



Steve Tshwete Local Municipality
Annual Financial Statements
for the years ended 30 June 2021

* See Note 2

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - All types of services rendered by the municipality, excluding the supply of housing to the community.

Waste management services - The collection, disposal and recycling of waste.

Electricity services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

Waste water management - Collection and purification of waste water.

Water services - Supply and purifying of water.

Mayoral committee

Executive Mayor

Motsepe D

Kgaleme M.I

Matshiane J

Malepeng S.M

Mnguni M.T.E

Mkhuma N.C

Sekgwele M.J

Mamogale R.G

Mabena A.M

Nkadimeng S.D

Mahlangu L.K

Mamogale R.G

Marumo A.B

Masilela P.M

Masina M

Malinga P.V

Mnisi T.P

Motloung T.S

Motsepe E.T

Mphego M.C

Skhosana D.J

Skosana J

Mahlangu A.M

Mathibela M.N

Mitchell J.M

Morufane T.N

Ndala B.P

Paul D.L

Skhosana M.M

Vilakazi R

Xaba R.M

Zondo L.J.N

Bruiners E.M

Speaker

Council Whip

Councillors

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

General Information

	Du Toit E
	Dyason J
	Grobler A.S
	Mobango P
	Mogola S.M
	Niemann H.F
	Phasha K.J
	Pretorius J.P
	Romjin G.H
	Roos S.J
	Thabatha A.O
	De Klerk H.G
	Struwig A
	Stuurman D.A
	Klopper D.D
	Wait S.M
	Mashaba M.F
	Mangcotywa A
	Hadebe M
	Masemola L.C
	Mosoma C.M
	Mthombeni J.N
	Sebesho E
	Duvenage J.P
	Mentz J
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	M.D Mogofe
Accounting Officer	B.M Khenisa
Registered office	Civic Centre Wanderers Avenue Middelburg 1050
Postal address	P.O. Box 14 Middelburg 1050
Bankers	ABSA Bank Nelspruit
Auditors	Auditor-General of South Africa
Attorneys	Van Deventer & Campher Maphanga & Essa Incorporated Nkgadima Attorneys Morudu Attorneys SM Sibeko Attorneys
Capacity of local authority	High capacity

Steve Tshwete Local Municipality

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General Information

Municipal demarcation code

MP313

All figures are rounded off to the nearest Rand (R)

Steve Tshwete Local Municipality

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

Steve Tshwete Local Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 9.

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

B.M Khenisa
Accounting Officer

Middelburg
31 August 2021

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Audit Committee Report

We are pleased to present our report for the financial years ended 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 8 number of meetings were held.

Name of Member	Number of Ordinary meeting attended	Number of special meeting attended	Total meetings held	Number attended	Number not attended
Mudau F (Chairperson) (contract expired 28/02/2021)	2	1	4	3	1
Masite JS (Chairperson) (appointment as Chairperson on 01/03/2021)	3	6	10	9	1
Langalibalele L (contract expired 28/02/2021)	2	2	4	4	-
Mathabathe MG	3	7	10	10	-
Gafane T	-	4	10	4	6
Moloi C (appointed on 01/03/2021)	-	4	6	4	2
Ntuli P (appointed on 01/03/2021)	1	5	6	6	-
Boltman T	2	7	10	9	1
	13	36	60	49	11

Audit committee responsibility

The Audit and Performance Committee has adhered to its mandate as mentioned in Section 166(2)(a) of the Municipal Finance Management Act and furthermore discharged its oversight responsibilities in the year under review herein:

- Reviewed the Risk Management Policies, Frameworks and procedures that identified, monitors and manages risks.
- Played a pivotal advisory role in;
 - Financial management and other reporting practices.
 - Internal controls and management of risks
 - Compliance with laws, regulations and ethics
 - Corporate Governance practices
 - Performance Management Information
- Reported to the Management and/or Council any matter identified during the course of carrying out its duties that it considers significant.
- Approved Internal Audit strategic and operational plans and reviewed performance against them;
- Reviewed and recommend the Internal Audit Charter for Council approval;
- Engaged with Internal Audit its findings and the responses of management to its significant recommendations and periodically its views on the quality of control, governance and risk management processes;
- Represented the matters of Internal and External Audit to the Executive Authority of the Municipality in terms of the Municipal Finance Management Act;
- Reviewed the annual report before its release and considered whether the financial information is appropriate, reasonable, accurate, adequate and consistent with prescribed regulations of the municipality and its operations.
- Reported annually in the required format as part of annual report of the Municipality.
- Reviewed professional and regulatory pronouncements to understand their impact on financial and non-financial statements.
- Reviewed the quarterly management reports and
- Considered the appropriateness of the Municipality's accounting policies and principles and in doing so reviewed the application and currency, and adherence to the stated financial reporting framework.
- Gain an understanding on the areas of major risks including related risks and determine management's capacity to manage them effectively.

The effectiveness of internal control

The effectiveness of internal controls has been assessed to have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Audit Committee Report

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit responsibility

The effectiveness of internal controls has been assessed to be have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

- Reviewed the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information.
- Reviewed the system established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact operation.
- Reviewed the means of safeguarding assets and as appropriate, verifying the existence of such assets in order to provide management with reasonable assurance that assets are protected against loss that could results from fire, theft other improper or illegal activities or exposure to the elements.
- Reviewed and appraised the economy and efficiency with which resources are employed with a context to evaluates operating standards are understood and are being met and deviations from operating standard are identified, analyzed and communicated to management responsible for corrective action and effective corrective action has been taken.
- Reviewed operations to ascertain results are consistent with established objectives and goals, and the operations or programs are being carried out as planned.
- Providing consultation and other services to management as need be to make decision about control, governance and risk management.
- **Risk management**
The Municipality established a Risk Management, Anti-Fraud and Anti-Corruption Committee (RMAFACC) chaired by an independent Chairperson and met at least 4 times during the financial year. The RMAFACC considered and recommended risk management policies to Council for approval and provided Audit Committee and Council with quarterly reports regarding the mitigating of risks.
Based on the reports of the RMAFACC, the Municipality implemented the risk mitigating activities planned to reduce the risk exposure which contributed to the achievement of the municipality's objectives as set out in the SDBIP.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	11	68,085,703	60,509,048
Current portion of long term receivables	7	7,519,901	4,588,726
Operating lease asset	8	3,468,348	3,493,101
Other receivables from exchange transactions	12	9,066,327	41,450,431
Receivables from non-exchange transactions	13	59,367,438	36,908,593
VAT receivable	14	83,691,996	88,515,997
Receivables from exchange transactions	15	93,100,113	89,217,487
Investments	10	250,000,000	250,000,000
Deposits		2,815,696	2,396,114
Cash and cash equivalents	16	94,565,436	320,485,326
		671,680,958	897,564,823
Non-Current Assets			
Investment property	4	26,095,033	25,417,439
Property, plant and equipment	5	7,165,341,550	6,713,255,041
Intangible assets	6	17,660,031	9,621,613
Long term receivables	7	5,935,860	5,240,108
		7,215,032,474	6,753,534,201
Total Assets		7,886,713,432	7,651,099,024
Liabilities			
Current Liabilities			
Long term liabilities	18	39,935,163	28,553,623
Finance lease obligation	17	3,369,833	4,153,687
Payables from exchange transactions	21	385,650,267	282,313,686
Payables from non-exchange transactions	22	1,434,412	671,374
Consumer deposits	23	77,131,364	75,333,865
Employee benefit obligation	9	3,506,001	3,582,000
Provisions	19	769,692	1,615,821
Long service awards	20	3,536,000	1,971,006
		515,332,732	398,195,062
Non-Current Liabilities			
Long term liabilities	18	420,361,263	468,166,805
Finance lease obligation	17	-	3,753,703
Employee benefit obligation	9	111,674,000	98,020,001
Provisions	19	35,490,987	22,211,202
Long service awards	20	24,917,000	23,796,994
		592,443,250	615,948,705
Total Liabilities		1,107,775,982	1,014,143,767
Net Assets		6,778,937,450	6,636,955,257
Accumulated surplus		6,778,937,450	6,636,955,257
Total Net Assets		6,778,937,450	6,636,955,257

* See Note 2 & 53

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	962,464,630	933,361,539
Sales of goods and rendering of services		8,283,087	9,593,919
Rental of facilities and equipment	26	17,653,529	17,754,826
Interest received - trading	30	3,296,884	3,197,403
Income from agency services	28	31,009,887	25,791,907
Licences and permits	29	6,978,479	5,512,877
Operating income	31	50,158,702	44,394,042
Investment revenue	32	19,906,215	43,461,474
Total revenue from exchange transactions		1,099,751,413	1,083,067,987
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	428,628,643	401,926,718
Interest received - trading	30	3,084,575	3,033,633
Transfer revenue			
Transfers and subsidies	35	422,470,902	297,660,356
Public contributions and donations	36	41,921,336	9,918,314
Fines, penalties and forfeits	27	36,174,618	17,820,260
Total revenue from non-exchange transactions		932,280,074	730,359,281
Total revenue	24	2,032,031,487	1,813,427,268
Expenditure			
Employee related costs	37	(649,857,201)	(584,092,584)
Remuneration of councillors	38	(23,201,104)	(23,562,355)
Administration		(381,486)	-
Depreciation and amortisation	39	(202,065,474)	(199,141,860)
Impairment of assets	40	-	(99,265,941)
Finance costs	41	(37,629,948)	(35,485,064)
Rentals		(983,749)	(393,897)
Bad debts written off	47	(40,327,167)	(11,501,799)
Bulk purchases	42	(552,032,000)	(505,150,089)
Contracted services	43	(200,513,993)	(207,614,870)
Transfers and subsidies paid	34	(2,342,339)	(1,739,025)
Loss on disposal of assets and liabilities		(16,724,408)	-
Inventory consumed		(67,582,157)	(68,990,476)
Inventories losses/write-downs		-	(44,428)
Operational costs	44	(96,213,407)	(84,062,760)
Total expenditure		(1,889,854,433)	(1,821,045,148)
Surplus (deficit) for the years		142,177,054	(7,617,880)

* See Note 2 & 53

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	6,650,817,527	6,650,817,527
Adjustments		
Prior year adjustments	(6,244,390)	(6,244,390)
Balance at 01 July 2019 as restated*	6,644,573,137	6,644,573,137
Changes in net assets		
Surplus for the years	(7,617,880)	(7,617,880)
Total changes	(7,617,880)	(7,617,880)
Restated* Balance at 01 July 2020	6,636,760,396	6,636,760,396
Changes in net assets		
Surplus for the years	142,177,054	142,177,054
Total changes	142,177,054	142,177,054
Balance at 30 June 2021	6,778,937,450	6,778,937,450

* See Note 2 & 53

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,539,633,999	1,308,291,668
Grants received and public contributions		424,331,840	297,660,356
Interest income		24,970,419	49,692,489
Other operating income		7,349,200	-
		<u>1,996,285,458</u>	<u>1,655,644,513</u>
Payments			
Cash paid to employees and councillors		(655,041,873)	(590,536,953)
Suppliers		(869,310,094)	(864,938,712)
Finance costs		(33,994,840)	(31,558,636)
Grants paid		(2,342,339)	(1,739,025)
		<u>(1,560,689,146)</u>	<u>(1,488,773,326)</u>
Net cash flows from operating activities	48	<u>435,596,312</u>	<u>166,871,187</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(634,341,267)	(456,179,872)
Proceeds / (loss) from sale of property, plant and equipment	5	5,735,327	-
Purchase of other intangible assets	6	(9,214,619)	(765,032)
Movement in long term receivable	6	-	(2,652,082)
Proceeds from investments		-	200,000,000
Payment of deposits		(419,582)	-
		<u>(638,240,141)</u>	<u>(259,596,986)</u>
Net cash flows from investing activities		<u>(638,240,141)</u>	<u>(259,596,986)</u>
Cash flows from financing activities			
Raising of long term liabilities		-	175,549,713
Finance lease payments		(4,537,554)	(4,085,995)
Repayment of long term loans		(37,267,746)	-
		<u>(41,805,300)</u>	<u>171,463,718</u>
Net cash flows from financing activities		<u>(41,805,300)</u>	<u>171,463,718</u>
Net increase/(decrease) in cash and cash equivalents		<u>(244,449,129)</u>	<u>78,737,919</u>
Cash and cash equivalents at the beginning of the year		320,485,326	241,747,407
Cash and cash equivalents at the end of the year	16	<u>94,565,436</u>	<u>320,485,326</u>

