



Saldanha Bay Municipality
Annual Financial Statements
for the year ended 30 June 2021



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15 December 2021

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality
Municipal demarcation code	WC014
Nature of business and principal activities	Local Government The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.
Mayoral committee	Kruger Andre Mamabolo Sinah Steyn Elizabeth Scholtz Sharon Truter Andre
Executive Mayor	Koen Marius
Deputy Executive Mayor	Vaughan Eventhia
Speaker	Daniels Olwene
Councillors	America Wilhelm Girimane Nonkululeko Khulu Thulani Kordom Geraldine Kotze Jaco Mafenuka Siyabulelo Makwetu Monde Mankay Ezelle Mitchell Leonard Rossouw Theresa Salmon Tanduxolo Schaffers Michael Schippers Francois Schrader Miranda Sipholi Goodman Van Nooi Charleen Venter Andries Vries Stefanus Williams Avril

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General Information

Grading of municipal Council for the upper limits for Councillors	Grade 4
Grading of remuneration of municipal manager and senior managers	Grade 4
Wage curve categorisation	Grade 5
Accounting Officer	Mettler Heinrich
Chief Finance Officer (CFO)	Vorster Stefan
Business address	15 Main Road Vredenburg Western Cape South Africa 7380
Postal address	Private Bag X 11 Vredenburg Western Cape South Africa 7380
Primary Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa

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ABSA	Amalgamated Banks of South Africa
ASB	Accounting Standards Board
CIDB	Construction Industry Development Board
CIDMS	City Infrastructure Delivery and Management System
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DoHS	Department of Human Settlements
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
FMSG	Financial Management Support Grant
GRAP	Generally Recognised Accounting Practice
LSA	Long Service Award
MDRG	Municipal Drought Relief Grant
MEC	Member of the Executive Council
MSA	Municipal Systems Act
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
RSEP	Regional Socio-Economic Project
SARS	South African Revenue Services
SBM	Saldanha Bay Municipality
SETA	Sector Education and Training Authority
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WCA	Workers Compensation Assistance
WCDM	West Coast District Municipality



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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast, under the current economic climate resulting from the COVID-19 pandemic, for the year to 30 June 2022. In the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in note 36 and note 59 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr Heinrich Mettler
Accounting Officer
31 August 2021
Vredenburg

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	105 207 025	185 332 917
Inventories	3	17 451 109	16 508 525
Investments	4	559 715 772	478 054 095
Receivables from exchange transactions	5&7	122 117 461	125 670 792
Receivables from non-exchange transactions	6&7	37 357 632	34 081 120
Prepayments	8	4 211 631	4 051 079
Operating lease asset	9	56 232	76 434
		846 116 862	843 774 962
Non-Current Assets			
Property, plant and equipment	10	2 860 262 468	2 796 931 174
Intangible assets	11	6 606 777	8 410 084
Investment property	12	18 431 650	17 360 000
Heritage assets	13	3 298 260	3 298 260
		2 888 599 155	2 825 999 518
Total Assets		3 734 716 017	3 669 774 480
Liabilities			
Current Liabilities			
Operating lease liability	9	16 859	36 577
Payables from exchange transactions	14	109 037 012	124 768 760
Consumer deposits	15	27 852 923	25 652 045
VAT payable	16	12 165 419	15 592 247
Unspent government grants & subsidies	17	37 458 576	44 456 598
Borrowings	18	9 529 204	12 153 348
Finance lease obligation	19	166 421	271 061
Employee benefit obligation	20	43 234 806	41 052 668
Provisions	21	10 034 897	3 107 329
		249 496 117	267 090 633
Non-Current Liabilities			
Borrowings	18	103 177 766	112 706 972
Finance lease obligation	19	-	166 420
Employee benefit obligation	20	124 832 001	109 895 000
Provisions	21	65 969 740	67 252 464
		293 979 507	290 020 856
Total Liabilities		543 475 624	557 111 489
Net Assets		3 191 240 393	3 112 662 991
Accumulated surplus		3 191 240 393	3 112 662 991

