CITY OF TSHWANE

IGNITING EXCELLENCE

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

Annual Financial Statements

for the year ended 30 June 2022

General Information

Legal form of entity	Category A municipality in terms of Section 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) read with Section 155(1) of the Constitution of the Republic of South Africa, 1996.
Nature of business and principal activities	The principal activities of the City of Tshwane Metropolitan Municipality are to: • Provide democratic and accountable government to the local communities; • Ensure sustainable services delivery to communities; • Promote social and economic development; • Provide local communities equitable access to the municipal services; • Promote and undertake development in the municipality; • Promote a safe and healthy environment; and • Encourage the involvement of communities in local government affairs.
Executive Mayor	Randall Williams
Speaker	Makwarela, Murunwa Dr (Cllr)
Chief Whip	Christo van den Heever
Mayoral committee	
Members	Mathebe, Katlego (Ald) MMC: Environment and Agriculture Management
	Le Roux, André (Cllr) MMC: Economic Development & Spatial Planning
	Theunissen, Grandi (Ald) MMC: Community Safety
	Wakelin, Kingsley (Cllr) MMC: Corporate and Shared Services
	Sutton, Peter (Ald) MMC: Finance
	Marx, Rina (Cllr) MMC: Health
	Tau, Abel (Cllr) MMC: Human Settlement
	Johnston, Daryl (Cllr) MMC: Utility Services
	De Bruin, Peggy (Cllr) MMC: Social Development & Community Services
	Selowa, Dikeldi (Cllr) MMC: Roads & Transport
Lead Administrator	Mpho Nawa
Administrator	
	Lesedi Mere
	Lefadi Makibinyane
	Rianda Kruger
	Lebogang Mahaye
	Gilberto Martins
	Thuli Mashanda
	Shiva Makotoko
	Mavela Alford Dlamini
Grading of local authority	Category A Grade 6 urban municipality (demarcation code - TSH)
Acting Accounting Officer	Mmaseabata Mutlaneng
	Telephone : 012 358 4901/4904/0976
Chief Finance Officer (CFO)	Umar Banda CA (SA)
	Telephone: 012 358 8100

General Information

Registered office	Tshwane House 320 Madiba street Pretoria 0002
Postal address	PO Box 408 Pretoria 0001
Bankers	ABSA
Auditors	Auditor General South Africa (AGSA) Registered Auditors
Legislation governing the Municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa, 1996 Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 3 of 2016)
Entities to be consolidated at year end	Consistent with the prior financial year the following municipal entities will be included in the Consolidated Annual Financial Statements Housing Company Tshwane NPC (Registration nr 2001/029821/08) Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2 006/019396/07)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor General South Africa
TEDA	Tshwane Economic Development Agency
HCT	Housing Company Tshwane

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 Auditor-General 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 and as required by the Local Government: Municipal Finance Management Act, 2003.

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, she 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 management.

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

The annual financial statements set out on pages s 5 to 164, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Mmaseabata Mutlaneng **(Acting) City Manager**	**Umar Banda CA(SA)** **Chief financial officer**

Statement of Financial Position as at 30 June 2022

	Note(s)	2022 R	2021 Restated R
Assets			
Current Assets			
Inventories	3	1,013,872,136	806,894,833
Consumer receivables: Exchange	4	3,243,056,492	4,973,717,004
Consumer receivables: Non-exchange transactions	4	1,946,650,392	1,446,840,342
Other receivables from Exchange transactions	5	165,606,886	865,770,522
Other receivables from Non-exchange transactions	5	764,981,320	505,974,925
Long-term receivables: Short-term portion	6	319,764,045	298,495,905
Redemption fund asset	7	63,825,634	25,243,356
Investments	8	806,340,450	384,208,957
Cash and cash equivalents	9	217,481,812	190,859,562
		8,541,579,167	**9,498,005,406**
Non-Current Assets			
Long-term receivables: Long term portion	6	20,021,283	59,735,063
Redemption fund asset	7	177,837,779	428,280,364
Property, plant and equipment	10	52,847,571,646	53,160,231,564
Investment property	11	1,087,229,870	1,091,645,743
Intangible assets	12	1,027,871,222	918,804,701
Heritage assets	13	3,371,481,600	3,371,593,599
Living and non living resources	14	323,267	323,815
Interest rates swaps	15	142,276,068	15,168,940
Investments in controlled entities	16	1,000	1,000
Investments in associates	67	729,982,089	419,688,792
		59,404,595,824	**59,465,473,581**
Total Assets		**67,946,174,991**	**68,963,478,987**
Liabilities			
Current Liabilities			
VAT payable	17&58	439,621,711	1,002,189,762
Payables from exchange transactions	18	12,482,642,112	10,389,142,120
Consumer deposits	19	781,190,973	946,912,232
Unspent conditional grants and receipts	20	344,045,207	267,165,645
Loans and bonds	21	606,984,261	592,251,745
Finance lease obligation	23	98,648,442	234,336,587
Service concession arrangement	24	261,601,443	260,441,082
Employee benefit obligation	25	190,835,057	220,959,519
		15,205,569,206	**13,913,398,692**
Non-Current Liabilities			
Interest rates swaps	15	161,325,433	301,625,355
Loans and bonds	21	10,247,940,190	10,805,811,451
Provisions	22	1,395,981,272	1,181,602,493
Finance lease obligation	23	83,281,745	102,786,414
Service concession arrangement	24	2,256,061,147	2,201,807,168
Employee benefit obligation	25	2,010,297,310	1,902,573,155
		16,154,887,097	**16,496,206,036**
Total Liabilities		**31,360,456,303**	**30,409,604,728**
Net Assets		**36,585,718,688**	**38,553,874,259**
Accumulated surplus	27	36,585,718,688	38,553,874,259

Statement of Financial Performance

	Note(s)	2022 R	2021 Restated R
Revenue			
Revenue from exchange transactions			
Service charges	29	21,336,395,100	19,730,664,617
Rental of facilities and equipment	77	134,996,399	144,765,417
Interest received (trading)		724,103,739	375,794,373
Licences and permits	78	41,244,557	40,145,075
Share of profit in associate: TAHSEZ	67	308,855,551	419,688,792
Other income	31	739,862,564	988,257,984
Investment revenue	32	158,237,543	227,377,226
Fair value adjustments	46	267,407,051	95,584,144
Total revenue from exchange transactions		**23,711,102,504**	**22,022,277,628**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	8,574,855,018	8,462,679,149
Transfer revenue			
Government grants and subsidies	35	7,187,825,887	7,224,181,704
Public contributions and donations		170,423,888	168,759,821
Fines, penalties and forfeits	30	85,914,979	79,477,143
Total revenue from non-exchange transactions		**16,019,019,772**	**15,935,097,817**
Total revenue		**39,730,122,276**	**37,957,375,445**
Expenditure			
Employee related costs	36	(11,513,864,611)	(11,951,997,655)
Remuneration of councillors	37	(129,577,084)	(131,577,429)
Depreciation and amortisation	39	(2,909,023,587)	(3,023,695,844)
Impairment loss	41	-	(169,415,706)
Finance costs	42	(3,267,450,425)	(1,504,284,009)
Debt Impairment	34	(2,601,808,658)	(1,355,860,388)
Other materials	62	(539,282,485)	(627,903,755)
Bulk purchases	45	(14,592,994,045)	(12,798,645,353)
Contracted services	40	(4,121,650,134)	(3,811,785,354)
Transfers and subsidies	43	(102,761,036)	(125,326,121)
Loss on disposal of assets and liabilities		(420,479,282)	(78,396,804)
Loss on foreign exchange	79	(394,113)	(394,113)
Loss on redemption fund investments		(79,377,786)	(38,570,919)
General expenses	44	(1,681,094,711)	(1,729,160,213)
Total expenditure		**(41,959,757,957)**	**(37,347,013,663)**
(Deficit) surplus for the year		**(2,229,635,681)**	**610,361,782**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2020	**38,520,498,487**	**38,520,498,487**
Changes in net assets		
Prior year adjustments	(576,986,010)	(576,986,010)
Net income (losses) recognised directly in net assets	(576,986,010)	(576,986,010)
Surplus/(Deficit) for the year	610,361,782	610,361,782
Total recognised income and expenses for the year	33,375,772	33,375,772
Total changes	33,375,772	33,375,772
Restated* Balance at 01 July 2021	**38,553,874,259**	**38,553,874,259**
Changes in net assets		
Prior year adjustments	261,480,110	261,480,110
Net income (losses) recognised directly in net assets	261,480,110	261,480,110
Surplus/ (Deficit) for the year	(2,229,635,681)	(2,229,635,681)
Total recognised income and expenses for the year	(1,968,155,571)	(1,968,155,571)
Total changes	(1,968,155,571)	(1,968,155,571)
Balance at 30 June 2022	**36,585,718,688**	**36,585,718,688**

Cash Flow Statement

	Note(s)	2022 R	2021 R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		29,983,073,550	27,650,657,075
Grants: Operating		7,358,249,776	7,393,753,361
Cash receipts from other revenue sources		214,378,779	-
		37,555,702,105	35,044,410,436
Payments			
Cash paid to suppliers		(19,844,694,464)	(17,909,077,839)
Cash paid to employees		(11,565,842,002)	(12,697,650,534)
Transfers and grants		(25,881,574)	(344,767,850)
Other cash item		-	(102,797,536)
		(31,436,418,040)	(31,054,293,759)
Net cash flows from operating activities	48	**6,119,284,065**	**3,990,116,677**
Cash flows from investing activities			
Cash purchase of property, plant and equipment	11	(2,630,740,699)	(3,505,750,889)
Purchase of investment property	12	140,668,251	(82,469,572)
Purchase of other intangible assets	13	(165,764,207)	(152,952,385)
Purchases of heritage assets	14	(3,207,506)	1,520,573
Disposal (purchase) of interests in associates and joint ventures		(1,437,746)	(224,252,273)
Movement in Financial Assets		(271,203,332)	1,324,222,842
Interest received - Investing		158,237,543	227,377,226
Living and non-living resources		(132,950,214)	(6,657)
Net cash flows from investing activities		**(2,659,044,161)**	**-**
Cash flows from financing activities			
Finance cost		(3,267,450,425)	(1,504,284,009)
Proceeds from (repayment of) finance lease obligations		(155,192,814)	(255,079,815)
Proceeds from (repayment of) financial liabilities at amortised cost		(487,724,405)	(444,473,454)
Net cash flows from financing activities		**(3,910,367,644)**	**(2,203,837,278)**
Net increase/(decrease) in cash and cash equivalents		**26,622,250**	**(25,985,090)**
Cash and cash equivalents at the beginning of the year		190,859,562	216,844,652
Cash and cash equivalents at the end of the year	9	**217,481,812**	**190,859,562**

Statement of comparison of budget and actual amounts for the financial year ended 30 June 2022

	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
	R	R	R	R	R	R	R	R	R	R	R
2022											
Financial Performance											
Property rates	8,587,212,147	-	8,587,212,147	-		8,587,212,147	8,574,855,018	(12,357,129)	-	100 %	100 %
Service charges	22,883,629,023	247,180,927	23,130,809,951	-		23,130,809,951	21,336,395,101	(1,794,414,850)	-	108 %	107 %
Investment revenue	158,081,379	(70,000,000)	88,081,379	-		88,081,379	158,237,543	70,156,164	-	56 %	100 %
Transfers recognised - operational	5,252,769,710	297,475,722	5,550,245,432	-		5,550,245,432	5,387,167,910	(163,077,522)	-	103 %	98 %
Other own revenue	2,227,676,953	(38,867,400)	2,188,809,553	-		2,188,809,553	2,206,811,623	18,002,069	-	99 %	101 %
Gains	-	-	-	-		-	27,445,613	27,445,613	-	- %	- %
Total revenue excluding capital transfers and contributions	**39,109,369,213**	**435,789,249**	**39,545,158,462**	**-**		**39,545,158,462**	**37,690,912,808**	**(1,854,245,655)**	**-**	**105 %**	**104 %**
Employee costs	12,046,659,481	(264,111,217)	11,782,548,263		(280,000)	11,782,268,263	11,513,864,611	(268,403,653)	-	95.58 %	105 %
Remuneration of councillors	154,587,724	-	154,587,724	-	-	154,587,724	129,577,084	(25,010,640)	-	83.82 %	119 %
Debt impairment	2,124,802,335	-	2,124,802,335			2,124,802,335	2,601,808,658	477,006,323	-	122.45 %	82 %
Depreciation and asset impairment	2,496,668,714	-	2,496,668,714			2,496,668,714	2,909,023,587	412,354,873	-	116.52 %	86 %
Finance charges	1,515,088,750	-	1,515,088,750	-	-	1,515,088,750	2,263,590,564	748,501,815	-	149.40 %	67 %
Materials and bulk purchases	11,160,809,114	(1)	11,160,809,113	-	-	11,160,809,113	15,132,219,193	3,971,410,080	-	135.58 %	74 %
Contracted services	3,789,763,760	179,153,445	3,968,917,204		-	3,968,917,204	4,114,721,368	145,804,164	-	108.57 %	92 %
Transfers and Subsidies	3,667,546,072	563,194,878	4,230,740,949	-	-	4,230,740,949	102,761,035	(4,127,979,914)	-	2.80 %	3,569 %
Loss on redemption fund asset	140,874,099	(10,106,512)	130,767,587		-	130,767,587	-	(130,767,587)	-	- %	DIV/0 %
Other expenditure	1,992,333,919	(25,804,716)	1,966,529,203		280,000	1,966,809,203	1,550,378,016	(416,431,187)	-	77.82 %	129 %
Loss on sale of PPE	-	-	-	-	-	-	330,718,795	330,718,795	-	DIV/0 %	- %
Total expenditure	**39,089,133,967**	**442,325,876**	**39,531,459,843**	**-**	**-**	**39,531,459,843**	**40,648,662,912**	**80,180,122,755**	**-**	**103.99 %**	**96 %**

Statement of comparison of budget and actual amounts for the financial year ended 30 June 2021

	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
	R	R	R	R	R	R	R	R	R	R	R
Total revenue (excluding capital transfers and contributions)	39,109,369,213	435,789,249	39,545,158,462	-	-	39,545,158,462	37,690,912,808	(1,854,245,655)	-	105 %	104 %
Total expenditure	39,089,133,967	442,325,876	39,531,459,843	-	-	39,531,459,843	40,648,662,912	80,180,122,755	-	103.99 %	96 %
Surplus/(Deficit)	**20,235,246**	**(6,536,628)**	**13,698,619**	**-**		**13,698,619**	**(2,957,750,105)**	**(82,034,368,410)**	**-**	**- %**	**(1)%**
Transfers recognised - capital (monetary National/Provincial)	2,002,838,290	(132,324,097)	1,870,514,193	-		1,870,514,193	1,791,411,467	(79,102,726)	-	96 %	89 %
Surplus/(Deficit)	**2,023,073,536**	**(138,860,725)**	**1,884,212,811**	**-**		**1,884,212,811**	**(1,166,338,639)**	**(82,113,471,136)**	**-**	**- %**	**- %**
Capital transfers and contributions	10,000,000	-	10,000,000	-	-	10,000,000	9,205,780	(8,911,010)	-	92 %	92 %
Surplus (Deficit) after capital transfers and contributions	**2,033,073,536**	**(138,860,725)**	**1,894,212,812**	**-**		**1,894,212,812**	**1,157,132,858**	**(82,122,382,146)**	**-**	**- %**	**- %**

Capital expenditure and funding sources
Sources of capital funds

Capital Transfers Recognised	2,287,571,000	(132,324,000)	2,155,247,000	-	2,155,247,000	1,657,101,000	(498,146,000)	-	77 %
Public Contributions	-	-	-	-	-	-		-	DIV/0 %
Borrowing	1,500,000,000	(1,500,000,000)	-	-	-	705,000	705,000	-	- %
Internally generated funds	169,300,000	929,648,000	1,098,948,000	-	1,098,948,000	902,594,000	(196,354,000)	-	82 %
Total sources of capital funds	**3,956,871,000**	**(702,676,000)**	**3,254,195,000**	**-**	**3,254,195,000**	**2,560,400,000**	**(693,795)**	**-**	**79 %**

Statement of comparison of budget and actual amounts for the financial year ended 30 June 2021

	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
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	4,010,666,000	(307,225,000)	3,703,441,000	-		3,703,441,000	3,657,476,000	45,965,000	-	99 %	91 %
Net cash from (used) investing	(4,119,525,000)	640,820,000	(3,478,705,000)	-		(3,478,705,000)	(2,305,666,000)	1,173,039,000	-	66 %	56 %
Net cash from (used) financing	673,354,000	(1,194,788,000)	(521,434,000)	-		(521,434,000)	(511,043,000)	10,391,000	-	98 %	(76)%
Net increase/(decrease) in cash and cash equivalents	**564,495,000**	**(861,193,000)**	**(296,698,000)**	**-**		**(296,698,000)**	**840,767,000**	**1,116,683**	**-**	**(283)%**	**149 %**
Cash and cash equivalents at year begin	804,027,000	-	625,140,000	-		625,140,000	29,768,000		-	5 %	4 %
Cash and cash equivalents at year end	**1,368,523,000**	**-**	**355,441,000**	**-**		**355,441,000**	**870,536,000**		**-**	**245 %**	**64 %**

The explanations for major variances between the budget and the actual for the period under review are done in Note 63.
The explanations for changes between the original budget and the final budget for the period under review are done in Note 63.

2021

Financial Performance

Property rates	8,462,679,149
Service charges	9,730,664,617
Investment revenue	227,377,226
Transfers recognised - operational	5,327,046,572
Other own revenue	2,038,433,401
Total revenue (excluding capital transfers and contributions)	**5,786,200,965**

Employee costs	-	-	- 1,951,997,655)
Remuneration of councillors	-	-	- (131,577,429)
Debt impairment	-	-	- (1,355,860,388)
Depreciation and asset impairment	-	-	- (3,193,111,550)
Finance charges	-	-	- (1,504,284,009)
Materials and bulk purchases	-	-	- 2,798,645,353)
Transfers and grants	-	-	- (125,326,121)
Other expenditure	-	-	- (6,286,211,158)
Total expenditure	**-**	**-**	**- 7,347,013,663)**
Surplus/(Deficit)			**(1,560,812,698)**
Transfers recognised - capital			1,897,135,132
Contributions recognised - capital and contributed assets			-
Surplus (Deficit) after capital transfers and contributions			**336,322,434**
Surplus/(Deficit) for the year			**336,322,434**
Capital expenditure and funds sources			
Sources of capital funds			
Transfers recognised - capital			(2,460,269,724)
Public contributions and donations			(147,067,080)
Borrowing			(1,194,839,429)
Internally generated funds			(166,417,952)
Total sources of capital funds			**(3,968,594,185)**
Cash flows			
Net cash from (used) operating			5,498,612,773
Net cash from (used) investing			(3,398,550,115)
Net cash from (used) financing			(1,257,140,234)
Net increase/(decrease) in cash and cash equivalents			**842,922,424**
Cash and cash equivalents at the beginning of the year			216,749,482
Cash and cash equivalents at year end			**1,059,671,906**

Summary of significant accounting Policies

1. Basis of preparation 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). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

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.

Assets, liabilities, revenue 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, is disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and amounts have been rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 53. The basis presumes that funds will be available for future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

1.3 Transfer of functions between entities under common control

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the municipality expects, but which it is not obliged to incur in the future to affect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, are not accounted for as part of the liabilities at the transfer date. The municipality does not recognise those costs as part of a transfer of functions. Instead, the municipality recognises these costs in its annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated surplus or deficit.

1.3 Transfer of functions between entities under common control (continued)

Acquisition-related costs

The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

Receivables /Investments and/or loans

The municipality assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements have to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

Impairment of consumer receivables, long-term receivables and other receivables

The municipality assesses its consumer debtors, other receivables and long-term receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements have to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The municipality has developed a detailed impairment model used for assessing whether there is objective evidence that consumer debtors, housing receivables and long-term receivables should be impairments. The impairment model is in line with the requirements of GRAP 104, as it categorises debtors into similar credit risk characteristics and assesses them for impairment.

The Municipality calculate the present value of the future cash flows of the receivables discounted at the receivables' original effective rate. The Projected Unit Credit discounted cash flow method was used in calculating the present value of the future cash flows. Prior payment patterns were considered to calculate the probability of debt being repaid in future periods, with the necessary adjustments. In determining these assumptions, it was assumed the payments per account in the payment data provided were first allocated to the oldest debt incorporated. A discount rate assumption of 7% to discount future cash flows to 30 June 2021 was used.

The impairment calculation is performed internally as per approved policy and methodology.

1.4 Significant judgements and sources of estimation uncertainty (continued)

The ultimate impact of COVID-19 on the economy and debt collections is highly uncertain with an anticipated decrease in the of City of Tshwane’s debt repayments and ultimate increase in impairments. The City has partly implicitly allowed for this impact by updating and calculating the repayment probabilities considering payments made during the pandemic. This however is expected to only partially allow for the long-term impact of COVID-19. The City has therefore shown the potential impact of the pandemic by considering more severe assumptions. Prior payment patterns are used to calculate the probability of debt being repaid in future periods, with the necessary adjustments. We have weighted the probabilities more to payments for the year ended 30 June 2020 than previous years. This implicitly allows for the lower payments as a result of COVID-19, which occurred from April to June 2020. It was assumed that the payments per account in the payment data provided were first allocated to the oldest debt incorporated in the age analyses provided. In order to project the impact of COVID-19, we have adjusted the repayment probabilities per risk category after considering prior payment patterns before and during the pandemic in order to foresee the future within each category.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for stock to be written down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. In cases of inventories held for distribution through a non-exchange transaction or held for consumption in the production process of goods to be distributed at no charge or for a nominal charge, the write-down is the lower of cost and current replacement cost. The write down is included in the operational surplus (general expense). Refer to note 3.

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 (for example over-the-counter derivatives) 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.

Impairment of non-cash-generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimates the recoverable service amount of the non-cash-generating asset. The recoverable service amount of non-cash-generating assets has been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions.

The excess of the carrying amounts over the recoverable service amount is recognised as impairment loss in the statement of financial performance.

Provisions

Management’s judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge. A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money. Additional disclosure of these estimates of provisions are included in note 22.

Useful lives of Assets (property, plant and equipment ,investments and intangible assets)

The municipality's management determines the estimated useful lives and related depreciation and amortisation charge for assets. This estimate is based on industry norm. The industry norm is adjusted for the municipality's specific considerations. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 25.

Effective interest rate

The municipality used the weighted average cost of capital (WACC) to discount future cash flows in the calculation of provisions. Refer to Note 22.

The municipality has certain borrowings which are linked to the Jibar rate which fluctuated from 6.15% to 8.733% for the year under review. Refer to Note 21.

Budget information

The municipality deems a 10% deviation on operational revenue and expenditure and a 5% or more for capital expenditure between budget and actual amounts to be material. These percentages are based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

Estimation of revenue for water and electricity

The City has established the basis or model for determining the estimation of revenue taking into account the timing of reading of meters and other circumstances that continually challenge the City. From a high-level review of the basis, operational circumstances have been taken into account in arriving at what the City considers reasonable and therefore a basis for providing reliable accounting for revenue.

The City has developed and implemented an estimation model and the use and functionality of parameters is specified in the system.

The process of estimating meter readings involves the use of historical actual readings when a meter reading is unobtainable so as to ensure customers are billed between actual meter reads. For City of Tshwane, estimates are based on seasonal factors, previous reading history and previous consumption history for a similar period, considering the minimum portion and reference value. If no reading history is available, then a set of default averages are used to estimate the meter. Estimates may also be used to replace invalid meter readings.

1.5 Biological assets (game) - disclosed under property, plant and equipment

Biological assets (game) - disclosed under property, plant and equipment - are measured at their fair value less point-of-sale costs. These animals do not form part of agricultural activity and are therefore classified as part of Property, Plant and Equipment in terms of GRAP 17 and not GRAP 27. In terms of paragraph 42 of GRAP 17 a class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity’s operations. This class of property, plant and equipment are however not measured at cost as the rest of the assets under property, plant and equipment, but are measured at fair value.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit as at year-end. The increase or decrease in the fair value is then recognised as a fair value gain or loss in the in statement of financial performance.

A gain or loss arising on initial recognition of biological assets is disclosed under property, plant and equipment - is included as a surplus or deficit for the period in which it arises.

Biological assets are derecognised when the municipality disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

1.6 Investment property

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.

1.6 Investment property (continued)

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.

Land held for a currently undetermined future use is recognised as investment property.

The gain or loss on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the surplus or deficit for the year.

In terms of GRAP 16: Investment property, all useful lives of investment properties are reviewed annually on an indicator basis.

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

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

Item	Useful life (years)
Property - land	Indefinite
Property - buildings	6 - 50

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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see Note 11).

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

1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its 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.

1.7 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment where the 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.

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.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

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.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

Depreciation is calculated at cost, using the straight-line method over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not significant, are reassessed annually on an indicator basis with the effect of any changes in estimate accounted for on a prospective basis.

1.7 Property, plant and equipment (continued)

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

Asset category	Depreciation method	Useful life (years)
Land	Not depreciated	Indefinite
Infrastructure	Straight line	
• Roads and storm water		4 - 60
• Electricity		5 - 65
• Water		4 - 100
• Sewer		1 - 100
• Solid waste		9 - 17
• Network and telecommunication		2 - 37
• Waste water purification works		4 - 100
• Security		1 - 41
• Airport		5 - 56
Community	Straight line	
• Buildings		2 - 60
• Recreational facilities		4 - 51
• Library books		4 - 15
Other property, plant and equipment	Straight line	
• Furniture and fittings		1 - 41
• Water craft		2 - 16
• Office equipment		1 - 41
• Plant and equipment		1 - 41
• Buildings		1 - 61
• Specialised vehicles		1 - 46
• Other vehicles		1 - 106
• Computer equipment		1 - 45
• Livestock		7 - 16
• Other equipment		1 - 42
• Books		3 - 16
Housing	Straight line	
• Housing		15 - 91
Service concession	Straight line	
• Building (Tshwane House)		25
Leased assets	Straight line	
• Vehicles, equipment, etc		3-20

The Data Dictionary contained in the Asset Management Policy contains the details of the components and their specific useful life estimates.

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

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the charge is accounted for a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

The City recognized water and electricity meters as assets on the assets register after installation. The useful life of the meters is 20-30 years and have been included in the useful lives of water and electricity asset category. Meters form part of the repairs and maintenance responsibilities of the city, and being subjected to maintenance through auditing, inspections, repaired, replaced, and disposed.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see Note 10).

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

The municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to surplus or deficit for the year.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

Disposal of a significant asset(s) or a group of assets and liabilities or a component of the entity

Damaged or outdated and no longer fit for usage assets of the municipality will be placed in the auction yard and marked for disposal.

Such assets are furniture and equipment, fleet, computer equipment, machinery and equipment and minor infrastructure items.

The disposal can be effected through an auction and land sales initiated by Group Property Management Department, pending accounting officers' approval.

1.8 Site rehabilitation and restoration

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as ‘rehabilitation provisions’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which a municipality incurs such costs when the item is a consequence of having used the item during a particular period.

1.8 Site rehabilitation and restoration (continued)

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

1.9 Heritage assets

Heritage Assets held by the City hold value in cultural, environmental, educational and historical terms, have an indefinite life and their value appreciate over time due to their cultural, environmental, educational, natural scientific, technological, artistic or historical significance. Immoveable Heritage Assets are registered with the South African National Heritage Council and are protected, kept unencumbered, cared for and preserved.

Heritage Assets held by the City comprise of works of art, antiquities and exhibits, historical monuments, such as graves and burial grounds; conservation areas, such as national parks; historical buildings and land that have a significant historical association; movable objects, such as military insignia, medals, coins, stamp collections or objects of decorative or fine art; and recreational parks used for leisure to be preserved for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see Note 13).

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 13).

Heritage assets are measured at cost.

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

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

The municipality assess at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss (the difference between the net disposal proceeds and the carrying value) arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases require otherwise on a sale and leaseback).

1.10 Intangible assets

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.

1.10 Intangible assets (continued)

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line-basis over its anticipated useful live. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the municipality and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

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.

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.

In terms of GRAP 31: Intangibles, all useful lives of intangible assets are reviewed annually on an indicator basis.

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.

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

Item	Useful life
Computer software, other	3-30
Servitudes	indefinite

Servitudes when registered does not expire after a period of time. There is no time condition coupled to it, therefore the indefinite useful life.

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 12).

The municipality discloses relevant information relating to the repair and maintenance of intangible assets in the notes to the financial statements (see Note 12).

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 (difference between the net disposal proceeds and the carrying amount) arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Summary of significant accounting Policies

1.11 Internal reserves

Self insurance reserve

A self-insurance reserve was established and subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the statement of changes in net assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in surplus or deficit for the year. These premiums do not affect the Self-insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in surplus or deficit for the year.
- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.

The Self-insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self-insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self-insurance reserve.
- The following liabilities are taken into account in determining this surplus capacity:
  Reported known outstanding claims and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported).
- Probability and quantification of a catastrophic loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exists based on the assumption that sufficient capacity will be built up to cover that asset through the self-insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long-Term Insurance Strategy).
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a five-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period.

Compensation for occupational injuries and diseases (COID) reserve

The municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the municipality established a COID Reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than a predetermined amount per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in surplus or deficit for the year. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the statement of changes in net assets.

The Compensation Commissioner required a ceded investment or guarantee. This amount is calculated annually by the Department of Labour. The municipality opted to supply the Compensation Commissioner with a bank guarantee.

1.12 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997), which came into operation on 1 April 1998, require that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development subject to the approval of the MEC responsible for housing. Loans from National and Provincial Government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund must have its own separate bank account or allocated investments and must be backed by cash or related assets.
- Any contributions to or from the fund must be shown as transfers in the statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the statement of changes in net assets to the Housing Development Fund.

1.13 Financial instruments

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

Class	Category
Exchange:	
Consumer receivables: services	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long-term receivables: Housing loans	Financial asset measured at amortised cost
Long-term receivables: Loans to sport clubs	Financial asset measured at amortised cost
Long-term receivables: Sale of land	Financial asset measured at amortised cost
Long-term receivables: Arrangement debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments (short-term deposits of 3 months or less)	Financial asset measured at amortised cost
Investments (long-term of more than three months)	Financial asset measured at amortised cost
Interest rate swap	Financial asset measured at fair value
Redemption fund assets	Financial asset measured at fair value

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

Class	Category
Exchange:	
Long-term loans: Term loans	Financial liability measured at amortised cost
Long-term loans: Local registered stock	Financial liability measured at amortised cost
Long-term loans: Annuity loans	Financial liability measured at amortised cost
Long-term loans: Municipal bonds	Financial liability measured at amortised cost
Trade payables:	
- Payables from exchange transactions	Financial liability measured at amortised cost
- Retention creditors	Financial liability measured at amortised cost
- Deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Service concession arrangement	Financial liability measured at amortised cost
Interest rate swap	Financial liability measured at fair value
Redemption fund liabilities	Financial liability measured at fair value

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 not subsequently measured at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Summary of significant accounting Policies

1.13 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 (if applicable)

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

The municipality does not apply hedge accounting.

Fair value measurement considerations

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

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 collectability of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are 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 a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.13 Financial instruments (continued)

Derecognition

Financial assets

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity 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.

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 entity by way of a non-exchange transaction is accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense, respectively in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Summary of significant accounting Policies

1.14 Leases (continued)

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. The municipality will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

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 interest rate implicit in the lease.

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 return on the remaining balance of the liability.

The finance lease assets are depreciated at the same rates as owned property unless the municipality will not obtain ownership. Where there is no reasonable certainty that the municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease and its useful life.

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

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

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

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

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

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

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

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

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.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset

Summary of significant accounting Policies

1.15 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.

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

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.