* See Note 2 & 53

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	981,190,000	2,620,115	983,810,115	962,464,630	(21,345,485)	No additional revenue was identified from data cleansing process.
Sale of goods and rendering of services	11,152,120	(1,806,000)	9,346,120	8,283,087	(1,063,033)	Less revenue from sale of goods and services realised than budgeted for.
Rental of facilities and equipment	18,463,951	(591,192)	17,872,759	17,653,529	(219,230)	Less revenue realised from the renting out of facilities and equipments than budgeted for.
Interest received - trading	3,369,022	4,970	3,373,992	3,296,884	(77,108)	
Income from agency services	23,605,180	2,394,820	26,000,000	31,009,887	5,009,887	More revenue realised from licensing of vehicles.
Licences and permits	9,627,610	(2,280,000)	7,347,610	6,978,479	(369,131)	
Operating income	22,071,848	3,177,349	25,249,197	50,158,702	24,909,505	Due to sale of erven and increased insurance claims than budgeted for.
Investment revenue	38,530,857	(1,000,000)	37,530,857	19,906,215	(17,624,642)	Less revenue was realised from investing activities than budgeted for.
Total revenue from exchange transactions	1,108,010,588	2,520,062	1,110,530,650	1,099,751,413	(10,779,237)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	418,502,119	105	418,502,224	428,628,643	10,126,419	Improvement in the accuracy of the billing system.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Interest received - trading	3,203,664	(414,000)	2,789,664	3,084,575	294,911	Improvement in the revenue collection resulting with decreased interest on outstanding accounts.
Transfer revenue						
Transfers and subsidies	358,215,000	64,866,894	423,081,894	422,470,902	(610,992)	
Public contributions and donations	-	-	-	41,921,336	41,921,336	The municipality received donations that were not anticipated during the budget process.
Fines, penalties and forfeits	18,409,687	753,100	19,162,787	36,174,618	17,011,831	More traffic fines were issued than anticipated in budgeting.
Total revenue from non-exchange transactions	798,330,470	65,206,099	863,536,569	932,280,074	68,743,505	
Total revenue	1,906,341,058	67,726,161	1,974,067,219	2,032,031,487	57,964,268	
Expenditure						
Employee related costs	(633,575,981)	1,358,789	(632,217,192)	(649,857,201)	(17,640,009)	The increase is due to the movement on the employee benefits processed during the year.
Remuneration of councillors	(25,222,263)	175	(25,222,088)	(23,201,104)	2,020,984	
Impairment of assets	-	-	-	-	-	
Depreciation and amortisation	(212,738,040)	-	(212,738,040)	(202,065,474)	10,672,566	There were no significant newly found assets identified.
Administration	-	-	-	(381,486)	(381,486)	
Finance costs	(50,000,366)	(7,000)	(50,007,366)	(37,629,948)	12,377,418	More finance cost was provided during budgeting process.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Rentals	(4,428,914)	421,957	(4,006,957)	(983,749)	3,023,208	Less operating rentals consumed during the year than anticipated in budgeting.
Bad debts written off	-	-	-	(40,327,167)	(40,327,167)	
Bulk purchases	(552,890,589)	(5,000,000)	(557,890,589)	(552,032,000)	5,858,589	
Transfers and subsidies paid	(2,237,750)	(4,885,000)	(7,122,750)	(2,342,339)	4,780,411	
Loss on disposal of assets and liabilities	-	-	-	(16,724,408)	(16,724,408)	The variance is due to the movement processed in accounting for assets disposal process.
Operational costs	(173,706,644)	(142,267)	(173,848,911)	(96,213,407)	77,635,504	The variance is due to the reduced spending on operational costs in order to cut expenditures.
Contracted services	(229,301,464)	(12,398,268)	(241,699,732)	(200,513,993)	41,185,739	Reduced spending on contracted services in order to cut costs.
Inventory consumed	-	-	-	(67,582,157)	(67,582,157)	Inventory consumed line was not separately provided for.
Total expenditure	(1,884,102,011)	(20,651,614)	(1,904,753,625)	(1,889,854,433)	14,899,192	
Surplus before taxation	22,239,047	47,074,547	69,313,594	142,177,054	72,863,460	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	22,239,047	47,074,547	69,313,594	142,177,054	72,863,460	
Reconciliation						

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	62,540,000	-	62,540,000	68,085,703	5,545,703	
Long term receivables	-	-	-	7,519,901	7,519,901	
Operating lease asset	-	-	-	3,468,348	3,468,348	
Other receivables from exchange transactions	163,024,351	(104,924,201)	58,100,150	9,066,327	(49,033,823)	
Receivables from non-exchange transactions	-	-	-	59,367,438	59,367,438	
VAT receivable	-	-	-	83,691,996	83,691,996	
Receivables from exchange transactions	70,551,000	-	70,551,000	93,100,113	22,549,113	
Investments	380,000,000	-	380,000,000	250,000,000	(130,000,000)	
Deposits	-	-	-	2,815,696	2,815,696	
Cash and cash equivalents	119,095,000	(68,004,000)	51,091,000	94,565,436	43,474,436	
	795,210,351	(172,928,201)	622,282,150	671,680,958	49,398,808	
Non-Current Assets						
Investment property	25,417,000	-	25,417,000	26,095,033	678,033	
Property, plant and equipment	9,441,982,000	(2,121,066,000)	7,320,916,000	7,165,341,550	(155,574,450)	
Intangible assets	17,236,000	-	17,236,000	17,660,031	424,031	
Long term receivables	-	-	-	5,935,860	5,935,860	
	9,484,635,000	(2,121,066,000)	7,363,569,000	7,215,032,474	(148,536,526)	
Total Assets	0,279,845,351	(2,293,994,201)	7,985,851,150	7,886,713,432	(99,137,718)	
Liabilities						
Current Liabilities						
Long term liabilities	25,115,000	7,486,000	32,601,000	39,935,163	7,334,163	
Finance lease obligation	-	-	-	3,369,833	3,369,833	
Payables from exchange transactions	163,841,000	(72,812,000)	91,029,000	385,650,266	294,621,266	
Payables from non-exchange transactions	-	-	-	1,434,412	1,434,412	
Consumer deposits	93,481,000	-	93,481,000	77,131,363	(16,349,637)	
Employee benefit obligation	-	-	-	3,506,001	3,506,001	
Provisions	9,818,164	10,987,396	20,805,560	769,692	(20,035,868)	
Long service awards	-	-	-	3,536,000	3,536,000	
	292,255,164	(54,338,604)	237,916,560	515,332,730	277,416,170	
Non-Current Liabilities						
Long term liabilities	542,689,000	-	542,689,000	420,361,263	(122,327,737)	
Employee benefit obligation	-	-	-	111,674,000	111,674,000	
Provisions	194,978,000	-	194,978,000	35,490,987	(159,487,013)	
Long service awards	-	-	-	24,917,000	24,917,000	
	737,667,000	-	737,667,000	592,443,250	(145,223,750)	
Total Liabilities	1,029,922,164	(54,338,604)	975,583,560	1,107,775,980	132,192,420	
Net Assets	9,249,923,187	(2,239,655,597)	7,010,267,590	6,778,937,452	(231,330,138)	

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	9,249,923,187	(2,239,655,597)	7,010,267,590	6,778,937,452	(231,330,138)	

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	418,502,000	-	418,502,000	-		418,502,000	428,628,643		10,126,643	102 %	102 %
Service charges	981,191,000	2,619,000	983,810,000	-		983,810,000	962,464,630		(21,345,370)	98 %	98 %
Investment revenue	38,531,000	(1,000,000)	37,531,000	-		37,531,000	19,906,215		(17,624,785)	53 %	52 %
Transfers recognised - operational	232,278,000	32,028,000	264,306,000	-		264,306,000	267,859,601		3,553,601	101 %	115 %
Other own revenue	109,902,000	1,240,000	111,142,000	-		111,142,000	166,964,305		55,822,305	150 %	152 %
Total revenue (excluding capital transfers and contributions)	1,780,404,000	34,887,000	1,815,291,000	-		1,815,291,000	1,845,823,394		30,532,394	102 %	104 %
Employee costs	(633,576,000)	1,342,000	(632,234,000)	-	-	(632,234,000)	(649,857,201)	-	(17,623,201)	103 %	103 %
Remuneration of councillors	(25,222,000)	-	(25,222,000)	-	-	(25,222,000)	(23,201,104)	-	2,020,896	92 %	92 %
Debt impairment	(22,177,000)	-	(22,177,000)			(22,177,000)	-	-	22,177,000	- %	- %
Depreciation and asset impairment	(212,738,000)	-	(212,738,000)			(212,738,000)	(202,065,474)	-	10,672,526	95 %	95 %
Finance charges	(50,000,000)	(7,000)	(50,007,000)	-	-	(50,007,000)	(37,629,948)	-	12,377,052	75 %	75 %
Bulk purchases	(552,891,000)	(5,000,000)	(557,891,000)	-	-	(557,891,000)	(552,032,000)	-	5,859,000	99 %	100 %
Transfers and grants	(2,238,000)	(4,885,000)	(7,123,000)	-	-	(7,123,000)	(2,342,339)	-	4,780,661	33 %	105 %
Other expenditure	(407,437,000)	(12,102,000)	(419,539,000)	-	-	(419,539,000)	(433,050,911)	-	(13,511,911)	103 %	106 %
Total expenditure	(1,906,279,000)	(20,652,000)	(1,926,931,000)	-	-	(1,926,931,000)	(1,900,178,977)	-	26,752,023	99 %	100 %
Surplus/(Deficit)	(125,875,000)	14,235,000	(111,640,000)	-		(111,640,000)	(54,355,583)		57,284,417	49 %	43 %

Steve Tshwete Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	125,937,000	32,839,000	158,776,000	-		158,776,000	154,611,301		(4,164,699)	97 %	123 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	41,921,336		41,921,336	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	62,000	47,074,000	47,136,000	-		47,136,000	142,177,054		95,041,054	302 %	229,318 %
Surplus/(Deficit) for the year	62,000	47,074,000	47,136,000	-		47,136,000	142,177,054		95,041,054	302 %	229,318 %
Capital expenditure and funds sources											
Total capital expenditure	682,404,000	(20,688,000)	661,716,000	-		661,716,000	654,239,000		(7,477,000)	99 %	96 %

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	232,336,000	49,085,000	281,421,000	-		281,421,000	-		(281,421,000)	- %	- %
Net cash from (used) investing	(682,404,000)	13,242,000	(669,162,000)	-		(669,162,000)	-		669,162,000	- %	- %
Net cash from (used) financing	175,673,000	(2,728,000)	172,945,000	-		172,945,000	-		(172,945,000)	- %	- %
Net increase/(decrease) in cash and cash equivalents	(274,395,000)	59,599,000	(214,796,000)	-		(214,796,000)	-		214,796,000	- %	- %
Cash and cash equivalents at the beginning of the years	773,490,000	(127,603,000)	645,887,000	-		645,887,000	-		(645,887,000)	- %	- %
Cash and cash equivalents at years end	499,095,000	(68,004,000)	431,091,000	-		431,091,000	-		431,091,000	- %	- %

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2020				
Financial Performance				
Property rates				401,926,718
Service charges				933,361,539
Investment revenue				43,461,474
Transfers recognised - operational				211,932,996
Other own revenue				127,480,001
Total revenue (excluding capital transfers and contributions)				1,718,162,728
Employee costs	-	-	-	(584,092,584)
Remuneration of councillors	-	-	-	(23,562,355)
Depreciation and asset impairment	-	-	-	(298,407,801)
Finance charges	-	-	-	(35,485,064)
Materials and bulk purchases	-	-	-	(505,150,089)
Transfers and grants	-	-	-	(1,739,025)
Other expenditure	-	-	-	(372,989,364)
Total expenditure	-	-	-	-(1,821,426,282)
Surplus/(Deficit)				(103,263,554)
Transfers recognised - capital				85,727,360
Contributions recognised - capital and contributed assets				9,918,314
Surplus (Deficit) after capital transfers and contributions				(7,617,880)
Surplus/(Deficit) for the year				(7,617,880)
Capital expenditure and funds sources				
Total capital expenditure				340,148,641

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				166,871,187
Net cash from (used) investing				(259,596,986)
Net cash from (used) financing				171,463,718
Net increase/(decrease) in cash and cash equivalents				78,737,919
Cash and cash equivalents at the beginning of the years				241,747,407
Cash and cash equivalents at years end				320,485,326

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 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.

1.2 Materiality

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

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

1.3 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:

Receivables

The municipality assesses its trade 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 is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting 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 key assumptions such as the discount rate, condition of the asset, estimated future cash inflow, outflow, the term for discounting may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

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 19 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend 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 and long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in South African rands, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 9.

Effective interest rate

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

Allowance for impairment of financial assets

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

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.

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.4 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

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:

- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 5).

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 are 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 part 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 municipality 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.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Community assets	Straight line	30-300 years
Infrastructure assets	Straight line	10- 300 years
Land	Straight line	Indefinite
Landfill site	Straight line	10 - 300 years
Other property, plant and equipment	Straight line	2 - 30 years

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

Intangible assets are initially measured at cost.

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.

Subsequent to initial measurement, 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 to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	1- 15 years

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1.7 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.

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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 municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

Current portion of long term receivables
Finance lease receivables
Other receivables from exchange transactions
Deposits

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity 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

Long term liabilities
Employee benefit obligation
Operating lease liability
VAT payable

Category

Financial liability measured at amortised cost
Financial liability measured at fair value
Financial liability measured at amortised cost
Financial liability measured at amortised cost

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Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.8 Financial instruments (continued)

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 cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a 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 or 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 uncollectibility 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:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the 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 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 by adjusting an allowance account. The reversal does not result in the 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 assets measured 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 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.

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 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 municipality assesses the classification of each element separately.

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Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.10 Inventories (continued)

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.

1.11 Value-Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-Added Tax Act No.89 of 1991.

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the annual financial statements to distinguish non-cash-generating assets from cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective.

Identification

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

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

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Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

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1.13 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include:

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

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

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

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

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

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality determine the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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Accounting Policies

1.13 Employee benefits (continued)

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

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1.13 Employee benefits (continued)

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Termination benefits

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

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

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

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

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

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

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

1.14 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.

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Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

Decommissioning, restoration and similar liability

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

Where the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.12.

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

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

1.15 Commitments

Items are classified as commitments when the municipality 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.

1.16 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.

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Accounting Policies

1.16 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 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 surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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, in surplus or deficit, using the effective interest rate method.