* See Note 49



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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	668 290 342	656 166 600
Construction contracts	23	307 234	7 676 675
Rental of facilities and equipment	24	9 526 775	12 113 403
Interest earned - external investments	25	29 330 602	47 916 752
Interest earned - outstanding receivables	26	8 428 657	10 551 739
Agency fees	27	8 571 731	6 417 146
Licences and permits	28	1 211 792	988 278
Other revenue	29	28 289 355	18 255 968
Total revenue from exchange transactions		753 956 488	760 086 561
Revenue from non-exchange transactions			
Property rates	30	244 188 395	229 680 012
Interest earned - outstanding property rates	31	3 385 609	3 302 772
Government grants & subsidies	32	154 749 847	138 586 342
Fines	33	14 802 481	21 215 875
Other revenue	34	23 701 472	17 516 611
Total revenue from non-exchange transactions		440 827 804	410 301 612
Total revenue		1 194 784 292	1 170 388 173
Expenditure			
Employee related costs	35	(412 257 695)	(380 115 072)
Remuneration of councillors	36	(12 306 783)	(12 352 004)
Depreciation and amortisation	37	(146 655 983)	(137 579 975)
Impairment of assets	38	(12 336 200)	(8 177 194)
Finance costs	39	(27 720 892)	(30 775 379)
Bad debts written-off	40	(17 745 600)	(44 804 938)
Bulk purchases	41	(326 812 984)	(302 827 311)
Contracted services	42	(65 010 300)	(90 416 530)
Transfers and subsidies	43	(3 052 918)	(5 098 454)
Inventories written-off	3	(184 624)	(1 048 089)
General expenses	44	(84 872 588)	(82 274 324)
Total expenditure		(1 108 956 567)	(1 095 469 270)
Operating surplus		85 827 725	74 918 903
Gains and losses			
Actuarial gains (loss)	20	(5 456 262)	16 431 746
Fair value adjustments	45	1 071 650	1 640 000
Gain on reversal of provision		416 985	21 257 404
Loss on disposal of assets and liabilities		(3 298 813)	(7 994 658)
Gain (loss) on foreign exchange		16 117	(43 783)
Surplus for the year		78 577 402	106 209 612

* See Note 49

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus
Opening balance as previously reported	3 006 599 497
Prior year adjustments	(146 118)
Balance at July 1, 2019 as restated*	3 006 453 379
Surplus for the year	106 209 612
Balance at July 1, 2020 as restated*	3 112 662 991
Surplus for the year	78 577 402
Balance at 30 June 2021	3 191 240 393

* See Note 49



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Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxes and fines		249 779 076	227 642 552
Service charges		671 715 500	631 107 615
Grants		147 372 594	150 390 978
Interest received		27 668 925	54 192 831
Other receipts		50 946 485	40 894 740
		<u>1 147 482 580</u>	<u>1 104 228 716</u>
Payments			
Employee costs and remuneration of councillors		(424 158 602)	(385 667 320)
Suppliers and other		(500 513 072)	(467 919 314)
Finance costs		(12 503 260)	(14 467 922)
		<u>(937 174 934)</u>	<u>(868 054 556)</u>
Net cash flows from operating activities	46	<u>210 307 646</u>	<u>236 174 160</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(195 184 015)	(145 704 302)
Proceeds from sale of property, plant and equipment	10	65 078	275 415
Purchase of other intangible assets	11	(2 890 191)	(2 318 210)
Net movement in investments		(80 000 000)	20 000 000
		<u>(278 009 128)</u>	<u>(127 747 097)</u>
Net cash flows from investing activities		<u>(278 009 128)</u>	<u>(127 747 097)</u>
Cash flows from financing activities			
Repayment of borrowings		(12 153 350)	(18 761 704)
Movement in finance leases		(271 060)	(244 822)
		<u>(12 424 410)</u>	<u>(19 006 526)</u>
Net cash flows from financing activities		<u>(12 424 410)</u>	<u>(19 006 526)</u>
Net increase in cash and cash equivalents		<u>(80 125 892)</u>	<u>89 420 537</u>
Cash and cash equivalents at the beginning of the year		185 332 917	95 912 380
Cash and cash equivalents at the end of the year	2	<u>105 207 025</u>	<u>185 332 917</u>