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.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Water inventory:

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at the reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Derecognition of inventory:

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.

1.16 Value added tax

The group is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991). The group accounts for VAT on the cash basis.

VAT output refers to tax charged by municipality and the entities on a taxable supply and is declared in the Part A of the VAT 201 return. Input tax and other deductions are deducted from the output tax liability to arrive at the net VAT payable (or refundable) for any particular tax period.

Revenue, expenses and assets are recognised net of the amount of VAT except:
- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is reported separate from other receivables or payables in the statement of financial position.

Summary of significant accounting Policies

1.17 Grants-in aid (Expense)

The municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.18 Impairment of non-cash-generating assets

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

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

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

Value in use

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

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

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 current 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 would 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.

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

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

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

Reversal of an impairment loss

The municipality assess 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.

1.19 Employee benefits

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the un-discounted 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 u-ndiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plan and/or composite social security programme as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Summary of significant accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Post-employment benefits: Defined benefit plans

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity’s own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

1.19 Employee benefits (continued)

The amount determined as a defined benefit liability may be negative (an asset). The entity 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 entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefits to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

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

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.

Summary of significant accounting Policies

1.19 Employee benefits (continued)

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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 post-employment benefit obligations.

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. The cost for the benefits will be an expense through surplus or deficit.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.20 Provisions and contingencies

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.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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.

Summary of significant accounting Policies

1.20 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.

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

Levies

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The following provisions exist within the municipality:

- **Clearing of alien vegetation**
  In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

- **Landfill sites**
  The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

- **Quarries**
  In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

- **Legal proceedings**

A provision for legal cost with regard to certain cases is created due to the fact that it was probable (more likely than not) that a present obligation exist at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature. The cases included in the provision are still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter. Refer to note 22.

Certain legal claims that have arisen in the normal course of business are disclosed due to a possible outflow in settlement. The amounts disclosed as contingencies are based on the attorney's best estimates of the possible amounts payable.

1.21 Commitments

Commitments represent goods/services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, however are disclosed as part of the disclosure notes. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

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:

- An official communication of an award letter to the successful service provider

- Awards 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.

The Municipality discloses capital commitments in the notes to the annual financial statements, A distinction is made between approved and contracted for AND approved but not yet contracted for

1.21 Commitments (continued)

The disclosure of commitments entered into before the end of the financial year/reporting date shall be done in the financial statements as prescribed in the following GRAP standards:

- GRAP 1 – Presentation of Financial Statements (GRAP 1) requires the disclosure of unrecognised contractual commitments

- GRAP 17 – Property, Plant and Equipment (GRAP 17) requires the disclosure of contractual commitments for the acquisition of property, plant and equipment

- GRAP 31 – Intangible Assets (GRAP 31) requires the disclosure of contractual commitments for the acquisition of intangible assets.

1.22 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.

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:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

1.22 Revenue from exchange transactions (continued)

Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency feed, once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted as a liability in the statement of financial position.

Housing rental and instalments

Income in respect of housing rental and instalments are accrued monthly in advance. Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Interest income

Revenue arising from the use by others of entity assets yielding interest 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.

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

1.23 Revenue from non-exchange transactions

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.

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

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 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.

1.23 Revenue from non-exchange transactions (continued)

Taxes (property rates for municipalities)

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

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

Fines

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

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

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

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

Bequests

Bequests that satisfy the definition of an asset 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.

Public contributions, sponsorships and donations, including goods in-kind

Gifts, sponsorships 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

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises 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.

Grants, donations and receipts

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

Summary of significant accounting Policies

1.24 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

1.25 Translation of foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the municipality (i.e. SA rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the statement of financial position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The municipality will not incur a foreign currency liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.26 Comparative amounts

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current year. Refer to note 80.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative amounts (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the amended GRAP standards.

1.27 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with Section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off unauthorised expenditure.

1.28 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in surplus or deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off fruitless and wasteful expenditure.

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) or the Public Office Bearers Act, 1998 (Act 20 of 1998), or in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off irregular expenditure.

1.30 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.

1.31 Budget information

A 10% deviation on operational revenue and expenditure versus the final budget are deemed to be material and for capital expenditure the percentage deviation is 5%. This percentage is based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from Thursday, 01 July 2021 to Thursday, 30 June 2022.

The annual financial statements and the budget are on the same basis of accounting (i.e. accrual basis); therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts (appropriation statement in terms of Circular 67 of National Treasury). The Statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.32 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.

The City controls two municipal entities (TEDA and HCT) and has investment in associates (TAHSEZ). These forms part of related parties. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Management is considered a related party, and comprises Councillors, Executive Mayor, Mayoral Committee Members, City Manager and all other Section 56 and 57 employees (refer to Note 33, 34 and 35).

Close family members 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 (refer to Note 52).

The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

1.33 Events after 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.

Summary of significant accounting Policies

1.34 Service concession arrangements: Entity as grantor

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a “whole-of-life” asset).

After initial recognition or reclassification, service concession assets are clearly distinguished from other assets within the same asset category, and are clearly indicated as or set aside from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:
- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Summary of significant accounting Policies

1.34 Service concession arrangements: Entity as grantor (continued)

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets, and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset) receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

1.35 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

(a) sale;

(b) distribution at no charge or for a nominal charge; or

(c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Summary of significant accounting Policies

1.35 Living and non-living resources (continued)

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

Summary of significant accounting Policies

1.35 Living and non-living resources (continued)

Number	Name of site	Resource	Use	Contact
1	Rietvlei Dam	Dam	Water Supply to Tshwane and Recreation	Water and Sanitation Dept and Environmental management Dept
2	Tshwane Dam	Dam		Water and Sanitation
3	Sinowich Dam	Dam	Recreational and Irrigation	Horticulture and Parks
4	Centurion Lake	Dam	Recreational	Roads and Storm Water
5	Boardwalk Dam	Dam	Recreational	Roads and Storm Water Dept and Environmental management Dept
6	Struben Dam	Dam	Recreational	Roads and Storm Water Dept and Environmental management Dept
7	Hennops River	River/Spruit	Stormwater, Recreation ect.	Roads and Storm Water Dept and Environmental management Dept
8	Apies River	River/Spruit	Stormwater, Recreation ect.	Roads and Storm Water Dept and Environmental management Dept
9	Pienaars River	River/Spruit	Stormwater, Recreation ect.	Roads and Storm Water Dept and Environmental management Dept
10	Moreleta Spruit	River/Spruit	Stormwater, Recreation ect.	Roads and Storm Water Dept and Environmental management Dept

1.36 Investments in controlled entities

In the municipality’s separate annual financial statements, investments in investments in controlled entities are carried .

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity’s separate annual financial statements.

Summary of significant accounting Policies

1.37 Investments in associates

An interest in a joint venture is carried at cost.

Surpluses and surplus (deficit) resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

In respect of its interest in jointly controlled assets, the municipality recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.38 Investments in Municipal Entities

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost.

1.39 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.

1.40 Investment in associates

An associate is an entity over which the investor has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

Investment in associates is accounted at cost in the separate financial statement of the municipality

1.41 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

Summary of significant accounting Policies

1.41 Accounting by principals and agents (continued)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

Notes to the Annual Financial Statements

	2022	2021
	R	R

2. New standards and interpretations

2.3 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 April 2022 or later periods:

Accounting standard	Description	Impact
GRAP 104 (amended)	Financial Instruments	No effective date yet determined
GRAP 25 (amended)	Employee Benefits	No effective date yet determined
GRAP 103 (amended)	Heritage Assets	No effective date yet determined

Notes to the Annual Financial Statements

	2022 R	2021 R

3. Inventories

	2022 R	2021 R
Raw materials, components	638,614,404	466,327,307
Water for distribution	112,251,170	91,825,460
Fuel (Diesel, Petrol)	127,848,706	110,133,348
ARY Card stock	921,437	2,136,075
Plants (nursery)	50,776	50,776
Quarries	460,538	461,781
Coal (power stations)	138,881,884	138,881,884
	1,019,028,915	809,816,631
Inventories (write-downs)	(5,156,779)	(2,921,798)
	1,013,872,136	**806,894,833**

Inventory pledged as security

No inventory is pledged as security.

Write-down of inventory (included in general expenditure)

The write down of the general inventory is only done at year end. The amount shown below is the net of surpluses and losses.

2021/22:

According to Logistic Division there is a significant increase in the value of theft inventory when compared to prior year. Also, there was a significant decrease in shortages and obsolete inventory in the current year as compared to the prior year. Damaged inventory increased to R 576,210 as compared to R101,714 value of prior year, while there was an improvement on the revaluation of inventory. There is no write down in coal.

2020/21:

According to Logistic Division the value of damaged and Obsolete inventory decreased significantly from prior year to current year. Also, there was a significant increase in shortages in the current year as compared to the prior year, major contributor being R 1,300,000 pertaining to stationery. Theft of inventories keeps going up, while there was a improvement on the revaluation of inventory.

	2022 R	2021 R
Surplus inventory (items identified during stock take)	31,864	19,778
Shortages	(401,502)	(1,802,785)
Theft	(3,059,352)	(434,291)
Revaluation of inventory	(885,560)	(196,123)
Damaged inventory	(576,210)	(101,714)
Obsolete Inventory	(266,042)	(406,927)
Rounding difference	23	264
	(5,156,779)	**(2,921,798)**

4. Consumer receivables

	2022 R	2021 R
Gross balances		
Rates	4,454,826,052	3,819,420,752
Electricity	3,415,353,952	4,406,536,984
Water	4,602,480,507	3,053,723,589
Sanitation	882,212,321	1,211,531,987
Refuse	1,321,276,211	613,209,762
Refuse	651,294,952	1,109,069,010
Interest	3,600,978,717	3,124,068,012
Arrangement debtors	(413,809,190)	(348,543,526)
	18,514,613,522	**16,989,016,570**
Less: Allowance for impairment		
Rates	(2,508,175,660)	(2,372,580,410)
Electricity	(1,896,191,292)	(1,906,697,705)
Water	(3,001,042,192)	(1,793,526,050)
Other fees and levies	(1,445,180,242)	(961,782,337)
Sanitation	(573,398,945)	(350,409,354)
Refuse	(861,048,178)	(703,402,201)
Interest	(3,039,870,129)	(2,480,061,167)
	(13,324,906,638)	**(10,568,459,224)**
Net balance		
Rates	1,946,650,392	1,446,840,342
Electricity	1,519,162,660	2,499,839,279
Water	1,601,438,315	1,260,197,539
Other fees and levies	(562,967,921)	249,749,650
Sanitation	747,877,266	262,800,408
Refuse	(209,753,226)	405,666,809
Interest	561,108,588	644,006,845
Arrangement debtors	(413,809,190)	(348,543,526)
	5,189,706,884	**6,420,557,346**
Statutory receivables included in consumer debtors above are as follows:		
Rates	1,946,650,392	1,446,840,342

Statutory Receivables General Information

Transaction arising from statute: Property Rates is levied in terms of the Local Government Municipal Property Rates Act No.6 of 2004, approved Property Rates Policy and by-laws.

Determination of transaction amount – Tariffs are reviewed annually as part of the MTREF process and applied as per Property Rates Policy which is guided by the Local Government Property Rates Act No.6 of 2004.

Interest or other charges levied/charged: According to the Credit Control and Debt Collection Policy, interest is levied on arrear municipal debt in excess of 59 days. Interest is levied monthly at the prime lending rate of the Municipality’s Banker as at 01 January and 01 July of each year for the six months following these two respective dates.

Basis used to assess and test whether a statutory receivable is impaired: GRAP 108 statutory receivables sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost

Discount rate applied to the estimated future cash flows: The prime lending rate is applied as stipulated in point 3 above.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables: Recognition is as per GRAP 108 requirements and guidelines. Reversal will be due to the amount being settled which will automatically be excluded from future impairment calculations.

Notes to the Annual Financial Statements

	2022 R	2021 R

4. Consumer receivables (continued)

Significant Impairment losses recognised: The impairment figure is disclosed above

	2022 R	2021 R
Included in above is receivables from exchange transactions		
Electricity	1,519,162,660	2,499,839,279
Water	1,601,438,315	1,260,197,539
Other fees and levies	(562,967,921)	249,749,650
Sanitation	747,877,266	262,800,408
Refuse	(209,753,226)	405,666,809
Interest	561,108,588	644,006,845
Arrangement debtors	(413,809,190)	(348,543,526)
	3,243,056,492	**4,973,717,004**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	1,946,650,392	1,446,840,342
Net balance	**5,189,706,884**	**6,420,557,346**
Rates		
Current (0 -30 days)	1,315,651,072	790,391,117
31 - 60 days	99,949,126	95,319,045
61 - 90 days	107,788,360	110,051,155
91 - 120 days	84,293,710	101,145,184
121 - 150 days	71,768,183	97,374,877
151 - 180 days	79,687,902	92,490,747
181 - 365 days	404,218,478	410,707,061
>365 days	2,291,469,221	2,121,941,566
	4,454,826,052	**3,819,420,752**
Electricity		
Current (0 -30 days)	1,098,069,358	1,721,647,067
31 - 60 days	101,754,252	99,871,025
61 - 90 days	116,501,951	148,688,179
91 - 120 days	78,487,606	135,157,751
121 - 150 days	46,295,258	75,977,251
151 - 180 days	74,082,344	114,590,152
181 - 365 days	425,516,126	528,131,535
> 365 days	1,474,647,057	1,582,474,024
	3,415,353,952	**4,406,536,984**
Water		
Current (0 -30 days)	1,195,919,097	802,465,896
31 - 60 days	112,034,574	72,202,530
61 - 90 days	188,369,150	96,971,609
91 - 120 days	112,668,886	88,402,989
121 - 150 days	111,787,315	50,681,699
151 - 180 days	145,899,585	78,663,696
181 - 365 days	917,853,616	389,541,421
> 365 days	1,817,948,283	1,474,793,749
	4,602,480,506	**3,053,723,589**

Notes to the Annual Financial Statements

	2022 R	2021 R

4. Consumer receivables (continued)

Waste water		
Current (0 -30 days)	254,250,650	112,859,487
31 - 60 days	23,910,313	(2,675,277)
61 - 90 days	33,488,120	22,015,168
91 - 120 days	21,899,735	27,325,433
121 - 150 days	23,475,514	12,086,268
151 days - 180 days	25,517,990	23,212,288
180 days - 365 days	142,743,524	117,910,374
>365 days	356,926,475	898,798,246
	882,212,321	**1,211,531,987**

Sewerage		
Current (0 -30 days)	66,885,038	164,103,892
31 - 60 days	14,691,085	10,865,356
61 - 90 days	18,487,340	23,403,913
91 - 120 days	6,388,310	17,961,446
121 - 150 days	3,894,641	12,168,380
151 - 180 days	3,665,327	18,534,997
181 - 365 days	45,334,470	71,036,983
> 365 days	434,760,091	295,134,795
	594,106,302	**613,209,762**

Refuse		
Current (0 -30 days)	192,406,599	166,359,940
31 - 60 days	23,519,477	23,498,389
61 - 90 days	30,464,637	34,573,196
91 - 120 days	22,831,906	35,040,901
121 - 150 days	19,931,760	18,448,263
151 - 180 days	25,091,957	22,659,015
181 - 365 days	122,910,797	126,501,859
> 365 days	755,444,616	681,987,447
	1,192,601,749	**1,109,069,010**

Business service levies		
Current (0 -30 days)	188,299,777	186,901,233
31 - 60 days	59,291,739	57,633,993
61 - 90 days	76,453,791	65,441,150
91 - 120 days	57,914,310	315,092,264
121 - 150 days	53,431,664	117,102,081
151 - 180 days	61,400,605	2,132,337
181 days - 365 days	335,321,927	64,147,284
> 365 days	2,768,864,904	2,315,617,670
	3,600,978,717	**3,124,068,012**

	2022 R	2021 R
4. Consumer receivables (continued)		
Debtors		
Current (0 -30 days)	3,067,628,463	3,944,728,633
31 - 60 days	435,150,566	356,715,061
61 - 90 days	571,553,350	501,144,370
91 - 120 days	384,484,462	720,125,967
121 - 150 days	330,584,336	383,838,819
151 - 180 days	415,345,709	352,283,231
181 - 365 days	2,393,898,939	1,707,976,516
> 365 days	9,900,060,647	9,370,747,499
	17,498,706,472	**17,337,560,096**

Summary of consumer receivables by customer classification

	2022	2021
Consumers		
Household/residential	9,955,755,052	8,875,411,316
Industrial/Commercial	4,082,102,924	5,741,696,917
National and Provincial Government	848,849,759	1,657,446,198
Other	1,263,300,238	1,063,005,666
	16,150,007,973	**17,337,560,097**
Households		
Current (0 -30 days)	1,182,307,409	1,845,678,263
30 - 60 days	227,065,033	140,305,734
60 - 90 days	359,679,703	254,262,497
91 - 120 days	226,253,980	369,436,861
121 - 150 days	210,449,133	185,001,739
151 - 180 days	273,681,587	167,402,760
181 -365 days	1,597,928,135	762,100,152
365 + days	5,878,390,073	5,151,223,310
	9,955,755,053	**8,875,411,316**
Industrial/ commercial		
Current (0 -30 days)	214,351,083	1,575,170,659
30 - 60 days	122,767,829	134,161,626
60 - 90 days	163,491,555	177,260,211
91 - 120 days	119,596,999	269,455,600
121 -150 days	91,920,648	134,422,633
151 - 180 days	113,788,711	129,865,226
181 - 365 days	513,536,535	587,597,441
365 + days	2,742,649,564	2,733,763,522
	4,082,102,924	**5,741,696,918**
National and provincial government		
Current (0 -30 days)	157,004,739	468,667,025
31 - 60 days	19,321,639	92,625,819
61 - 90 days	29,914,067	68,369,351
91 - 120 days	21,630,935	75,947,102
121 - 150 days	19,911,625	61,282,177
151 - 180 days	30,745,392	52,876,004
181 - 365 days	124,954,518	331,688,661
365 + days	445,366,845	505,990,060
	848,849,760	**1,657,446,199**

Notes to the Annual Financial Statements

	2022 R	2021 R

4. Consumer receivables (continued)

	2022 R	2021 R
Other		
Current (0 -30 days)	69,609,815	55,212,687
31 - 60 days	25,081,851	(10,378,118)
61 - 90 days	41,570,297	1,252,311
91 - 120 days	15,379,543	5,286,403
121 - 150 days	3,940,070	3,132,269
151 - 180 days	22,714,617	2,139,242
181 - 365 days	135,500,559	26,590,262
365 + days	250,159,742	979,770,608
	563,956,494	**1,063,005,664**

	2022 R	2021 R
Reconciliation of allowance for impairment		
Balance at beginning of the year	(10,568,459,224)	(10,901,123,129)
Contributions to allowance	(4,578,705,102)	(1,823,612,085)
Adjustments to allowance - review of impairment at year end	-	(240,717,909)
Debt impairment written off against allowance-council resolution 24 June 2021	-	1,944,045,980
Debt impairment written off against allowance during the financial year	1,822,257,688	716,616,841
Write back/corrections against allowance	-	(263,668,922)
	(13,324,906,638)	**(10,568,459,224)**

5. Other Receivables: Exchange and Non -Exchange Transactions

	2022 R	2021 R
AARTO fine debtor	1,446,268,111	1,372,245,083
Overpayment to creditors	31,271,153	31,271,153
Housing debtors	310,704,073	259,609,026
Insurance claim: fraud	2,496,909	2,496,909
Pre-payment Sanral	113,323,994	131,657,735
Lease revenue	30,184,819	29,603,016
Waste management	6,482,309	-
Sundry rentals	182,122,832	179,302,454
Sundry Persons	628,996,735	528,935,414
Public contributions	141,264,620	141,264,620
Miscellaneous	278,631,068	279,065,964
Year End Grant debtor	14,669,968	12,779,013
	3,186,416,591	2,968,230,387
Impairment: Non-exchange	(695,956,759)	(879,049,171)
Impairment allowance: Exchange	(1,559,871,626)	(717,435,769)
	930,588,206	**1,371,745,447**

	2022 R	2021 R
Included in above is receivables from exchange transactions		
Various debtors	1,725,478,512	1,583,206,291
Impairment allowance: Exchange	(1,559,871,626)	(717,435,769)
	165,606,886	**865,770,522**

	2022 R	2021 R
Included in above is receivables from non-exchange transactions		
AARTO fines	1,446,268,111	1,372,245,083
Year end grant debtor	14,669,968	12,779,013
Impairment allowance: Non exchange	(695,956,759)	(879,049,171)
	764,981,320	**505,974,925**

Notes to the Annual Financial Statements

	2022 R	2021 R

5. Other Receivables: Exchange and Non -Exchange Transactions (continued)

Reconciliation of allowance for impairment

	2022 R	2021 R
Opening balance	(1,596,484,940)	(1,566,779,783)
Additional contribution - review of impairment	489,267,119	249,952,965
Contribution to allowance (monthly contribution)	(1,150,135,869)	(279,446,154)
Write off against allowance	1,525,305	97,030,897
Corrections of write-offs against allowance	-	(97,242,865)
	(2,255,828,385)	**(1,596,484,940)**

6. Long-term receivables

	2022 R	2021 R
Consumer: Arrangement debtors (refer to note 4)	413,809,189	348,543,525
Housing loans	11,568,844	11,515,663
Loan to sport clubs	936,972	981,880
Sale of land	70,365,009	71,378,544
	496,680,014	**432,419,612**
Current portion of long-term receivables	(319,764,045)	(298,495,905)
	176,915,969	**133,923,707**
Impairment allowance	(156,894,686)	(74,188,644)
	20,021,283	**59,735,063**

Reconciliation of impairment allowance	2022 R	2021 R
Balance at the beginning of year	(74,188,644)	(76,859,110)
Contributions to allowance (monthly)	-	2,670,466
Adjustment to contribution - review of impairment	(82,706,042)	-
	(156,894,686)	**(74,188,644)**

Consumer: Arrangement debtors

A policy exists granting consumer receivables an opportunity to make arrangements to pay off their arrear debt over a period of 12, 24 or 36 months with a deposit payable.

Housing loans

Housing loans were granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attracted interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable. No new loans were issued in the current financial year.

Motor car loans

Senior staff were entitled to motor car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan was repaid within the 2012/13 financial year.

Loans to sport clubs

Sport clubs that qualified, signed a 99 year lease hold agreement with the municipality at a nominal amount and were provided with financial assistance from the municipality to build or improve a facility for which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.

Sale of land debtors

Vacant properties are sold through a process administered by Group Property Management. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14% up to March 2018, and 15% from 1 April 2018) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.

Notes to the Annual Financial Statements

	2022 R	2021 R

6. Long-term receivables (continued)

As from 1 March 2014 all land sales are conducted on payment of the full amount to the Municipality by the purchaser. No extended payment terms are offered and full payment is required on registration.

7. Redemption fund asset

The redemption fund previously referred to as the sinking fund is a financial solution to assist the City of Tshwane (COT) in meeting its financial obligations to repay previously issued bonds and bullet profile loans. The COT pays contributions into the fund so as to enable the Municipality to receive contributions plus growth to repay for the redemption of the bonds and bullet profile loans when they fall due for redemption.

The assets and liabilities are disclosed below:

Collateral:

The total investments pledged as collateral for City of Tshwane Bonds cannot be sold until the related liability is settled in full. The terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability to ensure that the liability can be redeemed.

The Nedbank and FFO collateral is the collateral paid plus accrued interest.

Composition of fund assets and liabilities:

The maturity date of bonds is: 21 December 2026.

The maturity dates are 02 April 2023, 02 April 2028 and 05 June 2028 respectively.

The fair value of the redemption fund portfolio is R 84,727,303 (2021 = R 453,523,720).

	2022	2021
Other financial assets measured at fair value through profit or loss		
Bonds	-	198,833,618
Cash collateral-FFO securities(Pty)	14,621,844	14,251,763
Swaps	163,174,781	215,194,984
Non-current assets	**177,796,625**	**428,280,365**
Other financial assets measured at fair value through profit or loss		
Cash and cash equivalents	63,825,634	25,243,356
Current assets	63,825,634	25,243,356
	-	-
Financial assets carried at fair value through profit or loss	**241,622,259**	453,523,721
Financial assets carried at fair value through profit or loss		
Derivatives designed and effective as hedging instruments carried at fair value	241,622,259	453,523,721

8. Investments

	2022	2021
Investments at amortised cost		
Short-term investments (highly liquid)	645,002,715	382,975,791
Short-term investments	161,337,735	1,233,166
	806,340,450	**384,208,957**

	2022 R	2021 Restated R

8. Investments (continued)

Current assets		
Short-term investments (at amortised cost)	161,337,735	1,233,166
Short-term investments (at amortised cost - refer note 9) (highly liquid)	645,002,715	382,975,791
	806,340,450	**384,208,957**

The investments listed below are all permitted in terms of Regulation 308 (Local Government: Municipal Finance Management Act 2003: Municipal Investment Regulations).

The market value (indicated below) was obtained from balance certificates or statement from the various financial institutions.

Market value of listed investments and management's valuation of unlisted investments:		
Unlisted investments: Insurance Policy DGA 30118 no 28 (insurance policy) (unceded) (highly liquid)	820,812	802,034
Insurance Policy DYA 301182 no 29 (insurance policy) (unceded) (highly liquid)	2,572,912	2,514,294
ABSA Money Market investment no 32 (interest capitalised monthly) (unceded) (highly liquid)	40,471,831	40,471,831
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded) (highly liquid)	14,182,786	14,182,786
ABSA Money Market investment no 34 interest capitalised monthly) (unceded) highly liquid)	10,622,643	10,622,643
ABSA Money Market investment no 35 (interest capitalised monthly) (unceded) (highly liquid)	233,869	233,869
Ninety One Money Market investment no 37(interest capitalised monthly) (unceded) (highly liquid)	37,361,337	35,795,042
Ninety One Money Market investment no 38 (interest capitalised monthly) (unceded) (highly liquid)	11,941,411	11,440,793
Ninety One Money Market investment no 39 (interest capitalised monthly) (unceded) (highly liquid)	1,599,720	1,532,655
Stanlib Money Market investment no 40 (interest capitalised monthly) (unceded) (highly liquid)	135,134,408	129,622,547
Stanlib Money Market investment no 41 (interest capitalised monthly) (unceded) (highly liquid)	4,194,400	4,023,319
Investec Money Market investment no 108 (interest capitalised monthly) (highly liquid)	41,782,200	40,099,267
Investment no 260 (interest capitalised (highly liquid)	94,324,782	90,966,641
Standard Bank Call Investment no 408 (highly liquid)	19,328	18,620
Standard Bank Call Investment no 414 (highly liquid)	1,437	7,856
Standard Bank Call Investment no 415 (highly liquid)	21,803	21,005
Nedbank Call Investment no 508 (highly liquid)	1,972	294,065
ABSA Call Investment no 338 (highly liquid)	16,606	33,880
First National Bank(highly liquid)	1,437	14,854
Stanlib Contingency Fund investment -short-term investment (on call) 106/411 (highly liquid)	295,409	292,644
ABSA (Short term)(highly liquid)ABSA Term Investment no 499 (highly liquid)	160,518,876	433,744
ABSA Term Investment no 526 (highly liquid)	818,860	784,568
Money market investment no 531 (highly liquid)	249,607,033	-
	806,545,872	**384,208,957**

Average rate of return		
On long-term investments	4.25 %	4.25 %
On short-term investments	3.38 %	3.38 %

	2022	2021 Restated
	R	R

8. Investments (continued)

Secured and unsecured investments

Unsecured investments (unceded)	806,545,872	384,208,957

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

9. Cash and cash equivalents

Cash and bank consist of:

Cash on hand	651,735	658,238
Bank balances	216,830,077	190,201,324
Cash and bank (per statement of financial position)	**217,481,812**	**190,859,562**

Cash and cash equivalents for cash flow purposes:

Cash and cash equivalents for the purpose of the cash flow statement consist of:

Cash and bank	217,481,812	190,859,562
Short-term investments (highly liquid) (refer to Note 8)	645,002,715	382,975,791
Cash and cash equivalents (per cash flow statement)	**862,484,527**	**573,835,353**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Absa - 4060738263	126,227,172	216,997,204	303,134,254	78,614,920	167,667,852	144,765,980
FNB - 51420107207	33,314,442	25,384,419	22,935,264	33,013,079	(27,839,415)	643,255
Standard - 410801453	50,282,434	13,305,599	41,528,032	49,405,727	(22,780,065)	16,744,427
Tshwane Market - Absa - 4068829119	40,062,488	40,510,134	50,075,389	40,062,488	40,510,134	44,716,858
Nedbank - 1454121963	15,736,198	16,401,124	9,425,006	15,733,863	32,737,988	9,314,193
Total	**265,622,734**	**312,598,480**	**427,097,945**	**216,830,077**	**190,296,494**	**216,184,713**

10. Property, plant and equipment

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Transfers capitilisation	Depreciation	Impairment loss	Total
Electricity infrastructure	7,778,492,577	38,969,911	(146,507,560)	(82,766)	56,088,699	(359,023,842)	(12,393,864)	7,355,543,156
Information and communication infrastructure	314,059,811	4,397,871	(11,166,248)	-	-	(48,960,173)	-	258,331,262
Rail infrastructure	115,892,661	-	-	-	-	(3,759,168)	-	112,133,494
Roads infrastructure	11,173,882,016	-	-	-	37,743,738	(892,310,961)	-	10,319,314,793
Sanitation infrastructure	3,073,945,104	1,343,893	-	-	104,328	(123,810,910)	-	2,951,582,414
Solid waste infrastructure	40,849,160	-	(668,275)	-	-	(3,395,771)	-	36,785,115
Storm water infrastructure	5,594,651,924	-	-	-	12,579,790	(288,584,726)	-	5,318,646,988
Water supply infrastructure	5,179,067,582	130,539,144	(50,739,991)	-	-	(204,057,179)	-	5,054,809,556
Computer equipment	66,504,993	17,434,294	(441,368)	-	266,551	(30,656,828)	-	53,107,643
Community assets	3,119,090,091	1,380,475	(78,973,377)	(1)	7,387,219	(328,539,635)	-	2,720,344,773
Community: Asset under construction	418,215,806	180,754,328	-	1	(5,415,541)	-	-	593,554,595
Denneboom service concession (refer note 23)	1,239,225,708	-	-	-	-	-	-	1,239,225,708
Furniture and office equipment	44,289,044	8,114,081	(12,741)	(25,477)	-	(12,036,916)	-	40,327,991
Land	2,119,812,035	67,000	(104,106,749)	-	-	-	-	2,015,772,285
Library Material	40,430,721	15,377,240	(5,280,175)	-	1,017,716	(12,045,261)	-	39,500,241
Machinery and equipment	159,422,810	15,857,561	(227,181)	25,477	15,825,575	(44,510,267)	-	146,393,975
Transport assets	469,385,942	-	(641,731)	1	109,640,363	(105,765,693)	-	472,618,882
Transport AUC	149,683,069	2,215,501	-	-	(116,465,963)	-	-	35,432,607
Other assets	951,171,181	272,647	(1,556,011)	-	47,713,160	(70,045,978)	-	927,554,999
Tshwane House: Service concession (refer note 23)	972,977,671	-	-	-	-	(37,664,318)	-	935,313,353
Rehabilitation assets	48,939,510	115,932,432	-	-	-	(10,950,879)	-	153,921,061
Operational buildings	835,840,922	-	(4,160,790)	-	-	(63,414,138)	(29,732)	768,236,262
Infrastructure: Asset under construction	8,492,239,871	1,833,260,589	-	82,766	(106,516,556)	-	-	10,219,066,670
Other: Asset under construction	762,161,351	225,421,654	-	(1)	(59,969,081)	-	-	927,613,923
	53,160,231,561	**2,591,338,621**	**(404,482,197)**	**-**	**-**	**(2,639,532,643)**	**(12,423,596)**	**52,695,131,747**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers/ purification	Transfers: Capitalisation	Depreciation	Impairment loss	Total
Electricity infrastructure	7,879,778,099	147,870,456	(14,134,736)	1,455,052	152,454,670	(377,496,274)	(11,434,690)	7,778,492,577
Information and communication infrastructure	343,359,204	351,514	(4,042)	5,283	48,180,882	(77,833,030)	-	314,059,811
Rail infrastructure	119,651,829	1,738,872	-	(1,760,050)	171,241	(3,909,232)	-	115,892,660
Roads infrastructure	11,664,010,348	10,994,501	-	440,069	373,073,805	(874,632,207)	(4,500)	11,173,882,016
Sanitation infrastructure	3,295,088,028	14,558,093	(13,538)	8	4,424,006	(128,080,426)	(112,031,067)	3,073,945,104
Solid waste infrastructure	44,573,939	-	-	-	-	(3,724,779)	-	40,849,159
Storm water infrastructure	5,728,593,703	10,869,972	-	(440,068)	136,089,153	(280,460,836)	-	5,594,651,924
Water supply infrastructure	5,171,746,542	130,086,432	(56,167,382)	29,641	136,109,342	(201,784,770)	(952,222)	5,179,067,583
Computer equipment	90,939,523	15,936,810	(266,139)	386	1,090,493	(41,196,081)	-	66,504,992
Community assets	3,407,655,194	10,291,329	(1,377)	387,757	60,575,840	(345,343,973)	(14,474,679)	3,119,090,092
Community: Asset under construction	343,406,303	141,011,355	(3,125,856)	(3,033,105)	(60,042,890)	-	-	418,215,806
Denneboom service concession (refer note 23)	1,038,899,938	200,325,770	-	-	-	-	-	1,239,225,708
Furniture and office equipment	53,746,473	3,939,416	(2,168)	(16,065)	1,071,398	(14,450,010)	-	44,289,044
Land	2,082,823,824	730,000	(1,850,084)	-	38,108,295	-	-	2,119,812,035
Operational Buildings	903,434,786	-	(846,199)	-	729,000	(67,318,072)	(158,592)	835,840,923
Library Material	52,840,173	287,163	(30)	-	409,538	(13,106,123)	-	40,430,721
Libraries: AUC	409,538	-	-	-	(409,538)	-	-	-
Machinery and equipment	187,879,860	12,178,611	(48,155)	10,396	4,099,268	(44,697,172)	-	159,422,809
Transport assets	459,145,432	19,015,345	(1,638)	-	88,241,660	(97,014,857)	-	469,385,942
Transport AUC	90,118,355	144,715,053	-	-	(85,150,339)	-	-	149,683,069
Other assets	1,036,636,469	-	(1,150,102)	-	20,250	(83,706,890)	(628,545)	951,171,181
Tshwane House: Service concession (refer note 23)	1,010,641,988	-	-	-	-	(37,664,317)	-	972,977,671
Rehabilitation assets	51,655,445	4,794,623	-	-	-	(7,510,558)	-	48,939,510
Infrastructure: Asset under construction	7,120,951,982	2,221,070,720	(1,713,976)	(82,766)	(847,986,087)	-	-	8,492,239,872
Other: Asset under construction	622,114,348	215,249,624	(1,908)	-	(75,200,713)	-	-	762,161,351
	52,800,101,323	**3,306,015,659**	**(79,327,330)**	**(3,003,462)**	**(23,940,726)**	**(2,699,929,607)**	**(139,684,295)**	**53,160,231,564**

	2022 R	2021 Restated R

10. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment are pledged as security.