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

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.17 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.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

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Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

Services in-kind

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

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

Concessionary loans received

A concessionary loan is a loan granted to or received by the property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 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).

1.22 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).

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Accounting Policies

1.23 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).

1.24 Housing development fund

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

1.25 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.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

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 01-April-2010 to 31-March-2011.

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

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Accounting Policies

1.26 Budget information (continued)

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.

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 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

Steve Tshwete Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2021

2020

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior years except for the adoption of the following new or revised standards.

- GRAP 18 (as amended 2016): Segment Reporting

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current years

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

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

3.2 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets

Notes to the Annual Financial Statements

3. Changes in accounting policy (continued)

- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date.

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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Notes to the Annual Financial Statements

3. Changes in accounting policy (continued)

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

3. Changes in accounting policy (continued)

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
 - GRAP 105 Transfer of Functions Between Entities Under Common Control
 - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
 - GRAP 34 *Separate Financial Statements*
 - GRAP 35 *Consolidated Financial Statements*
 - GRAP 36 *Investments in Associates and Joint Ventures*
 - GRAP 37 *Joint Arrangements*
 - GRAP 38 *Disclosure of Interests in Other Entities*

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2020.

The municipality expects to adopt the directive for the first time in the 2019/2020 annual financial statements.

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

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3. Changes in accounting policy (continued)

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2019 annual financial statements.

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4. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land	26,095,033	-	26,095,033	25,417,439	-	25,417,439

Reconciliation of investment property - 2021

	Opening balance	Disposals	Transfers	Total
Investment property (Land)	25,417,439	(484,004)	1,161,598	26,095,033

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property (Land)	25,417,439	25,417,439

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

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Figures in Rand	2021	2020
4. Operating lease asset (continued)		
• if possible, the range of estimates within which fair value is highly likely to lie, and		
• on disposal of investment property not carried at fair value:		
- the fact that the entity has disposed of investment property not carried at fair value,		
- the carrying amount of that investment property at the time of sale, and		
- the amount of gain or loss recognised.		
Amounts recognised in surplus or deficit		
Rental revenue from Investment property	17,653,529	17,754,952

Steve Tshwete Local Municipality

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Figures in Rand

5. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,257,462,665	-	1,257,462,665	1,263,109,887	-	1,263,109,887
Buildings	287,644,985	(126,771,718)	160,873,267	281,995,296	(123,002,859)	158,992,437
Infrastructure	8,005,135,952	(3,098,821,732)	4,906,314,220	7,526,708,142	(3,034,407,362)	4,492,300,780
Community	929,225,580	(315,087,162)	614,138,418	589,278,051	(12,502,233)	576,775,818
Other property, plant and equipment	487,350,337	(260,797,357)	226,552,980	483,647,970	(261,571,851)	222,076,119
Total	0,966,819,519	(3,801,477,969)	7,165,341,550	0,144,739,346	(3,431,484,305)	6,713,255,041

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Donations	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,263,109,887	-	-	(3,444,643)	(1,161,597)	(1,040,982)	-	-	1,257,462,665
Buildings	158,992,437	8,942,218	-	(31,595)	-	-	(6,818,239)	(211,554)	160,873,267
Infrastructure	4,492,300,780	545,032,539	40,493,327	(21,790,086)	-	(175,489)	(144,778,860)	(4,767,991)	4,906,314,220
Community	576,775,818	56,994,433	-	-	-	933,483	(18,894,014)	(1,671,302)	614,138,418
Other property, plant and equipment	222,076,119	34,886,950	1,195,868	(930,465)	-	145,380	(30,398,083)	(422,789)	226,552,980
	6,713,255,041	645,856,140	41,689,195	(26,196,789)	(1,161,597)	(137,608)	(200,889,196)	(7,073,636)	7,165,341,550

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Correction of erro	Depreciation	Impairment loss	Total
Land	1,274,813,593	-	(2,567,317)	(11,666,995)	-	2,530,606	-	-	1,263,109,887
Buildings	152,088,198	13,370,359	(31,595)	-	-	(53,902)	(6,358,699)	(21,924)	158,992,437
Infrastructure	4,309,624,012	355,263,173	-	(7,794,763)	(179,276)	(4,593,538)	(136,703,773)	(23,315,055)	4,492,300,780
Community	566,889,765	31,044,811	-	-	-	-	(17,848,226)	(3,310,532)	576,775,818
Other property, plant and equipment	208,488,031	67,195,935	-	-	-	3,981,821	(45,394,026)	(12,195,642)	222,076,119
	6,511,903,599	466,874,278	(2,598,912)	(19,461,758)	(179,276)	1,864,987	(206,304,724)	(38,843,153)	6,713,255,041

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	136,369,912	14,710,750	6,190,870	157,271,532
Additions/capital expenditure	194,965,107	5,790,000	2,449,209	203,204,316
Transferred to completed projects	(69,161,555)	(12,800,000)	(4,509,821)	(86,471,376)
	262,173,464	7,700,750	4,130,258	274,004,472

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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	255,512,145	14,362,069	4,130,258	274,004,472
Additions/capital expenditure	542,166,502	55,895,754	7,168,224	605,230,480
Transferred to completed projects	(500,488,408)	(41,589,900)	(6,513,281)	(548,591,589)
	297,190,239	28,667,923	4,785,201	330,643,363

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

Contracted services	68,680,941	64,335,270
Inventory consumed	12,308,632	8,374,022
Operational costs	1,610,284	1,398,476
Outsourced services	9,536,713	8,604,717
	92,136,570	82,712,485

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.

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6. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	24,443,697	(6,783,666)	17,660,031	19,024,880	(9,403,267)	9,621,613

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	9,621,613	9,214,691	(1,176,273)	17,660,031

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	9,906,188	1,339,691	(1,624,266)	9,621,613

7. Long term receivables

Designated at fair value

Long term receivables from exchange transactions
Consumer debtors arrangements on long outstanding debts in accordance with the credit control policy

13,455,761 9,828,834

Non-current assets

Designated at amortised cost

5,935,860 5,240,108

Current assets

Designated at fair value

7,519,901 4,588,726

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Figures in Rand	2021	2020
8. Operating lease asset		
Current assets	3,468,348	3,493,101
Minimum lease income		
-within one year	11,756,485	13,112,592
-second to fifth year	950,524	12,608,838
-after five years	34,848	342,637
	12,741,857	26,064,067

1. Izimbiwa Coal Pty Ltd - Lease of Farms in Middleburg. The contract expires on 31 March 2022. The contract escalates annually at 6%

Actual income levied 2020/2021	R 11 526 356
Expected levy income 2021/2022	R 10 551 726
Annual straightlining	R 11 510 974

2. Arowana Development

The contract expired on 28 February 2024. The contract escalates annually with 6%.

Actual income levied 2020/2021	R 17 478
Expected levy income 2020/2022	R 78 869
Annual straightlining	R 18 717

3. Mpumalanga Valve Services Pty Ltd: Rental of the remainder of Erf 11033 Middelburg for Industry purposes . The contract expires on 31 March 2022. The contract escalates annually with 8%.

Actual income levied 2020/2021	R 154 393
Expected levy income 2020/2022	R 117 395
Annual straightlining	R 156 527

4. Gerrie Gerrits (Pty)Ltd T/A Pienaarsdam Resort: Rental of portions of Farm Vaalbank for riparian purposes. The contract expires on 31 October 2027. The contract escalates annually with 10%.

Actual income levied 2020/2021	R 73 311
Expected levy income 2020/2022	R 100 109
Annual straightlining	R 100 109

5. Alurod Pty Ltd .The contract expires on 31 December 2022. The contract escalates annually with 6%.

Actual income levied 2020/2021	R 63 600
Expected levy income 2020/2022	R 66 100
Annual straightlining	R 66 100

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9. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer 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 members of the municipal accredited medical aid schemes. All existing continuation members (pensioners) and their dependents will continue to receive either 60% or 70% subsidy depending on when they retire. This subsidy is subject to the maximum amount of R 4 773.12 (per month per member) for the period 1 July 2020 to 30 June 2021.

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

Carrying value

Present value of the defined benefit obligation—partly or wholly funded	(115,180,001)	(101,602,001)
Non-current liabilities	(111,674,000)	(98,020,001)
Current liabilities	(3,506,001)	(3,582,000)
	(115,180,001)	(101,602,001)

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

Opening balance	101,602,000	100,536,446
Net expense recognised in the statement of financial performance	13,578,000	1,065,554
	115,180,000	101,602,000

Net expense recognised in the statement of financial performance

Current service cost	5,350,000	5,444,720
Interest cost	10,625,000	9,362,662
Actuarial (gains) losses	1,915,823	(9,718,949)
Contributions (benefits paid)	(4,312,823)	(4,022,879)
	13,578,000	1,065,554

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	10.21 %	10.64 %
Discount rates used	5.18 %	5.75 %
Expected rate of return on assets	4.79 %	4.63 %
Medical cost trend rates	6.88 %	6.67 %
Expected increase in salaries	3.12 %	3.72 %
Expected pension increases	62	62
Proportion of employees opting for early retirement	85	85
Expected increase in healthcare costs	90	90

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9. Other asset 3 (continued)

Other assumptions

Valuation results are sensitive to changes in the underlying assumptions. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Health inflation - effect on the aggregate of the service cost and interest cost	1	1
Healthcare - effect on defined benefit obligation	1	1

Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Defined benefit obligation	115,180,000	101,602,000	100,536,446	91,629,886	90,849,059

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is 69,211,517 61,684,366

10. Investments

ABSA Bank	50,000,000	100,000,000
NEDBANK	200,000,000	100,000,000
INVESTEC Call Account	-	50,000,000
	250,000,000	250,000,000

Investments are non-derivative financial assets and are classified at fair value and held to maturity. Investments will mature within two to six months, therefore cost equates to fair-value.

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Figures in Rand	2021	2020
11. Inventories		
Land	32,111,038	33,354,783
Consumable stores	35,143,563	26,287,931
Water for distribution	607,507	607,507
Stores, materials and fuels	223,595	258,827
	68,085,703	60,509,048

In the 2020/2021 financial year Property, Plant and Equipment - Land to the value of R 0 (2020 : R 11 666 995) was transferred to the Inventory - Land.

Inventory pledged as security

During the year no inventory was pledged as security.

Inventory shortages and surpluses

Inventory shortages written off during the year	(164,054)	(314,575)
Inventory surpluses for the year	626,891	270,147
	462,837	(44,428)

12. Other receivables from exchange transactions

Accrued interest (bank)	1,051,115	33,548,106
Sundry debtors	18,576,400	23,760,703
Less allowance for impairment	(10,561,188)	(15,858,378)
	9,066,327	41,450,431

Included in other receivables from exchange transactions above are the following receivables which are not impaired:

Accrued interest (bank)	1,302,310	33,548,106
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Other receivables pledged as security

None of other receivables were pledged as security

Other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2021 and June 30, 2020 all accounts past due were considered for impairment.

Other receivables impaired

As of 30 June 2021, sundry debtors of (R 10 503 862) (2020 : R 12 327 932) were impaired and provided for. The amount of the provision was (R 5 239 864) as of 30 June 2021 (2020 : R 2 654 524)

The ageing of these sundry debtors is as follows:

0 to 3 months	4,390,686	7,678,454
3 to 6 months	481,824	2,212,250
Over 6 months	12,986,325	13,830,314

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Figures in Rand	2021	2020
12. Other receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(15,858,378)	(13,146,527)
Provision for impairment	5,297,190	(2,711,851)
	(10,561,188)	(15,858,378)
13. Receivables from non-exchange transactions		
Traffic fines	5,822,403	4,186,279
Property rates	53,545,035	32,722,314
	59,367,438	36,908,593
Age analysis (Traffic fines)		
Gross balance	54,795,780	51,581,508
Less: Allowance for impairment	(48,973,353)	(47,395,229)
	5,822,427	4,186,279
Age analysis (Property rates)		
Current (0-30 days)	25,358,315	27,651,470
31-60 days	4,805,912	9,387,932
61-90 days	3,456,321	10,556,402
91-120 days	3,040,408	12,703,258
121-150 days	2,717,230	7,369,181
> 150 days	49,053,582	33,074,837
Allowance for impairment	(34,886,731)	(68,020,766)
	53,545,037	32,722,314
14. VAT receivable		
VAT	83,691,996	88,515,997
The municipality recognises VAT on the accrual basis and declares it to SARS on a cash basis. All VAT returns have been submitted by the due date through the years.		
15. Receivables from exchange transactions		
Gross balances		
Electricity	46,426,964	46,779,083
Water	35,967,338	36,482,330
Waste water management	20,879,721	54,741,663
Waste management	20,244,819	64,821,246
Land sale debtors	75,429	923,123
Merchandising, jobbing and contracts	22,690,524	22,701,100
	146,284,795	226,448,545