* See Note 49

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	672 207 526	-	672 207 526	668 290 342	(3 917 184)	(1)
Construction contracts	-	-	-	307 234	307 234	100
Rental of facilities and equipment	9 592 616	-	9 592 616	9 526 775	(65 841)	(1)
Interest received - external investments	31 622 513	-	31 622 513	29 330 602	(2 291 911)	(7)
Interest received - outstanding receivables	8 008 084	-	8 008 084	8 428 657	420 573	5
Agency services	10 395 999	-	10 395 999	8 571 731	(1 824 268)	(18)
Licences and permits	1 599 991	-	1 599 991	1 211 792	(388 199)	(24)
Other revenue	12 990 092	-	12 990 092	28 289 355	15 299 263	118
Total revenue from exchange transactions	746 416 821	-	746 416 821	753 956 488	7 539 667	
Revenue from non-exchange transactions						
Property rates	243 376 812	-	243 376 812	244 188 395	811 583	-
Interest earned - outstanding property rates	2 718 490	-	2 718 490	3 385 609	667 119	25
Government grants & subsidies	220 993 332	-	220 993 332	154 749 847	(66 243 485)	(30)
Fines	18 930 253	-	18 930 253	14 802 481	(4 127 772)	(22)
Other revenue	-	-	-	23 701 472	23 701 472	100
Total revenue from non-exchange transactions	486 018 887	-	486 018 887	440 827 804	(45 191 083)	
Total revenue	1 232 435 708	-	1 232 435 708	1 194 784 292	(37 651 416)	
Expenditure						
Employee related costs	(426 299 167)	-	(426 299 167)	(412 257 695)	14 041 472	4
Remuneration of councillors	(13 544 835)	-	(13 544 835)	(12 306 783)	1 238 052	9
Depreciation and amortisation	(140 308 440)	-	(140 308 440)	(146 655 983)	(6 347 543)	(5)
Impairment of assets	(24 045 536)	-	(24 045 536)	(12 336 200)	11 709 336	49
Finance costs	(19 951 074)	-	(19 951 074)	(27 720 892)	(7 769 818)	(39)
Bad debts written-off	(38 503 140)	-	(38 503 140)	(17 745 600)	20 757 540	54
Bulk purchases	(326 221 740)	-	(326 221 740)	(326 812 984)	(591 244)	-
Contracted services	(123 633 663)	92 778	(123 540 885)	(65 010 300)	58 530 585	47
Transfers and subsidies	(6 502 121)	(172 000)	(6 674 121)	(3 052 918)	3 621 203	54
Inventories written-off	(352 218)	-	(352 218)	(184 624)	167 594	48
General expenses	(104 921 730)	79 222	(104 842 508)	(84 872 588)	19 969 920	19
Total expenditure	(1 224 283 664)	-	(1 224 283 664)	(1 108 956 567)	115 327 097	
Operating surplus	8 152 044	-	8 152 044	85 827 725	77 675 681	
Gains and losses						
Actuarial loss	-	-	-	(5 456 262)	(5 456 262)	(100)
Fair value adjustments	-	-	-	1 071 650	1 071 650	100
Gain on reversal of provision	-	-	-	416 985	416 985	100
Loss on disposal of assets and liabilities	-	-	-	(3 298 813)	(3 298 813)	(100)
Gain on foreign exchange	-	-	-	16 117	16 117	100
Surplus for the year	8 152 044	-	8 152 044	78 577 402	70 425 358	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	89 701 267	-	89 701 267	105 207 025	15 505 758	17
Inventories	16 896 984	-	16 896 984	17 451 109	554 125	3
Investments	392 059 256	-	392 059 256	559 715 772	167 656 516	43
Receivables from exchange transactions	124 472 304	-	124 472 304	122 117 461	(2 354 843)	(2)
Receivables from non-exchange transactions	37 205 053	-	37 205 053	37 357 632	152 579	-
Prepayments	4 051 080	-	4 051 080	4 211 631	160 551	4
Operating lease asset	76 434	-	76 434	56 232	(20 202)	(26)
	664 462 378	-	664 462 378	846 116 862	181 654 484	
Non-Current Assets						
Property, plant and equipment	2 985 860 924	405 000	2 986 265 924	2 860 262 468	(126 003 456)	(4)
Intangible assets	10 711 767	(405 000)	10 306 767	6 606 777	(3 699 990)	(36)
Investment property	17 530 000	-	17 530 000	18 431 650	901 650	5
Heritage assets	3 298 261	-	3 298 261	3 298 260	(1)	-
	3 017 400 952	-	3 017 400 952	2 888 599 155	(128 801 797)	
Total Assets	3 681 863 330	-	3 681 863 330	3 734 716 017	52 852 687	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	16 859	16 859	100
Payables from exchange transactions	149 617 844	-	149 617 844	109 037 012	(40 580 832)	(27)
Consumer deposits	28 151 888	-	28 151 888	27 852 923	(298 965)	(1)
VAT payable	2 910 762	-	2 910 762	12 165 419	9 254 657	318
Unspent government grants & subsidies	14 837 058	-	14 837 058	37 458 576	22 621 518	152
Borrowings	9 529 204	-	9 529 204	9 529 204	-	-
Finance lease obligation	271 063	-	271 063	166 421	(104 642)	(39)
Employee benefit obligation	41 572 958	-	41 572 958	43 234 806	1 661 848	4
Provisions	3 107 329	-	3 107 329	10 034 897	6 927 568	223
	249 998 106	-	249 998 106	249 496 117	(501 989)	
Non-Current Liabilities						
Borrowings	103 177 783	-	103 177 783	103 177 766	(17)	-
Finance lease obligation	202 999	-	202 999	-	(202 999)	(100)
Employee benefit obligation	120 276 516	-	120 276 516	124 832 001	4 555 485	4
Provisions	72 917 465	-	72 917 465	65 969 740	(6 947 725)	(10)
	296 574 763	-	296 574 763	293 979 507	(2 595 256)	
Total Liabilities	546 572 869	-	546 572 869	543 475 624	(3 097 245)	
Net Assets	3 135 290 461	-	3 135 290 461	3 191 240 393	55 949 932	
Accumulated surplus	3 135 290 461	-	3 135 290 461	3 191 240 393	55 949 932	