Other information

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)	2022 R	2021 Restated R
Budget constraints	226,299,369	24,029,662
Community protest/unrest	-	29,635,019
Contractual dispute	58,065,454	55,207,755
Encroachment dispute	16,549,357	37,898
Contract terminated	13,421,897	-
Contractors issues/abandoned site	1,886,217	-
Township layout still outstanding	774,457	-
	316,996,751	**108,910,334**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected	2022 R	2021 Restated R
Arbitration	28,826,153	-
Awaiting appointment of contractor	13,441,080	-
Awaiting rezoning of land	1,527,389	-
Awaiting service connection	167,166,918	-
Budget constraints	407,050,994	-
Community protest/unrest	13,084,498	-
Contractor failed to rectify defects	505,324	-
Contractor previously abandoned site	4,301,274	758,118
Delayed in finalising SAP integration	-	11,822,002
Contract terminated	262,029,092	-
Delay caused by contractor	416,395,757	-
Design not yet approved	6,145,844	-
Eviction required	700,402	-
Holistic transport study done	41,296,231	-
Interdepartmental dependencies	80,241,291	-
Land reform, dependent on Department of Agriculture	31,281,882	-
Tender delay	160,240	-
Unfavourable ground conditions	456,504,166	-
Delay in construction of bulk water reservoir	10,184,203	-
Lack of material at stores	4,887,477	-
Site burnt down. Building not ready for installation of new switch	42,514	-
Bulk water shortage	251,594,106	-
Dependent on Civil Works contract to commence with building work	374,725,666	-
Unavailability of construction tender	209,152	-
	2,572,301,653	**12,580,120**

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

10. Property, plant and equipment (continued)

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-Please refer note 68		
Contracted services	551,035,962	578,280,281
General expenses	416,849,735	507,049,937
Other materials	143,452,149	166,845,394
	1,111,337,846	**1,252,175,612**

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.

11. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,290,329,129	(203,099,259)	1,087,229,870	1,291,463,303	(199,817,560)	1,091,645,743

Reconciliation of investment property - 2022

	Opening balance	Disposals	Depreciation	Total
Buildings	75,881,755	-	(3,930,359)	71,951,396
Land	909,063,414	(485,515)	-	908,577,899
Investment AUC	106,700,575	-	-	106,700,575
	1,091,645,744	**(485,515)**	**(3,930,359)**	**1,087,229,870**

Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	79,845,270	-	(23,325)	(3,940,190)	75,881,755
Land	897,589,833	12,360,000	(886,419)	-	909,063,414
Investment AUC	70,485,149	36,215,426	-	-	106,700,575
	1,047,920,252	**48,575,426**	**(909,744)**	**(3,940,190)**	**1,091,645,744**

Pledged as security

No investment property was pledged as security.

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

11. Investment property (continued)

Expenditurre inccured to repair and maintain investment property- Please refer to note 68

General expenses	765,063	167,271

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Project stoppage due to transactional make-up and contractual disputes	-	65,037,292

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

Delay caused by contractor	1,215,426	-

Amounts recognised in surplus or deficit

Rental revenue from Investment property	95,008,442	101,883,730

12. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
AUC: Software	306,346,812	-	306,346,812	252,993,235	-	252,993,235
Computer software	506,007,485	(345,478,440)	160,529,045	660,825,564	(476,988,468)	183,837,096
Servitudes	450,697,179	-	450,697,179	465,482,308	-	465,482,308
AUC: Servitude	20,567,247	-	20,567,247	13,274,703	-	13,274,703
Service concession assets [State class]	89,730,939	-	89,730,939	3,217,359	-	3,217,359
Total	**1,373,349,662**	**(345,478,440)**	**1,027,871,222**	**1,395,793,169**	**(476,988,468)**	**918,804,701**

Reconciliation of intangible assets - 2022

	Opening balance	Difference	Additions	Disposals	Transfers	Amortisation	Total
AUC Software	236,899,780	-	166,284,861	-	-	-	403,184,641
Computer software	203,153,041	-	587,281	(10)	-	(43,211,267)	160,529,045
Servitudes	465,491,623	-	-	(14,902,244)	107,800	-	450,697,179
AUC Servitudes	13,260,257	-	307,900	-	(107,800)	-	13,460,357
Service concession assets [State class]	3,217,359	**86,513,580**	-	-	-	-	89,730,939
	922,022,060	**86,513,580**	**167,180,042**	**(14,902,254)**	**-**	**(43,211,267)**	**1,117,602,161**

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets (continued)

Reconciliation of intangible assets - 2021

	Opening balance	Difference	Additions	Disposals	Transfers received	Amortisation	Impairment loss	Total
AUC Software	162,001,715	-	132,780,437	-	(57,882,372)	-	-	236,899,780
Computer software	190,866,245	-	7,396,598	-	81,528,099	(46,911,929)	(29,725,972)	203,153,041
Servitudes	465,196,623	-	-	-	295,000	-	-	465,491,623
AUC Servitudes	13,568,157	-	-	(307,900)	-	-	-	13,260,257
Service concession assets [State class]	-	**3,217,359**	-	-	-	-	-	3,217,359
	831,632,740	**3,217,359**	**140,177,035**	**(307,900)**	**23,940,727**	**(46,911,929)**	**(29,725,972)**	**922,022,060**

Pledged as security

Carrying value of intangible assets pledged as security:

No Intangible assets have been pledged as security

Expenditure incurred to repair and maintain intangible assets- Please refer to note 68

Contracted services	96,406,817	71,420,344
General expense	1,285,699	939,774
Other materials	3,035,609	1,990,800
	100,728,125	**74,350,918**

Carrying value of intangibles that is taking a significantly longer period of time to complete than expected

Awaiting service connections	2,366,679	-
Delay caused by contractor	657,003	-

Carrying value of intangibles where construction or development has been halted either during the current or previous reporting period(s)

Budget constraints	3,354,265	-

Figures in Rand

13. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Works of art	470,968,232	-	470,968,232	471,080,232	-	471,080,232
Collections of insects, butterflies and fossils	(286,402)	-	(286,402)	3,033,103	-	3,033,103
Historical monuments	286,402	-	286,402	-	-	-
Historical buildings and land	3,205,534,190	(308,069,760)	2,897,464,430	3,205,534,190	(308,069,760)	2,897,464,430
Other heritage assets	1,536,408	-	1,536,408	1,536,408	-	1,536,408
Heritage: AUC	1,512,530	-	1,512,530	(1,520,574)	-	(1,520,574)
Total	**3,679,551,360**	**(308,069,760)**	**3,371,481,600**	**3,679,663,359**	**(308,069,760)**	**3,371,593,599**

Reconciliation of heritage assets 2022

	Opening balance	Difference	Disposals	Total
Works of art	471,080,232	**-**	(112,000)	470,968,232
Collections of insects, butterflies and fossils	3,033,103	**(3,319,505)**	-	(286,402)
Historical buildings and land	2,897,464,430	**-**	-	2,897,464,430
Other heritage assets	1,536,408	**-**	-	1,536,408
Heritage: AUC	1,512,530	**-**	-	1,512,530
	3,374,626,703	**(3,319,505)**	**(112,000)**	**3,371,195,198**

Reconciliation of heritage assets 2021

	Opening balance	Difference	Total
Works of art	471,080,232	**-**	471,080,232
Collections of insects, butterflies and fossils	-	**3,033,103**	3,033,103
Historical buildings and land	2,897,464,430	**-**	2,897,464,430
Other heritage assets	1,536,408	**-**	1,536,408

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets (continued)

Heritage: AUC	1,520,574	-	1,520,574
	3,371,601,644	**3,033,103**	**3,374,634,747**

Pledged as security

No heritage assets have been pledged as security

Carrying value of heritage assets that is taking a significantly longer period of time to complete than expected

Budget contraints	1,512,530	-

Expenditure incurred to repair and maintain heritage assets - Refer to note 66

Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance

General expenses	2,761,934	3,763,015

14. Living and non living resources

2022	Cost	Accumulated depreciation	Carrying amount
Living and non living resources	621,428	(298,161)	323,267

2021	Cost	Accumulated depreciation	Carrying amount
Living and non living resources	590,100	(266,285)	323,815

15. Interest rates swaps

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. The municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige the municipality to pay interest at variable rates/fixed rates on the same amounts. The interest rate swap allows the municipality to raise long-term borrowings at variable rates/fixed rates and effectively swap them into fixed rates/floating rates in terms of the structured finance contractual requirements The interest rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date:

During 2014/15 and 2017 the municipality entered into interest rate swaps with the following counter parties:

City of Johannesburg: (Trade number - SWD BSA 14)

Trade date: 1 September 2014 and Settlement date: 1 March 2023
Original Nominal amount: R 573,557,919 (Current Nominal amount R 573,557,919)
Fixed rate: 9,75% and variable rate: Jibar + 2,55 basis points
Payable: Semi-annual

City of Johannesburg: (Trade number - SWS BK 2RS)

Trade date: 30 June 2014 and Settlement date: 30 June 2034
Nominal amount: R 1,600,000,000 (Current Nominal amount R 1,600,000,000)
Fixed rate: 11.0% and variable rate: Jibar + 2,50 basis points
Payable: Semi-annual

15. Interest rates swaps (continued)

City of Johannesburg: (Trade number - 12503628)

Trade date: 18 August 2015 (effective date 29 June 2015) and Settlement date: 29 June 2035
Nominal amount: R 1,500,000,000 (Current notional amount R 1,500,000,000)
Fixed rate: 11,48% and variable rate: Jibar + 2,4 basis points
Payable: Semi-annual

City of Johannesburg: (Trade number - 12503643)

Trade date: 20 July 2017 and Settlement date: 23 June 2027
Original Nominal amount R 1,000,000,000 (Current Nominal amount R 1,000,000,000)
Fixed rate: 10.55% and variable rate: Jibar + 2,65 basis points
Payable: Semi-annual

Nedbank: (Trade number - 18569588)

Effective Date: 31 December 2012 and Settlement date: 30 June 2026
Original Nominal amount: R 943,766,167 (Current Nominal amount R 584,448,395)
Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points
Payable: Semi-annual

Nedbank: (Trade number - 24157050)

Effective Date: 1 April 2014 and Settlement date: 30 June 2026
Nominal amount R 890,312,448: (Current Nominal amount R 584,448,395)
Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points
Payable: Semi-annual

Fair values of financial assets measured or disclosed at fair value:

Class 1 : Interest rate swaps -

The method to determine the fair value of the interest rate swaps is the discounted cash flow method. Various parameters are used to value the swaps, e.g. start date, end date, payment dates in between, fixed rate, floating rate spread, payment frequency, yield curve, etc. Cash flows are discounted using the zero curve.

Fair value hierarchy of financial assets at fair value -

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurement. The fair value hierarchy have the following levels:

Level 1: represents those assets which are measured using unadjusted quoted prices in active markets for identical assets

Level 2: applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: applies inputs which are not based on observable market data.

The City of Tshwane classifies its interest rate swaps as level 2 and no transfers were made between the different levels of the hierarchy in the year under review. None of the financial assets that are fully performing have been renegotiated in the last year.

Nominal value of financial assets at fair value:

The original nominal value of the existing interest rate swaps were R 6,507,636,534 as at 30 June 2022.

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

15. Interest rates swaps (continued)

The current nominal value of the existing interest rate swaps are R 5,441,114,079 as at 30 June 2022.

Interest paid on the interest rate swaps to the amount of R 177,510,213 were recognised in surplus or deficit during 2021/22 as part of finance cost - refer note 41.

The fair value of interest rate swaps for the period under review is as indicated below.

	2022	2021
Interest rate swap		
Interest rate swap asset	142,276,068	15,168,940
Interest swap liability	(161,325,433)	(301,625,355)
	(19,049,365)	**(286,456,415)**

16. Investments in controlled entities

City of Tshwane controls 100% of two active and viable municipal entities Housing Company Tshwane (HCT) and Tshwane Economic Development Agency (TEDA).

City of Tshwane is exposed, and has rights, to variable returns from its involvement with the controlled entities and has the ability to affect those returns through its power over the controlled entities.

TEDA was established with aim of being a catalyst for accelerated economic growth and job creation within Tshwane. It was established as a private company.

Housing Company Tshwane is wholly owned by City of Tshwane and was established as a section 21 company and mandated to act as a long term institutional vehicle through which CoT would promote the business of procuring, developing, owning, letting, maintaining and managing residential accommodation (primarily for low and middle income brackets in terms of National Housing Code including provision of Social Housing (SH) products and services to SH the target market to the provision of Affordable Rental.

HCT was later converted to a Non-Profit Company (NPC). Housing Company Tshwane is 100% controlled by the City as it is established to develop and manage social / rental housing for the benefit of the residents of the City of Tshwane.

City of Tshwane accounts for Investments in municipal entities (controlled entities) at cost.

The carrying amounts of controlled entities are shown net of impairment losses.

	2022	2021
Investment in Municipal Entity (TEDA)		
Gross Investment	1,000	1,000

	2022	2021
Control over entity (% held)		
Housing Tshwane Company	100	100
Tshwane Economic Development Agency (Pty) Ltd	100	100
	200	**200**

17. VAT liability

	2022	2021
VAT receivable	5,958,220,044	4,685,707,256
VAT payable	(6,397,841,755)	(5,687,897,018)
	(439,621,711)	**(1,002,189,762)**

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

18. Payables from exchange transactions

	2022 R	2021 Restated R
Trade payables	6,433,094,865	5,737,138,105
Payments received in advance - various services	32,288,308	31,475,725
Accrued leave pay	1,794,346,210	1,567,850,056
Deposits received	45,236,687	53,006,585
Debtors with credit balances - reclassification	2,109,106,030	1,058,974,239
Other creditors	1,245,107,628	1,139,409,392
Retention creditors	623,013,615	591,229,324
Accrual 13th cheque	200,448,769	210,058,694
	12,482,642,112	**10,389,142,120**

19. Consumer deposits

	2022 R	2021 Restated R
Electricity and water	781,190,973	946,912,232

The amounts of guarantees held as indicated below are not included/recognised in the statement of financial position as it will only be accounted for once the guarantee is activated. Currently it is only a disclosure item.

Guarantees held:		
Electricity and water consumers (who do not have deposits)	188,654,264	190,362,834
Township Development guarantees	677,250,552	475,474,954
	865,904,816	**665,837,788**

20. Unspent conditional grants and receipts

Unspent grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance management grant (FMG)	94,213	1,239,551
Human Settlement Development Grant (HSDG)	141,380,246	160,749,951
HIV/Aids	-	263
Urban Settlement Development Grant (USDG)	2,252,505	44,790,169
Public Transport Network Grant (PTNG)	52,321,344	29,784,053
Neighbourhood Development Partnership Grants (NDPG)	94,135,100	3,162,454
Community Libraries Grant	2,432,338	2,642,735
Tirelo Bosha grant	384,498	384,498
Gautrains	11,961,294	11,961,294
Social infrastructure grant	3,441,929	3,441,929
TRT subsidy	-	2,687,206
Electricity Demand Side (EEDMS)	334,212	540,461
Integrated City Development (ICDG)	769	5,781,081
Informal settlement upgrading partnerships	29,899,101	-
Programme and Project preparation Support Grant	5,407,658	-
	344,045,207	**267,165,645**

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

20. Unspent conditional grants and receipts (continued)

Movement during the year

	2022	2021
Balance at the beginning of the year	267,165,645	486,607,374
Additions during the year	7,261,998,781	6,989,926,290
Returned to National Treasury (returned to National Treasury - deducted from current year equitable share)	(85,297,000)	(145,744,155)
Repaid to grantors	73,547,924	147,778,726
Income recognition during the year	(7,188,040,111)	(7,224,181,603)
Year end grant debtor	14,669,968	12,779,013
	344,045,207	**267,165,645**

The amounts above show:

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

See note 35 for reconciliation of grants from National/Provincial Government.

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

21. Loans and bonds

Summary of Long Term Borrowings:	2022	2021
Bullet Loans	6,301,668,932	6,301,294,302
Municipal bonds	2,176,855,970	2,177,419,005
Annuity loans	2,376,399,549	2,919,349,889
	10,854,924,451	**11,398,063,196**

Held at amortised cost

Bullet Loans

	2022	2021
Development Bank of South Africa (1-2100) Secured 20 year bullet loan, Jibar rate +2.5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2034.	1,600,000,000	1,600,000,000
Nedbank (1-2300) Secured 10-year bullet loan, fixed interest rate 11.86% repayable quarterly , while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2026.	1,200,415,233	1,200,389,918
Development Bank of South Africa (1-22) Secured 20 year bullet loan, Jibar rate + 2.4 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2035.	1,500,000,000	1,500,000,000

	2022 R	2021 Restated R
21. Loans and bonds (continued)		
Development Bank of South Africa (1-2551) Secured 20 year bullet loan, Jibar rate repayable quarterly , while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2040.	1,500,000,000	1,500,000,000
Nedbank (1-2500) Secured 10-year loan. (jibar) variable interest rate Repayable with quarterly instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	501,253,699	500,904,384
Municipal bonds		
ABSA Bank (1-1900) Secured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 3 April 2028. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	573,771,397	573,927,890
ABSA Bank (1-1901) Secured 10-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 3 April 2023. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	848,224,984	848,437,142
ABSA Bank (1-1950) Secured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 5 June 2028. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	754,859,589	755,053,973
Annuity loans		
Standard Bank (1-1300) Unsecured variable interest rate 15-year loan repayable semi-annually in instalments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.	387,482,487	467,036,122
ABSA Bank (1-2450) Unsecured (Jibar) variable interest rate 10-year loan repayable with quarterly equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2027.	617,576,196	706,202,409
ABSA Bank (1-2501) Unsecured (Jibar) variable interest rate 10-year loan repayable with quarter in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	701,369,699	801,093,216
Development Bank of South Africa (1-950) Unsecured fixed interest 20-year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	75,872,663	84,116,683
Development Bank of South Africa (1-800) Unsecured fixed interest 20-year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	114,885,061	126,352,617

Notes to the Annual Financial Statements

	2022 R	2021 Restated R
21. Loans and bonds (continued)		
Development Bank of South Africa (1-700) Unsecured fixed interest 20-year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	43,501,828	49,316,881
Development Bank of South Africa (1-701) Unsecured fixed interest 20-year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	114,477,379	126,587,801
iVuzi Investments (1-550) Unsecured fixed interest 15-year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.	-	12,092,975
iVuzi (FirstRand Bank) (1-1850) Unsecured (Jibar) variable interest rate 9-year loan repayable in semi-annual equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.	-	52,631,579
Nedbank (1-1800) Unsecured (Jibar) variable interest rate 16-year loan repayable in semi-annual equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 1 March 2023.	94,800,255	182,929,667
iVuzi (FirstRand Bank) (1-1851) Unsecured (Jibar) variable interest rate 14-year loan repayable in semi-annual equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2027.	172,413,793	206,896,552
Nedbank (1-1801) Unsecured (Jibar) variable interest rate 12-year loan repayable in semi-annual equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 1 March 2023.	54,020,188	104,093,387
	10,854,924,451	**11,398,063,196**

	2022 R	2021 Restated R
Non-current liabilities		
At amortised cost	10,247,940,190	10,805,811,451
Current liabilities		
At amortised cost	606,984,261	592,251,745
	10,854,924,451	**11,398,063,196**

	2022 R	2021 Restated R
Secured and unsecured long-term liabilities		
Secured	2,376,399,539	8,478,713,307
Unsecured	8,478,524,901	2,919,349,887
	10,854,924,440	**11,398,063,194**

No defaults or breaches of loans occurred in the period under review.

The weighted average interest rate is 8,83 % (2021: 8.83 %).

22. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	35,203,466	4,277,054	16,268,830	(3,361,451)	52,387,899
Legal proceedings	230,423,515	-	(239,755,220)	322,999,486	313,667,781
Landfill sites	856,821,166	37,872,010	76,425,252	(38,059,635)	933,058,793
Quarries	59,154,346	4,036,442	35,828,653	(2,152,642)	96,866,799
	1,181,602,493	**46,185,506**	**(111,232,485)**	**279,425,758**	**1,395,981,272**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	30,942,320	2,856,258	(4,388,582)	5,793,470	35,203,466
Legal proceedings	357,726,623	-	-	(127,303,108)	230,423,515
Landfill sites	840,939,192	43,826,580	(6,879,076)	(21,065,530)	856,821,166
Quarries	54,791,894	4,801,829	(47,551)	(391,826)	59,154,346
	1,284,400,029	**51,484,667**	**(11,315,209)**	**(142,966,994)**	**1,181,602,493**

Environmental rehabilitation provision - landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

2021/2022

The net movement in the provision amounted to R 80 058 730 increase (2022 = R 15 881 974 increase). The decrease in the cost of property, plant and equipment amounted to R 9 636 860.90 (2021 = R 3,172,806 decrease).

The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R 38 059 635 (2022 = R 38 059 635). The amount utilised amounted to R 3 633 477.84 (2022 R3 633 477.84).

Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist.

2021/2022

The net movement in the provision amounted to R 4 277 054.27 increase (2022 = R 16 268 829 increase). The decrease in the cost of property, plant and equipment amounted to R 0 (2021 = R0). The amount recognised in surplus or deficit due to estimation where the adjustment exceeds the carrying amount of the asset amounted to R 16 268 829.86 (2021 = R 5,793,470). The amount utilised during the year amounted to R 3 3361 451.2 (2022 = R 4,210,961).

22. Provisions (continued)

Rehabilitation of quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the municipality is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

2021/22

The net movement in the provision amounted to R 4 036 442.22 increase (2021 = R4 362 452 increase). The increase in the cost of property, plant and equipment amounted to R 1 314 018 (2021 = R 456 870). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R 2 152 641.95 (2022 = R2 152 641.95).
The amount utilised during the year amounted to R 47551.27(2022 = R45 028.80).

Legal proceedings provision

A provision for legal cost with regard to certain cases was created due to the fact that it was probable (more likely than not) that a present obligation existed at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature.

2021/22

The net movement in the provision amounted to R 127 303 108 decrease (2022 = R 83 244 266.57increase).
The cases included in the provision is still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter.

Due to the nature of the legal cases, it is not foreseen that it will be finalised within the next 12 months and therefore there is no short-term portion.

Environmental rehabilitation provision - landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

2021/22

The net movement in the provision amounted to R80 058 730 increase (2022 = R15 881 974 increase). The decrease in the cost of property, plant and equipment amounted to R9 636 860.90 (2022 = R3 172 806 decrease). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R24 278 38 059 635 (2021 = R6 373 490). The amount utilised amounted to R 3 633 477 (2022 = R6 879 076).

Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien Vegetation was established to address the backlogs that exist.

2020/21

The net movement in the provision amounted to R4 277 0054.27 increase (2021 = R4 297 148 increase). The decrease in the cost of property, plant and equipment amounted to R0 (2021 = R0). The amount recognised in surplus or deficit due to estimation where the adjustment exceeds the carrying amount of the asset amounted to R5 793 470 (2020 = R5 793 470).
The amount utilised during the year amounted to R4 210 961 (2021 = R1 832 219).

	2022 R	2021 Restated R

23. Finance lease obligation

Minimum lease payments due		
- within one year	103,105,527	246,949,608
- in second to fifth year inclusive	118,887,339	136,278,183
	221,992,866	383,227,791
less: future finance charges	(40,574,621)	(50,002,800)
Present value of minimum lease payments	**181,418,245**	**333,224,991**
Present value of minimum lease payments due		
- within one year	98,648,442	237,148,084
- in second to fifth year inclusive	83,281,745	96,076,906
	181,930,187	**333,224,990**
Non-current liabilities	83,281,745	102,786,414
Current liabilities	98,648,442	234,336,587
	181,930,187	**337,123,001**
The total future minimum sublease payment expected to be received under non-cancellable sublease	181,418,245	333,224,990
Net book value of leased assets		
Leased assets cost	1,449,095,252	1,370,299,059
Leased assets Accumulated depreciation	(1,221,677,400)	(1,012,255,992)
	227,417,852	**358,043,067**

The lease liabilities reflected above relate to the lease contract of Fleet Management for the supply of fleet vehicles and fleet-related services. The lease contract of Fleet Management is a public-private partnership agreement between the following companies -* Moipone Group of Companies (Pty) Ltd for the supply of category A and C fleet vehicles and fleet-related services;

* Fleet Africa, a division of Super Group Africa (Pty) Ltd for the supply of category E fleet vehicles and fleet-related services; and* Fleetmatics VMS (Pty) Ltd for the supply of category B fleet vehicles and fleet-related services Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The lease term various between 27 months and 5 years and the average effective borrowing rate is 7%.

Interest rates are variable at the contract date. It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

24. Service concession arrangement

Tshwane Broadband Network:

The Broadband was awarded to Altech Altron consortium which later formed a Special Purpose Vehicle (SPV) called Thobela Telecoms to build 1500 kilometres of fibre network to connect 400 CoT corporate sites and use the spare capacity for revenue generation. The ultimate contract was a Build, Operate and Transfer (BOT), the agreement stipulates a build period of 3 years, operate the network for 15 years and handing over to the city when it expires at cost of R1.

The City took a decision to review the award of Broadband tender to Thobela Telecoms through a court process, the first hearing date reserved was 22 – 25 May 2018. The court subsequently issued a judgement in favour of the City on 16 July 2020 (attached as Annexure). On the 05th of October 2020, the Supreme Court of Appeal judged against the City of Tshwane Municipality on the Broadband Project case. The ruling was after Thobela Telecomms challenged the High Court judgement in favour of the City on the 16 July 2020.

On the 19 May 2021, The Constitutional Court considered the City's application for condonation and leave to appeal. The following is Constitutional Court order:

- The application for condonation is refused
- The application for leave to appeal is dismissed with costs

The above order is final and the City will be investigating means of complying with the order going forward in a most cost-effective and sustainable manner.

That Council grants approval for the undertaking of Public Participation process for the amended Broadband Project scope.

Tshwane House:

The City of Tshwane has entered into a service concession agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years was for the construction of the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building will pass to the City of Tshwane. The agreement is in the third year of the operational stage. Occupation took place in June 2017.

For the 2021/22 financial year the value of the asset and liability amounted to R 972,977,671 and R 1,281,709,390 respectively.

For the 2020/21 financial year the value of the asset and liability amounted to R 972,977,671 and R 1,224,849,709 respectively.

	2022	2021 Restated
	R	R

24. Service concession arrangement (continued)

The service concession liability in respect of Tshwane House is indicated below:

Minimum future payments		
No later than one year-service cost	261,601,443	260,441,082
Later than one year but not latter than five year	1,592,446,471	1,507,094,277
Later than five	7,084,548,334	7,380,697,603
Future finance charges on service concession	(6,437,845,480)	(6,664,999,207)
	(1,219,041,378)	(1,258,384,047)
Present value of service concession liability	**1,281,709,390**	**1,224,849,708**

Present value of the capital portion of the service concession liability		
No later than one year-service concession	(68,334,674)	(53,411,841)
Later than one year no later than five years	(271,178,708)	(272,004,361)
Later than five years	1,621,222,772	1,550,265,910
	1,281,709,390	**1,224,849,708**

Fair value of liability (amortised cost)	1,281,709,390	1,224,849,708

Collateral held on the above service concession	972,977,671	972,977,671

Denneboom Station Public Transport Interchange:

2021/22

The facility is not complete yet in that the occupational certificate has not been issued by the City. There are issues that are currently under address between Roads and Transport, City Planning and Legal and Secretariat with regards to the compliance which finally must result in the issuance of the occupational certificate. The developer can perhaps assist in furnishing further information if any but from our side there are no new issues that require submission/declaration.

The current value as at 30 June 2022 still remain as the prior year 2020/21

2020/21

Denneboom service concession based on an estimation supported by the below stated assumptions-

- The progress of construction is consistent throughout the months stipulated within the building phase
- The cost of construction is incurred evenly throughout the period.
- The total cost of construction incurred is aligned within the budgeted cost of construction as stipulated in the Service

Concession Agreement documents

During the current financial year under review - the service concessionaire submitted financial cost reports based on the letter, the closing balance of the prior year was increased by R200 325 769.48. The actual cost as at 30 June 2021 as per the cost report totalled R 1,237,398,540. As at 30 June 2021 the building was established to be a under construction building status. The current status is that the developer has " Consent to use" the facility for its intended purpose.