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Figures in Rand	2021	2020
15. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(16,456,504)	(24,120,121)
Water	(11,336,994)	(15,759,450)
Waste water management	(8,237,145)	(31,499,237)
Waste management	(7,986,673)	(54,504,554)
Land sale debtors	(29,757)	(601,026)
Merchandising, jobbing and contracts	(9,137,609)	(10,746,670)
	(53,184,682)	(137,231,058)
Net balance		
Electricity	29,970,460	22,658,962
Water	24,630,344	20,722,880
Waste water management	12,642,576	23,242,426
Waste management	12,258,146	10,316,692
Land sale debtors	45,672	322,097
Merchandising, jobbing and contracts	13,552,915	11,954,430
	93,100,113	89,217,487
Electricity		
Current (0 -30 days)	26,818,545	19,562,642
31 - 60 days	2,401,911	5,570,464
61 - 90 days	1,249,191	4,134,133
91 - 120 days	893,682	4,481,231
121 - 365 days	825,191	2,449,865
> 365 days	14,238,446	10,580,748
Less Allowance for impairment	(16,456,506)	(24,120,121)
	29,970,460	22,658,962
Water		
Current (0 -30 days)	14,849,755	9,394,225
31 - 60 days	2,429,047	3,457,394
61 - 90 days	1,541,099	4,044,127
91 - 120 days	1,446,768	5,027,549
121 - 365 days	815,149	2,901,633
> 365 days	14,885,517	11,657,401
Less allowance for impairment	(11,336,991)	(15,759,449)
	24,630,344	20,722,880
Waste water management		
Current (0 -30 days)	7,030,843	8,519,108
31 - 60 days	1,967,004	7,628,488
61 - 90 days	1,163,296	10,694,796
91 - 120 days	718,182	13,922,603
121 - 365 days	594,648	7,216,614
> 365 days	9,405,748	6,760,051
Less allowance for impairment	(8,237,145)	(31,499,234)
	12,642,576	23,242,426

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Figures in Rand	2021	2020
15. Receivables from exchange transactions (continued)		
Waste management		
Current (0 -30 days)	7,516,566	9,618,688
31 - 60 days	1,590,981	9,433,195
61 - 90 days	972,080	13,248,280
91 - 120 days	740,114	17,307,600
121 - 365 days	633,376	8,924,911
> 365 days	8,791,704	6,288,567
Less allowance for impairment	(7,986,675)	(54,504,549)
	12,258,146	10,316,692
Land sales debtors		
Current (0 -30 days)	4,303	4,849
31 - 60 days	28	40
61 - 90 days	28	2,255
91 - 120 days	28	40
121 - 365 days	28	40
> 365 days	71,014	915,899
Less allowance for impairment	(29,757)	(601,026)
	45,672	322,097
Merchandising , jobbing and contracts		
Current (0 -30 days)	2,439,841	3,118,778
31 - 60 days	780,502	265,719
61 - 90 days	1,103,149	253,353
91 - 120 days	1,129,264	1,945,096
121 - 365 days	385,538	868,964
> 365 days	17,323,947	16,249,190
Less allowance for impairment	(9,609,326)	(10,746,670)
	13,552,915	11,954,430
Reconciliation of allowance for impairment		
Balance at beginning of the year	(137,231,058)	(100,326,567)
Contributions to allowance	84,046,376	(36,904,491)
	(53,184,682)	(137,231,058)
16. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	42,380	42,380
Bank balances	94,523,056	320,442,946
	94,565,436	320,485,326

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16. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK (Nelspruit) - cheque account 10-4000-0077	35,799,406	328,112,287	217,707,871	26,150,031	306,617,341	198,977,187
ABSA BANK (Nelspruit) - cheque account 40-7830-3563	1,115,154	10,541,571	45,882,041	4,495,757	13,825,605	42,727,840
ABSA BANK (Nelspruit) - cheque account 40-5357-0755	-	24,821	-	42,380	42,400	42,380
FNB BANK - Cheque account - 62-8771-40740	64,190,686	-	-	63,877,270	-	-
Total	101,105,246	338,678,679	263,589,912	94,565,438	320,485,346	241,747,407

17. Finance lease obligation

Minimum lease payments due

- within one year	3,518,652	5,153,618
- in second to fifth year inclusive	-	3,518,653

	3,518,652	8,672,271
less: future finance charges	(148,819)	(764,881)

Present value of minimum lease payments

	3,369,833	7,907,390
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Present value of minimum lease payments due

- within one year	3,369,833	4,153,687
- in second to fifth year inclusive	-	3,753,703

	3,369,833	7,907,390
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Non-current liabilities	-	3,753,703
Current liabilities	3,369,833	4,153,687
	3,369,833	7,907,390

It is municipality policy to lease photocopiers under finance leases. The municipality entered into a lease agreement with Nashua for 51 machines for a period of 5 years. An effective borrowing rate of 10.5% was used for valuation of finance lease obligation.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 5.

18. Long term liabilities

At amortised cost

Infrastructure Finance Corporation	3,341,188	7,922,543
Interest at 9.59% redeemable on 30/06/2022		
Infrastructure Finance Corporation	7,814,027	11,219,764
Interest at 9.29% redeemable on 30/06/2023		
Infrastructure Finance Corporation	11,901,039	14,184,627
Interest at 9.02% redeemable on 30/06/2024		
ABSA	437,240,172	463,393,494
Interest at 9.67% redeemable on 30/06/2033		
	460,296,426	496,720,428

Total other financial liabilities

	460,296,426	496,720,428
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Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
18. Long term liabilities (continued)		
Non-current liabilities		
At amortised cost	420,361,263	468,166,805
Current liabilities		
At amortised cost	39,935,163	28,553,623

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

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Figures in Rand 2021 2020

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Landfill rehabilitation	21,900,060	13,308,101	-	-	35,208,161
Performance bonus	1,615,821	769,692	(1,615,821)	-	769,692
Church erven	311,142	52,391	-	(80,707)	282,826
	23,827,023	14,130,184	(1,615,821)	(80,707)	36,260,679

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	24,841,391	-	(2,941,331)	21,900,060
Performance bonus	1,812,769	816,381	(1,013,329)	1,615,821
Church erven	159,654	230,435	(78,947)	311,142
	26,813,814	1,046,816	(4,033,607)	23,827,023
Non-current liabilities			35,490,987	22,211,202
Current liabilities			769,692	1,615,821
			36,260,679	23,827,023

Landfill rehabilitation

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Key financial assumptions used in this calculations were a CPI of 4.8235%, a discount rate of 8.8235% and therefore a net effective discount rate of 4%.

The 2021 discounted value of the landfill closure provision of R 35 208 161 represents an increase of R 13 308 101 compared to the provision of R 21 900 060 in the previous financial year. Composition of this change relates to changes in the CPI , discount rate and unit costs. The interest charge relating to the assessment amounts to R 1 763 108.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for the waste disposal as at 30 June 2021. The size of the Middleburg landfill site that has already been used for dumping of waste is estimated at 96 221 m². The remaining life of the landfill is estimated at 10 years.

Performance bonus

The provision is to provide for the performance bonuses of the Section 57 employees and other senior managers where applicable. The provision is calculated at 14% of the total remuneration in terms of the performance agreements at the reporting date which is usually paid within one year.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020			
19. Provisions (continued)					
Church erven					
The provision for church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at the reporting date.					
20. Long service awards					
Long service awards in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by an Independent Actuaries and Consultants as at 30 June 2021.					
Changes in the present value of the long service liability is					
Opening balance	25,768,000	24,226,288			
Current service cost	2,761,000	2,691,195			
Interest cost	1,872,000	1,890,750			
Benefits vested	(1,971,000)	(2,498,263)			
Acturial (gain)/loss	23,000	(541,970)			
	28,453,000	25,768,000			
Current liability	3,536,000	1,971,006			
Non-current liability	24,917,000	23,796,994			
	28,453,000	25,768,000			
Long service award liability	2021 28,453,000	2020 25,768,000	2019 24,226,288	2018 20,289,590	2017 18,594,629
Assumptions used at the reporting date					
Discount rate	9.35%	7.55%			
Normal salary increase rate	5.81%	4.10%			
Net discount rate	3.35%	3.31%			
21. Payables from exchange transactions					
Trade payables	13,323,872	22,180,651			
Pre-paid meter sales in advance	5,464,154	5,201,335			
Accrued expenses	175,662,788	108,697,866			
Consumer receivables paid in advance	20,415,200	16,991,583			
Sundry receivables paid in advance	717,563	1,092,086			
Staff leave	61,004,319	47,528,671			
Retentions payable	79,135,412	49,818,354			
Third party pre-paid sales in advance	9,737,435	3,175,808			
Unallocated deposits	20,189,524	27,627,332			
	385,650,267	282,313,686			
22. Payables from non-exchange transactions					
GIZ:Small Medium and Micro Enterprises	1,165,138	-			
The Local Government Sector Education and Training Authority	199,794	601,894			
Mpumalanga AGRISETA	69,480	69,480			
	1,434,412	671,374			

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Consumer deposits		
Electricity and Water	74,376,806	73,444,088
Sundry	2,754,558	1,889,777
	77,131,364	75,333,865

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits for 2021 : R 6 997 434 (2020: R 7 020 639). Deposits consists of consumer deposits for water and electricity, contractor deposits (Wayleave), Rental of facilities and unallocated deposits.

24. Revenue

Rendering of services	8,283,087	9,593,919
Service charges	962,464,630	933,361,539
Rental of facilities and equipment	17,653,529	17,754,826
Interest received (trading)	3,296,884	3,197,403
Agency services	31,009,887	25,791,907
Licences and permits	6,978,479	5,512,877
Other income - (rollup)	50,158,702	44,394,042
Interest received - investment	19,906,215	43,461,474
Property rates	428,628,643	401,926,718
Interest, Dividends and Rent on Land	3,084,575	3,033,633
Government grants & subsidies	422,470,902	297,660,356
Public contributions and donations	41,921,336	9,918,314
Fines, Penalties and Forfeits	36,174,618	17,820,260
	2,032,031,487	1,813,427,268

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

Service charges	962,464,630	933,361,539
Rendering of services	8,283,087	9,593,919
Rental of facilities and equipment	17,653,529	17,754,826
Interest received (trading)	3,296,884	3,197,403
Agency services	31,009,887	25,791,907
Licences and permits	6,978,479	5,512,877
Other income - (rollup)	50,158,702	44,394,042
Interest received - investment	19,906,215	43,461,474
	1,099,751,413	1,083,067,987

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

Taxation revenue

Property rates	428,628,643	401,926,718
Interest, Dividends and Rent on Land	3,084,575	3,033,633

Transfer revenue

Government grants & subsidies	422,470,902	297,660,356
Public contributions and donations	41,921,336	9,918,314
Fines, Penalties and Forfeits	36,174,618	17,820,260

932,280,074 **730,359,281**

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
25. Service charges		
Sale of electricity	667,286,248	638,979,442
Sale of water	104,967,492	115,197,268
Sewerage and sanitation charges	90,128,536	84,104,444
Refuse removal	100,082,354	95,080,385
	962,464,630	933,361,539
26. Rental of facilities and equipment		
Ad-hoc rentals	1,231,185	1,536,360
Land : Undeveloped land	4,219,762	4,055,031
Surface Rental : Mining	12,202,582	12,163,435
	17,653,529	17,754,826
Included in the above rentals are operating lease rentals at straight-lined amounts of R 24 753 (2020: R 731 313).		
27. Fines, Penalties and Forfeits		
Traffic fines	23,641,691	17,820,260
Law Enforcement Fines	12,516,518	-
Other fines	16,409	-
	36,174,618	17,820,260
28. Income from agency services		
Vehicle Registration	31,009,887	25,791,907
The municipality has contractual arrangement with the Department of Community, Safety and Liason Mpumalanga (principal) for the motor vehicles registrations on an 80/20 commission basis. No risks or rewards in relation to the assets , expenditures and payables in terms of this agreement are applicable to the municipality.		
The remittance of 80 percent of the revenues collected in terms of rendering the services on behalf of the principal occurs on a monthly basis and any unpaid amounts at the end of the financial year are reflected as payables on the statement of financial position.		
29. Licences and permits (exchange)		
Health Certificates	1,435	-
Trading	231,192	165,568
Road and Transport	6,745,852	5,347,309
	6,978,479	5,512,877
30. Interest received		
Interest from non-exchange receivables	3,084,575	3,033,633
Interest from exchange receivables	3,296,884	3,197,403
	6,381,459	6,231,036

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
31. Operating income		
Incidental cash surpluses	642,412	253,904
Sale of erven	32,432,951	35,449,470
Breakages and losses recovered	35,444	26,611
Registration fee	271,495	273,020
Insurance claims	8,472,346	1,563,580
Administration fees	1,580,580	309,620
Request information	189,733	142,050
Skills development fund refund	2,663	3,270
Collection charges	627,717	755,836
Commission	2,869,002	2,508,743
Recoveries	16,486	1,736,688
Reversal of impairment	1,717,576	-
Staff recoveries	117,228	223,066
Merchandising, jobbing and contracts	1,183,069	1,148,184
	50,158,702	44,394,042
32. Investment revenue		
Interest revenue		
Short term investments	12,484,081	28,013,985
Bank	7,422,134	15,447,489
	19,906,215	43,461,474

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Property rates		
Rates received		
Residential	255,903,278	242,818,141
Commercial	94,910,799	86,013,864
Government	15,111,061	14,373,007
Privately owned towns	864,407	623,057
Farm properties	4,499,442	5,066,766
Mining	2,255,140	2,122,769
Industrial	84,299,620	79,324,317
Multiple purpose	10,656,146	10,462,504
Other categories	6,874,055	6,795,041
Less: Income forgone	(46,745,305)	(45,672,748)
	428,628,643	401,926,718

Valuations

Public benefit organisations	89,567,000	96,762,000
Commercial	6,223,332,900	6,191,784,900
Government	1,137,710,000	1,242,143,000
Privately owned towns	60,257,000	62,881,000
Farm properties	3,078,054,500	3,078,054,500
Mining properties	84,317,000	84,317,000
Industrial properties	3,432,719,000	3,405,299,000
Multi purposes	873,088,170	868,358,170
Other categories	403,129,000	562,883,000
Residential	13,194,256,000	12,983,948,000
	18,576,430,570	18,576,430,570

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 1 (2020 : R 1) is applied to property valuations to determine assessment rates.

