uBuhlebezwe Local Municipality

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56. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	951 899	1 037 120
Amount paid - current year	(951 899)	(1 037 120)
	-	-
Audit fees		
Current year subscription / fee	2 562 689	3 004 560
Amount paid - current year	(2 562 689)	(3 004 560)
	-	-
PAYE, UIF and SDL		
Current year subscription / fee	15 184 466	12 591 003
Amount paid - current year	(15 184 466)	(12 591 003)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21 879 757	20 050 694
Amount paid - current year	(21 879 757)	(20 050 694)
	-	-
VAT		
VAT receivable	2 178 752	5 477 857

The municipality declares output tax on taxable supply of goods and services and claim input tax credits on expenses incurred. The output is declared and the input is claimed by completing VAT 201 return.

Vat is charged at 15% of taxable supplies

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

Disclosures by municipal entity on intergovernmental and other allocations

57. Accounting by principals and agents

Ubuhlebezwe Municipality is a party to a principal-agent arrangement(s).

uBuhlebezwe Local Municipality

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57. Accounting by principals and agents (continued)

Details of the arrangement(s) is/are as follows:

UBuhlebezwe Municipality Local municipality is an Agent of the department of Human Settlement.

The municipality entered into an arrangement with the Department of Human Settlement whereby the municipality act as an Agent on behalf of a department in overseeing the contractors engaged by the department to build houses for distribution to beneficiaries within UBuhlebezwe jurisdiction. The municipality receives cash from the department, accept invoices from service providers and work done and manages the payment processes on behalf of department. The risk that may arise in the execution of the housing project are the responsibility of the principal (Department of human settlement).

UBuhlebezwe Municipality Local municipality is an Agent of the department of Transport.

The municipality act as an agent of the Department of Transport for the renewal of vehicle licences and there is an agreement in place. Revenue recognised only related to the commission that the municipality is entitled to.

Department of Human Settlement		
Received during the year	13 377 604	42 821 509
Expenditure for the year	(13 377 604)	(42 821 509)
	-	-
Department Of Transport		
Received during the year	1 312 244	1 133 089

58. Segment information

General information

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 UBuhlebezwe Local Municipality demarcations. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout uBuhlebezwe 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

uBuhlebezwe Local Municipality
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58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2024

	Community and public safety	Economic and environmental services	Municipal Governance	Trading Services	Total
Revenue					
Property Rates	-	-	(27 442 995)	(24 498 293)	(51 941 288)
Fines, Penalties and Forfeits	(848 550)	-	-	-	(848 550)
Interest Received - Investment	-	-	(19 799 827)	-	(19 799 827)
Interest on outstanding debtors	-	-	(8 939 419)	-	(8 939 419)
Licences and Permits	(3 304 944)	(72 364)	-	-	(3 377 308)
Operating Revenue	(2 001)	-	(2 938 504)	-	(2 940 505)
Rental of Facilities	(247 552)	-	(2 743 501)	-	(2 991 053)
Service Charges	(65 811)	-	-	(3 319 838)	(3 385 649)
Transfers and Subsidies	(9 093 245)	(43 508 366)	(141 267 000)	-	(193 868 611)
Agency Services	(1 310 185)	-	-	-	(1 310 185)
Sales of goods	(66 340)	(19 143 672)	(75 369)	-	(19 285 381)
Total segment revenue	(14 938 628)	(62 724 402)	(203 206 615)	(27 818 131)	(308 687 776)
Entity's revenue					(308 687 776)

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58. Segment information (continued)

	Community and public safety	Economic and environmental services	Municipal Governance	Trading Services	Total
Expenditure					
Employees related Cost	(54 433 089)	(10 358 143)	(23 817 526)	(5 391 074)	(93 999 832)
Remuneration of Councillors	-	-	(11 816 290)	-	(11 816 290)
Depreciation and amortisation	-	-	(28 764 913)	-	(28 764 913)
Operating Lease	-	-	(555 411)	-	(555 411)
Debt Write off	(232 301)	-	(1 581 024)	-	(1 813 325)
Interest Paid	-	-	(3 078)	-	(3 078)
Contracted Services	(2 593 063)	(3 558 107)	(20 232 430)	(1 085 640)	(27 469 240)
Transfers and Subsidies (Expenditure)	(1 409 760)	(639 325)	(22 958)	-	(2 072 043)
Operating Expenses	(5 071 721)	(12 340 897)	(20 713 045)	(1 503 777)	(39 629 440)
Inventory Consumed	(929 939)	(72 320)	(74 696)	(409 878)	(1 486 833)
Impairment loss	-	-	(19 736 343)	(2 109 809)	(21 846 152)
Construction Contract cost	-	-	-	(19 011 304)	(19 011 304)
Disposal of assets	-	-	(359 585)	-	(359 585)
Total segment expenditure	(64 669 873)	(26 968 792)	(127 677 299)	(29 511 482)	(248 827 446)
Total segmental surplus/(deficit)					(59 860 330)
Assets					
Inventory	-	12 509	5 881 869	-	5 894 378
Receivables from Non Exchange Transaction	847 550	-	34 649 475	-	35 497 025
Receivables from Exchange Transaction	75 652	-	12 939 105	-	13 014 757
Cash and Cash equivalent	6 744 144	(6 940 309)	201 914 242	703 954	202 422 031
Property Plant and Equipment	113 864 076	343 595 697	(117 741 001)	14 377 391	354 096 163
Intangible Assets	-	478 027	2 802 164	-	3 280 191
Investment Property	-	-	28 922 942	-	28 922 942
Heritage Assets	-	-	4 808 819	-	4 808 819
Total segment assets	121 531 422	337 145 924	174 177 615	15 081 345	647 936 306
Total assets as per Statement of financial Position					647 936 306

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	Community and public safety	Economic and environmental services	Municipal Governance	Trading Services	Total
58. Segment information (continued)					
Liabilities					
Trade and other payables from exchange transactions	-	-	(23 095 769)	-	(23 095 769)
Unspent conditional grants and receipts	-	-	(100 000)	-	(100 000)
Employee benefit obligation - Medical Aid	-	-	(7 655 000)	-	(7 655 000)
Provision for Long service	-	-	(4 354 000)	-	(4 354 000)
Total segment liabilities	-	-	(35 204 769)	-	(35 204 769)
Accumulated Surplus					(612 357 787)
Housing Development Fund					(373 787)
Total liabilities as per Statement of financial Position					35 204 769

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

59. Events after the reporting date

Housing Debtor for the amount of R101 775 was written off by council on the 25 July 2024, subsequently to the financial year end.