Denneboom service concession liability		
Denneboom Station Public Transport Interchange	1,237,398,540	1,237,398,540

	2022 R	2021 Restated R

24. Service concession arrangement (continued)

	2022 R	2021 Restated R
Denneboom service concession asset		
Land	1,854,770	1,854,770
Denneboom Station asset under construction	1,237,398,540	1,237,398,540
	1,239,253,310	**1,239,253,310**
Total service concession liability		
Tshwane House	1,281,709,390	1,224,849,709
Denneboom Station Public Transport Interchange	1,237,398,540	1,237,398,540
	2,519,107,930	**2,462,248,249**
Total service concession asset included in Note 10		
Tshwane House	972,977,671	972,977,671
Denneboom Station Public Transport Interchange	1,237,398,540	1,237,398,540
	2,210,376,211	**2,210,376,211**

25. Employee benefit obligations

Defined contribution plan (as classified by the relevant fund):

The municipality contributes to the following defined contribution plans, which are governed by the pension fund Act of 1956. The total contribution plan are included under employee related costs.

	2022	2021 Restated
	R	R

25. Employee benefit obligations (continued)

Tshwane Municipal Provident		
Fund/Tshwane Municipal Gratuity Fund	584,972,955	575,128,052
6159(2021: 6089) of the municipality's employees are members of this fund		
Pension Fund for Municipal Councillors	2,845,341	6,196,857
65(50) of the municipality's employees is a member of the fund		
National fund for municipal workers	758,099,553	755,110,027
88133(2021: 8115) of the municipality's employees are members of the fund		
SALA provident fund/ gratuity fund	1,265,379	1,349,085
30 of the municipality's employees are members of the fund		
SAMWU National pension fund	1,300,405	1,391,450
12 912 of the municipality's employees are members of the fund		
SAMWU National provident fund	85,530,870	87,077,660
965 (968) of the municipality's employees are members of the fund		
Germiston municipal retirement fund	824,074	760,247
2 (2021: 3) of the municipality's employees are members of the fund		
Meshawu gratuity fund	1,232,097	1,394,974
21(2021: 21) of the municipality's employees are members of the fund		
Sandspruit Alexander forbes and spouse cover	21,028,433	26,425,941
231(2021: 233) of the municipality's employees are members of the fund		
SALA pension fund	29,801,413	33,147,699
307(306) of the municipality's employees are members of the fund		
Government employees' pension fund	133,568	133,568
2(2021: 4) of the municipality's employees are members of the fund		
Joint municipal pension fund	3,633,291	3,827,098
22(2021: 22) of the municipality's employees are members of the fund		
Municipal employee pension fund	179,855,715	182,947,131
1853(2021:1856) of the municipality's employees are members of the fund		
National fund for municipal councillors/Consolidated retirement fund for councillors	76,799	122,807
3(2021: 2) of the municipality's employees are members of the fund		
Municipal Gratuity Fund	144,914,976	150,102,108
1198(2021: 1270) employees		
Consolidated Retirement Fund	287,356	69,296
10(2021: 2) employees		
COT Group Life Scheme	78,266,967	79,618,401
19 303 (2021: 18 465)		
	1,894,069,192	**1,904,802,401**

Defined benefit plan

TSHWANE MUNICIPAL PENSION FUND

Tshwane municipal pension fund to which 131 (2021: 140) of municipal employees belong, is a defined benefit plan . The cost of providing these benefits is determined on the projected unit credit method prescribed by GRAP 25 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of the plan assets.

The Municipality offers a Gratuity Benefit to 10 (2021: 16) employees who do not belong to a pension or provident fund. The Gratuity is paid on an eligible employee's termination of service.

25. Employee benefit obligations (continued)

The municipality provides certain post-retirement medical benefits by funding the medial aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds associated with the municipality, if a member who joined the municipality under the current conditions of services retires, they are entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for certain portion of the medical aid membership fee. The cost of providing these benefits is determined on the basis of the projected unit credit method prescribed by GRAP 25. Future benefit values are projected using specific actuarial assumptions and the liability for the in-service members is accrued over the expected working lifetime. No plan assets exist and any actuarial gains and losses are recognized immediately. A total of 637 (2021: 721) in-service employees and 1361 (2021: 1 395) continuation employees are qualify for this benefit.

The municipality offers benefits under a new LSA Policy. The Policy provides a benefit in the form of a lumpsum payment to eligible employees upon completion of the specified number of years of service at a predetermined % of annual salary. The payment is made following the milestone being reached and on termination of service of an employee with 10 or more years or service, for reasons of retirement, death, medical incapacity or retrenchment, the LSA benefit is paid on a pro-rata basis. Employees may opt for a combination of cash payments and/or actual leave. A total of 18 438 (2021: 18 884)employees are eligible for this benefit.

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

Reconciliation of of accrued liability and carrying value per statement of financial position

30 June 2021	**TMPF**	**MGF**	**Medical**	**LSA**	**Total**
Present value (wholly unfunded)	-	10,177,444	1,177,764,011	935,591,219	2,123,532,674
Present value (wholly funded)	2,003,769,650	-	-	-	2,003,769,650
Fair value of plan assets	(2,420,139,000)	-	-	-	(2,420,139,000)
Net liability/(Asset)	(416,369,350)	10,177,444	1,177,764,011	935,591,219	1,707,163,324
Unrecognised due to paragraph 68 Limitation	416,369,350	-	-	-	416,369,350
Post employment liability/(Asset)	**-**	**10,177,444**	**1,177,764,011**	**935,591,219**	**2,123,532,674**

30 June 2022	**TMPF**	**MGF**	**Medical**	**LSA**	**Total**
Present value (wholly unfunded)	-	5,391,717	1,272,147,493	923,593,157	2,201,132,367
Present value (wholly funded)	1,994,164,990	-	-	-	1,994,164,990
Unrecognised due to paragraph 68 Limitation	(2,467,625,504)	-	-	-	(2,467,625,504)
Net liability/(Asset)	(473,460,514)	5,391,717	1,272,147,493	923,593,157	1,727,671,853
Unrecognised due to paragraph 68 Limitation	473,460,514	-	-	-	473,460,514
	-	**5,391,717**	**1,272,147,493**	**923,593,157**	**2,201,132,367**

	2022	2021 Restated
	R	R

25. Employee benefit obligations (continued)

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

30 June 2021					
Present value of obligation at beginning of year	1,824,809,807	22,037,632	1,121,319,342	720,696,666	3,688,863,447
Interest cost	222,993,208	453,416	135,443,763	67,623,841	426,514,228
Current service cost	12,877,254	45,866	4,024,717	60,207,788	77,155,625
Members contribution	5,951,943	-	-	-	5,951,943
Benefits paid by the Fund	(190,207,304)	(15,270,769)	(77,449,933)	(52,978,468)	(335,906,474)
Actuarial (gains)/loss on obligation	127,344,742	2,911,299	(5,573,878)	140,041,392	264,723,555
Present value of obligation at year end	**2,003,769,650**	**10,177,444**	**1,177,764,011**	**935,591,219**	**4,127,302,324**
30 June 2022					
Present value of obligation at beginning of year	2,003,769,650	10,177,444	1,177,764,011	935,591,219	4,127,302,324
Interest cost	224,184,622	271,032	130,934,436	87,779,338	443,169,428
Current service cost	15,024,068	47,703	4,165,579	75,746,650	94,984,000
Members contribution	5,525,796	-	-	-	5,525,796
Benefits paid by the Fund	(179,813,658)	(7,493,125)	(76,918,467)	(97,955,075)	(362,180,325)
Actuarial (gains)/loss on obligation	(74,525,488)	2,388,663	36,201,934	(77,568,975)	(113,503,866)
Present value of obligation at year end	**1,994,164,990**	**5,391,717**	**1,272,147,493**	**923,593,157**	**4,195,297,357**

30 June 2021					
Current	-	8,744,068	74,630,137	137,585,314	220,959,519
Non-current	-	1,433,376	1,103,133,874	798,005,905	1,902,573,155
	-	**10,177,444**	**1,177,764,011**	**935,591,219**	**2,123,532,674**
30 June 2022					
Current	-	3,812,648	74,299,938	112,722,471	190,835,057
Non-current	-	1,579,069	1,197,847,555	810,870,686	2,010,297,310
	-	**5,391,717**	**1,272,147,493**	**923,593,157**	**2,201,132,367**

Changes in the fair value plan assets are as follows

Fair value of planned asset at beginning of year	2,420,139,000	2,216,587,782
Expected return on plan assets	271,392,170	271,809,244
Contributions: members	5,525,796	5,951,943
Contributions: employer	13,806,167	14,870,295
Benefits paid by the Fund	(179,813,658)	(190,207,304)
Actuarial gain/loss on obligation:	(63,423,971)	101,127,040
Fair value of plan asset at end of year	**2,467,625,504**	**2,420,139,000**

none of the municipality’s own financial instruments or property are included in the fair value of plan assets

	2022 R	2021 Restated R

25. Employee benefit obligations (continued)

The fair value of plan assets include the following:

Composition of plan assets		
Cash	6.04 %	5.21 %
Equity	16.69 %	18.63 %
Bonds	61.59 %	60.30 %
Property	0.76 %	0.96 %
Other	3.71 %	2.48 %
International	11.21 %	12.42 %
	100.00 %	**100.00 %**

The assets at the current and previous valuation dates include an allowance for net current liabilities of R20 million as these items were not provided by the administrator of the TMPenF. This was assumed to be equal to the net current liabilities taken from report of the statutory actuarial valuation as at 31 December 2018.

The amounts included in the statement of financial performance are as follows:

30 June 2021					
Current service costs	12,877,254	45,866	4,024,717	60,207,788	77,155,625
Interest cost	222,993,208	453,416	135,443,763	67,623,841	426,514,228
Expected return on asset	(271,809,244)	-	-	-	(271,809,244)
Actuarial (gains)/losses	26,217,702	2,911,299	(77,449,933)	140,041,392	91,720,460
Effect of change in paragraph 68 asset limitation	24,591,375	-	-	-	24,591,375
Defined benefit expense	**14,870,295**	**3,410,581**	**62,018,547**	**267,873,021**	**348,172,444**
30 June 2022					
Current service costs	15,024,068	47,703	4,165,579	75,746,650	94,984,000
Interest cost	224,184,622	271,032	130,934,436	87,779,338	443,169,428
Expected return on asset	(271,392,170)	-	-	-	(271,392,170)
Actuarial (gains)/losses	(11,101,517)	2,388,663	36,201,934	(77,568,975)	(50,079,895)
Effect of change in paragraph 68 asset limitation	57,091,164	-	-	-	57,091,164
Defined benefit expense	**13,806,167**	**2,707,398**	**171,301,949**	**85,957,013**	**273,772,527**
30 June 2021					
Estimated contributions in the next financial period	**161,509,032**	**8,941,787**	**78,790,482**	**141,017,910**	**390,259,211**
30 June 2022					
Estimated contributions in the next financial period	**14,263,478**	**3,959,816**	**78,796,477**	**115,051,451**	**212,071,222**

Multi-employer funds

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of GRAP 25. The total contributions are included in the employees related costs note.

	2022	2021 Restated
	R	R

25. Employee benefit obligations (continued)

SALA pension fund	29,801,413	33,147,699
The actuarial valuation is carried out annually since 1 July 1998.		
307 of the municipality's employees are members of the fund		
The government employees' pension fund:	133,568	133,568
Actuarial valuations are performed every 3 years.		
2 of the municipality's employees are members of the fund		
Joint municipal pension fund	3,633,291	3,827,098
Actuarial valuations are performed every 3 years.		
22 of the municipality's employees are members of the fund		
Municipal employee pension fund	179,855,715	182,947,131
1853 of the municipality's employees are members of the fund		
National fund for municipal councillors/Consolidated retirement fund for councillors	76,799	122,807
3 of the municipality's employees are members of the fund		
	213,500,786	**220,178,303**

Principal assumptions used as at balance sheet date

30 June 2022				
Discount rate	12.20 %	7.72 %	12.47 %	11.87 %
Inflation rate	7.55 %	5.85 %	7.78 %	7.31 %
Salary Increase rate	8.55 %	6.85 %	- %	8.31 %
Expected rate of return on assets	12.20 %	- %	- %	- %
Pension increase allowance	6.61 %	- %	- %	- %
Medical inflation rate	- %	- %	9.28 %	- %
Subsidy "cap" inflation rate	- %	- %	8.78 %	- %

30 June 2021				
Discount rate	11.55 %	4.95 %	11.46 %	9.33 %
Inflation rate	6.76 %	3.14 %	6.70 %	4.36 %
Salary Increase rate	7.76 %	4.14 %	- %	5.36 %
Expected rate of return on assets	11.55 %	- %	- %	- %
Pension increase allowance	5.92 %	- %	- %	- %
Medical inflation rate	- %	- %	8.20 %	- %
Subsidy "cap" inflation rate	- %	- %	5.78 %	- %

Other defined benefit pension funds

Discount rate (pension and gratuities)

The rate to discount post employment benefit obligations should be derived from quality corporate bond yields where the market in such bonds is highly liquid. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 12.20% per annum has been used. This rate does not reflect and adjustment for taxation or expenses as per the statement.

Inflation rate (pension and gratuities)

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 7.55% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields

Salary increase

25. Employee benefit obligations (continued)

It was assumed that salaries will increase at a rate of 1.0% per annum in excess of price inflation. The results in a general salary inflation rate of 8.55% per annum

Expected return on assets

The expected return on assets is assumed to be the discount rate of 12.20% per annum as at 30 June 2022.

Post-retirement discount rate

The pension increase policy of the TMPenF targets pension increases between 75% and 100% of inflation. The pension has been assumed that it will increase at a rate of 87.5% of price inflation. This results in a pension increase rate of 5.92% per annum.

Medical inflation

The medical aid contributions has been assumed that it will increase at a rate 1.5% per annum in excess of price inflation. This results in a medical contribution inflation rate of 9.28% per annum.

History of liabilities, assets and experience adjustments
Amounts for the current and previous four years are as follows:

History of liabilities and assets	2021	2020	2019	2018
Accrued liability	(14,727,178,424)	(3,688,863,447)	(4,117,642,068)	(1,831,002,697)
Plan assets	2,420,139,000	2,216,587,782	2,332,295,121	-
Surplus (deficit)	(12,307,039,424)	(1,472,275,665)	(1,785,346,947)	(1,831,002,697)
Experience adjustments on plan: (Gains) and Losses				
Liabilities	34,716,600	202,890,983	19,391,087	(42,018,063)
Assets	(101,127,040)	-	-	-

26. Regulation 45

In terms of the regulation 45 of the Municipal SCM regulations, the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R 2,000 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, including:
(a) the name of that person;
(b) the capacity in which that person is in the service of the state; and
(c) the amount of the award.

The information regarding awards made in the prior and current financial year is indicated below:

2022/2021 and 2021/2020

The name of the person	The capacity	Company Name	2022	2021
SZ Teffo	Snr storekeeper	Textline 4 Square	221,345	600,617
VI Netshidzati	Engineer technician		-	39,700
PT Kgokong	Admin officer		-	92,760
SZ Teffo	Snr storekeeper	Mpungishi Technology Enterprise	395,637	-
SZ Teffo	Snr storekeeper	Textline Enterprise	123,510	-
SZ Teffo	Snr storekeeper	Clarmax Enterprise	327,135	-
Elelwani Radali	Engineering consultant		-	6,421,642
Absalom Sibusiso Ntuli	Storekeeper	Sbubri Trading and Projects	536,880	163,875
Nkele Doris Kganyago	SNR Admin officer	Mamanyana Worx and Projects	20,500	2,100
Tarusha Naidoo	SNR Specialist: strategic support services		-	43,461
Charles Strike Bokaba	Truck driver		-	199,800
Gracious Boitshoko Lekgetho	License Officer		-	163,971
Mokhothu Brand Hlakoana	Temporary peer educator		-	3,150
Lerato Carl Mashego	Secretary		-	19,700
Setlhare Paul Ledwaba	General worker	Moleboge Lesedi Trading	149,170	231,460
#Sakisene Tsolofelo Mahlangu	Supervisor	Quatrokor CC	157,293	180,406
			1,931,470	**8,162,642**

Rates based as and when in nature tender.

27. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	275,496	145,843,534	156,442,652	27,123,290,793	27,425,852,475

	2022	2021 Restated
	R	R

27. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2021

	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	275,496	145,843,534	156,442,652	25,865,133,403	26,167,695,085
Surplus/(deficit) for the year	-	-	-	1,258,157,390	1,258,157,390
	275,496	**145,843,534**	**156,442,652**	**27,123,290,793**	**27,425,852,475**

28. Housing development fund (refer to Note 24)

	2022	2021
Unappropriated surplus	156,442,652	156,442,652
Housing development fund (refer to Note24)	156,442,652	156,442,652

The housing development fund is represented by the following assets:

	2022	2021
Housing selling scheme loans	-	11,314,508
Housing debtors	310,704,073	259,609,026
Bank and cash	(154,261,421)	(114,732,445)
Housing Development Fund Assets	**156,442,652**	**156,191,089**

29. Service charges

	2022	2021
Service charges	214,831,763	232,237,860
Sale of electricity	13,289,224,714	12,583,148,745
Sale of water	4,940,890,773	4,282,698,616
Solid waste	1,494,459,849	1,387,716,244
Sewerage and sanitation charges	1,396,988,001	1,244,863,152
Service charges per statement of financial performance	**21,336,395,100**	**19,730,664,617**

30. Fines, Penalties and Forfeits

	2022	2021
Law Enforcement Fines	11,235,239	7,865,038
Overdue Books Fines	248,490	320,270
Pound Fees Fines	28,787	37,742
Municipal Traffic Fines	74,014,623	70,991,855
Deposits Forfeits	278,740	99,388
Retentions Forfeits	109,100	162,850
	85,914,979	**79,477,143**

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

31. Other income

	2022 R	2021 Restated R
Market fees	179,469,543	185,953,024
Land sales	938,892	15,899,359
VAT audit refund	29,071,072	-
Fire services	5,388,222	7,292,254
Miscellaneous	18,396,433	19,981,881
Bus rentals	1,769,302	125,613
Admission fees	15,474,661	8,933,251
Road Accident Fund Ambulance fees	1,172,405	1,809,720
Parking: vehicles	6,780,889	37,861,060
Registration certificates	2,906,688	2,615,209
Building fees	52,235,811	48,697,498
Income from grave services	16,574,308	17,441,679
Motor vehicles licences (refund from Province)	172,272,756	156,998,643
Training fees recovered	9,704,849	12,912,841
Provision income	-	127,303,109
Insurance claims	64,942,809	96,856,570
Sundry income	14,818,038	10,417,857
Sundry fees	4,763,049	9,654,405
Airside income	5,592,507	5,649,445
Ambulance fees	406,716	463,954
Reminder fees	38,957,822	79,686,176
Clearance certificates	4,078,599	4,915,173
Approval fees: advertisements	39,789,871	88,494,953
Jobbing	1,150,651	4,319,291
Application fees	5,623,193	12,461,298
Sales: Maps	1,421,271	1,752,913
Sales: Aeroplane fuel	88,366	-
Transport fees	46,073,841	29,760,808
	739,862,564	**988,257,984**

32. Investment revenue

	2022 R	2021 Restated R
Interest revenue		
Bank	4,091,155	6,083,903
Short-term investments	7,264,867	16,256,881
Long-term investments	12,729,971	13,765,706
Contingency Insurance	2,765	3,941
Pension interest	4,000,153	-
Interest: Redemption fund	130,148,632	191,266,795
	158,237,543	**227,377,226**

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

33. Property rates

Rates received

	2022	2021
Property rates	8,574,855,018	8,462,679,149

Valuations

	2022	2021
Residential	436,657,261,338	429,706,098,865
Other	246,545,098,129	255,729,673,655
	683,202,359,467	**685,435,772,520**

The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value No difference is made between land value and the value of improvements and only the market value appears on the valuation roll.

With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable Property owners of 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions

34. Debt impairment

	2022	2021
Contributions to impairment allowance (refer to note 4,5 and 6)	2,601,808,658	1,355,860,388

	2022	2021
Contribution to impairment allowance - per service		
Rates	135,664,234	293,054,215
Electricity	(10,506,413)	497,301,372
Water	1,207,631,102	169,284,747
Sanitation	282,845,332	38,877,347
Solid waste	93,805,461	60,782,955
Housing rental	(5,113,957)	-
AARTO	(183,092,412)	(88,741,401)
Sundry other	(82,928,218)	387,971,618
Long service receivables	-	(2,670,466)
Industrial effluent	455,247	-
Interest	785,864,573	-
Other	72,720,209	-
Sundries	169,742,871	-
Water management	138,819,040	-
Long term receivables (Housing)	(4,098,411)	-
	2,601,808,658	**1,355,860,387**

Please note the amounts reflected above are the net balance in the expenditure accounts.

For the 2021/22 financial year the total amount written off was R 1,944,045,980.

For amounts written off refer to note numbers 4, 5 and 6.

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

35. Government grants, subsidies, awards & donations

	2022	2021
Operating grants		
Equitable share	3,088,576,000	3,330,862,000
Energy Efficiency and Demand Side Management	176,001	-
Fuel levy	1,564,720,000	1,492,460,000
Finance Management grant (FMG)	2,005,787	760,449
Public Transport Network Grant (PTNG) - operational	414,712,205	286,360,469
L G Seta discretionary grant	2,000,000	1,805,876
Municipal Human Settlement Capacity grant	47,050,075	-
Primary Health Care (PHC)	58,845,000	55,118,000
HIV/AIDS subsidy	24,392,256	24,026,944
Community Libraries Plan	8,132,565	7,539,680
Expanded Public Works Programme (EPWP)	19,031,000	12,271,000
TRT Bus operating subsidy	56,683,995	37,984,779
Urban Settlement Development Grant (USDG) - operational	31,546,710	43,378,440
Municipal Disaster Recovery grant	49,967,342	-
Integrated City Development	-	7,507,329
Human Settlement Development Grant (HSDG)	19,369,704	26,971,606
	5,387,208,640	5,327,046,572
Capital grants		
Public Transport Network Grant (PTNG)-Capital	208,428,451	315,426,478
Neighbourhood Development Partnership Grant (NDPG)	17,925,825	1,837,546
Recapitalisation of Community Libraries Grant	12,407,720	21,053,750
Urban Settlement Development Grant (USDG) - capital	1,017,757,785	1,180,128,109
Electricity Demand Side	4,489,787	8,459,539
Integrated City Development (ICDG)	-	37,645,161
Social infrastructure grant	-	1,075,227
LGSeta discretionary grant	9,205,780	11,077,322
Informal Settlements Upgrading Partnership	530,401,899	320,432,000
	1,800,617,247	1,897,135,132
	7,187,825,887	**7,224,181,704**

Conditional and unconditional

Included above are the following categories of grants and subsidies recognised as revenue:

	2022	2021
Conditional grants received	2,534,744,111	2,345,741,704
Unconditional grants received	4,653,296,000	4,878,440,000
	7,188,040,111	**7,224,181,704**

Equitable Share (DoRA)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 713.16 (2021 = R560.00), which is funded from the grant.

	2022	2021
Current year receipts	3,003,279,000	3,085,877,000
Conditions met- Transferred to revenue	(3,088,576,000)	(3,330,862,000)
Offset as per DoRa	85,297,000	244,985,000
	-	-

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

35. Government grants, subsidies, awards & donations (continued)

Fuel Levy (DoRA)

	2022	2021
Current-year receipts	1,564,720,000	1,492,460,000
Conditions met - transferred to revenue	(1,564,720,000)	(1,492,460,000)
	-	-

The purpose of the fuel levy grant is to provide for basic services and infrastructure development in under-serviced communities, specifically to transport infrastructure given the link between fuel sales and road usage.

Primary Health Care Subsidy

	2022	2021
Current-year receipts	58,845,000	55,118,000
Conditions met - transferred to revenue	(58,845,000)	(55,118,000)
	-	-

The Municipality renders health services on behalf of the provincial government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy is used exclusively to fund clinic services. The conditions of the subsidy are always met.

Finance Management Grant (FMG)

	2022	2021
Balance unspent at beginning of year	1,239,551	-
Conditions met - transferred to revenue	(2,005,787)	(760,449)
Offset as per DoRA	(1,239,551)	-
Transfer	2,100,000	2,000,000
	94,213	**1,239,551**

The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Local Government: Municipal Finance Management Act (MFMA).

Public Transport Network (Opex) (DoRA)

	2022	2021
Balance unspent at beginning of year	-	14,911,283
Current-year receipts	423,380,239	252,649,279
Conditions met - transferred to revenue	(414,712,205)	(286,360,469)
Transfers (From PTNG Capex)	-	33,711,190
Offset as per DoRA	-	(14,911,283)
	8,668,034	**-**

A request for the roll over at the end of 2021/22 was submitted to National Treasury

The purpose of this grant is to provide funding for accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal integrated public transport network (IPTN) and to support the planning, regulation, control, management and operations of fiscally and financially sustainable municipal public transport network services

Human Settlement Development Grant (HSDG)

	2022	2021
Balance unspent at beginning of year	160,749,951	168,138,451
Current-year receipts	-	19,583,105
Conditions met - transferred to revenue	(19,369,705)	(26,971,605)
	141,380,246	**160,749,951**

	2022	2021 Restated
	R	R

35. Government grants, subsidies, awards & donations (continued)

Conditions still to be met - remain liabilities (see note 20)

To provide funding for the creation of sustainable and integrated human settlements.

Urban Settlement Development Grant (USDG)

Balance unspent at beginning of year	44,790,169	189,148,307
Current-year receipts	1,051,557,000	1,545,948,000
Conditions met - transferred to revenue	(1,049,304,495)	(1,223,506,549)
Transfer (to Informal settlement)	-	(320,432,000)
Offset as per DoRA	(44,790,169)	(146,367,589)
	2,252,505	**44,790,169**

Conditions still to be met - remain liabilities (see note 20)

A request for the roll over at the end of 2021/22 was submitted to National Treasury.

To supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development

Public Transport Network Grant (PTNG-Capex))

Balance unspent at beginning of year	29,784,053	37,665,058
Current-year receipts	318,760,988	378,921,721
Conditions met - transferred to revenue	(208,428,451)	(315,426,478)
Transfer (to PTNG operations)	(66,679,227)	(33,711,190)
Offset as per DoRA	(29,784,053)	(37,665,058)
	43,653,310	**29,784,053**

Conditions still to be met - remain liabilities (see note 20)

A request for the roll over 2021/22 was be submitted to National Treasury.

To provide funding for accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal integrated public transport network (IPTN) and to support the planning, regulation, control, management and operations of fiscally and financially sustainable municipal public transport network services

	2022 R	2021 Restated R

35. Government grants, subsidies, awards & donations (continued)

HIV and AIDS (Provincial Health Department)

Balance unspent at beginning of year	(256)	-
Current-year receipts	24,392,000	24,027,200
Conditions met - transferred to revenue	(24,392,256)	(24,026,944)
	(512)	**(256)**

The purpose of the grant is to sustain coverage of the ward-based door to door HIV education programme to reduce new HIV infections through “Combination HIV prevention” (defined) prioritizing youth

Conditions still to be met - remain liabilities (see note 20)

The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support wards structures to address AIDS in the local community.

Informal Settlements Upgrading Partnership (DoRA)

Balance unspent at beginning of year	-	42,779,776
Current-year receipts	560,301,000	-
Conditions met - transferred to revenue	(530,401,899)	(320,432,000)
Transfers	-	320,432,000
Offset as per DoRA	-	(42,779,776)
	29,899,101	**-**

Conditions still to be met - remain liabilities (see note 20)

A request for the roll over 2021/22 was be submitted to National Treasury.

To provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading informal settlements

Gautrains

Balance unspent at beginning of year	11,961,294	11,961,294
	11,961,294	**11,961,294**

Conditions still to be met - remain liabilities (see note 20)

The purpose of this grant is to reconstruct and update the Garsfontein road (K50) to dual carriage way between Loristo and Anton van Wouw streets.

Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	3,162,454	1,268,000
Current-year receipts	159,111,000	5,000,000
Conditions met - transferred to revenue	(64,975,900)	(1,837,546)
Offset as per DoRA	(3,162,454)	(1,268,000)
	94,135,100	**3,162,454**

A request for the roll over at the end of 2021/22 was submitted to National Treasury

To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa’s targeted locations, under-served neighbourhoods, generally townships and rural towns

	2022	2021 Restated
	R	R

35. Government grants, subsidies, awards & donations (continued)

Community Library Services

Balance unspent at beginning of year	2,642,735	13,736,165
Current-year receipts	20,115,658	17,500,000
Conditions met - transferred to revenue	(20,326,055)	(28,593,430)
	2,432,338	**2,642,735**

Conditions still to be met - remain liabilities (see note 20).

A request for the roll over of the balance of 2021/22 was sumitted to Provincial Treasury.

To transform urban and rural community library infrastructure, facilities and service (primary targeting previously disadvantaged communities) through recapitalized programme at Provincial level in support of local government and national initiatives

Research and Development Grant (Tirelo Bosha)

Balance unspent at beginning of year	384,498	384,498

Conditions still to be met - remain liabilities (see note 20).

The project has been completed and balance will be returned.

The grant is from the Department of Public Service and Administration (DPSA) and is intended to supports programmes in the research, development and piloting of new ways of delivering front-line public services.

Expanded Public Works Programme (EPWP)

Current-year receipts	19,031,000	12,271,000
Conditions met - transferred to revenue	(19,031,000)	(12,271,000)
	-	-

The purpose of this grant was to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.

To incentivize municipalities to expand work creation efforts through use of labour-intensive delivery methods in identified focus areas, in compliance with the EPWP Guidelines

Social Infrastructure grant

Balance unspent at beginning of year	3,441,929	4,517,156
Conditions met - transferred to revenue	-	(1,075,227)
	3,441,929	**3,441,929**

The project has been completed and the balance will be returned.

The purpose of this grant is to plan, design and construct in Hammanskraal, Winterveldt and Mabopane social development centres.

	2022 R	2021 Restated R

35. Government grants, subsidies, awards & donations (continued)

LG SETA Discretionary grant

Balance unspent at beginning of year	-	104,185
Conditions met - transferred to revenue	11,205,780	(12,883,198)
Year end grant debtor raised	(11,205,780)	12,779,013
	-	**-**

To provide experiential training to the graduates through an internship programme funded by the Local Government Sector Education Training Authority (LGSETA). The grant is performanced based, and funds are reimbursed per claim, a debtor has been created on the balance owed.

This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.

TRT Bus Operating Subsidy

Balance unspent at beginning of year	2,687,206	-
Current-year receipts	54,211,013	40,671,984
Conditions met - transferred to revenue	(56,898,219)	(37,984,778)
	-	**2,687,206**

The purpose of the grant is to provide additional subsidized bus transport services to various communities covering Mamelodi & Southern, Eastern, Northern Suburbs and Pretoria CBD.

This funds is a monthly subsidy from Gauteng Department of Roads and Transport as a subsidy for the bus services rendered by Tshwane Rapid Transit in Mamelodi.

Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	540,461	146,058
Current-year receipts	5,000,000	9,000,000
Conditions met - transferred to revenue	(4,665,788)	(8,459,539)
Offset as per DoRA	(540,461)	(146,058)
	334,212	**540,461**

Conditions still to be met - remain liabilities (see note 20).

A request for the roll over of the balance of 2021/22 was submitted to National Treasury.

To provide subsidies to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency

The purpose of this grant is to provide subsidies to municipalities to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

35. Government grants, subsidies, awards & donations (continued)

Programme and Project Preparation Support Grant (PPPSG)

Current-year receipts	55,375,000	-
Conditions met - transferred to revenue	(49,967,342)	-
	5,407,658	**-**

A request for the roll over at the end of 2021/22 was submitted to National Treasury.

The purpose of the Grants is to support metropolitan municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalising an effective and efficient system of programme and project preparation and the allocation of a growing level of municipal resources to preparation activities.