34. Transfers and subsidies paid

Other subsidies

Tourism centre	472,500	450,000
Bereavement assistance employee	474,839	50,000
Society for the prevention of cruelty for animals (SPCA)	997,500	950,000
Business linkage centre	157,500	150,000
Rotary, schools and other	240,000	139,025
	2,342,339	1,739,025

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Transfers and subsidies		
Operating grants		
Equitable share	257,459,001	200,511,000
Finance management grant	1,700,000	1,700,000
Municipal Infrastructure grant	-	1,988,640
Expanded public works programme	4,545,000	3,723,000
Intergrated Urban Development Grant (IUDG)	3,717,500	-
Municipal support and governance	-	3,277,613
Local Government Sector and Education Authority	438,100	285,743
Municipal Disaster Relief Grant	-	447,000
	267,859,601	211,932,996
Capital grants		
Integrated national electrification grant (INEP)	5,000,000	8,000,000
Municipal Infrastructure Grant	-	47,727,360
Regional Bulk Infrastructure Grant (RBIG)	35,839,000	-
Intergrated Urban Development Grant (IUDG)	88,076,500	-
Greenest municipality competition	695,801	-
Water Services Infrastructure Grant	25,000,000	30,000,000
	154,611,301	85,727,360
	422,470,902	297,660,356
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Current year receipts	257,459,001	200,511,000
Municipal infrastructure grant (MIG)		
Current-year receipts	-	49,716,000
Conditions met - transferred to revenue	-	(49,716,000)
	-	-
Conditions still to be met - remain liabilities (see note).		
Intergrated Urban Development Grant (IUDG)		
Current-year receipts	91,794,000	-
Conditions met - transferred to revenue	(91,794,000)	-
	-	-
Conditions still to be met - remain liabilities (see note).		
Provide explanations of conditions still to be met and other relevant information.		
National Government: Local Government Finance Management Grant (FMG)		
Current-year receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,700,000)	(1,700,000)
	-	-
Conditions still to be met - remain liabilities (see note).		

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Transfers and subsidies (continued)		
Water Services Infrastructure Grant		
Current-year receipts	25,000,000	30,000,000
Conditions met - transferred to revenue	(25,000,000)	(30,000,000)
	-	-
Conditions still to be met - remain liabilities (see note).		
Mpumalanga: Capacity Building: LGSETA		
Current-year receipts	-	47,990
Conditions met - transferred to revenue	-	(47,990)
	-	-
Conditions still to be met - remain liabilities (see note).		
Housing Accreditation		
Reclassified from payables	-	220,000
Conditions met - transferred to revenue	-	(220,000)
	-	-
Conditions still to be met - remain liabilities (see note).		
Integrated national electrification programme grant (INEP)		
Current-year receipts	5,000,000	8,000,000
Conditions met - transferred to revenue	(5,000,000)	(8,000,000)
	-	-
Conditions still to be met - remain liabilities (see note).		
Local Government Sector and Education Authority		
Current-year receipts	438,100	-
Conditions met - transferred to revenue	(438,100)	-
	-	-
Conditions still to be met - remain liabilities (see note).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Disaster Relief Grant		
Current-year receipts	-	447,000
Conditions met - transferred to revenue	-	(447,000)
	-	-
Conditions still to be met - remain liabilities (see note).		
Regional Bulk Infrastructure Grant (RBIG)		
Current-year receipts	35,839,000	-
Conditions met - transferred to revenue	(35,839,000)	-

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Transfers and subsidies (continued)		
	-	-
Conditions still to be met - remain liabilities (see note).		
Provide explanations of conditions still to be met and other relevant information.		
Expanded public works programme (EPWP)		
Current-year receipts	4,545,000	3,723,000
Conditions met - transferred to revenue	(4,545,000)	(3,723,000)
	-	-
Conditions still to be met - remain liabilities (see note).		
36. Public contributions and donations		
Provincial Government	174,068	-
District Municipality	40,493,327	5,649,325
Private Enterprises	1,253,941	4,268,989
	41,921,336	9,918,314

Steve Tshwete Local Municipality

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Figures in Rand	2021	2020
37. Employee related costs		
Salaries	343,938,449	312,512,652
Acting and scarcity allowance	6,515,876	6,125,317
Bonus	27,360,859	25,051,067
Medical aid - company contributions	33,933,785	30,574,109
Unemployment insurance fund contributions	2,794,041	2,667,536
Leave pay provision charge	18,016,432	13,903,207
Pension fund contributions	67,580,724	61,684,366
Overtime and standby allowances	103,952,505	101,482,203
Travel and motor vehicle allowances	18,358,439	17,013,144
Housing benefits and allowances	2,162,049	2,080,796
Group insurance	2,514,266	2,251,802
Cellphone allowance	1,031,767	922,289
Employee benefits	21,698,009	7,824,096
	649,857,201	584,092,584

Municipal Manager: B Khenisa

Annual Remuneration	1,185,347	1,125,584
Performance Bonuses	254,349	89,269
Contributions to UIF	1,813	1,785
Travel allowance	120,000	120,000
	1,561,509	1,336,638

Acting Municipal Manager: SM Mnguni

Performance Bonuses	-	53,764
Contributions to UIF, Medical and Pension Funds	-	149
	-	53,913

Received performance bonus in relation to 2017/2018 financial year.

Executive Director Financial Services: E Wassermann

Contributions to UIF, Medical and Pension Funds	-	149
Performance Bonuses	102,488	95,172
	102,488	95,321

Received performance bonus in relation to 2017/2018 financial year.

Executive Manager Financial Services : David Mogofe

Acting Allowance	-	139,345
Annual Remuneration	553,361	-
Performance Bonuses	161,590	-
Contributions to UIF, Medical and Pension Funds	149,465	-
Travel Allowance	90,000	-
	954,416	139,345

Acting from November 2019 to June 2020. Appointed on 01 August 2020.

Executive Manager Infrastructure Services: A Ntuli

Annual Remuneration	300,188	821,320
Travel Allowance	54,029	146,400

Steve Tshwete Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
37. Remuneration of councillors (continued)		
Performance Bonuses	82,649	118,503
Contributions to UIF, Medical and Pension Funds	33,056	41,806
	469,922	1,128,029
Resigned on November 2020.		
Executive Manager Corporate Services: M Khumalo		
Annual Remuneration	823,909	825,841
Car Allowance	144,000	144,000
Performance Bonuses	84,546	104,670
Contributions to UIF, Medical and Pension Funds	76,672	38,387
	1,129,127	1,112,898
Executive Manager Community Services: T Zulu		
Annual Remuneration	487,755	530,961
Car Allowance	336,000	336,000
Performance Bonuses	68,874	111,908
Contributions to UIF, Medical and Pension Funds	180,440	109,779
	1,073,069	1,088,648
Executive Manager Infrastructure Services: R Makgata		
Annual Remuneration	100,387	-
Car Allowance	50,000	-
Contributions to UIF, Medical and Pension Funds	25,786	-
	176,173	-
Appointed on the 1st May 2021		
Acting Executive Manager Infrastructure Services : L G Silolo		
Acting Allowance	19,783	-
Acting Executive Manager Infrastructure Services : N C Gubevu		
Acting Allowance	24,807	-
Acting Executive Manager Financial Services: BJ Booyens		
Acting Allowance	-	114,731
Acting from July to October 2019.		
38. Remuneration of councillors		
Executive Mayor	867,881	938,250
Chief whip	714,788	714,787
Mayoral Committee Members	4,112,486	4,288,721
Speaker	759,479	759,415
Other Councillors	16,746,470	16,861,182
	23,201,104	23,562,355

Steve Tshwete Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

38. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Chief Whip, Speaker, Mayoral Committee members and the MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council. The Executive Mayor has use of a council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist him in his duties.

Council remuneration is made up of the following

Councillors	15,676,048	16,049,968
Cellphone and other allowances	2,551,444	2,560,929
Motor vehicle allowance	2,758,469	2,782,375
Medical aid contributions	500,525	759,842
Pension fund contributions	1,714,616	1,409,241
	23,201,102	23,562,355

Salary, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

2021

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor - BJ Tolo	528,861	-	-	-	26,270	555,131
Executive Mayor - DJ Motsepe	185,806	74,488	26,874	10,783	14,800	312,751
Speaker - AM Mabena	441,153	178,770	63,654	31,502	44,400	759,479
Chief Whip - SD Nkadimeng	411,908	167,597	59,381	31,502	44,400	714,788
	1,567,728	420,855	149,909	73,787	129,870	2,342,149

Mayoral committee

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr MI Kgalema	419,666	160,331	61,018	-	44,400	685,415
Cllr NC Mkhuma	392,889	160,331	56,293	31,502	44,400	685,415
Cllr DJ Motsepe	255,637	104,465	36,508	20,942	29,600	447,152
Cllr J Matshiane	399,557	160,331	57,469	23,657	44,400	685,414
Cllr TE Mnguni	392,889	160,331	56,293	31,502	44,400	685,415
Cllr SM Malepeng	419,666	160,331	61,018	-	44,400	685,415
Cllr MJ Sekgwele	194,971	-	28,491	-	14,800	238,262
	2,475,275	906,120	357,090	107,603	266,400	4,112,488

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

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38. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr T P Mnisi	246,804	-	36,066	-	44,400	327,270
Cllr A B Marumo	282,870	-	-	-	44,400	327,270
Cllr GHE Romijn	212,152	70,718	-	-	44,400	327,270
Cllr MN Mathibela	246,804	-	36,066	-	44,400	327,270
Cllr T S Motloung	246,804	-	36,066	-	44,400	327,270
Cllr N M Hadebe	185,103	70,718	27,049	-	44,400	327,270
Cllr L K Mahlangu	234,293	-	33,858	14,719	44,400	327,270
Cllr D D Klopper	212,152	70,718	-	-	44,400	327,270
Cllr E Du Toit	185,103	70,718	27,049	-	44,400	327,270
Cllr J P Pretorius	185,103	70,718	27,049	-	44,400	327,270
Cllr DJ Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr R G Mamogale	230,146	-	33,126	19,598	44,400	327,270
Cllr D L Paul	246,804	-	36,066	-	44,400	327,270
Cllr K P J Uys	20,567	-	3,005	-	3,700	27,272
Cllr AS Grobler	185,103	70,718	27,049	-	44,400	327,270
Cllr T E Motsepe	228,871	-	32,901	21,098	44,400	327,270
Cllr J Skosana	282,870	-	-	-	44,400	327,270
Cllr H F Niemann	185,103	70,718	27,049	-	44,400	327,270
Cllr A O Thabatha	246,804	-	36,066	-	44,400	327,270
Cllr S J Roos	212,152	70,718	-	-	44,400	327,270
Cllr D A Stuurman	282,870	-	-	-	44,400	327,270
Cllr E M Bruiners	282,870	-	-	-	44,400	327,270
Cllr A Struwig	240,439	42,431	-	-	44,400	327,270
Cllr L J N Zondo	223,047	-	31,874	27,949	44,400	327,270
Cllr H G De Klerk	193,282	70,718	-	18,870	44,400	327,270
Cllr T P Motau	115,689	44,198	18,033	-	27,750	205,670
Cllr S Wait	212,152	70,718	-	-	44,400	327,270
Cllr K J Phasha	246,804	-	36,066	-	44,400	327,270
Cllr A M Mahlangu	246,804	-	36,066	-	44,400	327,270
Cllr J Dyason	212,152	70,718	-	-	44,400	327,270
Cllr P V Malinga	165,114	70,718	23,372	24,519	44,400	328,123
Cllr S M Mogola	259,213	-	-	23,657	44,400	327,270
Cllr L C Masemula	282,870	-	-	-	44,400	327,270
Cllr M C Mosoma	185,103	70,718	27,049	-	44,400	327,270
Cllr N J Mthombeni	185,103	70,718	27,049	-	44,400	327,270
Cllr M M Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr E Sebesho	185,103	70,718	27,049	-	44,400	327,270
Cllr P Mobango	172,806	70,718	-	39,346	44,400	327,270
Cllr J P Duvenage	185,103	70,718	27,049	-	44,400	327,270
Cllr A Mangcotywa	246,804	-	36,066	-	44,400	327,270
Cllr MF Mashaba	244,754	-	36,066	-	44,130	324,950
Cllr CS Mashiloa	27,993	-	2,761	1,633	5,286	37,673
Cllr J Mentz	207,727	-	30,055	-	37,370	275,152
Cllr BP Ndala	82,268	-	12,022	-	14,800	109,090
	9,255,286	1,288,835	861,174	191,389	1,820,236	13,416,920

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Figures in Rand	2021					2020
38. Remuneration of councillors (continued)						
Chairpersons	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr R M Xaba	344,194	142,668	51,641	35,995	38,938	613,436
Cllr T R Vilakazi	316,732	-	46,285	-	44,400	407,417
Cllr P M Masilela	296,624	-	42,736	23,657	44,400	407,417
Cllr T N Morufane	316,732	-	46,285	-	44,400	407,417
Cllr M Masina	316,732	-	46,285	-	44,400	407,417
Cllr M Mphego	292,476	-	42,004	28,537	44,400	407,417
Cllr M J Sekgwele	211,155	-	30,856	-	29,600	271,611
Cllr J M Mitchell	283,108	-	40,351	39,558	44,400	407,417
	2,377,753	142,668	346,443	127,747	334,938	3,329,549
2020						
	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor BJ Tolo	893,850	-	-	-	44,400	938,250
Speaker AM Mabena	445,689	178,770	64,455	26,101	44,400	759,415
Chief whip SD Nkadimeng	413,411	167,597	59,646	29,733	44,400	714,787
	1,752,950	346,367	124,101	55,834	133,200	2,412,452
Mayoral committee	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr DJ Motsepe	409,537	153,630	77,447	29,773	44,400	714,787
Cllr MI Kgalema	431,062	167,597	62,761	8,967	44,400	714,787
Cllr J Matshiane	419,705	167,597	60,756	22,329	44,400	714,787
Cllr MTE Mnguni	465,436	97,765	77,453	29,733	44,400	714,787
Cllr SM Malepeng	438,684	167,597	64,106	-	44,400	714,787
Cllr NC Mkhuma	413,411	167,597	59,646	29,733	44,400	714,787
	2,577,835	921,783	402,169	120,535	266,400	4,288,722

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Figures in Rand			2021	2020		
38. Remuneration of councillors (continued)						
Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr TP Mnisi	246,804	-	36,065	-	44,400	327,269
Cllr AB Marumo	282,870	-	-	-	44,400	327,270
Cllr CHE Romijn	212,152	70,718	-	-	44,400	327,270
Cllr MN Mathibela	246,804	-	36,066	-	44,400	327,270
Cllr TS Motloug	246,804	-	36,066	-	44,400	327,270
Cllr NM Hadebe	185,103	70,718	27,049	-	44,400	327,270
Cllr DD Klopper	212,152	70,718	-	-	44,400	327,270
Cllr LK Mahlangu	246,804	-	36,066	-	44,400	327,270
Cllr E Du Toit	177,391	70,718	34,762	-	44,400	327,271
Cllr JP Pretorius	185,103	70,718	27,049	-	44,400	327,270
Cllr DJ Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr RG Mamogale	230,465	-	33,183	19,222	44,400	327,270
Cllr DL Paul	246,804	-	36,066	-	44,400	327,270
Cllr KPJ Uys	246,804	-	36,066	-	44,400	327,270
Cllr AS Grobler	185,103	70,718	27,049	-	44,400	327,270
Cllr TE Motsepe	246,804	-	36,066	-	44,400	327,270
Cllr PV Malinga	190,300	58,931	33,638	-	44,400	327,269
Cllr J Skosana	282,870	-	-	-	44,400	327,270
Cllr HF Niemann	185,103	70,718	27,049	-	44,400	327,270
Cllr AO Thabatha	246,804	-	36,066	-	44,400	327,270
Cllr SJ Roos	212,152	70,718	-	-	44,400	327,270
Cllr DA Stuurman	282,870	-	-	-	44,400	327,270
Cllr EM Bruiners	282,870	-	-	-	44,400	327,270
Cllr A Struwig	240,439	42,431	-	-	44,400	327,270
Cllr LJJ Zondo	223,884	-	32,021	26,965	44,400	327,270
Cllr HG De Klerk	194,858	70,718	-	17,294	44,400	327,270
Cllr TP Motau	185,103	70,718	27,049	-	44,400	327,270
Cllr S Wait	212,152	70,718	-	-	44,400	327,270
Cllr KJ Phasha	246,804	-	36,066	-	44,400	327,270
Cllr AM Mahlangu	246,804	-	36,066	-	44,400	327,270
Cllr J Dyason	212,152	70,718	-	-	44,400	327,270
Cllr SM Mogola	260,541	-	-	22,329	44,400	327,270
Cllr LC Masemula	282,870	-	-	-	44,400	327,270
Cllr PR Mailola	125,928	47,987	17,339	-	30,129	221,383
Cllr MC Mosoma	185,103	70,718	27,049	-	44,400	327,270
Cllr NJ Mthombeni	185,103	70,718	27,049	-	44,400	327,270
Cllr MM Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr E Sebesho	185,103	70,718	27,049	-	44,400	327,270
Cllr P Mobango	175,015	70,718	-	37,138	44,400	327,271
Cllr JP Duvenage	185,103	70,718	27,049	-	44,400	327,270
Cllr A Mangcotywa	246,804	-	36,066	-	44,400	327,270
	9,168,310	1,351,555	863,241	122,948	1,806,129	13,312,183

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Figures in Rand	2021	2020				
38. Remuneration of councillors (continued)						
Chairpersons	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr RM Xaba	394,248	162,680	56,655	37,138	44,400	695,121
Cllr TR Vilakazi	316,732	-	46,285	-	44,400	407,417
Cllr PM Masilela	297,753	-	42,935	22,329	44,400	407,417
Cllr TN Morufane	316,732	-	46,285	-	44,400	407,417
Cllr M Masina	316,732	-	46,285	-	44,400	407,417
Cllr M Mphego	306,944	-	44,212	13,819	44,400	409,375
Cllr MJ Sekgwele	316,732	-	46,285	-	44,400	407,417
Cllr JM Mitchell	284,995	-	40,684	37,338	44,400	407,417
	2,550,868	162,680	369,626	110,624	355,200	3,548,998
39. Depreciation and amortisation						
Property, plant and equipment		200,889,200	197,517,594			
Intangible assets		1,176,274	1,624,266			
		202,065,474	199,141,860			
40. Impairment of assets						
Impairments						
Property, plant and equipment		7,010,946	38,149,954			
During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0 or an immaterial amount.						
Trade and other receivables		(8,728,522)	61,115,987			
Accounts receivables with the following indicators were assessed for impairment. Receivable in liquidation/sequestration, last payment received was over 60 days from the reporting date, receivable has been handed over for debt collection, account has been indicated as inactive, bad debt or have an arrangement or the receivable has a balance of 90 days and long outstanding. The overall impact in the current year after the assessment is the reversal of impairment to the amount of R 8 728 522.						
		(1,717,576)	99,265,941			
41. Finance costs						
Long term liabilities: annuity loans		33,378,777	30,492,240			
Finance leases		616,063	1,066,396			
Landfill rehabilitation provision		1,763,108	2,035,678			
Long service award liability: actuarial valuation		1,872,000	1,890,750			
		37,629,948	35,485,064			
The interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 6% and 10% (2020 : 9% and 10%).						
42. Bulk purchases						
Electricity - Eskom		547,004,292	499,660,443			
Water		5,027,708	5,489,646			
		552,032,000	505,150,089			

Steve Tshwete Local Municipality

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Figures in Rand			2021	2020
42. Bulk purchases (continued)				
Distribution losses				
Electricity			7.03%	7.84%
Water			21.36%	17.64%
Electricity losses				
	Units 2021	Units 2020	R	R
Units purchased	469,438,820	459,737,290	662,343,557	732,010,755
Units sold	(436,418,393)	(423,687,700)	(615,754,170)	(681,289,227)
Total loss	33,020,427	36,049,590	46,589,387	50,721,528
Water losses				
	Units 2021	Units 2020	R	R
Units pumped	18,784,931	18,337,796	34,422,560	35,922,697
Units sold	(14,772,780)	(15,103,669)	(27,070,469)	(29,587,227)
Total	4,012,151	3,234,127	7,352,091	6,335,470
43. Contracted services				
Presented previously				
Outsourced services			54,755,791	54,892,867
Consultants and professional services			35,287,635	34,880,845
Contractors			110,470,567	117,841,158
			200,513,993	207,614,870

Steve Tshwete Local Municipality

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Figures in Rand	2021	2020
44. Operational costs		
Advertising and publicity	5,984,705	6,099,679
Auditors remuneration	6,538,394	5,570,090
Bank charges	3,559,553	1,792,386
Cleaning	39,360	27,500
Commission paid	17,576,852	14,406,860
Entertainment	347,402	479,442
Hire of equipment	630,546	469,076
Insurance	8,726,539	6,141,181
External computer services	10,733,910	5,987,769
Skills development levies	4,544,639	4,180,177
Motor vehicle license and registrations	1,917,266	1,603,012
Water research levy	427,714	285,143
Placement fees	-	13,000
Printing, publications and books	102,851	300,592
Uniform and protective clothing	4,896,744	4,806,284
Subscriptions and membership fees	6,574,633	7,470,195
Communications	8,339,480	9,082,293
Transport and freight	-	20,100
Travel and subsistence	571,670	1,942,594
Deeds	143,312	238,271
Assets expensed	359,299	972,008
Tourism development	300	1,200
Registration fees	82,414	270,127
Signage	1,508,879	1,303,465
Bursaries	2,490,908	1,671,918
Learnership and internship	3,743,833	3,155,731
Remuneration to Ward Committees	3,290,000	3,436,180
Workmen's Compensation Fund	3,082,204	2,336,487
	96,213,407	84,062,760

45. Covid-19 related expenditure disclosure

Included in the total expenditure for the year is R 2 299 690 (2019/2020 : R 4 721 534) relating to the expenditure incurred on the management of Covid-19 pandemic. Below is the detailed breakdown:

Homeless Provision	56,820	37,836
Community Radio Awareness	107,900	-
Security Services	827,502	169,056
Sanitization and masks	1,183,489	3,955,035
Standby Allowance	123,979	35,432
General maintenance	-	286,018
Screening and testing	-	78,150
Chemical toilets	-	10,835
Water tankering	-	142,615
Other expenditures	-	6,558
	2,299,690	4,721,535

46. Auditors' remuneration

Fees	6,538,394	5,570,090
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Steve Tshwete Local Municipality

Annual Financial Statements for the years ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
47. Bad debts written off		
Traffic Fines	15,607,525	11,501,799
Property Rates	34,709,022	-
Solid Waste Removal	51,356,501	-
Sewerage	41,221,317	-
Water Distribution	5,503,025	-
Electricity Distribution	4,100,733	-
Impairment	(112,170,956)	-
	40,327,167	11,501,799

During the year Council approved the write-off of receivables considered irrecoverable amounting to R 152 492 700 (2020: R 11 501 799). The R 112 170 956 relates to impairment that was raised in the previous year which resulted with the net amount of R 40 327 167 written off as bad debts in the current financial year.

48. Cash generated from operations

Surplus (deficit)	142,177,054	(7,617,880)
Adjustments for:		
Depreciation and amortisation	202,065,474	207,376,761
Donations	(41,689,195)	(9,918,314)
Rehabilitation of landfill sites	1,763,108	2,035,678
Loss on disposal of assets and liabilities	16,273,954	-
Interest income	(1,302,310)	-
Impairment reversals	(117,180,412)	-
Impairment	3,291,880	85,853,684
Bad debts written off	152,498,122	11,501,799
Movements in retirement benefit assets and liabilities	-	1,065,554
Inventories losses/writte-downs	-	44,428
Provision - long service award	1,872,000	4,039,975
Leave provision	18,358,439	13,903,207
Other non-cash items	(51,796,762)	(5,576,583)
Changes in working capital:		
Inventories	(7,578,437)	(10,335,287)
Other receivables from exchange transactions	32,382,772	-
Receivables from exchange transactions	(3,881,294)	(106,403,176)
Other receivables from non-exchange transactions	(22,458,845)	(30,683,390)
Prepayments	-	(838,738)
Payables from non-exchange transactions	763,038	(2,675,719)
Deposits	419,582	(98,132)
Payables from exchange transactions	103,366,730	30,916,195
VAT	4,429,162	(17,329,448)
Consumer deposits	1,797,499	2,252,479
Operating lease assets	24,753	(641,906)
	435,596,312	166,871,187

49. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	9,498,244	9,498,244
Receivables from non-exchange transactions	60,830,162	60,830,162
Receivables from exchange transactions	93,098,781	93,098,781

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
49. Financial instruments disclosure (continued)		
Deposits	2,396,114	2,396,114
Investments	250,000,000	250,000,000
Cash and cash equivalents	94,569,316	94,569,316
	510,392,617	510,392,617

Financial liabilities

	At amortised cost	Total
Long term liabilities	460,296,426	460,296,426
Finance lease obligation	3,369,833	3,369,833
Payables from non-exchange transactions	1,434,412	1,434,412
Payables from exchange transactions	385,769,346	385,769,346
Consumer deposits	77,131,363	77,131,363
	928,001,380	928,001,380

2020

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	41,450,430	41,450,430
Receivables from non-exchange transactions	36,908,593	36,908,593
Receivables from exchange transactions	89,217,487	89,217,487
Deposits	2,396,114	2,396,114
Investments	250,000,000	250,000,000
Cash and cash equivalents	320,485,326	320,485,326
	740,457,950	740,457,950

Financial liabilities

	At amortised cost	Total
Long term liabilities	496,720,428	496,720,428
Finance lease obligation	7,523,522	7,523,522
Payables from non-exchange transactions	3,948,987	3,948,987
Payables from exchange transactions	283,324,502	283,324,502
Consumer deposits	75,340,105	75,340,105
Long service awards	25,768,000	25,768,000
	892,625,544	892,625,544

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Figures in Rand	2021	2020
50. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Community assets	29,017,031	39,609,073
• Infrastructure assets	103,762,757	17,203,840
	132,779,788	56,812,913
Total capital commitments		
Already contracted for but not provided for	132,779,788	56,812,913
Authorised operational expenditure		
Already contracted for but not provided for		
• Software and Licencing	1,621,450	-
• Consultant Services	103,801	-
• Electrical Maintenance Services	344,457	-
	2,069,708	-
Total operational commitments		
Already contracted for but not provided for	2,069,708	-
Total commitments		
Total commitments		
Authorised capital expenditure	132,779,788	56,812,913
Authorised operational expenditure	2,069,708	-
	134,849,496	56,812,913
This expenditure will be financed from		
Capital replacement reserve	19,470,128	5,755,755
External loans	86,343,024	17,203,840
Government grants	29,036,344	33,853,317
	134,849,496	56,812,912