Integrated City Development Grants (ICDG)

Balance unspent at beginning of year	5,781,081	1,847,136
Current-year receipts	-	50,899,000
Conditions met - transferred to revenue	-	(45,152,490)
Correction	-	34,571
Offset as per DoRA	(5,780,312)	(1,847,136)
	769	**5,781,081**

Conditions still to be met - remain liabilities (see note 20).

To provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focusing their use of available infrastructure investment and regulatory instruments

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial year

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

36. Employee related costs

Salaries and wages	7,426,322,798	7,575,767,540
Medical aid contributions	678,490,639	668,928,167
UIF	43,787,233	37,047,386
Leave pay provision charge	384,670,597	719,469,701
Pension fund contributions	1,390,398,384	1,406,579,907
Defined contribution plans	77,599,693	80,518,533
Travel, motor car, subsistence and other allowances	310,316,915	311,180,941
Overtime payments	556,479,799	537,428,006
Long-service awards	2,455,172	3,190,781
Incentive bonusses	539,125	543,867
Other allowances	580,688,900	552,588,960
Housing benefits and allowances	59,580,544	56,347,240
Compensation commissioner (COIDA)	2,534,812	2,406,626
	11,513,864,611	**11,951,997,655**

Remuneration: City Manager (Mmaseabata Abigail Mutlaneng)

Annual remuneration	953,283	873,842

The City Manager is the head of the administration and the accounting officer as defined by Municipal Systems Amendment Act.

Remuneration: Executive Mayor (Randall Mervyn Williams)

Annual remuneration	1,370,989	1,093,866
Cellphone allowance	40,215	35,714
Other allowance	-	37,791
	1,411,204	**1,167,371**

Remuneration: Speaker (Rachel K Mathebe)

Annual remuneration	1,076,739	1,184,432
Cellphone allowance	33,173	41,700
Other allowance	-	92,792
	1,109,912	**1,318,924**

Remuneration: Chief Whip (Christiaan M van den Heever)

Annual remuneration	1,047,766	1,102,553
Cellphone allowance	25,368	25,368
	1,073,134	**1,127,921**

Remuneration: Members of the Mayoral Committee

Annual remuneration	7,151,102	8,905,964
Travel allowance	-	411,463
Cellphone allowance	199,842	253,680
Other allowance	46,448	122,758
	7,397,392	**9,693,865**

Refer to General Information for the list of the individual members of the mayoral committee.

Notes to the Annual Financial Statements

36. Employee related costs (continued)

Members of the Mayoral Committee (individual) 2022/2021

	2022 R	2021 Restated R
Karen Meyer MMC: Community Safety	389,416	938,958
Daniel Gabriel Wannenburg	357,348	938,958
Mare-Lise Fourie	389,416	939,162
Tsung Wei Lee	744,402	925,428
Phillip Andries Nel	828,342	925,428
Isak Petrus Du Plooy	957,348	939,162
Thabisile Constance Vilakazi	386,249	1,116,316
Dikeledi Selowa	1,043,120	1,116,222
Mpho Malethakwe Mehlape-Zimu	957,348	925,428
Sylvester Tennyson Theophilus Phokoje	744,402	928,799
	6,797,391	**9,693,861**

	2022 R	2021 Restated R

37. Remuneration of councilors

	2022	2021
Councillors' allowances	129,577,084	131,577,429

A breakdown of the councillor remuneration per level of councillor and type of remuneration is indicated below Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee

Councillor's remuneration - June 2022	Basic salary	Travel allowance	Cell phone allowance	Other allowances	Total
Mayor	1,370,989	-	40,215	-	1,411,204
Speaker : Rachel Katlego Mathebe	1,076,739	-	33,173	-	1,109,912
Chief Whip : Christiaan Mauritz Van Den Heever	1,047,766	-	25,368	-	1,073,134
Members of mayoral committee	7,151,102	-	199,842	46,448	7,397,392
Other councillors	100,476,097	9,010,201	5,041,502	2,147,309	116,675,109
	111,122,693	**9,010,201**	**5,340,100**	**2,193,757**	**127,666,751**

Councillor's remuneration - June 2021	Basic salary	Travel allowance	Cell phone allowance	Other allowances	Total
Mayor	1,093,866	37,791	35,714	-	1,167,371
Speaker : Rachel Katlego Mathebe	1,184,432	-	41,700	92,792	1,318,924
Chief Whip : Christiaan Mauritz Van Den Heever	1,102,553	-	25,368	-	1,127,921
Members of mayoral committee	8,905,964	411,463	253,680	122,758	9,693,865
Other councillors	88,272,415	22,735,420	4,920,390	2,341,121	118,269,346
	100,559,230	**23,184,674**	**5,276,852**	**2,556,671**	**131,577,427**

In-kind benefits

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

According to the organisational structure of the municipality the sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers. The mayoral committee members and the City Manager have 2 VIP protection officers each.

The Executive Mayor as well as members of the mayoral committee has use of a Council owned vehicle for official duties.

The allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

In-kind benefits were withdrawn upon termination of services

Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee:

For the disclosure of the remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee, refer to note 36.

38. Remuneration of Top Management

The organisational structure was reviewed and a new macro structure was approved in terms of a council resolution dated 24 November 2016. The new macro structure was implemented on 1 February 2017.

	2022	2021 Restated
	R	R

38. Remuneration of Top Management (continued)

In terms of a council resolution dated 23 February 2017 the proposed Section 56 positions were determined to be as follows:
* Governance and Support Officer
* Chief Financial Officer
* Chief of Police
* Head: Emergency Management Services
* Chief Operations Officer
* Chief Audit Executive
* Head: Office of the Executive Mayor
* Head: Group Communications and Marketing
* Group Head: City Strategies and Organisational Performance.

In terms council resolution dated 30 August 2018 the group head in the office of the city manager is a considered to be direct report to the city manager.

*Group Head: Strategy & Management Support

The other positions will from 1 February 2017 report directly either to the Governance and Support Officer (GSO) or the Chief Operations Officer (COO).

38. Remuneration of Top Management (continued)

Reporting directly to City Manager

July 2021 to June 2022

Name	Designation	Remuneration	Cell phone allowance	Total
Banda, Umar	Chief Financial Officer	2,601,272	21,600	2,622,872
Tredoux, Lorette	Governance and Support Officer	2,601,272	21,600	2,622,872
Murphy, James P	Chief Operating Officer	2,601,272	21,600	2,622,872
Ntsimane, Phillip M	Chief Audit Executive	1,791,860	16,200	1,808,060
Nkomo, Johannah M	Chief of Police	2,389,147	21,600	2,410,747
Govendor, Previn D	Chief of Emergency Services	663,652	7,200	670,852
Hilgard Matthews	Group Head: Group Communication and Marketing	1,990,956	21,600	2,012,556
Nosipho Hlatshwayo	Group Head: Strategy & Orginisational Performance	331,826	3,600	335,426
Msizi Reginald Myeza	Group Head: Strategy and Management Support	716,667	7,200	723,867
		15,687,924	**142,200**	**15,830,124**

July 2020 to June 2021

Name	Designation	Remuneration	Cell phone allowance	Other Allowances	Total
Banda, Umar	Chief Financial Officer	2,601,272	21,600	27,945	2,650,817
Tredoux, Lorette	Governance and Support Officer	2,601,272	21,600	27,945	2,650,817
Murphy, James P	Chief Opterating Officer	2,601,272	21,600	27,945	2,650,817
Ntsimane, Phillip M	Chief Audit Executive	2,389,147	21,600	25,823	2,436,570
Nkomo Johannah M	Chief of Police	2,389,147	21,600	25,823	2,436,570
Govendor, Previn D	Chief of Staff	1,990,956	21,600	21,841	2,034,397
Hilgard Matthews	Group Head: Group Communication and Marketing	1,990,956	21,600	21,841	2,034,397
Nosipho Hlatshwayo	Group Head: Strategy & Orginisational Performance	1,975,155	21,429	21,683	2,018,267
Msizi Reginald Myeza	Group Head: Strategy and Management Support	2,150,000	21,600	23,432	2,195,032
		20,689,177	**194,229**	**224,278**	**21,107,684**

Notes to the Annual Financial Statements

Figures in Rand

38. Remuneration of Top Management (continued)

Group Heads

July 2021 to June 2022

Name	Designation	Remuneration	Cell phone allowance	Other Allowances	Acting Allowances	Total
Nosipho Prudence Hlatshwayo	Group Head: City Strategies and Organisation Performance	331,826	3,600	-	-	335,426
Msizi Reginald Myeza	Group Head: Strategy and Management Support	716,667	7,200	-	-	723,867
Hilgard Matthews	Group Head: Group Communication & Market	1,990,956	21,600	-	-	2,012,556
Stephens Ramoage Notoane	Group Head: Energy and Electricity	2,168,542	18,000	130,693	-	2,317,235
Gerald Mbulelo Shingange	Group Head: Group Human Capital Management	2,175,943	18,000	130,693	-	2,324,636
Makgorometje Augustine Makgata	Group Head: Economic Dev & Spatial Planning	2,169,847	18,000	130,693	137,616	2,456,156
Abel Tumishi Malaka	Group Head: Environment & Agriculture Management	2,050,365	21,600	130,693	-	2,202,658
Pheko Ignatius Letlonkane	Group Head: Roads & Transport	2,162,961	18,000	130,693	-	2,311,654
Nontobeko Memela	Group Head: Housing & Human Settlements	2,168,542	18,000	130,693	-	2,317,235
Koena Joseph Nkoko	Group Head: Health	2,181,422	18,000	130,693	-	2,330,115
Verusha Morgan	Group Head: Group Property	2,169,848	18,000	130,693	52,501	2,371,042
Namadzavho California Phanyane	Group Head: Regional Operations & Coordination	2,168,542	18,000	130,693	-	2,317,235
Musawakhe Hlanganani Oscar Khumalo	Group Head: Shared Services	2,168,542	18,000	130,693	-	2,317,235
Thandiwe Shereen Radebe	Group Head: Customer Relations Management	1,966,913	18,000	130,693	-	2,115,606
Estate Late S S Mekhoe	Group Head: Community and Social Development Services	301,623	21,600	130,693	-	453,916
Tiyiselani Joseph Babane	Group Head: Office of the Speaker	1,538,836	1,773	12,871	-	1,553,480
Rajendra Ganasen Pillay	Group Head: Office of the Speaker	104,793	18,000	108,911	-	231,704
Margaretha Johanna Dunkle-Kock	Group Head: Legal & Secretariat Services	2,168,542	1,800	10,891	-	2,181,233
		30,704,710	**277,173**	**1,700,989**	**190,117**	**32,872,989**

Notes to the Annual Financial Statements

Figures in Rand

38. Remuneration of Top Management (continued)

July 2020 to June 2021

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other Allowances	Acting Allowances	Total
Tiyiselani Joseph Babane	Group Head: Office of the Speaker	1,406,652	130,693	21,600	81,956	-	1,640,901
Gerald Mbulelo Shingange	Group Head: Group Human Capital Management	1,657,752	130,693	18,000	137,540	-	1,943,985
Khumalo, Musawakhe H O	Group Head: Shared Services	1,657,752	130,693	18,000	141,141	-	1,947,586
Kock, Margaretha J	Group Head: Group Legal and Secretarial Services	1,657,782	130,693	18,000	440,842	-	2,247,317
Makgata, Makgorometje A	Group Head: Economic Development and Spatial Planning	1,657,752	130,693	18,000	438,231	206,821	2,451,497
Morgan, Verusha	Group Head: Group Property	1,657,752	130,693	18,000	141,141	-	1,947,586
Thandiwe Shereen Radebe	Group Head: Customer Relations Management	1,400,406	130,693	21,600	384,130	-	1,936,829
Nkoko, Koena J	Group Head: Health	1,657,752	130,693	18,000	441,463	-	2,247,908
Notoane, Stephens R	Group Head: Utility Services	1,657,752	130,693	18,000	442,147	-	2,248,592
Letlonkane, Pheko I	Group Head: Roads and Transport	1,657,752	130,693	18,000	506,019	-	2,312,464
Abel Tumishi Malaka	Group Head: Environmental and Agriculture Management	1,561,990	130,693	21,300	416,495	-	2,130,478
Sebabatso Shadwick Mekhoe	Group Head: Community and Social Development Services	1,657,752	130,693	18,000	403,703	-	2,210,148
Nontobeko Memela		1,657,752	130,693	18,000	141,141	-	1,947,586
Namadzavho California Phanyane	Group Head: Regional Operations and Coordination	1,657,752	130,693	18,000	141,575	-	1,948,020
		22,604,350	**1,829,702**	**262,500**	**4,257,524**	**206,821**	**29,160,897**

38. Remuneration of Top Management (continued)

Acting Top Management during the 2022/2021 financial year

Reporting directly to City Manager

Name	Designation	Acting Allowances
Natanha Terblanche	Chief: Emergence Services	118,292
Isaiah Clive Engelbrecht	Group Head: City Strategies and Organisational Performance	16,335
Jordan Luke Griffiths	Chief of Staff	144,034
Mamagobane Piet Maseema	Group Head: Strategy and Management Support	45,455
Albertus Gideon Van Zyl	Group Head: City Strategies and Organisational Performance	86,739
Thabisa Mbungwana	Group Head: City Strategies and Organisational Performance	30,540
Navaneethan Pillay	Group Head: Strategy and Management Support	46,875
Moshema Petrus Mosia	Chief: Emergency Services	36,159
Makgorometje Augustine Makgata	Governance and Support Officer	137,616
Verusha Morgan	Governance and Support Officer	52,501
Luthando Gobingca		32,354
Monene Mathiba	Director: Specialist Financial Analyst	48,481
Buyiswa Mgolozeli	Director: Special Audits, Corporat & Financial Auditing	37,915
		833,296

Group Heads

Name	Designation	Acting Allowances
Sello Tlou Levy Chipu	Group Head: Housing and Human Settlement	16,335
Tlou Phineas Gadner Tefu	Group Head: Office of Chief Whip	185,371
Pieter Andries Swanepoel	Group Head: Economic Development and Spatial Planning	87,359
Deborah Mmankale Motseo	Group Head: Group Legal Services	41,377
		330,442

Acting Top Management during the 2021/2020 financial year

Reporting directly to City Manager

Name	Designation	Acting Allowances
Natanha Terblanche	Chief of Emergency Services	77,607
Makgorometje Augustine Makgata	Governance and Support Officer	201,287
Moshema Petrus Mosia	Chief of Emergency Services	107,575
Jordan Luke Griffiths	Chief of Staff	79,550
		466,019

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

38. Remuneration of Top Management (continued)

Group Heads

Name	Designation	Acting Allowances
Tlou Phillemon Mathane	Group Head: Regional Operations and Coordination	10,654
Sello Tlou Levy Chipu	Group Head: Housing and Human Settlement	30,540
Benjamin Manasoe	Group Head: Economic Development and Spatial Planning	132,814
Tlou Phineas Gadner Tefu	Group Head: Office of Chief Whip	175,494
Pieter Andries Swanepoel	Group Head: Economic Development and Spatial Planning	46,165
Deborah Mmankale Motseo	Group Head: Group Legal Services	12,552
		408,219

Remuneration of Administration Body

2021/2020 Financial year

Name	Designation	Remuneration	Other Allowances	Total
Mavela Alford Dlamini (acting City Manager)	Administrator	37,228	382	37,610
Kebitsamang Mpho Nawa	Lead-Administrator	-	317,761	317,761
Thulisile Njapa Mashanda	Administrator (A&EM)	-	238,321	238,321
Rianda Kruger	Administrator (ED)	-	317,761	317,761
Lesedi Mere	Administrator (CS&ES)	-	317,761	317,761
Mmaseabata Abigail Mutlaneng	Administrator (H&HS)	-	79,440	79,440
Gilberto Pereira Martins	Administrator (SRAC)	-	317,761	317,761
Lebogang Vashette Mahaye	Administrator (H&SD)	-	238,321	238,321
Lefadi Lucas Makibinyane	Administrator (FI)	-	317,761	317,761
Shiva Kesaobaka Makotoko	Administrator (SI)	-	44,901	44,901
		37,228	**2,190,170**	**2,227,398**

Other Allowances consist of Subsistence and travelling paid in favour of employee, a non-pensionable allowance as well as Pension, Medical Aid Fund, Group Life contributions by the employer and/or arbitration/settlement/administrator payments.

39. Depreciation and amortisation

	2022	2021
Property, plant and equipment	2,909,023,587	2,975,247,579
Investment property	-	3,941,570
Living and non living resources	-	45,666
Intangible assets	-	44,461,029
	2,909,023,587	**3,023,695,844**

	2022	2021 Restated
	R	R

40. Contracted services

	2022 R	2021 Restated R
Outsourced Services		
Business and Advisory	559,798,749	485,200,660
Consultant fees	4,552,432	1,281,437
Housing services	21,486,607	26,971,605
Information Technology Services	166,584,527	160,720,356
Labour services	542,532,459	466,761,729
Legal costs	130,004,232	84,169,908
Rudimentary services	337,236,262	332,195,668
Traffic control	13,063,709	14,999,596
Training	3,444,732	4,092,519
Other	719,204,846	681,401,141
Contractors		
Cleaning services	48,238,772	44,354,111
Household refuse removal	814,440,663	742,294,187
Water network services	255,844,065	253,124,683
Building	50,121,178	65,749,760
Electrical	257,110,528	286,043,904
Transportation	127,321,390	85,912,305
Sewerage Services	70,664,983	76,511,785
	4,121,650,134	**3,811,785,354**

41. Impairment of assets

	2022 R	2021 Restated R
Impairments		
Property, plant and equipment (Refer to Note 10)	-	139,684,294
Intangible assets (Refer to Note 14)	-	29,725,972
Living and non living resources (Refer to Note 14)	-	5,440
	-	**169,415,706**

The main classes of assets affected by impairment losses are:

Property, plant and equipment , Intangible assets and Heritage assets

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Property, plant and equipment

Electricity and Water and Sanitation Infrastructure assets were impaired mostly due to vandalism and only one water and sanitation asset was impaired as a results of flooding.

Intangible assets

Software was impaired because it was no longer in in use and therefore no economic life or service potential was expected from it.

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

41. Impairment of assets (continued)

Heritage assets

Heritage assets were impaired due to vandalism as a results no economic life or service potential was expected from it.

Living and non living resources

Service animals(horses) were removed from operational duties but they are still under the City's care until they are retired and re-homed, therefore no economic life or service potential was expected from them

42. Finance costs

	2022	2021
Long-term liabilities (external loans)	884,931,720	951,652,600
Interest rate swaps	143,058,569	196,206,373
Trade and other payables (interest on late payments)	1,849,212,373	-
Finance leases	29,406,329	38,574,129
Current borrowings	34,768,798	-
Tshwane House finance cost	279,887,149	266,366,239
Amortisation: provisions	46,185,487	51,484,668
	3,267,450,425	**1,504,284,009**

43. Transfers and subsidies

	2022	2021
Grants paid to ME's		
Transfers to TEDA and Housing Company Tshwane	94,709,648	103,325,520
Other subsidies		
Executive Mayor donations and other transfers	270,033	3,037,758
Gratuities	7,493,125	15,270,769
Section 21 schools-learning, training support	288,000	576,000
ECD-NGO support	230	3,116,074
	8,051,388	**22,000,601**
	102,761,036	**125,326,121**

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

44. General expenses

Compensations	69,561,309	75,944,207
Computer services	57,968,113	71,718,453
Auditors remuneration	33,833,549	29,017,369
Bank charges	28,571,584	25,566,810
Commission paid	58,903,241	27,342,921
WIFI	22,409,619	14,509,044
Compensation commissioner	6,643,953	11,600,111
Software licences	36,518,704	110,703,137
Protective clothing and uniforms	27,046,891	53,505,534
Printing	17,931,633	14,360,874
End user support	19,667,740	19,366,948
Rental of plant and equipment	197,701,739	195,058,205
Insurance	159,978,639	140,551,957
Postage	15,672,102	22,484,048
Membership fees	16,470,586	19,954,476
Non-capital items	3,915,665	8,374,888
Communications	18,350	1,391,410
Leasing of property	282,004,977	311,855,918
Advertising and marketing	6,053,657	6,055,686
Rehabilitation provisions expense	3,406,480	4,436,133
Telecommunication	19,041,260	26,489,077
Net Stock Shortage	5,156,826	2,921,799
Lease expenses	22,544,787	63,248,327
Security (Guarding of municipal property)	11,759,678	-
A re Yeng operations	50,799,399	20,806,895
Management information system	20,015,177	55,847,392
Locomotion allowance	20,238,891	18,869,210
Rental vehicles	57,726,483	65,096,542
Transport Cost	1,952,255	2,604,090
Legal contribution expense	83,244,267	-
Rental of venues	231,355	366,568
Licences	18,051,664	17,126,766
Internet fees	35,988,181	42,282,281
Events management	5,716,421	5,608,895
Other expenses	264,349,536	244,094,242
	1,681,094,711	**1,729,160,213**

45. Bulk purchases

Electricity - Eskom	11,376,779,630	9,712,625,971
Water	3,216,214,415	3,086,019,382
	14,592,994,045	**12,798,645,353**

46. Fair value adjustments

Interest rate swaps	267,407,051	95,584,144

Notes to the Annual Financial Statements

	2022 R	2021 R

47. Cash generated from operations

(Deficit) surplus	(2,038,240,051)	308,034,826
Adjustments for:		
Debt impairment	2,601,808,658	1,355,860,388
Depreciation and amortisation	2,909,023,587	3,023,695,844
Fair value adjustments	(267,407,051)	(95,584,144)
General expenses	(67,906,567)	2,921,798
Government grants & subsidies	1	811,836
Interest received (trading)	(724,103,739)	169,415,706
Investment Revenue	(158,237,543)	(375,794,373)
Finance costs	3,267,450,425	(227,377,226)
Employee benchmark obligation	-	1,504,284,009
Employee benefit obligation	107,724,155	(852,484,577)
Provisions	(30,124,462)	259,478,376
Debt impairment	214,378,779	(102,797,536)
	-	-
	-	-
Changes in working capital:		
Inventories	(165,721,259)	273,535,346
Consumer deposits	(871,148,146)	(1,457,573,179)
Consumer receivables: Exchange	(499,810,049)	(216,749,779)
Consumer receivables: Non-exchange	-	(21,069,249)
Inventories	(206,977,304)	(142,679,730)
Other receivables from exchange transactions	699,769,524	69,367,438
Other receivables from non-exchange transactions	(259,006,396)	(190,376,790)
Payables from exchange transactions	2,093,500,092	1,956,933,266
Unspent conditional grants and receipts	76,879,462	(219,441,729)
VAT payable	(562,568,051)	(1,032,293,844)
	6,119,284,065	**3,990,116,677**

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

48. Financial instruments

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Investments	-	806,340,450	806,340,450
Long-term receivables	-	419,893,486	419,893,486
Redemption fund	241,622,259	-	241,622,259
Other receivables	-	62,899,589	62,899,589
Consumer receivables	-	4,845,496,513	4,845,496,513
Cash and cash equivalents	-	217,481,812	217,481,812
Interest rate swap asset	142,276,068	-	142,276,068
	383,898,327	**6,352,111,850**	**6,736,010,177**

Financial liabilities

	At fair value	At amortised cost	Total
Loans and bonds: term loans, bonds	-	10,854,924,451	10,854,924,451
Lease liability	-	181,930,187	181,930,187
Retention creditors	-	623,013,615	623,013,615
Consumer deposits	-	781,190,973	781,190,973
Interest rate swap liability	161,325,433	-	161,325,433
Service consession arrangement	-	2,517,662,590	2,517,662,590
Payables from exchange transactions	-	12,551,690,086	12,551,690,086
	161,325,433	**27,510,411,902**	**27,671,737,335**

48. Financial instruments (continued)

2021

Financial assets

	At fair value	At amortised cost	Total
Investments	-	384,208,957	384,208,957
Long term receivables	-	358,029,813	358,029,813
Other receivables	-	778,548,209	778,548,209
Consumer receivables	-	4,723,967,354	4,723,967,354
Cash and cash equivalents	-	190,954,732	190,954,732
Interest rate swap asset	15,168,940	-	15,168,940
Redemption fund asset	-	453,523,720	453,523,720
	15,168,940	**6,889,232,785**	**6,904,401,725**

Financial liabilities

	At fair value	At amortised cost	Total
Loans and bonds: term loans, bonds	-	11,398,063,196	11,398,063,196
Lease liability	-	330,447,450	330,447,450
Retention creditors	-	591,229,324	591,229,324
Consumer creditors	-	946,912,232	946,912,232
Interest rate swap liability	301,625,355	-	301,625,355
Service concession arrangement	-	2,464,975,222	2,464,975,222
Payables from exchange transactions	-	7,769,544,202	7,769,544,202
	301,625,355	**23,501,171,626**	**23,802,796,981**

Disclosure note amounts compared to financial instruments disclosure and financial instruments: risks involved disclosure:

The disclosure in note 48 and note 49 will differ from what is disclosed in the statement of financial position due to the definitions and requirements of GRAP 104 as not all line items on the statement of financial position constitute a financial instrument as per the definitions of GRAP 104. For example consumer receivables, other receivables and payables from exchange transactions consist of items that do not meet the definition of a financial instrument and these items are therefore excluded in the aforementioned notes.

49. Risk Management

Risks

In running its operations the city is exposed to a variety of financial risks: market, liquidity, credit and interest rate risks. Section 62.(1)(c)(i) Of MFMA states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has adopted and maintains effective, efficient and transparent systems of financial and risk management and internal control in response to this the City adopted National Treasury Public Sector Risk Management Framework and is committed to the effective management of the risks. The process is called risk monitoring and control. It involves monitoring the identified risks including the above mentioned financial risks, identifying new risks, and evaluating the overall effectiveness of the risk management plan in reducing the risks.

The Group Financial Services is committed to the effective management of the financial risks, with Treasury office responsible for management of market, liquidity, and interest rate risks. The Revenue office is responsible for credit risk management. In the course of the municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

49. Risk Management (continued)

There were new risks that were identified due to the Covid-19 pandemic, which also contributed towards the credit risk due to the effect that it had on consumers' ability to pay for their municipality accounts, these risks are recorded and managed in a separate risk register with a similar risk management process applied in the management of the operational risks. The objectives, policies and processes for managing the risk and the methods used to measure the risk since the previous financial year remained the same.

Financing risk

Financing risk refers to the City's inability to control its monetary policy and defaulting on bonds or other debt issues. Borrowings could become more difficult or more costly in the future. The City's targeted weighted average cost of borrowing for the MTREF is set at 9.9% per annum and as per the 30 June 2022 annual financial statements, the result was 9.21% meaning that the City is managing its cost of borrowing prudently.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will be negatively affected by the adverse changes in interest rates. Interest rate risk arises from the fluctuations in the economic market due to the economic climate. The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

The City has significant exposure to interest rate risk due to the volatility in South African interest rates, fluctuations in interest rates on floating debt issued and short-term investments will impact the City's cash flow negatively. The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. The Municipality's policy is to maintain approximately 60**%** of its borrowings in fixed rate instruments. Although the interest rate swap for the past 2 financial years showed mixed performance, , it will average out over the long term as the interest rate swaps were taken up for periods ranging between 9 and 20 years.

Mitigation factors -

The City has adopted smoothing, maintaining a balance between fixed interest rates and floating interest rates on different instruments. The city also uses Interest rate swap to manage the risk –

Variable rate loans : R 7,422,827,064 (2021: R 3,997,159) and
Fixed rate loans: R 7,863,334,740 (2021: R 7,422,827,063)

There was no change in the exposure to risks and how they arise since the previous financial year. There was further no change in the objectives, policies and processes for managing the risks and the methods used to measure the risks.

	2022	2021 Restated
	R	R

49. Risk Management (continued)

Year ended 30 June 2022

Description	Floating rate Amount	Fixed rate Amount	Fixed rate Weighted average effective interest rate	Fixed rate Weighted average period for which rate is fixed	Non-interest bearing Amount	Non-interest bearing Weighted average period until maturity	Total
	R	R	%	Years	R	Years	R
Assets							
Investments	645,208,135	161,337,735	4.49	-			806,545,870
Long-term receivables:							
Housing loans		11,568,844	13.50	30.00			11,568,844
Loans to sport clubs		936,972	11.99	10.00			936,972
Sale of land		70,365,009	9.00	5.00			70,365,009
Arrangement debtors		413,809,190	7.13	1.00	-		413,809,190
Trade receivables: Consumer		4,658,522,334	7.13	1.00		1.00	4,658,522,334
Other receivables		23,221,554	-		-		23,221,555
Cash and bank		217,481,812					217,481,812
Interest rate swap asset	142,276,068						142,276,068
Redemption fund asset	241,622,259						241,622,259
Total financial assets	**1,029,106,462**	**5,557,243,450**			**-**		**6,586,349,913**
Liabilities							
Finance lease liability	180,622,041						180,622,041
Interest rate swaps (notional amounts)	457,119,081	5,130,677,000	10.00				5,587,796,081
Trade payables:							
Creditors					14,153,630,945	0.80	14,153,630,945
Retention					591,229,324	1.00	591,229,324
Loans and bonds	2,376,399,539	8,478,524,901	10.06				10,854,924,440
Service concession arrangements					2,517,662,590		2,517,662,590
Interest rate swap liability		161,325,433					161,325,433
Interest rate swap notional							
Consumer deposits					781,190,973		781,190,973
Total financial liabilities	**3,014,140,661**	**13,770,527,334**			**18,043,713,832**		**34,828,381,827**

Statutory Assets

	At amortised cost	Total Carrying amount
Statutory receivables	-	-

	2022	2021 Restated
	R	R

49. Risk Management (continued)

Year ended 30 June 2021

Description	Floating rate Amount	Fixed rate Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Non-interest bearing Amount	Weighted average period until maturity	Total
	R	R	%	Years	R	Years	R
Assets							
Investments	380,951,065	3,257,892	4.46				384,208,957
Long-term receivables:							
Housing loans		11,314,508	13.50	30.00			11,314,508
Sport club loans		981,880	11.99	10.00			981,880
Sale of land		71,378,544	9.00	5.00			71,378,544
Arrangement debtors		348,543,525	7.08	3.00			348,543,525
Trade receivables		4,723,967,354	7.08	1.00			4,723,967,354
Consumer		778,548,209					778,548,209
Other							
Cash and bank		190,954,732					190,954,732
Interest rate swap asset	15,168,940						15,168,940
Redemption fund asset	453,523,720						453,523,720
Total financial assets	**849,643,725**	**6,128,946,644**					**6,978,590,369**
Liabilities							
Interest bearing borrowings	2,033,991,221	3,776,275,880	10.06				5,810,267,101
Interest rate swaps (notional amounts)	457,119,081	5,130,677,000	10.00				5,587,796,081
Lease liabilities	330,447,450						330,447,450
Trade payables:							
Creditors					7,769,544,202		7,769,544,202
Retention					591,229,324		591,229,324
Consumer deposits					946,912,232		946,912,232
Service concession arrangements					2,464,975,222		2,464,975,222
Interest rate swap liability		301,625,355					301,625,355
Total financial liabilities	**2,821,557,752**	**9,208,578,235**			**11,772,660,980**		**23,802,796,967**

Statutory Assets

	At amortised cost	Total Carrying amount
Statutory receivables	1,415,560,861	1,415,560,861

49. Risk Management (continued)

Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements. The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the reporting date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items

	Fair value R	Estimated fair value gain/(loss) R
30 June 2022		
Current asset interest rate swaps	142,276,068	127,107,129
Non-current liability: interest rate swap liability	(161,325,433)	140,299,922
	(19,049,365)	**267,407,051**

	Fair value R	Estimated fair value gain/(loss) R
30 June 2021		
Current asset interest rate swaps	15,168,940	(16,129,544)
Non-current liability: interest rate swap liability	(301,625,355)	111,713,688
	(286,456,415)	**95,584,144**

Redemption fund

The redemption fund is a financial solution to assist the City of Tshwane to meet its financial obligations to repay previously issued bonds. However the strategy that was adopted and approved by the City of Tshwane still remains in force for its intended duration without any deviation. The City of Tshwane pays contributions into the fund so as to enable the Municipality to receive contributions plus growth to repay redemptions of bonds when they fall due. This is part of the risk management framework adopted by the City of Tshwane. The financial liabilities of the fund are disclosed in Note 7.