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Figures in Rand	2021	2020
51. Contingent liabilities		
S Mokwana – claim against the municipality for wrongful arrest and assault of a third party. Matter referred to council's insurance.	100,000	100,000
Mr CH van Dyk – claim against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.	73,376	73,376
Mr T Ngwenya – claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	65,001	65,001
Mrs Blignaut – claim against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter is referred to council's insurance.	14,931	14,931
Telkom Soc Ltd – claim against the municipality for damage caused to fibre optic cables. Matter referred to council's insurance.	7,591	7,591
Mr A Mathebula – claim against the municipality for being assaulted by traffic officers. Matters referred to council's insurance.	500,000	500,000
Everest Funerals – this is a claim against the municipality for damages to vehicle after colliding with Council's vehicle.	4,450	4,450
S. Simelane – this is a claim against the municipality for damage to vehicle after colliding with a pothole.	11,105	11,105
H. Mabuza – this is a claim against the municipality for damage to electrical appliances caused by a surge in power	16,999	16,999
L. Davis – this is a claim against the municipality for damages to vehicle caused by a pothole.	3,000	3,000
L. Kriel – this a claim against the municipality for damaged gate motor	6,790	6,790
Mayivuthe – this is a claim against the municipality for a damaged surge arrestor machine.	719,322	719,322

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Figures in Rand	2021	2020
51. Contingent liabilities (continued)		
N.J Potgieter – this is claim against the municipality for assault by traffic officials.	396,500	396,500
Middelburg Power Supplies - this is a claim against the municipality for unpaid invoices.	657,540	657,540
J. Smit – this is a claim against the municipality for damages to vehicle caused by a pothole.	5,083	5,083
Telkom (Wilge Street) – this is a claim against the municipality for damages to infrastructure.	20,810	20,810
Telkom (Without Street) – this is a claim against the municipality for damages to infrastructure.	18,360	18,360
P. Mjadana – this is a claim against the municipality for damages to vehicle caused by a rock that was left on the road.	15,620	15,620
P.S Vermaak – this is a claim against the municipality for damages to vehicle caused by a pothole.	10,377	10,377
D. Tlou – this is a claim against the municipality for damages to vehicle caused by a pothole.	8,245	8,245
Mr P Maseko – claim against the municipality for food that got spoilt as a result of a power outage. Matter referred to council's insurance.	1,000	1,000
AC Raynard – claim against the municipality for clearing a manhole that was blocked. Matter referred to council's insurance.	4,788	4,788
Midhend Investment CC – claim against the municipality for demolition of the third party's structure. Matter referred to council's insurance.	15,000	15,000
KJ Thubane – claim against the municipality for damages to vehicle after colliding with a rock on the road. Matter referred to council's insurance.	3,343	3,343
Ned Consortium – claim against the municipality for the illegal termination of a contract. Matter referred to council's insurance.	154,389	154,389

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Figures in Rand	2021	2020
51. Contingent liabilities (continued)		
Mr and Mrs Vilane – claim against the municipality for damages of property caused by a water pipe that burst.	81,754	81,754
Mr and Mrs Letsoalo – claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	102,226	102,226
SJ Mollentze – claim against the municipality for injuries sustained after a tree stump fell on her. Matter referred to council's insurance.	510,000	510,000
NS Mahlangu - claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	46,500	46,500
K Mabhoko – claim against the municipality for assault by traffic officers. Matter referred to council's insurance.	200,000	200,000
B.J Van Der Merwe – this is a claim against the municipality for damage to vehicle caused by a pothole.	980	980
B Lummis – this is a claim against the municipality for damage to vehicle caused by a pothole.	15,518	15,518
C. Badenhorst – this is a claim against the municipality for wrongful arrest.	200,000	200,000
S.E Mahlangu - this is a claim against the municipality for damages to vehicle caused by a rock that was left on the road.	16,682	16,682
M. Wantenaar – this is a claim against the municipality for damages to vehicle	3,003	3,003
Ophrus Phaphedi Makobe - The municipality is been sued for damage to vehicle	12,440	12,440
Thabo Joseph Mampuru - claim against the municipality for bodily injuries sustained after the floor of a municipal building collapsed. Matter referred to Councils insurers.	2,000,000	2,000,000

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51. Contingent liabilities (continued)		
Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure as Hans Strydom Street in Dennesig.	2,504	2,504
Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand.	4,275	4,275
Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand. (1577710)	3,075	3,075
LS Incorporated - This is claim against the municipality for damage to vehicle as a result of a collision with Council vehicle (CWN395MP). Matter referred to Council's insurers.	50,509	50,509
Wouter Grobler - This a claim against the municipality for damage to vehicle as a result of a collision with the Council vehicle (HPL475MP). Matter referred to Council's insurers.	23,769	23,769
NDB Consulting - This is a claim against the municipality for non-payment and breach of agreement.	116,170	116,170
Lucky Anthony Mbokodo - This is claim against the municipality for unlawful arrest and detention.	250,000	250,000
Leandri Pretorius - This is a claim against the municipality for being sexually assaulted by traffic officers.	300,000	300,000
Nicollas Potgieter - This is a claim against the municipality for alleged assault by the municipal workers at the Traffic Department.	569,000	569,000
ERF 2504 Kwazamokuhle Hendrina - This is a claim against the municipality wherein the house purchased from the Council was incorrectly allocated to the other person.	20,000	20,000
Johannes Oosthuizen Roux - This a claim against the municipality for damages caused by the municipal official during car collision.	50,509	50,509
Clerrance Arthur Holtmann - This is a claim against the municipality for alleged assault by the municipal officials at the Traffic Department.	600,000	600,000

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51. Contingent liabilities (continued)		
Moela Mohwaloba Manual - This a claim against the municipality for unlawful arrest by the municipal officials at the Traffic Department.	200,000	200,000
Bigen Africa Services (Pty) Ltd - This a claim against the municipality for the professional services rendered.	724,531	724,531
Mofokeng Matitchi - This a claim against the municipality for injuries caused by a gun shot from the officials acting on behalf of the municipality.	2,880,000	2,880,000
Freddy Andrews - This is a claim against the municipality for damages caused to his vehicle by pothole situated in a municipal road.	4,149	4,149
Johannes Lafra Strydom claim against the municipality for damages caused by the municipal vehicle during collision	-	13,143
Mrs BK Mabuza - claim against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.	9,400	9,400
Jacob Elias Motau - claim against the municipality for damages on his vehicle caused by the collision with the municipal vehicle.	13,509	-
Joubert Emely - claim against the municipality for injuries sustained after falling into the municipal manhole.	780,098	-
Casper Hendrick claim against the municipality for unlawful arrest by the municipal officials	-	200,000
MP mahlangu claim against the municipality for emotional shock caused from unlawful arrest and assault -amount yet to be determined	-	-
KJ Mahlangu claim against the municipality for unlawful arrest ,assault , detention and prosecution -amount yet to be determined	-	-
MP Mahlangu for misallocation of land -amount yet to be determined	-	-
MM Eyssell claim against the municipality for damages caused to property as a result of blasting activity Shanduka Graspan colliery - amount yet to be determined	-	-

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51. Contingent liabilities (continued)		
Elusindisweni primary school -claim against the municipality for damage to property caused by municipal vehicle that drove through it -amount yet to be determined	-	-
Mr R Ramothibe claim against the municipality for damages caused to the property by a water pipe burst -amount yet to be determined	-	-
Mrs S Mzotho claim against the municipality for the damage to electric appliances caused by a surge in power -amount yet to be determined	-	-
Camm Trans claim against the municipality for loss of income -amount yet to be determined	-	-
S Sibanyoni claim against the municipality for damage to property caused by water pipe burst - amount yet to be determined	-	-
Ekwazini secondary school claim against the municipality for damage to property caused by municipal employees -amount yet to be determined	-	-
Mrs L Skosana claim against the municipality for damages caused to the vehicle due to colliding with a pothole -amount yet to be determined	-	-
ZL Maseko claim against the municipality for the damages caused by an electrical pole that fell on her house -amount yet to be determined	-	-
A.N Maseko claim against the municipality for loss of cellphone after falling into a hole - amount yet to be determined	-	-
JL Phokane claim against the municipality for a damage to boundary wall-amount yet to be determined	-	-
L Marcus claim against the municipality for damage caused to pothole -amount yet to be determined	-	-
M Tshoma claim against the municipality for damage to the property caused by water pipe burst -amount yet to be determined	-	-

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51. Contingent liabilities (continued)		
N.S Smit claim against the municipality for damages to the vehicle caused by pothole -amount yet to be determined	-	-
PP Mahlangu claim against municipality for damage to property caused by a burst pipe -amount yet to be determined	-	-
E. Mokwana claim against the municipality for damages to electrical appliances -the amount is yet to be determined	-	-
MC Mtweni claim against the municipality for damages to electrical appliances -the amount is yet to be determined	-	-
M mthimunye claim against the municipalityfor damages caused by water from pipe that burst-amount yet to be determined	-	-
	12,624,221	12,043,757

52. Related parties

Relationships	
Councillors	Refer to note 38
Key management	Refer to note 37

53. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Property, Plant and Equipment	5	6,711,390,054	1,864,987	6,713,255,041
Consumer receivables paid in advance	21	(17,719,120)	727,536	(16,991,584)
Vat receivable	14	88,080,140	435,857	88,515,997
Other receivables from exchange transactions	12	22,680,736	(4,200,657)	18,480,079
Accrued expenses	21	(108,981,142)	283,277	(108,697,865)
Accumulated surplus		(6,637,844,253)	889,000	(6,636,955,253)
		57,606,415	-	57,606,415

Statement of financial performance

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Figures in Rand		2021	2020	
53. Prior-year adjustments (continued)				
2020				
	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation	39	207,945,237	(8,803,377)	199,141,860
Inventory consumed		69,004,194	(13,688)	68,990,506
Contracted services	43	207,621,885	(7,015)	207,614,870
Uniform and protective clothing	44	5,031,908	(225,624)	4,806,284
Impairment of assets	40	95,792,820	3,473,120	99,265,940
Deficit for the year		(13,194,463)	5,576,584	(7,617,879)
Surplus for the years		572,201,581	-	572,201,581

Errors

The following prior period errors adjustments occurred:

Prior year payments that never materialise

In 2020 financial year there were expenditures raised and not paid due to the subsequent credit notes issued to the municipality by the suppliers, resulting with the overstatement of the liabilities, Vat input and the expenditures incurred during the year. The impact of the transactions resulted with the overstatement of the Accrued Expenses by R 283 277, Vat Input by R 36 949, Inventory consumed by R 13 688, Contracted services by R 7 015, Uniform and protective clothing by R 225 624.

Audit adjustment on sundry debtors

The adjustment seeks to address the finding issued during the previous financial year audit relating to the impairment loss and consumer debtors paid in advance on sundry debtors. The impact of the transaction resulted with the understatement of the impairment loss by R 3 473 120, overstatement of consumer debtors paid in advance by R 727 537 and the overstatement of the sundry debtors by R 4 200 657.

Vat claimable not accounted for

Comprehensive review of the input tax deductions was conducted for the 2017/2018 financial year and the findings reflected that the municipality did not record and submit to SARS the claimable VAT resulting with the understatement of VAT receivable by R 472 806 and the accumulated surplus by the same amount.

Error removals on land

In the previous financial year the following errors occurred on the recognition of land in the asset register:

Land erroneously omitted from the asset register, the impact of the correction resulted with the increase in Land by R 405 822 and the increase in accumulated surplus by the same amount.

Land disposed off and not removed from the asset register, the impact of the correction resulted with the decrease in the value of Land by R 229 531 and the decrease in the accumulated surplus by the same amount.

Land incorrectly disposed off the asset register resulting in the understatement of Land. The impact of correction resulted with the increase in Land by R 1 645 492 and the increase in accumulated surplus by the same amount.

Land was incorrectly recorded as a donation. The impact of the correction resulted with the increase in the value of land by R 137 600 and the increase in accumulated surplus by the same amount.

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53. Prior-year adjustments (continued)

Error removals

In 2018/2019 financial year on verification of land on the register it was noted that Land belonging to the municipality to the value of R 405 822 was not accounted for and the Land not belonging to the municipality to the value of R 230 089 was erroneously recorded in the asset register. The impact of correction results with the increase in the Land disclosed in annual financial statements by R 175 733.

Error removals

In prior financial year the carrying values on certain property, plant and equipments were erroneously calculated. The impact of the error resulted in the following corrections on the disclosure :

As at 1 July 2019 Infrastructure assets cost were overstated by R 1 635 869 and Accumulated depreciation on infrastructure assets understated by R 3 443 815

Land at cost as at 1 July 2019 was understated by R 571 202

Accumulated depreciation at 30 June 2020 on buildings was understated by R 53 901 , on Infrastructure Assets overstated by R 486 147 , on Other Assets overstated by R 8 371 131 and impact of the error on the depreciation charge for the year on affect assets is the overstatement by R 8 803 377.

Reclassifications

The following reclassifications adjustment occurred:

Reclassification of short term portion of consumer debtors arrangements (Abeyance)

In the prior year an amount relating to the short term portion of consumer debtors arrangements (abeyance) was reclassified from other receivables from exchange transactions to the current term portion of long term receivables. The reclassification was done to ensure correlation between the current and the long term portion of long term receivables.

The impact of reclassification resulted with the increase in current portion of long term receivables by R 4 588 726 and decrease in other receivable from exchange transactions by the same amount.

54. Risk management

Financial risk management

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

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54. Risk management (continued)

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.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	39,935,163	51,275,900	84,220,819	284,864,544
Payables from exchange transactions	235,287,741	3,673,376	117,548,000	29,141,151
Payables from non-exchange transactions	573,766	100,408	143,440	616,798

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	28,553,623	57,107,246	85,660,869	296,845,067
Payables from exchange transactions	180,341,852	2,691,670	86,133,422	21,353,209
Payables from non-exchange transactions	268,550	46,996	67,137	288,691

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2021	2020
Long term receivables	5,935,860	5,240,108
Other receivables from exchange transactions	9,067,659	41,450,431
Receivables from non-exchange transactions	59,367,438	36,908,593
Receivables from exchange transactions	93,098,781	89,217,487
Investments	250,000,000	250,000,000
Deposits	2,815,696	2,396,114
Cash and cash equivalents	94,568,201	320,485,326

Covid-19 Impact

The improvement of liquidity, utilizing various measures in the form of scenario, over time was used to determine the impact of the pandemic before reporting period and future assumption measures to improve.

From the evident that the initial and short-term impact of Covid-19 is much better absorbed by the combination of the operational and capital expenditure savings, although the longer term financial sustainability is much stronger under the operational expenditure savings scenario, due to the improved profitability and cash generation that results from the collection rate.

Circumstances of various scenarios the municipality will have very little flexibility to introduce relief measures for its customers, without significantly deteriorating its liquidity position. This can only be achieved where the operational expenditure savings scenario is successfully implemented to its full extent and, in addition, the capital programme is reduced.

Illustrative example:

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54. Risk management (continued)

If the municipality were to offer a 3-month holiday on rates on Commercial and Residential properties in 2020/21, the capital programme of 2020/21 and 2021/22 should be reduced by at least a total of R60 million.

Remedial measures

The negative impact of the pandemic on the financial performance of the municipality, especially the rapidly declining liquidity, requires a suite of remedial measures to be implemented.

The objective in all instances is to improve liquidity such that the bank balance reaches at least the level of the minimum required liquidity by 2029 the following cases where performed to evaluate the impact.

Best Case Scenario

The objective may be reached by implementing the following actions:

- A permanent saving of approximately R 42.3 million (2.4%) in operating expenses over the next three years (2021/22 to 2024/25). This can be achieved, for example, by freezing the 2021/2022 employee related expenditure budget (to equate to the 2020/2021 budget or lower), and thereafter increasing this expense item in line with CPI for the next two years (2021/22 and 2022/23); the objective is to assist municipality in preparation of the adjustment budget and for a proper MTRF plan for 2021/22.
- Reducing operating expenditure by R 37 million (+/-2.1%) in each of the following three years (2021/22 to 2024/25), typically through savings on Contracted Services, Repairs and Maintenance or Other Expenditure not forgetting the aging infrastructure the municipality is faced with.
- Reducing the cash funded capital expenditure by R112.6 million (25.3%) in 2021/22 and by a further R108.2 million (24.3%) in 2022/23.

Worst Case Scenario 2

To counter the effect of a Worst Case scenario, the municipality must be prepared to implement strict austerity measures to improve the revenue collection.

Some measures that the municipality may intent to used are the following:

- A permanent saving of approximately R 42.3 million (2.4%) in operating expenses over the next three years (2021/22 to 2024/25). This can be achieved, for example, by freezing the 2021/2022 employee related expenditure budget (to equate to the 2020/2021 budget or lower), and thereafter increasing this expense item in line with CPI for the next two years (2021/22 and 2023/24);
- Operating expenditure must be reduced by a further R 79.4 million (+/-4.5%) in each of the following three years (2021/22, 2022/23 and 2023/24), typically through savings on Contracted Services, Repairs and Maintenance or Other Expenditure.

In this scenario the municipality will not be able to offer significant relief (e.g. rates holidays) to its customers, without compromising its liquidity considerably, unless cash funded capital expenditure savings can be realized over the next two years to address the sharp decline in liquidity.

For illustrative purposes, if the municipality were to offer a 3-month holiday on rates on Commercial and Residential properties in 2021/22 and the operational expenditure savings scenario is successfully implemented, the capital programme of 2021/22 and 2021/22 should, in addition, be reduced by a total of R79.4 million, to avoid cash deterioration.

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55. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

56. Events after the reporting date

The municipality received a loan to fund capital projects subsequent to year end. The loan was budgeted for capital projects that were carried out during the 2020/2021 financial year using excess internal funds as a provisional measure to save on interest costs. The loan receipt is for the sole purpose of reimbursing the internal reserve used to settle the capital projects expenditure that should have been funded by the loan.

The financial effect of the loan in 2021/2022 financial year results with the increase in cash and cash equivalents by R 250 000 000 and increase in long term liabilities by the same amount.

57. Unauthorised expenditure

Opening balance as previously reported	56,244,136	31,375,387
Opening balance as restated	56,244,136	31,375,387
Add: Expenditure identified - current	107,014,335	56,244,136
Less: Approved/condoned/authorised by council	(56,244,136)	(31,375,387)
Closing balance	107,014,335	56,244,136

Included in the actual capital expenditure for the year is an amount of R 41 921 336 relating to donations received from the district, province and private sector for which no provision was made in the municipal approved annual budget.

The unauthorised expenditure is made up of the non-cash items which is depreciation and impairment of assets for the year, bad debts written off and provisions in landfill site rehabilitation and actuarial.

Unauthorised expenditure: Budget overspending – per municipal department:

Executive and Council	30,761,795	31,013,629
Roads transport	-	723,662
Trading services : Electricity	-	13,247,720
Trading services : Water Management	-	11,259,125
Community and social services	26,279,740	-
Financial services	49,972,800	-
	107,014,335	56,244,136

58. Fruitless and wasteful expenditure

Opening balance as previously reported	38,922	56,422
Opening balance as restated	38,922	56,422
Add: Expenditure identified - current	70,520	-
Less: Amounts recovered - current	(69,669)	(17,500)
Closing balance	39,773	38,922

The R 39 773 was for the interest charged on Eskom account for the late payment which includes the R 850 additional expenditure for the current financial year.

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59. Irregular expenditure		
Opening balance as previously reported	488,900	3,991,037
.	-	2,085,990
Opening balance as restated	488,900	6,077,027
Less: Amount written off	-	(5,588,127)
Closing balance	488,900	488,900

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59. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
Advert for less than the prescribed period	-	2,085,990

Amounts written-off

The Municipal Public Accounts Committee investigated the above irregular expenditures. An attorney was appointed to investigate and make recommendations. It was found that although the deviations did not comply with the supply chain management policy, they acted in good faith and value for money was received. It was therefore recommended to Council to write off the expenditure.

60. In-kind donations and assistance

Nkangala District Municipality

HIV/AIDS campaign	52,759	101,405
MHS educations and awareness	24,252	42,156
SCM/Debtors verification system	152,000	456,000
Disaster Management Awareness Campaign	20,683	-
Construction of low-flush toilets	320,611	-
	570,305	599,561

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	6,465,114	7,389,272
Amount paid - current year	(6,465,114)	(7,389,272)
	-	-

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61. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year fees	6,530,371	5,570,090
Amount paid - current year	(6,530,371)	(5,570,090)
	-	-
PAYE and UIF		
Current year payroll deductions (PAYE)	92,314,067	84,603,513
Current year payroll deductions (UIF)	5,655,399	5,400,910
Amount paid - current year (PAYE)	(92,314,067)	(84,603,513)
Amount paid - current year (UIF)	(5,655,399)	(5,400,910)
	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions (Medical Aid)	58,984,382	53,345,779
Current year payroll deductions (Pension Fund)	96,687,961	88,662,889
Amount paid - current year (Medical Aid)	(58,984,382)	(53,345,779)
Amount paid - current year (Pension Fund)	(96,687,961)	(88,662,889)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2021 and 30 June 2020.

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mahlangu LK	1,038	6,455	7,493
Masemula CP & NW	3,088	7,350	10,438
Ngutshana AI	1,420	1,002	2,422
Skosana J	143	1,371	1,514
	5,689	16,178	21,867
30 June 2020			
30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Skosana J	198	756	954
Mahlangu LK	1,408	4,572	5,980
Masemula CP & NW	3,605	1,916	5,521
Mokohe L & Motau HK	2,257	1,129	3,386
	7,468	8,373	15,841

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

Supply chain management regulations

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

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

62. Deviation from supply chain management regulations

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

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

Class

Emergency	794,051	3,156,322
Sole supplier	236,030	182,547
Impractical or impossible to follow normal process	145,371	50,363
Ratification	20,109	-
	1,195,561	3,389,232

63. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Public Services, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community and Public Services	Sports and Recreation, Housing , Public Safety
Economic and Environmental Services	Environmental protection, Road Transport, Planning and Development
Trading Services	Water and Electricity, Waste Management,Waste Water Management
Other	Executive and Council, Internal Audit

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63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community and Public Services	Traiding services	Economic and Environmental Services	Other	Total
Revenue					
Revenue from non-exchange transactions	47,785,894	225,569,659	77,187,628	582,384,476	932,927,657
Revenue from exchange transactions	3,716,430	965,638,621	2,934,959	113,008,076	1,085,298,086
Other revenue	-	11,181,058	-	885,790	12,066,848
Reversal of impairment loss	-	81,866,046	-	35,335,686	117,201,732
Total segment revenue	51,502,324	1,284,255,384	80,122,587	731,614,028	2,147,494,323
Entity's revenue					2,147,494,323
Expenditure					
Contracted services	29,254,743	85,678,746	13,049,366	72,531,136	200,513,991
Bulk purchases	-	552,430,261	-	-	552,430,261
Depreciation and amortisation	19,645,567	86,089,983	59,797,075	36,532,849	202,065,474
Employee related costs	163,863,450	209,993,970	53,674,889	222,324,889	649,857,198
Finance costs	385,369	27,033,938	7,904,650	2,305,993	37,629,950
Inventory consumed	8,646,968	24,778,354	1,628,468	32,528,367	67,582,157
Operating leases	936,268	7,944	-	39,538	983,750
Operational costs	8,033,293	9,786,021	1,364,814	77,029,279	96,213,407
Bad debts written off	15,607,525	102,181,575	-	34,709,022	152,498,122
Impairment loss	-	-	-	3,291,880	3,291,880
Remuneration of councillors	-	-	-	23,201,102	23,201,102
Transfers and subsidies	-	-	394,839	1,947,500	2,342,339
Other expenses	-	10,266,531	297,120	6,143,986	16,707,637
Total segment expenditure	246,373,183	1,108,247,323	138,111,221	512,585,541	2,005,317,268
Total segmental surplus/(deficit)					142,177,055

Steve Tshwete Local Municipality

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Figures in Rand

	Community and Public Services	Traiding services	Economic and Environmental Services	Other	Total
63. Segment information (continued)					
Assets					
Segment assets	(222,582,647)	86,555,759	(230,669,649)	8,253,409,969	7,886,713,432
Total assets as per Statement of financial Position					7,886,713,432
Liabilities					
Segment liabilities	2,203,097	1,451,213,863	(1,208,171)	(2,559,984,772)	(1,107,775,983)
Total liabilities as per Statement of financial Position					(1,107,775,983)

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

2020

	Community and Public Services	Traiding services	Economic and Environmental Services	Other	Total
Revenue					
Revenue from non-exchange transactions	46,918,016	137,261,842	26,585,077	519,594,346	730,359,281
Revenue from exchange transactions	3,710,054	937,703,055	2,645,548	79,960,726	1,024,019,383
Other revenue	-	49,153,917	-	9,894,687	59,048,604
Total segment revenue	50,628,070	1,124,118,814	29,230,625	609,449,759	1,813,427,268
Entity's revenue					1,813,427,268

Steve Tshwete Local Municipality

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63. Segment information (continued)

Expenditure

Contracted services	36,903,893	104,543,383	15,703,335	50,464,259	207,614,870
Bulk purchases	-	505,150,087	-	-	505,150,087
Depreciation and amortisation	14,379,857	84,333,386	54,024,617	46,404,000	199,141,860
Employee related costs	70,462,831	196,285,687	50,665,543	266,678,523	584,092,584
Other expenses	-	-	-	35,529,498	35,529,498
Inventory consumed	7,461,160	29,981,161	2,549,457	28,998,697	68,990,475
Rental expenses	49,052	5,873	-	338,972	393,897
Operational costs	15,888,579	48,654,624	2,037,019	17,482,538	84,062,760
Bad debts written off	-	66,465	-	11,435,334	11,501,799
Impairment loss	-	33,522,000	-	65,743,941	99,265,941
Remuneration of councillors	-	-	-	23,562,353	23,562,353
Transfers and subsidies	-	-	-	1,739,024	1,739,024

Total segment expenditure

145,145,372 1,002,542,666 124,979,971 548,377,139 1,821,045,148

Total segmental surplus/(deficit)

(7,617,880)

Assets

Segment assets	(155,456,889)	242,156,263	(114,222,392)	7,678,622,042	7,651,099,024
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Total assets as per Statement of financial Position

7,651,099,024

Liabilities

Segment liabilities	457,923	1,000,766,928	(459,772)	(2,014,908,846)	(1,014,143,767)
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Total liabilities as per Statement of financial Position

(1,014,143,767)

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

Measurement of segment surplus or deficit, assets and liabilities

Steve Tshwete Local Municipality

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Figures in Rand	2021	2020
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63. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.