	Fair value R	Estimated fair value gain/loss R
30 June 2022		
Assets: other financial assets - redemption fund	241,622,259	(79,377,786)

	Fair value R	Estimated fair value gain/loss R
30 June 2021		
Assets: other financial assets - redemption fund	453,523,720	(38,570,919)

	2022	2021
		Restated
	R	R

49. Risk Management (continued)

Currency risk

The Municipality undertakes certain transactions that are denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. However, the group manages this risk by entering into contracts where the risk is carried by the service provider. The City experiences currency risk predominantly as a result of one contract entered into by the City, as a result of timing differences between the date of invoice and date of payment.

Credit rating

As an issuer of long and short term debt instruments to banks and institutional investors in the Debt Capital Market, the City has to undergo independent credit rating assessments, to determine its creditworthiness and its financial ability to make more debt issuances and to repay them. The City has appointed Moody's Investors Service, an approved credit rating agency to perform credit rating assignments on the City’s credit profile and issue credit rating opinions, in terms of the Financial Sector Conduct Authority regulations.

Following an extensive credit rating review for the 2021/22 financial year, Moody’s came out on 05 October 2021 and issued an official credit rating opinion of Caa1.za long-term and a short-term rating of NP.za, with a negative outlook that changed from “ratings under review” from that of the immediate previous financial year. This credit rating opinion is the same as the last credit rating opinion issued on 28 June 2021. Moody’s said that the negative outlook action is attributed to the expectation that the operating performance and liquidity of the city will continue to be fragile in the medium-term.

The October 2021 credit rating opinion on the City of Tshwane, in terms of the national scale ratings (NSR) South Africa, is therefore the following:

Rating type	Long term	Short term	Category	Rating outlook	Rating
Issuer	Caa1.za	NP.za	Non-Investment Grade	Negative	Affirmation

According to Moody’s, the negative outlook action is attributed to the expectation that the operating performance and liquidity of the City will continue to be fragile in the medium-term. A long-term rating of Issuers or issues rated at Caa1.za demonstrates a very weak creditworthiness relative to other domestic issuers, and on the other hand, a short-term rating of NP.za signifies that the City does not fall within any of the Prime rating categories, as per the two tables below, which reflect the rating symbols in South Africa.

On 13 April 2022, Moody’s affirmed the credit rating of the City at Caa1.za/NP.za and kept the rating outlook as negative, which means Moody’s kept the City’s credit rating unchanged to be the same as the one that was issued in October 2021. Moody’s kept the City’s rating unchanged, because Moody’s is of the view that the City’s operating performance will most likely moderate in the medium- term with the City’s liquidity remaining weaker than that of its peers in South Africa.

Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by defaulting. The defaulting Consumer receivables on exchange transactions exposes the City to credit risk. The credit risk is very limited due to the nature of the municipality’s business and its reliance on government grant as the main source of security funding. The city has Credit Control and Debt Collection Policies to manage the exposure to risk as a result of defaulting customers. Credit control is those managerial, administration and accounting policies the City applies to keep the exposure at a sustainable level while Debt collection is the actual remedies the City takes to enforce the collection of the amounts due and payable to the municipality.

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high-credit quality financial institutions.

49. Risk Management (continued)

The Municipality limits its treasury counter-party exposure arising from the money market by only dealing with well-established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short-term credit rating of A+ and long-term credit rating of AA- and higher at an international accredited credit rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which has not been adequately provided for. Trade receivables are presented net of the allowance for impairment. The consumer receivables as presented do not include any debt relating to property rates, as property rates do not meet the definition criteria for financial instruments. Strict credit control procedures are in place to mitigate the credit risk relating to trade receivables. Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach to measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained. The major concentrations of credit risk (as a percentage) that arise from the Municipality's receivables in relation to customer classification are as follows:

	30 June 2022	30 June 2021
Consumer receivables:		
Household	57	48
Industrial/Commercial	23	31
National and provincial government	5	9
Other consumer receivables	7	6
Long-term receivables	3	2
Sundry rentals	1	4
Sundry persons	4	-
	100	**100**

Liquidity risk

The risk that the City may encounter difficulties in raising sufficient funds in meeting its obligations and commitments that are due and payable within 12 months. Availability of adequate resources to meet the City’s obligations in the needs of its capital and operating expenditure, creditors at large including employees is critical for the city to continue as a going concern of which cannot be compromised. The Municipality manages liquidity risk through proper management of working capital, capital expenditure and monitoring of actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market.

	June 2022	June 2021
Amounts payable within 1 year	R999,732,952.54	R12,092,975.00
Amounts payable between 2 and 5 years	R1,200,389,917.51	R339,654,632.50
Amounts payable between 6 and 10 years	R1,328,981,863.01	R9,546,315,586.54
Amounts payable within 11 and 20 years	R7,325,819,706.84	R1,500,000,000.00
Total	R10,854,924,440.20	R11,398,063,194,04

The City, through the Treasury office, manages this risk. The City established the redemption fund as a major safeguard towards the risk. The redemption fund is a financial solution to assist the City to meet its financial obligations.

49. Risk Management (continued)

The City implemented a Financial Sustainability Plan (FSP) for three quarters of the financial year, and is currently implementing a voluntary Financial Recovery Plan (FRP) in order to ensure that there is sufficient monitoring and mitigation of threats to its liquidity with key focus on implementing the revenue enhancement initiatives and commitment to stringent expenditure controls and cost containment particularly on non-essentials and non-revenue generating activities. The municipality’s risk to liquidity may result from non-availability of funds to cover future commitments. The municipality manages liquidity risk through ongoing review of future commitments, credit facilities as well as monitoring of key financial indicators. Cash flow forecasts are prepared to determine the City’s cash needs and borrowing facilities are monitored closely on a daily, weekly and monthly basis.

	30 June 2021 R	30 June 2022 R	30 June 2023 R
External funding (borrowing): capital expenditure	1,500,000,000	1,500,000,000	1,500,000,000
Grant funding: capital expenditure	2,124,310,090	1,530,281,745	1,555,965,285

Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market factors. The cornerstones of market risks are currency risk, interest rate risk and price risk. Market risk cannot simply be eliminated through diversification, though it can be hedged against in other ways. The city applies the following mitigation factors to market risk-

The City investments are diversified amongst the well-established financial institutions. The City abides by National Treasury's investment regulations and the City's Investment policy. Interest rate risk management: The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which expose the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest. Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities.

Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, consumer ,Payables, long-term debt and derivative instruments (interest rate swaps). No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt), approximates fair value due to the relatively short-term maturity of these financial assets

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments

49. Risk Management (continued)

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

	2022	2021 Restated
	R	R

49. Risk Management (continued)

Year ended	Fair value R	Carrying amount R
30 June 2022		
Liabilities		
Interest rate swaps	161,325,433	161,325,433
30 June 2021		
Liabilities		
Interest rate swaps	301,625,355	301,625,355

Capital risk management

The municipality's objectives when managing capital is to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in Note 21 and cash and cash equivalents disclosed in Note 9, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio. There are no externally imposed capital requirements. There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. The gearing ratio at 30 June 2022 and 30 June 2021 respectively were as follows:

The gearing ratio at 30 June 2022 and 30 June 2021 respectively were as follows:

Total borrowings			
Finance lease obligation	23	180,622,041	826,667,924
Long-term loans	21	5,587,796,081	11,569,691,329
		5,768,418,122	**12,396,359,253**
Less: Cash and cash equivalents	9	217,481,812	258,404,158
Net debt		5,550,936,310	12,139,955,095
Total equity		26,264,504,838	29,345,823,449
Total capital		**31,815,441,148**	**41,485,778,544**

50. Commitments

Authorised capital expenditure

Approved and contracted for		
• Infrastructure assets	3,375,762,480	4,784,550,137
• Community assets	225,902,438	240,239,732
• Other Assets	15,344,015	51,573,088
• Intangible assets	506,847,875	506,000,000
	4,123,856,808	**5,582,362,957**
Approved but not yet contracted for		
• Infrastructure assets	378,556,961	163,106,700
• Community assets	14,623,842	4,886,463
• Other assets	1,365,633	-
	394,546,436	**167,993,163**
	4,518,403,244	**5,750,356,120**

	2022 R	2021 Restated R

50. Commitments (continued)

Total capital commitments		
Already contracted for but not provided for	4,123,856,808	5,582,362,957
Not yet contracted for and authorised by accounting officer	394,546,436	167,993,163
	4,518,403,244	**5,750,356,120**

Total commitments

Total commitments		
Authorised capital expenditure	4,518,403,244	5,750,356,120

51. Contingencies

Indemnification		
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	158,261,835	154,521,596

The capitalised value as at 30 December 2021 which is calculated by the department of Labour amounted to R 158,261,835

Guarantees issued		
Guarantees issued in favour of Eskom	213,500	213,500

The payment of claims against the City of Tshwane is provided for the Self Insurance Reserve, which as at 30 June 2022 has a balance of R nil.

Insurance claims		
Pending claims iro asset-, motor own damage- contractors and electricity claims	8,501,239	74,876,645
Pending claims iro public liabilities	229,368,837	718,018,396
	237,870,076	**792,895,041**

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which, as at 30 June 2021 has a balance of R 288,703.

Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable.

Amounts have not been provided in certain cases as the court has not yet determined a value - these cases are listed separately below. The claims where amounts are available are disclosed in the table below.

Undetermined amounts

Department	Cause of Action
Housing and Sustainable Human Settlement	Claim for compensation by a land owner in Soshanguve. The land owner alleges that CoT allowed a squatter camp to develop on privately owned land. Owner now wants compensation arguing constructive expropriation.

51. Contingencies (continued)

Housing and Sustainable Human Settlement	Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the CoT to allocate land to persons listed in the summons as former residents of Lady Selbourne as mentioned in the summons. A closer look at the summons revealed that looking at the dates of birth of those people; they could never have been former residents of that area. Awaiting court date They are also not alleging to be claiming through their parents or great parents or even great great parents. Awaiting court date
Housing and Sustainable Human Settlement	Dispute of ownership of house
Housing and Sustainable Human Settlement	Interdict Application and to declare the Citys conduct unlawful
Housing and Sustainable Human Settlement	Eviction application
Housing and Sustainable Human Settlement	Eviction application
Housing and Sustainable Human Settlement	Applicant requested an order to compel the City of Tshwane to retransfer the property Erf 443 Soshanguve in the name of the applicant.
Housing and Sustainable Human Settlement	Applicant requested an order to retransfer the property Erf 5511 Mamelodi in the name of the applicant.
Housing and Sustainable Human Settlement	Applicant requested an order to compel the retransfer of the property Erf 14670 Mamelodi in the name of the applicant.
Housing and Sustainable Human Settlement	The City of Tshwane be ordered to rectify the Title deed of the applicant
Housing and Sustainable Human Settlement	The City of Tshwane decision to allocate Erf 352 Saullsville be set aside
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	The sale agreement regarding the sale of the property erf 14993 Mamelodi East be set aside
Housing and Sustainable Human Settlement	Emergency alternative accommodation
Housing and Sustainable Human Settlement	Application for court order to compel the City of Tshwane to transfer the property with Erf 200 Sonshanguve to the Applicant
Housing and Sustainable Human Settlement	Application for eviction. The City must file a report on alternatice accomodation

	2022	2021 Restated
	R	R

51. Contingencies (continued)

Housing and Sustainable Human Settlement	Application for Rescission of an Eviction Order.
Housing and Sustainable Human Settlement	Eviction Application. Calls for the City to provide alternative accommodation
Housing and Sustainable Human Settlement	Application to compel the City to file a report on alternative accommodation .
Housing and Sustainable Human Settlement	Application for allocation of properties (RDP Houses) and registration into various names
Housing and Sustainable Human Settlement	Compel the city to implement court order and provide alt accommodation
Housing and Sustainable Human Settlement	Claimant wants CoT to transfer property to themselves
Housing and Sustainable Human Settlement	Land Claim court case.
Housing and Sustainable Human Settlement	Application to declare sale of house invalid and will invalid
Housing and Sustainable Human Settlement	This is an Eviction application for those occupying ERF 14575 Atteridgeville
Housing and Sustainable Human Settlement	An application that the Registrar of Deeds cancel and remove from their records the DEED of Grant and endorse the Certificate of Registered Grant of Leasehold into full ownership in respect of property ERF 596 Ekangala Township
Housing and Sustainable Human Settlement	Court order - that the City file a report in 60 days from the court order on alt accommodation
Housing and Sustainable Human Settlement	Application for a declaratory order that the occupiers will only be evicted with an eviction order
Housing and Sustainable Human Settlement	Court order that the City file a report by the 22nd June 21 on the history and information on ERF 3273 Soshanguve L Ext 1, Township
Housing and Sustainable Human Settlement	Application to declare the sale invalid and to set aside
Housing and Sustainable Human Settlement	The applicant seeks an order to evict illegal occupants of Portion 102 of the Farm Mooiplaats 367.
Housing and Sustainable Human Settlement	Court application for the eviction of the Ms. Ramalepe, RML and order that the City of Tshwane be compelled to provide alternative accommodation to the occupier.
Housing and Sustainable Human Settlement	The applicant requested for order that the City of Tshwane be ordered to provide emergency alternative accommodation to the occupiers in the event the eviction court application is granted by the court.
Housing and Human Settlement	Summons for the City to provide temporary alternative accomodation for the 1st and 2nd defendant
Group Property Management	An order directing and ordering the registration of transfer of immovable property known as Portion 1 ERF 256 Jan Niemand Park , in the name of the applicant

	2022	2021 Restated
	R	R

51. Contingencies (continued)

Group Financial Services	Review application - Kungwini Properties. Review supplementary valuation roll
Group Financial Services	Claim for a refund for payment made in error
Group Financial Services	Application by property owners not part of the Lombardy Court case for an order that they orders of Lombardy should apply to them as well.
Group Financial Services	Application for clearance rate figures
Group Financial Services	Application to unblock smart meter and fix water meter
Group Financial Services	Reconciliation of account
Group Financial Services	Reconciliation of account
Group Financial Services	Reconciliation of account
Group Financial Services	Application to challenge the electricity tariffs
Group Financial Services	Application to render accounts
Group Financial Services	Application to challenge the electricity tariffs
Group Financial Services	Application to render accounts
Group Financial Services	Claim for damages following an alleged incorrect billing. Consumer claims to have suffered psychologically and had to incur expenses to use a generator.
Group Financial Services	Application to review and set aside the budget
Group Financial Services	Application to review and set aside the budget
Group Financial Services	Debatement and possible claim for refund for charges levied after transfer of property
Group Financial Services	Summons - to render accounts supported by documentation showing proof of how the amounts in the invoices were arrived at.
Group Financial Services	Application - Debts be written off, water reading to be done, all beneficiaries of indigent programme be reinstated, matter should be resolved and no interests on debts to be incurred.
Group Financial Services	Defendant claims that the City of Tshwane renders account supported by meter readings, consumption charges and calculations in respect of electricity supply for the period February 2018 to 19 August 2021
Group Financial Services	Application for issuing of clearance certificate. Applicants went on further to request the court that it be declared the amount of municipal services, rates and taxes owed by them to the City which are older than 3 years have prescribed, and that they are not liable to pay such amount

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

51. Contingencies (continued)

Group Financial Services	"Applicant prays for an order in the following terms: 1. That it be declared that the City of Tshwane has the onus to prove its charges in relation to the electricity consumed on the property ERF 163, PORTION 14 DESPATCH (328 PRICE STREET, DESPATCH rendered by City of Tshwane under account 5008326956. 2. The City of Tshwane is ordered to rebuild the account, in relation to the consumption of electricity from January 2020 to the date of this order; by 2.1 Charging electricity based on actual readings. 2.2 Removing all estimated charges. 2.3 Removing all penalty charges from the account. 3. The City to provide the Applicant with re-built account within 20 days from the date of this order; That the City shall re-calibrate or replace the meters on the property. 4. Interdict against disconnection of services, based on disputed amounts allegedly accruing during the period up until the date of this order. 5. The above interdict does not affect the City's rights to terminate municipal supply in respect of amounts accruing from municipal consumption at the property after the date of this order."
Group Financial Services	Applicant is raising prescription on a certain account and adjustments on some of the accounts. There are 10 accounts that should be thoroughly investigated.
Group Financial Services	Urgent application for an order compelling the City to rectify the records and link the prepaid meter with meter number on their records.
Group Financial Services	Summons for an order that it be declared that there is a dispute in respect of water account. Rendering accounts and rebatement. An order to credit the Plaintiff's water account.
Finance	Summons for rendering true accounts, remove charges on the account and effect credit adjustments if any
Group Economic Development and Spatial Planning	Contempt of Court application - the City has failed to demolish an illegal structure as per the previous court order.
Group Economic Development and Spatial Planning	Court application to compel the City of Tshwane to provide upgraded services at the Fresh Produce Market
Group Utility Services	Application to review the City of Tshwane decision to not grant occupation certificate and to grant final electricity connection to Denneboom Mall
Group Utility Services	"Personal injury allegedly caused by Council's negligence ,by leaving cables hanging and the substation's door opened and as a result a young boy was electrocuted and his body sustained 900(degrees) burns."
Group Utility Services	Claims for variation escalation
Roads and Transport	Variation Exceeding 15% contract CB49/2012

51. Contingencies (continued)

Roads and Transport	"On the 1 October 2015, the Defendant appointed the Plaintiff for the Tender of the Design, Building, Installation, Operation and Maintenance of Automated Fare Collection System for the Tshwane's Integrated Rapid Transport Network (IRPTN) and Tshwane Bus Services, over a period of 12 years, commencing from the 1 October 2015. The Tender is governed by FIDIC General Conditions of Contract 2008. In terms of Clause 20 [Claims, Disputes and Arbitration] thereof it requires the Plaintiff and the Defendant to appoint a Dispute Adjudication Board (DAB). The DAB was established and commenced on the 07 August 2019. A Claim has been referred to a DAB by the Plaintiff on the 27 September 2019 to which the City, as Defendant, must respond by 11 October 2019 in terms of the DAB Minutes of Constitution dated 7 August 2019. The Defendant has to, in essence, defend/oppose the Plaintiff's claim which relates to the Defendant's Technical Note issued to the Plaintiff on 6 May 2019. This Note relates to loss of revenue due to the operations of the Automated Fare Collection services rendered by the Plaintiff. "
Roads and Transport	Application to make CoT fix a road hight restriction under Eskom power lines
Roads and Transport	Application for investigation / filing of reports and remedial action to the sinkhole
Roads and Transport	Application to compel the City to commence with preventative measures to avoid further subsidence and damage of the surrounding area and to repair and remedy the leaking services
Group Agriculture & Environmental Management	Claim for contract fees adjustment; Capital paid. Interest at 10% on R6 874 695, 37 from 8 June 2918 owing
Group Agriculture & Environmental Management	Claim for contract fees adjustment ; Capital paid. Interest at 10% on R6 764 623, 00 from 8 June 2018 owing to date of payment
Group Agriculture & Environmental Management	Claim for contract fees adjustment Capital paid. Interest owing on R9 898 790, 72 at 10% from 8 June 2018
Group Agriculture & Environmental Management	Claim for contract fees adjustment Capital paid. Interest at 10% on R4 224 290, 54 from 8 June 2018 owing to date of payment
Group Agriculture & Environmental Management	Claim for contract fees adjustment Capital paid. Interest owing on R2 506 739, 88 at 10% from 8 June 2018
Office of the Speaker	Application to review Section 139(1) decision
Group Human Capital Management	The applicant brought an application against the CoT and the City Manager for an order declaring that the CoT should contribute towards the monthly premium aid scheme after their retirement in terms of the applicable pension rules. Applicant wants an order declaring that the munipality has a contractual obligation to contribute towards premiums payable by retired employees towards the medical aids. The matter is being defended and the municipality is preparing for trial.

51. Contingencies (continued)

Group Human Capital Management	Labour Dispute. CoT had an agreement with UNISA in terms of which CoT provided busses to UNISA for transporting of UNISA employees. The Busses where driven by UNISA employees. UNISA in turn paid CoT a fee. When the contract between UNISA and COT was terminated, the driver lodged a dispute for termination of employment. They are seeking remuneration either from UNISA or COT, depending who is found to have been the employer.
Group Human Capital Management	Unfair labour practices
Group Human Capital Management	Unfair labour practice in respect of encashment of leave.
Group Human Capital Management	Unfair labour practices
Group Human Capital Management	Unfair labour practice in respect of encashment of leave.
Group Human Capital Management	Claim for payment if salaries
Group Human Capital Management	Unfair dismissal review application of an arbitration award for reinstatement and compensation
Group Human Capital Management	Unfair dismissal application for review of an award for reinstatement and back pay.
Group Human Capital Management	Claim for promotion
Group Human Capital Management	Claim for difference in salary scales .
Group Human Capital Management	Unfair dismissal review application of an arbitration award for reinstatement and compensation
Group Human Capital Management	Dispute regarding the Compulsory Deduction of Leave days during Festive Season. MMM Appointed to defend this matter
Group Human Capital Management	Unfair dismissal application for review of an award for reinstatement and back pay.
Group Human Capital Management	Claim for payment of money for a higher positions
Group Human Capital Management	Application for review by the CoT against an award
Group Human Capital Management	Application for review by the CoT against an award
Group Human Capital Management	Application to rescind the reconciliation award regarding the reinstatement of dismissed EPWP employees
Group Human Capital Management	Application to review an award
Group Human Capital Management	COT Review Application
Group Human Capital Management	Review Application
Group Human Capital Management	Review Arbitration Award
Group Human Capital Management	Review Arbitration Award
Group Human Capital Management	Interdict Application and to declare the City's conduct unlawful

51. Contingencies (continued)

Group Human Capital Management	Application for review by the Union
Group Human Capital Management	Labour Court review application by CoT to challenge arbitration for reinstatement of dismissed employee. Employee brought application of contempt
Group Human Capital Management	Application for contempt to compel CoT to pay a pension fund contribution rate difference for former employee of Bojanala District Municipality. Former employees only got 13% contribution
Group Human Capital Management	Unfair Labour Practice grievance dispute
Group Human Capital Management	SAMWU review application against an arbitration decision on the EPWP workers
Group Human Capital Management	CoT review of award in favour of Secretaries and Researchers for legitimate expectation
Group Human Capital Management	Grievance dispute regarding shirt allowance
Group Human Capital Management	Review Application the Labour court
Group Human Capital Management	Review of award to absorb Revenue Agents with criminal records
Group Human Capital Management	Review Application by SAMWU
Group Human Capital Management	Employee is challenging an arbitration ruling
Group Human Capital Management	COT review of award in favour of employee
Group Human Capital Management	CoT challenging a step three grievance resolution by Dr Manganye giving employees shirt allowance.
Group Human Capital Management	SAMWU review application against an arbitration decision on the EPWP workers
Group Human Capital Management	CoT review of an award
Group Human Capital Management	Reviwe application of award against employee for legitimate expectation
Group Human Capital Management	SAMWU review application against an arbitration decision on the EPWP workers
Group Human Capital Management	Dispute Claim against SALA Pension Fund
Group Human Capital Management	Application by Bokaba to review Condonation application for unfair dismissal
Group Human Capital Management	Application to make a separation agreement an order of court and for payment of interest on the separation amount
Group Human Capital Management	Application for review by employee
Group Human Capital Management	National Empowerment Fund dispute on pension
Group Human Capital Management	Imatu review application against award

51. Contingencies (continued)

Group Human Capital Management	SAMWU review application
Group Human Capital Management	Application for review
Group Human Capital Management	CoT review application
Group Human Capital Management	SAMWU review application against an arbitration.
Group Human Capital Management	CoT application for review of an award finding legitimate expectation for employee
Group Human Capital Management	SAMWU application for review
Group Human Capital Management	Salary disparity dispute
Group Human Capital Management	Application for review
Group Human Capital Management	Application for an order directing CoT to reinstate medical aid subsidy of 70% post retirement and 70% back payment of subsidy
Group Human Capital Management	Application to enforce a step three grievance resolution decision
Group Human Capital Management	Application to enforce a step three grievance resolution decision
Group Human Capital Management	Review Application
Group Human Capital Management	Review application-dismissal
Group Human Capital Management	Application for review by employees
Group Human Capital Management	Application for review by employees
Group Human Capital Management	Application for review and reinstatement
Group Human Capital Management	Application for review of dismissal, possible reinstatement
Group Human Capital Management	Application for review by employee
Group Human Capital Management	Unfair discrimination by the employer relating to equal work of same value, equal salary and benefits
Group Human Capital Management	Unfair discrimination by the employer relating to equal work of same value, equal salary and benefits
Group Human Capital Management	Review application
Group Human Capital Management	Review application to review award against COT
Group Human Capital Management	Contribution to post retirement
Group Shared Services	Application to review the award of tender CB 54/2013 and the PPP entered into with Moipone
Group Legal and Secretariat and Group Finance Services	Incorrect transfer of property
ROC	Application to compel Cot to repair a water pipe

	2022	2021 Restated
	R	R

51. Contingencies (continued)

Tshwane House Contingencies

Default terminations:

The default termination comprise of the default terminations as per the service concession arrangement between City of Tshwane and Tshela Tsweu Consortium (TTC). The termination scenarios are as follows:

Scenario 1: Termination pursuant to the City of Tshwane default prior to expiry of the concession period

The expected contingent liability for the City default over the life of the project given equal probabilities is R747 million.

Scenario 2: Termination for Private Party default

If at any time during the concession period the City of Tshwane terminates the PPP pursuant to a default by Tshela Tsweu Consortium (TTC), the City of Tshwane will be obliged to pay TTC a compensation amount. The expected contingent liability for Private Party default, given the equal probabilities is R 540 million.

Scenario 3: Termination for Force Majeure

If the PPP agreement is terminated by the City of Tshwane or TTC as a result of a Force Majeure event, the City of Tshwane is obliged to compensate TTC a Force Majeure Termination amount. The expected contingent liability for Force Majeure default over the life of the project, given equal probabilities is R 663 million.

Scenario 4: Termination for Corrupt Acts and Fraud

If the City of Tshwane terminates the PPP agreement pursuant to corrupt gifts and payments, the City of Tshwane shall be liable to pay TTC a termination amount. The expected contingent liability under Corrupt Acts default scenario over the life of the project, given equal probabilities is R 613 million.

There is uncertainty as to the timing of any of the termination scenarios, therefore simulation were used to arrive at the expected contingent liability.

Litigation

	Short description of cases		
Group Economic Development and Spatial Planning	Render a proper account in respect of waste management services as amount on account was unlawfully calculated	6,683,428	1,077,821
Housing and Sustainable Human Settlement Development	Expropriation Property A property was expropriated by the CoT and the claimant is not happy with the amount of compensation paid, hence the claimant is suing for compensation. Awaiting court dates	790,000	790,000
Housing and Sustainable Human Settlement Development	Claim for compensation by land owner in Soshanguve due to squatter camp on privately owned property	16,925,581	16,925,581
Housing and Sustainable Human Settlement Development	Claim for damages, Brookway's properties were invaded and they obtained an order to evict, the order also directed the CoT to provide an alternative by a particular date. Plaintiff claims CoT failed to provide alternative. Hence Plaintiff had to eventually sell the property and suffered damages.	176,526,000	176,526,000
Housing and Sustainable Human Settlement Development	Claim for interest on amount payable for compensation of expropriation of servitude on portion 241 Wonderboom 302 JR	371,900	371,900
Housing and Sustainable Human Settlement Development	Claim for compensation due to City or its officials encouraging/supporting unlawful invasion and occupation of a farm. Claim for compensation in terms of Expropriation Act	3,500,000	3,500,000

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		2022 R	2021 Restated R

51. Contingencies (continued)

Housing and Sustainable Human Settlement Development	Claim for compensation due to City or its officials encouraging/supporting unlawful invasion and occupation of a farm. Claim for compensation in terms of Expropriation Act	3,500,000	3,500,000
Housing and Sustainable Human Settlement Development	Himalaya Heights: Claim for levies in respect of a sectional unit owned by the City of Tshwane	11,578	11,578
Housing and Sustainable Human Settlement Development	Claims for payment of rental for Clarina flats where former residents of Schubart Park are housed.	50,616,000	50,616,000
Housing and Sustainable Human Settlement Development	Claim for compensation for wrongful invasion of privately owned land	3,800,000	3,800,000
Housing and Sustainable Human Settlement Development	Claim for payment in respect of services rendered for construction of 255 walk up units	5,633,008	5,633,008
Housing and Sustainable Human Settlement Development	Expropriation. property was expropriated by the city and the claimant is not happy	790,000	1,273,363
Housing and Sustainable Human Settlement Development	Breach of contract. construction water reticulation	6,560,887	6,560,887
Group Financial Services	Claim for refund of moneys paid to obtain clearance certificates.	117,246	117,246
Group Financial Services	Damages and refund claim: incorrect clearance certificate. Plaintiff to apply for trial date.	71,296	71,296
Group Financial Services	Breach of contract: Work to be done before 2010 Soccer World Cup. Department alleges that work was never done.	33,594	33,594
Group Financial Services	Payment for services: Summons was issued in this matter. Dispute regarding claim. Negotiations to resolve the matter took place and matter is still pending	2,622,000	2,622,000
Group Financial Services	Demand for legal fees for debt collection: services of firm of attorneys. Apparently, the municipality verbally (orally engaged the services of) instructed attorneys in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm. Matter is defended	1,657,251	1,657,251
Group Financial Services	Claim for refund: Over charged for water. Municipality has filed a plea.	5,111,360	5,111,360
Group Financial Services	Claim for refund: Overpaid electricity due to wrong calculation	45,307	45,307
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini	288,789	288,789
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini.	265,661	265,661
Group Financial Services	Claim for a credit. Application to amend, alternatively credit applicant's municipal account with claim amount and restore electricity supply.	66,720	465,332
Group Financial Services	Applicant seeking adjustment of account with reversal implication.	1,631,706	452,960
Group Financial Services	Applicant seeking adjustment of account with reversal implication.	89,694	66,720
Group Financial Services	Claim for refund of overcharged electricity.	113,737	1,631,706
Group Financial Services	Reconciliation of municipal account	281,480	89,694
Group Financial Services	Reconciliation of municipal account	140,290	113,737
Group Financial Services	Reconciliation of account	367,194	281,480
Group Financial Services	Reconciliation of account	70,353	140,290
Group Financial Services	Claim for a refund	190,999	112,856
Group Financial Services	Claim for a refund on a disputed account	112,856	21,640

51. Contingencies (continued)

		2022 R	2021 Restated R
Group Financial Services	Warrant for execution for failure to pay for leased office machines	452,960	11,079
Group Financial Services	Claim for damages as a result of incorrect billing.	1,569,436	790,084
Group Financial Services	Application to order appointment of valuer and transfer of property	-	70,353
Group Financial Services	Application- to render accounts and remove amounts from account	790,084	24,210
Group Financial Services	Summons for payment of amount iro clearance certificates	1,434,627	367,194
Group Financial Services	Application for refund in respect of valuation category of property	24,210	1,434,627
Group Financial Services	Claim for a refund of monies	667,717	446,200
Group Financial Services	Claim of outstanding payment for the work done	551,774	1,569,436
Group Financial Services	Summons to issue out clearance rate figures	1,648,605	190,999
Group Financial Services	Application compelling Finance to adjust waste management account	-	551,774
Group Financial Services	Claim for refund for service charges disputed	-	1,648,605
Group Financial Services	Claim for payment of services rendered in terms of the agreement (Breach)	-	5,865,000
Group Financial Services	Claim for outstanding payment of invoice for professional services rendered	76,481	667,717
Group Financial Services	Warrant of execution for failure to pay for copying machines, fax and digital laser	465,332	22,679
Group Human Capital Management	Claim for breach of employment contract. Fixed employment contract terminated before the fixed period lapsed.	43,183	3,221,995
Group Human Capital Management	Breach of contract: Contract concluded in Pretoria and put Magistrate Nigel as forum for adjudication.	97,734	100,000
Group Human Capital Management	Enforcement of arbitration award	292,635	92,595
Group Human Capital Management	Constructive dismissal damages claim. Plaintiff was diagnosed with PTS disorder which it was acknowledged was caused by the employee’s conduct hence classified as an injury on duty. Plaintiff was then unable to perform her duties and was subsequently dismissed for mental incapacity. Plaintiff is now suing for damages as a result of the dismissal. Await a new trial date.	100,000	850,884
Group Human Capital Management	Breach of Contract: 2 Councillors and an official procured work for City without following prescribed SCM procedures. Both councillors resigned and official is on suspension.	2,250,000	796,680
Group Human Capital Management	Unfair dismissal: Erstwhile Nokeng appointed traffic officers who did not meet minimum requirements - relieved of duties. Matter still pending at bargaining council.	2,500,000	97,734
Group Human Capital Management	Claim for damages: Unlawful termination of employment. Additional claim.	8,000,000	2,500,000
Group Human Capital Management	Claim for stolen pension money. Referred to Commercial Crimes Unit of SAPS.	338,848	649,017
Group Human Capital Management	Claim for stolen pension money. Cheque for pension pay out was issued to wrong person.	1,000,000	327,211
Group Human Capital Management	Unpaid pension fund	67,099	338,848
Group Human Capital Management	Compensation for unfair labour practices	1,000,000	1,000,000
Group Human Capital Management	Claim for payment of acting allowance	1,000,000	67,099

Notes to the Annual Financial Statements

51. Contingencies (continued)

		2022 R	2021 Restated R
Group Human Capital Management	Claim for increase towards travelling allowance. Matter currently being opposed by attorneys.	100,000	1,000,000
Group Human Capital Management	Alleged unlawful deduction of salary due to abscondment.	3,175,000	100,000
Group Human Capital Management	Review of application by City of Tshwane against an award in favour of service provider.	1,500,000	3,175,000
Group Human Capital Management	Application to compel City of Tshwane to implement an equity plan and pay a fine	92,595	1,500,000
Group Human Capital Management	Arrear payment relating to salary deducted alleged unpaid leave deducted	796,680	43,183
Group Human Capital Management	Review application	68,655	292,635
Group Human Capital Management	Application to reverse deduction	470,000	68,655
Group Human Capital Management	City of Tshwane review application	2,310,114	470,000
Group Human Capital Management	Payment of outstanding salaries	3,934,568	2,310,114
Group Human Capital Management	Review application	139,359	3,934,568
Group Human Capital Management	Payment of damages This is a claim for damages relating to the appointment of a former municipal manager of kungwini municipality. The matter is defended and we are awaiting a trial date.	-	2,250,000
Group Human Capital Management	Claim by retired employee for payment of the post retirement medical contributions by the CoT as employer	-	150,000
Group Shared Services	Claim for damages as a result of breach of contract.	134,938,261	305,830
Group Shared Services	Suffered loss regarding the broad band contract as the Court has set aside the said contract. Claiming damages regarding for the recovery of loss suffered as result of the broad band contract which was set aside by court.	1,644,970,578	327,764,660
Group Shared Services	Claim for damages in respect of the Broadband Tender in that the CoT is in breach and Thobela seeks compliance with the contract and implementation. The claims is conditional upon the outcome of the an appeal against the judgement in favour of the CoT reviewing and setting aside the Broadband Contract	327,764,660	1,955,738,877
Group Shared Services	Claim for damages for alleged breach of agreement	4,354,260	1,644,970,578
Group Utility Services	Breach of contract: Roads and water reticulation construction not properly done. Matter is defended.	1,401,516	2,858,037
Group Utility Services	Contractual claim for adverse physical conditions encountered during a project for laying of a sewer network in Babelegi. The matter is currently in the high court and the intention is to go for arbitration. An arbitration process is going to be initiated.	98,724	6,683,428
Group Utility Services	Breach of contract: Tender awarded to provide security services. Information not retrieved information from the company.	159,219	98,724
Group Utility Services	Breach of contract: Tender awarded for City wide communication system. Plaintiff failed to live up to tender specifications and municipality cancelled contract. Matter is defended.	952,952	1,401,516

51. Contingencies (continued)

		2022 R	2021 Restated R
Group Utility Services	Breach of contract: Plaintiff never paid for services rendered.	-	159,219
Group Utility Services	Breach of contract: Contribution payment for bulk services. Services inadequately rendered.	2,081,409	952,952
Group Utility Services	Application for rescission: Applicant wants reversal of decision of Court. Municipality has already made payment to someone else in accordance with court order. Await trial date.	4,314,672	2,081,409
Group Utility Services	Municipality cancelled agreement for security services. Company is suing for repudiation of contract.	951,078	4,607,784
Group Utility Services	Contractor who was hired to construct a depot in Soshanguve is being sued by City of Tshwane in arbitration. Contractor brought counter claim	490,200	4,314,672
Group Utility Services	Claim for compensation in respect of expropriation. Property owner suing City of Tshwane for high compensation.	5,513,071	951,078
Group Utility Services	Expropriation which was compensation was not paid	2,858,037	2,044,660
Group Utility Services	Claim for payment of services rendered	1,080,425	492,606
Group Utility Services	Contractual claim for services rendered	492,606	490,200
Group Utility Services	Claim for the Annual increases in terms of Tender number CB101/2014. the capital claimed now is the difference between R7 943 259, 06 judgement less R2430 187, 99 (amount could allowed during rescission)	183,624,957	5,513,071
Group Utility Services	Cancellation of contract on the basis of law	11,286,645	183,624,957
Group Audit and Risk	Claim for compensation for services rendered. Amount was amended	120,000	11,286,644
Group Roads and Transport	Motor vehicle accident caused by traffic officer at Poort Primary School. Matter is defended to set aside default judgement. Trial date awaited.	4,943,153	29,238
Group Roads and Transport	Claim for payment in respect of services to conduct street light poles	100,000	14,824,129
Group Roads and Transport	Damages claim: Construction of road on private property. Negotiations underway to expropriate land.	25,762,057	120,000
Group Roads and Transport	Personal injuries claim: Vehicle collided with barrier on road. Awaiting trial date	30,390,000	100,000
Group Roads and Transport	Breach of contract: Construction of roads - work done and contractor never paid. Awaiting court date	29,238	25,762,057
Group Roads and Transport	Expropriation of land intended for road construction.	690,446	30,390,000
Group Roads and Transport	Breach of contract: Roads and water reticulation services by tenderer who was incompetent and work was completed by another contractor. Original contractor claims full payment. Matter is before court.	600,715	690,446
Group Roads and Transport	Claim for payment in respect of upgrade of roads and storm water in Soshanguve.	1,412,163	4,943,153
Group Roads and Transport	Claim for payment of arrear rental for Infotech building	42,571	600,715
Group Roads and Transport	Claim for building a culvert as part of road construction	283,010,000	1,412,162
Group Roads and Transport	Claim for service rendered.	262,136	42,571

Notes to the Annual Financial Statements

51. Contingencies (continued)

		2022 R	2021 Restated R
Group Roads and Transport	Consequential loss claim for expropriated property	1,200,004	63,220,830
Group Roads and Transport	Claim for services rendered	34,000,000	260,000
Group Environment and Agriculture Management	Breach of Contract In this matter summons was received for payment of services rendered. The matter was defended and we are at present awaiting a trial date.	1,210,877	432,221
Group Environment and Agriculture Management	Breach of contract: Claim for payment of services rendered.	-	496,500
Group Environment and Agriculture Management	Breach of contract: Work allegedly done which relevant department disputes. Matter is defended.	10,000,000	1,210,877
Group Environment and Agriculture Management	Breach of contract: Claim for rubbish bins for sandblasting and painting as well as storage costs.	46,643,772	2,299,500
Group Environment and Agriculture Management	Unlawful cancellation of contract for household waste removal in Bronkhorstspruit. Claimant's trucks stopped from collecting waste.	200,813	10,000,000
Group Environment and Agriculture Management	Breach of contract: Claim for payment for services rendered and damages. Contractor alleges breach of contract under tender CB259/2008 by the municipality in utilizing tender CB82/2011 for the same services. The contractor had been contracted under CB257/2008. CB82/2011 was to be used only in emergency situations for the collection of waste. Contractor is also claiming for overtime payments under CB82/2011	158,232	46,643,772
Group Environment and Agriculture Management	Breach of contract: Refuse removal tender and dispute over its terms. Matter is in court.	162,589	200,813
Group Environment and Agriculture Management	Delivery of refuse bins - contractor never paid. Refuse bins was defective.	320,624,826	158,232
Group Environment and Agriculture Management	Collision, motor accident damages.	16,720,095	162,589
Group Environment and Agriculture Management	Claim for damages due to early termination of contract for waste processing. Arbitration	172,500	320,624,826
Community Safety - Metro Police	Tender for provision of security services at 5 locations in erstwhile Kungwini Municipality. Service provider never paid.	651,084	16,720,095
Community Safety - Metro Police	Claim for alleged unlawful eviction constitutional damages for 150 applicants (alleged evictees) at R1500, 00 per person. Applicant claimed they were unlawfully evicted. Matter was opposed defended , property did not belong to CoT	2,360,610	172,500
Community Safety - Metro Police	Claim for unpaid invoices for services rendered	3,221,995	651,084
Community and Social Development	Breach of contract: Tender for pesticides and insecticides. Work done and never paid for. Payment for damages claimed.	23,157,240	180,404
Community and Social Development	Construction claim for City Hall Construction Cullinan Library. Claims for escalation, preliminary general costs and loss and expenditure.	4,900,000	23,157,240
Office of the Speaker	Claim for services rendered. Dispute over terms of tender. Contractor did work which department denies receiving. Matter is before court.	850,884	2,360,610
Office of the City Manager	Claim of outstanding payment for the work done	-	1,147,174

		2022 R	2021 Restated R

51. Contingencies (continued)

Group Property Management	Claim that development agreement was entered into with municipality on certain properties. Municipality allegedly breached agreement.	51,507,439	51,507,439
Group Property Management	Claim for damages	11,000,000	11,000,000
Group Property Management	Claim for compensation for Redefine for having demolished the Sammy Marks/Munitoria walk-bridge.	172,794	172,794
Group Property Management	Claim for payment of improvement of City of Tshwane property in Waltloo. City of Tshwane sold property on auction. Occupier refuses to vacate without compensation for improvements	4,550,000	4,550,000
Group Property Management	Breach of Contract regarding services rendered	310,000	310,000
Group Property Management	Claim between two parties. CoT sited as work was conducted within its jurisdiction.	137,082	137,082
GROUP PROPERTY MANAGEMENT	Claim for undue enrichment for monies paid to CoT in error.	77,239	77,239
Group Property Management	Summons for outstanding levies owed to the body corporate	31,262	31,282
Group Property Management	Summons for outstanding levies owed to the body corporate	22,788	22,788
Group Property Management	Claim for outstanding payment for the work done (NOM)	-	692,520
Group Legal Services and Secretariat	Claim for damages following a cancellation of a contract for the upgrade of City Hall. Cot cancelled the contract but contractor alleges that CoT unlawfully cancelled the contract	5,000,000	4,900,000
Regional Operations and Coordination	Claim for loss of income for failing to untilise them ito the contract provisions	17,946,566	47,440,027
Regional Operations and Coordination	Claim for loss of income for failing to untilise them ito the contract provisions	59,244,567	17,946,566
Regional Operations and Coordination	Claim for loss of income for failing to untilise them ito the contract provisions	80,214,095	59,244,567
Regional Operations and Coordination	Claim for loss of income for failing to untilise them ito the contract provisions	111,615,305	80,214,095
Regional Operations and Coordination	Claim for loss of income for failing to untilise them ito the contract provisions	41,421,707	111,615,305
Regional Operations and Coordination	Claim for loss of income for failing to untilise them ito the contract provisions	84,942	41,421,707
Group Marketing and Communication	Claim for outstanding payment of invoice for professional services rendered	879,718	879,718
Housing and Sustainable Human Settlement	Claim for outstanding payment of lease.	31,487,000	31,487,000
Housing and Human Settlement	Claim for payment of work done and retention monies.	2,045,241	2,045,241
Group Property Management	Summons for payment of levy contributions levied by the Plaintiff in accordance with its resolutions.	54,011	-
Group Property Management	Summons for payment of levy contributions levied by the Plaintiff in accordance with its resolutions.	56,083	-
Group Financial Services	Breach of contract by Cot to provide a detailed breakdown of all accounts.	21,640	-
Group Financial Services	Dispute on refund	192,246	-
Group Financial Services	Dispute on refund	446,200	-
Group Financial Services	Summons disputing electricity charges with interest tempore morae.	5,865,000	192,245
Group Financial Services	Review application by unsuccessful bidder.	600,533	-
Group Financial Services	Refund paid in respect of municipal account	27,891	-

Notes to the Annual Financial Statements

51. Contingencies (continued)

		2022 R	2021 Restated R
Group Financial Services	Application- City is ordered to credit account	126,545	-
Group Financial Services	Plaintiff claims that the City of Tshwane has been unjustly enriched at the expense of Plaintiff.	91,996	-
Group Financial Services	Summons - Plaintiff prays for an order for the City to credit the account.	3,243,919	-
Group Financial Services	Summons- City required to conduct water meter test and refund the account.	50,177	-
Group Financial Services	Application declaring that an amount reflecting as an outstanding balance on the account has been prescribed.	654,294	3,243,919
Group Financial Services	Summons for an order against the city for payment of property rates which plaintiff paid bona fida	1,605,590	-
Group Financial Services	Urgent application to restore electricity supply and remove miscellaneous charge on the account.	178,096	-
Group Financial Services	Summons for rendering proper accounts and declaring levying of certain amounts as unlawful.	6,109,088	1,605,590
Group Financial Services	Application compelling the city to proceed with internal procedure.	282,290	-
Group Financial Services	Summons for an order that readings conducted by the City and resulting in incorrect charges raised against the Plaintiff's account number.	110,000	6,109,088
Group Financial Services	Application for city to remove oustanding account together with all interest charges levied to the account.	18,322	-
Group Financial Services	Summons for payment due to reeoneous billing on the account.	1,077,821	-
Group Financial Services	Summons for refund in respect of account relating to sale of property.	2,044,660	-
Group Utility Services	Suffered loss regarding the broad band contract as the Court has set aside the saidcontract.	4,607,784	327,606,503
Electricity	Claim for outstanding payment for services rendered.	14,824,129	1,080,425
Roads and Transport	Loss of income due to failure to repair sinkhole timeously.	432,221	1,200,004
Roads and Transport	Claim for loss of income due to COT blocking plaintiff on wayleave system.	492,500	34,000,000
Group Environment & Agriculture Management	Breach of Contract- Claimant is suing for payment in respect of services rendered to the City of Tshwane.	2,299,500	1,120,885
Group Human Capital Management	Repudiation of contract of employment Plaintiff alleges that due to the nature and unbearable treatment by the employer.	649,017	-
Group Human Capital Management	Suspension damages claim.	327,211	-
Group Human Capital Management	Claim by retired employee for payment of the post retirement medical contributions by the CoT as employer.	150,000	139,359
Group Shared Services	Claim for damages as a result if breach of contract. No basis of liability based on court documents.	305,830	-
Group Shared Services	Suffered loss regarding the broad band contract as the Court has set aside the said contract.	1,955,738,877	-
Group Shared Services	Claim for loss of income.	299,644	4,354,260
Corporate and Shared Services	Claim for payment of motor vehicle.	180,404	299,644
ROC	Sewer maintained and correction.	47,440,022	5,000,000

	2022 R	2021 Restated R

51. Contingencies (continued)

	5,935,226,167	**5,980,611,713**

52. Related parties

Name of entity	**% Equity interest**
Housing Company Tshwane	33.3% shareholding
Tshwane Economic Development Agency (TEDA)	100% owned by City of Tshwane
Investment in associates: TAHSEZ	100% owned by City of Tshwane
Members of key management	Refer to Note 34 for remuneration of City Manager Refer to Note 36 for remuneration of Top Management Refer to Note 34 and 35 for remuneration of Councillors

Housing Company Tshwane:

The entity benefited from the following services provided by related party at no cost:
- Use of risk management and internal audit resources from City of Tshwane
- Use of audit committee resources from City of Tshwane
- Use of network, telecommunication and server support provided by City of Tshwane
- Occupational Health and Safety services from City of Tshwane
- Insurance management by City of Tshwane
- Telephone service provided by City of Tshwane
- MSCOA implementation by City of Tshwane
- QPR - Performance Management Solution
- Use of office space
- Use of two motor vehicles for maintenance
- The entity received the rights to develop land owned by the City of Tshwane at no cost
- Use the service of the VAT specialist at no cost

The entity benefited from the following services provided by related party at costs:
- The Director of Human Settlement has been seconded to HCT as the Acting COO from September 2017 until the labour matter with the former incumbent is concluded and the COO post is filled.
- Litigation on Townlands represented by Geldenhuis Malatji.

Tshwane Economic Development Agency:

TEDA benefited from the use of the following services provided by CoT at no cost:

- Internal audit and risk management resources Audit
- Committee resources
- Network and Telecommunication support
- SAP migration
- Desktop and Server support
- Insurance management
- OHS services
- Records management
- QPR performance management system

	2022 R	2021 Restated R

52. Related parties (continued)

Related party balances

Amounts included in the trade payables receivables (payables)		
HCT: Service Charges owed by CoT	(61,606)	(23,400)
HCT: Deposits owened by CoT	(26,928,275)	(35,000,006)
HCT: Grants owned by CoT	197,635	197,460
TEDA: Grant owned by CoT	(7,000,000)	-
TEDA: Property Valuation Expenses	78,200	118,738
TAHSEZ: Amounts owed by CoT to TAHSEZ #	15,402,151	(2,724,419)

Related party transactions

Sales to related parties		
HCT: Rates	846,476	398,407
HCT: Water & Electricity	450,858	306,094
Purchases from related parties		
TEDA: Administrative fees paid to related parties	-	4,605,824
Grants, transfers and subsidies to related parties		
HCT Total Grants	181,433,965	119,383,365
HCT: Grants recognised as Income capex	146,610,854	80,931,770
HCT: Grants recognised as Income opex	34,823,111	38,451,595
TEDA: Grants recognised as Income opex	59,886,537	72,004,824
Payments made to Related Party		
TAHSEZ : Payments made to Bulk Infrastructure	99,261,123	1,589,251

Refer to Note 69 for the Equity Accounting of Investment in Joint Venture - TAHSEZ

53. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had a current year surplus of R 1,157,132,861 (2021: R 616,850,998 surplus) and an accumulated surplus of R 37,733,199,462 (2021: R 38,934,543,223) and that the municipality's total assets exceed its total liabilities by same. 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 realization 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. In performing the going concern assessment, the Accounting Officer has considered available information about the future, the possible outcomes of events and the changes in conditions affecting the municipality. The City assessed the impact of Covid-19 on its debtor's collection process, the rippling effects of which may still continue to affect the average household for a few years to come even when the regulations have been removed.

Management has considered all risk factors, collections rates, credit ratings & downgrades and other available information in assessing adequacy of provisions and impairments process at year end. Based on management assessment of cash flow projections the municipality is still able to meet its financial demands.

Key financial ratios of the City are closely monitored to ensure that the municipality remains able to pay its creditors in the short-term and also able to settle its obligations in the medium to long-term. Strict credit control measures and monitoring of the payment levels of debtors are also factors that are being closely managed. The most significant of these are that the accounting officer continues to monitor and manage the expenditure levels and cash flow projections.

	2022 R	2021 Restated R

53. Going concern (continued)

Liquidity and solvability ratios		
Current ratio (current assets vs current liabilities)	0.66:1	0.64:1
Acid test ratio (current assets less inventory vs current liabilities	0.59:1	0.59:1
Solvability ratio (total assets vs total liabilities)	2.16:1	2.28:1
Debtors collection rate (%)	91.57	81.92
Gearing ratio (total long-term debt to total revenue less grants) (%)	31.49 %	35.16 %
Liquidity ratio (cash and cash equivalents vs current liabilities)	0.04	0.02
Net Debtors days	77.17	79.00

There was a slight increase in the current ratio, the acid test ratio remained unchanged from the previous year and the cost coverage ratio shows a decline as compared to the previous financial year. This is reflective of the continuing impact of the COVID-19 pandemic in spite of the relaxed COVID 19 regulations. Although the municipality has been able to continue with payments to creditors, it has struggled to keep up with third party payments which has necessitated the city to enter into payment arrangements, the payment of which are being met as they come due. The net debtors' days show a decrease from the previous year. The City's solvency also reflects a slight decrease from the previous year, and is above the industry norm. The City's is still able to settle its liabilities as they become due, albeit with difficulty as it is reflected in the 3rd party payment defaulting which has lead to payment arrangement as well as payment of creditors which are often made late over the 30 days payment cycle. The debtor's collection rate has increased from the previous year, which is a result of one of the interventions by the council called Re Ya Tima Tshwane as turnaround strategy to improve revenue collection.

The City is implementing a voluntary Financial Recovery Plan (FRP) in order to improve its liquidity. The FRP was approved by Council on 26 May 2022 and takes into account the effects of COVID-19 and its impact on various functions and operations of the City.

On 13 April 2022, Moody's affirmed the credit rating of the City at Caa1.za/NP.za and kept the rating outlook as negative, which means Moody's kept the City's credit rating unchanged to be the same as the one that was issued in October 2021. The rating remained unchanged, because of the view that the City's operating performance will most likely be moderate in the medium term with the City's liquidity remaining weaker than that of its peers in South Africa.

The reasons advanced by Moody's in maintaining the credit rating affirmation, revolve chiefly in the fact that the City's liquidity position was highly diminished, thus creating the risk of failure to meet liquidity demands for short and long term liabilities as well as loan repayments and interest due. Furthermore, the City was unable to obtain long term borrowings to replenish its own working capital which it had applied in paying for capital expenditure.

Moody's as an independent rating agency operating under the regulatory statutes of the Financial Sector Conduct Authority, is obliged to take any necessary action to make appropriate rating adjustments on an entity it is contracted to rate, when the need so arises.

In conclusion, the municipality has a significant uncertainty regarding financial sustainability due to the factors listed above.

54. Unauthorised expenditure

Opening balance as previously reported	3,484,319,381	3,042,067,931
Unauthorised expenditure in current year	1,351,132,242	442,251,450
Closing balance	**4,835,451,623**	**3,484,319,381**

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

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

54. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending - per strategic unit

Community and Social Development Services	-	92,625,350
Customer Relations Management	-	14,725,577
Economic Development and Spatial Planning	-	12,739,825
Emergency Management Services	-	214,328,516
Group Legal and Secretarial Services	-	19,816,850
Health	54,043,653	873,290
Group Financial Services	80,221,502	-
Regional Operation and Coordination	-	78,356,798
Roads and Transport	-	8,785,244
Regional Operation and Coordination	821,839,160	-
Human Settlements	30,428,048	-
Utility Services	127,696,302	-
Environmental and Agriculture Management	30,084,267	-
Energy and Electricity	206,819,310	-
	1,351,132,242	**442,251,450**

The over expenditure by municipal departments during the year is attributable to the following categories:

**Cash	6,559,117	(85,420,012)
**Non-cash	1,344,573,125	527,671,462
	1,351,132,242	**442,251,450**

Analysis of non-cash per department:

City Strategy and Organisational Performance	-	141,148,105
Customer Relations Management	-	8,001,051
Economic Development and Spatial Planning	-	8,265,512
Emergency Management Services	-	210,894,615
Group Legal and Secretarial Services	(689,186)	4,346,488
Group Financial Services	548,585,299	-
Health	-	12,182,693
City Manager	3,656,420	-
Regional Operation & Coordination	826,735,020	87,789,227
Roads and Transport	-	55,043,771
Environmental and Agriculture Management	1,978,310	-
Energy and Electricity	(71,984,059)	-
Human Settlements	36,291,321	-
	1,344,573,125	**527,671,462**

55. Fruitless and wasteful expenditure

Opening balance	627,066,166	405,507,064
Add: Expenditure identified - current year	845,352,512	187,510,800
Add: expenditure prior year identified in current year	-	34,048,302
Closing balance	**1,472,418,678**	**627,066,166**

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

55. Fruitless and wasteful expenditure (continued)

Details of fruitless-and wasteful expenditure

Salary payments made to employees for work not done	-	34,048,302
Roads and storm water at Mabopane EW	-	12,956,970
Ex factor payment for procurement of BELMS-Economic Development and Spatial Planning	-	2,544,480
Gratuitous use of an intermediaries to facilitate back-to-back purchase of land in Strydfontein and Klipfontein	-	121,985,234
Gratuitous use of an intermediaries to facilitate back-to-back purchase pf land	-	50,000,000
ABSA Fleet (Annexure E)	-	24,116
Eskom	33,609,227	-
Rand water	1,619,817	-
Pension fund	623,414	-
Vat liability	809,500,053	-
	845,352,511	**221,559,102**

56. Irregular expenditure

Opening balance as previously reported	9,202,243,305	6,499,439,399
Add: Irregular Expenditure - current year	1,253,012,109	2,467,526,111
Add: Irregular Expenditure - prior period #	-	235,277,795
	10,455,255,414	**9,202,243,305**

Notes to the Annual Financial Statements

Figures in Rand

56. Irregular expenditure (continued)

Incidents/ Cases Identified in the current year Includes those listed below:

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure relating to prior year identified in the current year	Under investigation	-	211,776,576
Non-Compliance with Section 32 of the MFMA	Under investigation	2,061,997	-
Non-Compliance with Section 32 of the MFMA (Irregular expenditure relating to prior year identified in the current year)	Under investigation	-	23,501,219
Non-compliance with SCM Regulation 36 (Deviations)	Under investigation -pending outcome	417,170,813	815,700,306
Non-compliance with MFMA, SCM regulations and PPP regulations	Under investigation	-	248,257,611
Non-compliance with PPR (Par 5), SCM Regulations (Par 38 (1) and (MFMA) Par 112(2)	Under investigation	114,646,159	523,921,379
Non-compliance with SCM Regulation 32	Under investigation	-	31,316,445
Non-compliance with MFMA Section 110	Under investigation	21,186,652	42,376,713
Contract payments outside the contract term	Under investigation	76,974,475	317,267,172
Subcontracting more than 25%	Under investigation	17,100,000	35,100,000
Non compliance with Section 112 - Winning bidder not meeting mandatory requirements, Unfair disqualification of bidders	Under investigation -pending outcome	154,854,180	68,254,437
Award value above the tender value range in terms of CIDB requirements	Finalized	4,009,587	16,128,628
Unfairly disqualified quotation (Experience)	Under investigation	-	131,400
Selected from the expired panel	Under investigation	64,321,508	69,036,614
Non compliance with SCM regulation 44 - Awards made to employees	Under investigation -pending outcome	1,032,631	492,102
Bid Evaluation not in accordance with the specifications and no evidence of consideration by the Adjudication Committee	Under investigation	2,282,403	4,245,545
Tenders advertised for less than 30 days	Under investigation	639,047	8,257,726
Mandatory sub-contracting - Tenders over R30 million - PPR subcontracting regulations not complied with	Under investigation -pending outcome	18,322,680	32,880,545
Awards made to the bidder known to have committed a corrupt or fraudulent act in competing for the contract	Finalized	287,917,531	254,121,239
No information to confirm that the winning bidder met the minimum threshold for local production and content	Under investigation -pending outcome	70,492,448	38,250
		1,253,012,111	**2,702,803,907**

Payments to non - S56 managers were deemed to be irregular from prior period.

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

57. In-kind donations and assistance

The following donations in kind and assistance were received for the FY2021/22

Description	Donation provided	Donation received	Total
Blankets and mattresses	692,766.51	-	692,766.51
Ambulance services	811,647.00	-	811,647.00
Fire rescue	118,437.67	-	118,437.67
Surgical gloves, Glenfidich and Takara	-	(5,744.00)	(5,744.00)
Grand Total	**1,622,851.18**	**(5,744.00)**	**1,617,107.18**

No COVID-19 donations received for the 2021/22 financial year.

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2022	2021
Current year audit fees	5,069,624	4,813,252
Amount paid - current year	(5,069,624)	(4,813,252)
	-	-

Audit fees

	2022	2021
Opening balance	127,902	-
Current year subscription / fee	33,859,169	32,981,406
Amount paid - current year	(32,764,831)	(32,853,504)
	1,222,240	**127,902**

PAYE and UIF

	2022	2021
Current year subscription / fee	1,987,380,999	2,406,642,620
Amount paid - current year	(1,987,380,999)	(2,406,642,620)
	-	-

Pension and Medical Aid Deductions

	2022	2021
Current year subscription / fee	2,874,512,801	2,938,227,010
Amount paid - current year	(2,874,512,801)	(2,938,227,010)
	-	-

VAT

	2022	2021
VAT receivable	5,958,220,044	4,685,707,256
VAT payable	(6,397,841,755)	(5,687,897,018)
	(439,621,711)	**(1,002,189,762)**

VAT output payables and VAT input receivables are shown in note 17 & .

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

	2022	2021 Restated
	R	R

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Thabatha TI	-	90	90
Mazibuko MS	-	2	2
Masukue N	1,310	362	1,672
Magaseng & Makgaleng MM & KG	655	2,209	2,864
Ramokgushwane LM	1,003	2,536	3,539
Phokoje STT	3,276	1,030	4,306
Chauke Hlamalani Queen	2,131	2,305	4,436
Tlou PP	3,562	971	4,533
Mashaoa MA	1,111	5,219	6,330
Kruyshaar LP & T	4,560	2,016	6,576
Makena SM	4,669	1,985	6,654
Mehlape-Zimu MM	3,416	4,908	8,324
Moloi Eunice Dineo	1,086	7,691	8,777
Mathibedi MT	4,849	5,098	9,947
Surgeon MA	1,774	8,551	10,325
Mazibuko MS	4,010	6,379	10,389
Maepa KL & WTS	3,453	8,747	12,200
Voilet Phalwane	3,982	9,017	12,999
Masilela JK	3,720	11,284	15,004
Manhique RM & AF	5,812	13,369	19,181
Maepa KL & WTS	19,397	241	19,638
Masukue N	3,877	17,183	21,060
Mashola MS	8,680	13,982	22,662
Baloyi JJ	16,241	6,840	23,081
Monchusi DJ & RGM	3,855	20,718	24,573
Monchusi DJ & RGM	5,532	26,302	31,834
Mashola MS	14,328	46,181	60,509
Leshabana LP	11,931	52,193	64,124
Nhlapo BJ & Z	7,970	70,942	78,912
Raphuthi Maboshadi Mina	35,483	50,060	85,543
Mabotsa S	11,891	147,233	159,124
Mathevula BK	25,185	207,714	232,899
Madonsela MI	39,801	885,705	925,506
	258,550	**1,639,063**	**1,897,613**

	2022	2021 Restated
	R	R

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahawayi MM	1,379	-	1,379
Zitha BP and FT	2,443	-	2,443
Maine MT and TA	3,071	-	3,071
Motsaneng S	600	-	600
Boshomane MJ	665	-	665
Mashamba RW	215	43	258
Mashamba RW	215	43	258
Magaseng and Makgaleng MM and KG	412	1,167	1,579
Mabogwana MO	1,844	-	1,844
Motsa NS	1,096	1,285	2,381
Mashapa MA	1,208	1,457	2,665
Mehlape-Zimu MM	3,127	-	3,127
Makgaleng KG	3,222	179	3,401
Matlala S	3,600	-	3,600
Moloi Eunice Dineo	913	2,778	3,691
Baloyi JJ	3,696	-	3,696
Middelberg	3,614	2,442	6,056
Masemola AT	6,582	-	6,582
Masilela JK	6,830	2,021	8,851
Mnguni NP	1,865	9,194	11,059
Middelberg LR	6,222	5,449	11,671
Mashola MS	7,979	3,969	11,948
Mthumuye PG	16,557	-	16,557
Monchusi BJ and RGM	3,518	14,220	17,738
Raphuthi Maboshadi Mina	10,754	9,544	20,298
Mokgadi JT	9,814	11,522	21,336
Maleka Ramokone Rebone	2,578	20,282	22,860
Monchusi BJ and RGM	4,320	18,649	22,969
Mashola MS	12,511	13,551	26,062
Disoloane KB	12,180	19,172	31,352
Silaule GV	9,076	59,632	68,708
Moboa PP and TC	30,336	58,866	89,202
Lehobye Malose John	10,555	80,831	91,386
Ndlovu TA	11,946	116,514	128,460
	194,943	**452,810**	**647,753**

These councillors made arrangements to pay off their arrear debt.

59. Utilisation of Long-term liabilities reconciliation

	2022	2021
Long-term liabilities raised	10,854,924,451	11,398,063,196

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

60. 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 then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of Section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special works of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos and/or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes

Deviation from tender and quotation process:

- Sole suppliers
- Emergency
- Impracticality

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 accounting officer and noted by Council.

Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

	2022 R	2021 Restated R
Deviation from tender process		
Emergency	-	46,632,542
Sole providers	4,825,629	-
Work of art	-	-
Animals for zoo	-	-
Other exceptional cases	471,785,586	2,359,000
	476,611,215	**48,991,542**
Deviation from quotation process		
Emergency	-	-
Sole providers	-	-
Work of art	-	-
Animals for zoo	-	-
Other exceptional cases	-	-
Total discolsure amount	**-**	**-**
(1) (b) to ratify any minor breaches of the procurement processes	**12,273,632**	**-**
Total discolsure amount	**488,884,847**	**48,991,542**

61. Budget differences

Material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%.

2021/22 Financial year :

Revenue :

Service Charges category: (7 % under)

	2022	2021 Restated
	R	R

61. Budget differences (continued)

- Revenue was less than projected. There is a need to ensure continuous audit of meters to address low buys and no buys, and to ensure replacement and programming of faulty meters and, furthermore, timely reading of meters to minimise estimated accounts.
- Revenue was less than projected, mainly on Water Fees and Cross-Border Bulk Water.
- Revenue was less than projected, mainly on Billing Bulk Containers and Billing Landfill Sites**.**

Investment revenue category: (80% over)

- Interest Earned on External Investments (R40 million unfavourable): Revenue was less than projected, mainly on Interest Received on the Sinking Fund and Interest Earned on Investments, due to withdrawal of funds and unavailability of short-term investments.

Expenditure

Remuneration of council category: (16.18% Under)

- Remuneration of Councilors (R25 million under budget): Due to non-implementation of the councillors' remuneration increase.

Debt Impairment: (22.45% Over)

- (R477 million over budget): The city an increased in impairment as a result increase in the City's debtors' books due the current economic conditions.

Capital expenditure

- The capital expenditure shows an 79% spending level against the total budget for the financial as various capital projects were affected by the lockdown
- Some contractors were terminated after abandoning the site.
- Delays in approval of designs, procurement report, and finalization of the land and valuation affected in purchasing of landfill sites.

Capital expenditure:

- The capital expenditure shows a 81.% spending level against the total budget for the financial as various capital projects were affected by the lockdown
- Some contractors were terminated after abandoning the site.
- Delays in approval of designs, procurement report, and finalization of the land and valuation affected in purchasing of landfill sites.

The Proposed Adjustment budget

The proposed adjustment budget was approved by Council on 25 February 2021.

In terms of the section 28 of MFMA, a municipality may revise an approved annual budget through an adjustment budget.

	2022	2021 Restated
	R	R

61. Budget differences (continued)

The Council approved the 2020/21 Original Revenue budget to the amount of R37 509 140 358 and adjusted to R 37 469 894 581, a decrease of R 39 245 778. Furthermore the total expenditure increased from R37 274 523 032 original budget and adjusted to R 34 460 248 666, an increase of R 185 725 634.

The original capital budget was approved for an amount of R 3 865 631 736. During the proposed adjustment budget process the capital budget decreased with an amount of R 138,8 million and the final capital budget for 2020/21 amounts to R3 726 811 470 due to a reduction in council funding and other grants.

62. Other materials

	2022	2021
Petrol And Diesel Fu	142,739,342	131,339,198
Electric Reticu (MM)	75,378,304	132,966,255
Other	321,164,839	363,598,302
	539,282,485	**627,903,755**

63. Public Private Partnerships (PPP)

Tshwane House:

The City of Tshwane has entered into a PPP agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years was for the construction of the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building will pass to the City of Tshwane. The agreement is in the fifth year of the operational stage. Occupation took place in June 2017.

Fleet vehicles and fleet related services:

The City of Tshwane has entered into a PPP agreement with:
- Moipone Group of Companies (Pty) Ltd for the supply of category A and C fleet vehicles and fleet related services;
- Fleet Africa a division of Super Group Africa (Pty) Ltd for the supply of category E fleet vehicles and fleet related services; and
- Talis Fleetmatics VMS (Pty) Ltd for the supply of category B fleet vehicles and fleet related services.

The agreement is for a period of 5 years from the commencement date where after it will automatically terminate. The City may extend the agreement on written notice which shall be given at least 90 days prior to expiry of the termination date.

During the life of the agreement the City will make unitary payments to the private party in accordance with the provisions of the payment mechanism. The unitary payments will be the amount payable with respect to the leased vehicles, monthly in arrears.

The city has restructured the finance lease for some vehicles leased from Talis and Supergroup. The restructuring will result in the City retaining ownership of the vehicles at the end of the lease term.

Denneboom Service concession

The City of Tshwane Metropolitan Municipality entered into a service concession and Lease Agreement with the Concessionaire Interdent Management Services (Pty) Ltd. This constitute a Public-private partnership, reference on note 23 Service concession arrangements.

	2022 R	2021 Restated R

64. Distribution losses: Water

	2022	2021
Non-revenue Water (NRW) - kilolitre		
Technical	91,757,386	102,906,714
Non-technical	22,939,346	25,726,679
	114,696,732	**128,633,393**
Non-revenue Water (NRW) - Rand value		
Technical	866,721,917	933,909,305
Non-technical	216,680,474	233,477,326
	1,083,402,391	**1,167,386,631**

The International Water Association (IWA) water balance forms the basis for the calculation of the city's Non-Revenue Water (NRW).

Non-Revenue Water is defined as the volume of water supplied into the water system by the municipality (system input volume), minus the billed authorised consumption. The system input volume consists of water purchases from Rand Water and Magalies Water as well as water from the City's own water treatment plants, boreholes and fountains. The billed authorised consumption consists of water sales (consumption) data based on meter readings obtained from Finance Department.

It should be noted that the IWA water balance is a volumetric water balance and not a financial balance. For purposes of calculating the NRW it is assumed that all billed water is paid for.

With regard to the water balance, the components of NRW are apparent (commercial) losses and real (physical) losses.

Apparent losses are made up from the unauthorised consumption (theft or illegal use) plus all technical and administrative inaccuracies associated with customer metering/billing. This is thus water which "disappears" through inaccurate metering, inaccurate meter accounting processes, meter and billing data integrity, illegal connections, etc. The water is not physically lost from the system but it is never measured or accounted for, and most importantly, never paid for. Apparent losses contribute approximately 20% to the total water loss.

Real losses represent the physical leakage from the pressurised system, up to the point of measurement of customer use. This is water which physically disappears from the distribution system through water leaks or pipe bursts, water theft etc. It is thus water which does not reach the customer and is not paid for by customers.

Physical water losses contribute approximately 80% to the total water losses; and therefore emphasis must be placed on the eradication of these losses. Water losses in the City are determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption.

Approximately 82% of the city's system input volume is sourced from Water Boards (WB), 79% from Rand Water (RW) and 3% from Magalies Water (MW) at a current purchase cost of approximately R10,38. The remaining 18% is sourced from own and local sources at approximately 50% of the cost of water provided by Water Board.

Actions to reduce water losses in the City of Tshwane include the following:
- Improve on leak repair responsiveness (active and passive) to reduce wastage
- Metering: Installation of water meters in unmetered houses; Meter audits to improve information on billing system; Meter replacements to increase accuracy of meter readings
- Installation of pressure management systems to reduce high pressures and lower leakage
- Selective pipe network replacements in areas with worn out network pipes
- Removal of illegal connections
- Restriction of water supply to non-paying customers

2021/22

Water losses in the City are determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption. The NRW in the City was calculated at 32.6 (% of the total input into the system) 114,696,732 kl/annum).

	2022 R	2021 Restated R

64. Distribution losses: Water (continued)

NRW in the City when compared to June 2021 has decrease by 2%.

2020/21

Water losses in the City are determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption. The NRW in the City was calculated at 34.6 (% of the total input into the system) 128,633,393 kl/annum).

NRW in the City when compared to June 2020 is due to increase in the system input volume by 2.9%.

65. Distribution losses: Electricity

	2022	2021
Distribution loss: kWh		
Technical	646,713,867	659,730,210
Non-technical	1,149,292,868	1,153,181,479
	1,796,006,735	**1,812,911,689**
Distribution loss - Rand value		
Technical	769,460,159	669,296,298
Non-technical	1,367,428,654	1,169,902,611
	2,136,888,813	**1,839,198,909**

2021/22:

The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold to the end user at differentiated tariffs levels. The City purchases 100% of its electricity from ESKOM at transmission and distribution levels, 85% is purchased through the 3 infeed stations (Njala, Kwagga and Reitvel) at 175kV transmission levels and 15% at distribution levels.

The electricity distribution loss is calculated at 1 796 006 735 KWh (19.44 % of the total electricity). Technical losses are as a result of electricity lost while being distributed from the source of generation through transmission and distribution network to the final consumer. The wires (copper or aluminum) being used to distribute electricity has certain resistance which resist the throughput of current, as a results there is certain portion of electricity that is lost due to distribution, and it is termed technical losses. NERSA acceptable target for a network like Tshwane is estimated to be 7% (646,713,867 kWh) for the 2021/22 financial year. However, the national utilities benchmark is for the technical Losses to be capped at 6%.

Non-technical losses, for the financial year under review are 12.44% (1,149,292,868 kWh).The main drivers for the non-technical losses are due to administrative and technical errors, high estimates, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption.

For the 2021/22 financial year, the City has implemented the following initiatives to reduce the non-technical losses:
- Meter audits and normalization of stuck meters
- Convention of conventional electricity meter to prepaid meters
- Installation of modems to Large Power Users meters to enable real-time meter readings
- Normalization of prepaid meters that are on low buying electricity
- Installation of tamper boxes in hot spots with high levels of illegal connections
- Electrification for All Programme
- Removal of illegal connections

2020/21:

The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold to the end user at differentiated tariffs levels. The City purchases its 100% electricity from ESKOM at transmission and distribution levels, 85% is purchased through the 3 infeed stations (Njala, Kwagga and Reitvel) at 175kV transmission levels and 15% at distribution levels..

For the period under review, the department implemented the following initiatives to reduce the non-technical loses:

	2022	2021 Restated
	R	R

65. Distribution losses: Electricity (continued)

*Meter audits and normalize of stuck meters

*Normalization of prepaid meters that are on low buying electricity

*Installation of tamper boxes in hot spots with high level of illegal connections

*Installation of smart meters

*Electrification for All Programme

*Removal of illegal connection

The electricity distribution loss is calculated at 1,812,911,689 kWh (19.24 % of the total electricity).

Technical losses are results of electricity losses while being distributed from the source of generation through transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a results there is certain portion of electricity that is lost due to distribution and it is termed technical losses. The NERSA acceptable figure for network like Tshwane is estimated to be 7% (659,730,210 KWh), accounting for 32% (669,296,298 ZAR) of the total Distribution losses. However, the national utilities benchmark is for the technical Losses to be between 3-6%.

Non-technical losses, which for the period under review is 12.24% (1,153,181,479 kWh), accounting for 56% of the total distribution losses (1,169,902,611 ZAR) are amongst others the result of administrative and technical errors, high estimates, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption.

66. Repairs and Maintenance

June 2022	Contracted Services	General	Other materials	Total
Heritage assets (Note 13)	-	2,761,934	-	2,761,934
Intangible assets (Note 12)	96,406,817	1,285,699	3,035,609	100,728,125
Investment property (Note 11)	-	765,063	-	765,063
Property, plant and equipment (Note 10)	551,035,962	416,849,735	143,452,149	1,111,337,846
	647,442,779	**421,662,431**	**146,487,758**	**1,215,592,968**

June 2021	Contracted service	General	Other materials	Total
Heritage assets (Note 13)	-	3,763,015	-	3,763,015
Intangible assets (Note 12)	71,420,344	939,774	1,990,800	74,350,918
Investment property (Note 11)	-	167,271	-	167,271
Property, plant and equipment (Note 10)	578,280,281	507,049,937	166,845,394	1,252,175,612
	649,700,625	**511,919,997**	**168,836,194**	**1,330,456,816**

	2022	2021 Restated
	R	R

67. Investment in associate

Name of company	Listed / Unlisted	Carrying amount 2022	Carrying amount 2021
Interest in associate: TAHSEZ	Unlisted	729,982,089	419,688,792

Tshwane Automotive Hub Special Economic Zone

Tshwane Automotive Hub Special Economic Zone During the 2019/20 Financial Year- 06 June 2020, City of Tshwane represented entered into a tripartite agreement with Department of Trade, Industry and Competition (DTIC) and Gauteng Department of Economic Development (GDED) for a duration of five years in order to establish a Special economic Zone in a form of Tshwane Automotive Hub Special Economic Zone (TAHSEZ) to industrialize the capital city and mitigate unemployment rates provincially and surrounding Tshwane.

A Special Purpose Vehicle was established namely TAHSEZ, City of Tshwane holds 33.3% shareholding in the SPV, the DTIC 33.3% and GDED 33.4%. City of Tshwane is the land owners.

The City of Tshwane accounts for investment in TAHSEZ using the equity method .
Under the equity method, on initial recognition the investment in TAHSEZ is recognised at cost and the carrying amount is increased or decreased to recognise the City of Tshwane’s share of 33,33% of the surplus or deficit of the investee after the date of acquisition.

The City of Tshwane is responsible for the provision of land permissions, zoning, assistance with capital expenditure towards the Bulk Infrastructure, spatial planning and supporting services, precinct plan development, community initiatives, assist investment facilitation and development facilitation.

Summarised Financial Information of Tshwane Automotive Special Economic Zone

Non-current assets		
Current assets	2,839,180,413	1,135,524,081
Total assets	441,062,105	1,162,998,405
	3,280,242,518	**2,298,522,486**
Non -Current Liabilities		
Current liabilities	595,756,579	145,440
Total liabilities	395,059,532	1,034,871,083
	990,816,111	**1,035,016,523**
Net Assets as at 30 June 2022	2,289,426,407	1,263,505,963

Reconciliation of the summarised financial information and the carrying amount of the investment in the associates

Carrying amount of the investment in associate		
Summarised Financial Information	2,289,426,407	1,263,505,963
33,33% interest in net assets of the investment in associates	729,982,089	421,126,537

Notes to the Annual Financial Statements

	2022 R	2021 Restated R

68. Jointly controlled assets

Interactuve Digitall Centre Hub

On the 5th of December 2015 City of Tshwane entered into an agreement with EON Reality Inc. to establish an Interactive Digital Centre Hub in the city. This agreement was for a three year period and could be renewed for a further 2 years pending the City of Tshwane’s approval. Both parties, EON Reality Inc. and the City of Tshwane jointly control the Interactive Digital Centre Hub and the payment structure outlines that both the City of Tshwane and EON Reality Inc. contribute 50% each towards the acquiring of equipment and other resources and/or assets to establish the IDC Hub, however the ownership structure as per the agreements states that City of Tshwane owns 100% of Interactive Digital Centre Hub infrastructure. Contribution obligations were outlined as a cash contribution by the City of Tshwane of R 6 582 511 (R74 342 879, 23) and asset donations to the same value by EON Reality Inc.

The City of Tshwane paid an amount of R74 000 000 on 6 August 2015. Assets to the value of R64 460 021, 93 were verified to have been received at the Interactive Digital Centre Hub at Tshwane Leadership Management Academy on 4 April 2016 delivered by EON Reality Inc. whilst an amount of R2 377 073,71 was expensed.

A Debtor was raised to the amount of R7 162 904,36 owed by EON Reality Inc. pending the delivery of the remaining promised assets. Assets were capitalised at cost and depreciated accordingly at their respective useful lives. Depreciation for the year amounted to R23 375 246.85 (2020: R61 671 583, 19) and the carrying amount of Interactive Digital Centre Hub assets amounted to R2 088 991.33 for property, plant and equipment and R0 (2020: R21 444 193, 49) for intangible assets.

The ICT department indicated that the software is not in use at all and must be removed from the FAR. Since this must go to CM/Council for approval first the decision was taken to impair the software to R0 for the 2020/2021 financial year as at 30 June 2021.

69. Rental income straight lining

Gross investment in lease due

	2022	2021
Within one year	5,289,717	5,507,882
In second year to fifth year	19,750,494	21,158,437
Later than five years	70,568,295	74,427,575
	95,608,506	**101,093,894**

70. Operating lease

The City is leasing office equipment for a period of three years from various service providers in accordance with the National Treasury Transversal contract- RT3-2015 and RT3-2018 The City of Tshwane , may at its sole discretion extend this Agreement for a maximum period of 24 (twenty four) months on the same terms and conditions, except for the rental which shall be reduced by 75% (seventy five percent) of the rental specified therein:

The prior year's figures were restated, as a result of machines leased from Bytes and Motswako that were erroneously omitted when some contracts were extended from from 36 (thirty six) to 60 (sixty months) months.

	2022	2021
Operating lease payments	6,438,932	24,802,753
Payable within a year	7,179,096	9,605,363
Payable within two to five years	1,667,654	6,302,699
	8,846,750	**15,908,062**

71. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity that are eligible for disposal as per accounting policy.

71. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity (continued)

During the 2020/21 financial year, there was no significant disposal of assets or group of assets and liabilities of a company of the entity.

Disposals completed during the year:
During the 2021/22 financial year, there was no significant disposal of assets or group of assets and liabilities of a company of the entity.

During the said financial year we did not have any disposals/ Auctions. We are in process of renewing the contract for an Auctioneer to conduct auction.

	2022	2021 Restated
	R	R

72. Change in Estimates

Property Plant and Equipment

All remaining useful lives were reviewed and adjusted during 2020/21 financial year to accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 10 under property, plant and equipment for an accounting policy on the basis on which the review of useful lives was done.

Residual values of all asset classes after review was changed to zero as of 2019/20 financial year due to the fact that the City uses it assets for its entire economic life.

The effect of changing the remaining useful lives during 2021/22 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 1,317,390.

Effect change in estimates	2022	2021
All asset classes	(84,583,069)	(104,397,999)

73. Events after the reporting date

Non- adjusting events

Appointment of City Manager

The City of Tshwane Council has appointed Mr Johann Mettler as the new City Manager for a fixed-term period of five years as of 01 August 2022.

74. Material losses

Material Losses	2022/2021	2021/2020
Opening balance	202,011,634	167,963,333
Salary payments made to employees for work not done	-	34,048,301
	202,011,634	**202,011,634**

2020/21

Salary payments made to employees for work not done

City of Tshwane Metropolitan Municipality appointed employees without following proper recruitment process which resulted in the appointment of employees who were paid without performing any work. It was noted that the municipality normally conducts payroll certifications before salary payments and some departments do not do the certification. Section 65 (2) (a) of the MFMA was contravened as a result. The Group Audit and Risk Department had already concluded phase1 investigation into the subject matter. An investigator for the follow-up investigation or phase 2 investigation is currently being appointed.

75. Reportable Segment for the year ended 30 June 2021 (as per mSCOA AFS specimen)

	Community and public safety	Economic and environmental services	Trading Services	Governance and administartion(Non-sgment)	Total
Revenue from exchange transaction	46,780,214	276,159,109	22,548,225,463	750,232,542	23,621,397,328
Revenue from non-exchange transaction	159,833,359	233,791,454	1,244,077,717	14,236,438,895	15,874,141,425
Total Segment Revenue	**206,613,573**	**509,950,563**	**23,792,303,180**	**14,986,671,437**	**39,495,538,753**
Segment Expenses	(2,456,929,295)	(2,123,017,409)	(22,284,335,253)	(13,788,389,654)	(40,652,671,611)
Total Segment expense	**(2,456,929,295)**	**(2,123,017,409)**	**(22,284,335,253)**	**(13,788,389,654)**	**(40,652,671,611)**
Surplus/deficit for the year	**(2,250,315,722)**	**(1,613,066,846)**	**1,507,967,927**	**1,198,281,783** **3,594,845,349**	**(1,157,132,858)**

Other information	**Community and public safety**	**Economic and environmental services**	**Trading Services**	**Governance and administartion(Non-sgment)**	**Total**
Assets Under Construction	5,868,277,053	17,183,312,212	16,105,976,438	6,717,725,231	45,875,290,934

The City has resolved to provide reportable segment information for the three key business units: community and public safety, economic and environmental services and trading services.
The segments are categorized based on the nature of service delivered. Segments were aggregated for reporting purposes.
The City operates throughout the Tshwane jurisdiction as determine by the Municipal Demarcation Board, the City has seven regions.
Segments were aggregated on the basis of services delivered as management considered that the economic and the service delivery mandate characteristics of the segments.
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.

	2022	2021 Restated
	R	R

76. Disclosure on the impact of Covid-19

The City is cognizant of fiscal policies which were introduced by the Government and there is none that has any bearing on the City's financial instruments. The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) has lowered the repurchase (repo) rate by a cumulative 275 basis points since announcing a rate of 6.25% on 17 January 2020 through four consecutive reductions, from March to June 2020, to mitigate against the economic impact of the coronavirus disease 2019 (COVID-19). This move will reduce the City's cost of borrowing on existing and future loans. There are no new risks emanating from the recent actions of SARB.

The City has not defaulted on any of its obligations and it has not modified financial assets. The -council approved a debt impairment written off against allowance of R 944 045 980.

There were new risks that were identified due to the Covid-19 pandemic, these risks are recorded and managed in a separate risk register with a similar risk management process applied in the management of the operational risks. The risk associated with the City's financial instruments are disclosed in the financial statements.

Impact on Revenue (Services Charges)   Service charges -refuse revenue

Due to the closure of certain industries during the National Lockdown actual income relating to service charges were 7,34 % less than the projected revenue, with the highest impact on electricity charges.

Impact on Revenue (Services Charges)

Actual income relating to service charges are 8% less than the projected revenue, with the highest impact on electricity charges.

2021/2022

Service Category	Budget	Actual	Variance	Percentage deviation
Service Charges: Electricity	15,015,588	13,345,122	1,670,466	- %
Service Charges: Water	5,104,894	4,958,680	146,214	- %
Service charges -refuse revenue	1,628,946	1,584,431	44,515	- %
service Charges: Sanitation	1,381,382	1,611,819,764	(1,610,438,382)	- %
	23,130,810	**1,631,707,997**	**(1,608,577,187)**	**- %**

Payment Level

The overall actual payments were 5.94% less than projected. All categories have realized lower cash values than the projected.

Debtors Book
The year-on-year growth in the debtor's book is 0.53%.

Jun-21	Jun-22	Variance	% Variance

Debt Impairment

The repayment probabilities for the various risk categories were adjusted based on the most recent payment behaviour. Impairment as a percentage of total debt for the main services is 70.30% compared to 74.83% the previous financial year.

2020/2021

Service Category	Budget	Actual	Variance	Percentage deviation

			2022 R	2021 Restated R
Service Charges: Electricity	13,734,197,571	12,583,148,745	(1,151,048,826)	8.41 %
Service Charges: Water	4,654,762,792	4,282,698,616	(372,064,176)	8.01 %
Service Charges: Sanitation	1,256,105,533	1,387,716,244	131,610,711	15.60 %
Service charges -refuse revenue	1,616,438,578	1,483,578,481	(132,860,097)	14.16 %
	21,261,504,474	**19,737,142,086**	**(1,524,362,388)**	**7.34 %**

Payment Level

The overall actual payments were 5.94% less than projected. All categories have realized lower cash values than the projected.

Serv. Type	Budgeted Cash Receipts	Actual Cash Receipts	Variance	Variance (%)
Property rates	7,338,242,436	7,098,239,016	(240,003,420)	(3.27)%
Electricity	13,670,664,322	13,462,758,340	(207,905,982)	(1.52)%
Water	4,425,028,878	3,802,881,629	(622,147,249)	(14.06)%
Sanitation	1,207,155,127	1,098,242,328	(108,912,799)	(9.02)%
Refuse	1,711,992,746	1,208,056,201	(503,936,545)	(29.44)%
	28,353,083,509	**26,670,177,514**	**(1,682,905,995)**	**(5.94)%**

Debtors Book
The year-on-year growth in the debtor's book is 0.53%.

Jun-20	Jun-21	Variance	% Variance
16,189,915,071	16,276,192,646	86,277,575	0.53%

Debt Impairment

The repayment probabilities for the various risk categories were adjusted based on the most recent payment behaviour. Impairment as a percentage of total debt for the main services is 70.30% compared to 74.83% the previous financial year.

77. Rental of facilities and equipment

	2022	2021
Facilities and equipment		
Rental of facilities	134,996,399	144,765,417

78. Licences and permits (exchange)

	2022	2021
Angling/Fishing	41,244,557	40,145,075

79. Gains or losses on foreign exchange

	2022	2021
Gain on foreign exchange	-	29,092
Loss on foreign exchnage	(394,113)	(423,204)
	(394,113)	**(394,112)**

Notes to the Annual Financial Statements

	2022	2021 Restated
	R	R

80. Prior period restatements

Change in accounting policy

No change in accounting policy occurred during the period under review..

Reclassification

Reclassifications were done on various line items on the statement of financial performance to align the items to mSCOA classifications:

Correction of errors

The following material restatements are discussed below:

Statement of Financial Performance
Revenue:

2021	As previously reported	Reclassi-fication	Correction of errors	Restated
Service charges	19,737,142,086	-	-	19,737,142,086
Rental of facilities and equipment	144,081,421	175,067	-	144,256,488
Interest received trading	375,794,373	-	-	375,794,373
Licences and permits	40,145,075	-	-	40,145,075
Share of profits in associate : TAHSEZ	421,126,538	-	-	421,126,538
Other income	987,610,756	25,599,642	36,971	1,013,247,369
Investment revenue	227,377,226	-	-	227,377,226
Fair value adjustments	95,584,144	-	-	95,584,144
Total revenue from exchange transactions	**22,028,861,619**	**25,774,709**	**36,971**	**22,054,673,299**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	8,462,679,149	-	-	8,462,679,149
Transfer revenue				
Government grants and subsidies	7,224,181,704	-	-	7,224,181,704
Public contributions and donations	169,072,085	-	-	169,072,085
Fines, penalties and forfeits	79,477,143	-	-	79,477,143
Total revenue from non-exchange transactions	**15,935,410,081**	**-**	**-**	**15,935,410,081**
Revenue from exchange transactions	22,028,861,619	25,774,709	36,971	22,054,673,299
Revenue from non-exchange transactions	15,935,410,081	-	-	15,935,410,081
Total revenue	**37,964,271,700**	**25,774,709**	**36,971**	**37,990,083,380**
Expenditure:				
Employee related cost	12,116,553,266	202,465,583	-	12,319,018,849
Remuneration of Councilors	131,577,429	-	-	131,577,429
Depreciation and amortisation	2,154,020,801	38,667,588	-	2,192,688,389
Impairment of assets	169,415,706	-	-	169,415,706
Finance cost	1,504,297,252	-	-	1,504,297,252
Debt impairment	1,355,860,388	-	-	1,355,860,388
Other materials	627,903,755	-	-	627,903,755
Bulk purchases	12,873,118,328	74,472,975	-	12,947,591,303
Contracted services	3,811,785,354	-	-	3,811,785,354

80. Prior period restatements (continued)

Transfers and subsidies	125,326,121	-	-	125,326,121
Loss on disposal of assets and liabilities	68,292,564	-	-	68,292,564
Loss on foreign exchange	394,112	-	-	394,112
Loss on redemption fund	38,570,919	-	-	38,570,919
General expenses	1,728,998,314	12,954,938	(91,773)	1,741,861,479
Total expenditure	**36,706,114,309**	**328,561,084**	**(91,773)**	**37,034,583,620**
Surplus/deficit for the year	**1,258,157,391**	**(302,786,375)**	**128,743**	**955,499,760**

80. Prior period restatements (continued)

2021	As previously reported	Reclassi-fication	Restated
Statement of Financial Position			
Current assets			
Inventories	732,421,858	-	732,421,858
Investment	384,208,957	1,437,746	385,646,703
Long-term receivables: Short term portion	298,495,905	-	298,495,905
Other receivables from exchange transactions	878,293,027	95,170	878,388,197
Other receivables from non-exchange transactions	505,974,925	-	505,974,925
Consumer receivables: Non exchange transactions	1,446,840,342	-	1,446,840,342
Consumer receivables:Exchange transactions	4,973,717,004	-	4,973,717,004
Redemption fund asset	25,243,356	-	25,243,356
Cash and cash equivalents	190,954,732	-	190,954,732
	9,436,150,106	1,532,916	9,437,683,022
Non-current assets			
Living and non living resources	323,815	-	323,815
Investment property	1,143,026,694	-	1,143,026,694
Property, plant and equipment	42,021,668,742	15,105,674	42,036,774,416
Intangible assets	918,611,993	-	918,611,993
Heritage assets	3,371,593,600	-	3,371,593,600
Investments in controlled entities	1,000	-	1,000
Interest in associate	421,126,538	-	421,126,538
Long-term receivables	59,533,908	-	59,533,908
Redemption fund asset	428,280,364	-	428,280,364
Interest rates swaps	15,168,940	-	15,168,940
	48,379,335,594	15,105,674	48,394,441,268
Total Assets	57,815,485,700	-	57,815,485,700
Current liabilities			
Loans and bonds	(592,251,745)	-	(592,251,745)
Finance lease obligation	(234,336,587)	-	(234,336,587)
Payables from exchange transactions	(10,375,845,996)	-	(10,375,845,996)
VAT payable	(1,002,189,762)	-	(1,002,189,762)
Consumer deposits	(946,912,232)	-	(946,912,232)
Employee benefit obligation	(220,959,519)	(457,404,268)	(678,363,787)
Unspent conditional grants and receipts	(267,165,645)	-	(267,165,645)
Service concession arrangement	(260,441,082)	-	(260,441,082)
	(13,900,102,568)	(457,933,210)	(14,358,035,778)
Non-current liabilities			
Loans and bonds	(10,805,811,451)	-	(10,805,811,451)
Finance lease obligation	(96,110,863)	12,502,000	(83,608,863)
Employee benefit obligation	(1,902,573,155)	(278,444,425)	(2,181,017,580)
Provisions	(1,181,602,493)	-	(1,181,602,493)
Interest rates swaps	(301,625,355)	-	(301,625,355)
Service concession arrangement	(2,201,807,168)	-	(2,201,807,168)
	(16,489,530,485)	(265,942,425)	(16,755,472,910)
Total Liabilities	(30,389,633,053)	(723,875,635)	(31,113,508,688)
Equity			
Accumulated surplus	27,425,852,647	-	27,425,852,647

80. Prior period restatements (continued)