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxes and fines	254 641 862	-	254 641 862	249 779 076	(4 862 786)	(2)
Services charges	667 716 541	-	667 716 541	671 715 500	3 998 959	1
Grants	188 129 000	-	188 129 000	147 372 594	(40 756 406)	(22)
Interest income	31 622 513	-	31 622 513	27 668 925	(3 953 588)	(13)
Other receipts	28 461 982	-	28 461 982	50 946 485	22 484 503	79
	1 170 571 898	-	1 170 571 898	1 147 482 580	(23 089 318)	
Payments						
Employee related costs and remuneration of councillors	(421 356 940)	-	(421 356 940)	(424 158 602)	(2 801 662)	(1)
Suppliers and other	(587 560 188)	-	(587 560 188)	(500 513 072)	87 047 116	15
Finance costs	(12 902 010)	-	(12 902 010)	(12 503 260)	398 750	3
	(1 021 819 138)	-	(1 021 819 138)	(937 174 934)	84 644 204	
Net cash flows from operating activities	148 752 760	-	148 752 760	210 307 646	61 554 886	
Cash flows from investing activities						
Purchase of property, plant and equipment	(312 796 494)	(405 000)	(313 201 494)	(195 184 015)	118 017 479	38
Proceeds from sale of property, plant and equipment	-	-	-	65 078	65 078	100
Purchase of other intangible assets	(5 564 398)	405 000	(5 159 398)	(2 890 191)	2 269 207	44
Net movement in investments	86 129 829	-	86 129 829	(80 000 000)	(166 129 829)	(193)
Net cash flows from investing activities	(232 231 063)	-	(232 231 063)	(278 009 128)	(45 778 065)	
Cash flows from financing activities						
Repayment of borrowings	(12 153 347)	-	(12 153 347)	(12 153 350)	(3)	-
Finance lease payments	-	-	-	(271 060)	(271 060)	(100)
Net cash flows from financing activities	(12 153 347)	-	(12 153 347)	(12 424 410)	(271 063)	
Net increase in cash and cash equivalents	(95 631 650)	-	(95 631 650)	(80 125 892)	15 505 758	
Cash and cash equivalents at the beginning of the year	185 332 917	-	185 332 917	185 332 917	-	
Cash and cash equivalents at the end of the year	89 701 267	-	89 701 267	105 207 025	15 505 758	

Please refer to note 61 for explanations of material budget variances.

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.3 Materiality

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

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

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

1.4 Comparative figures

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

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, 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 is practicable, and the prior year comparatives are restated accordingly.

1.5 Significant judgements and sources of estimation uncertainty

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

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Trade receivables

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

The calculation of the impairment of trade receivables is based on a payment percentage assessment of the individual debtors of the municipality. If an individual debtor has a payment percentage of more than 90%, impairment is not considered. In instances where the payment percentage is less than 90%, the individual debtor is impaired based on the actual non-payment percentage of the outstanding debt.

Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the inventory note.

Fair value estimation

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the useful lives of infrastructure and other assets. This estimate is based on industry norms or technical advice. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 post retirement obligation are based on current market conditions. Additional information is disclosed in Note 20 - Employee benefit obligations.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Segment reporting

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to Management.

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1.6 Standards, amendments to standards and interpretations issued but not yet effective

In the current year the municipality has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The following GRAP standard have been issued, but are not yet effective during the current reporting period and the municipality did not early adopt this GRAP standard.

Reference	Topic	Effective date
Guideline	Accounting for Landfill Sites	Unknown

Management has considered all of the above-mentioned GRAP standard issued but not yet effective and anticipates that the adoption of this standard will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.7 Budget information

The approved budget covers the fiscal period from 01 July 2020 to 30 June 2021.

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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

A difference of 10% or more, and if the amount exceeds R5 million, between budgeted and actual amounts is regarded as material.

1.8 Cash and cash equivalents

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

1.9 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

Subsequently inventories are measured at the lower of cost and net realisable value. However, inventories are measured at the lower of cost and current replacement cost where they are held for;

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

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

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

Housing inventory relates to the land on which low cost houses are still in the process of construction or completed and not yet distributed to beneficiaries.

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

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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.

1.10 Investments

Investments are short-term deposits invested with various financial institutions for a period longer than three months, but not more than twelve months in accordance with the cash management and investment policies of the municipality.

Short-term deposits are not classified as part of cash and cash equivalents as these investments are not readily convertible to known amounts of cash. The short-term investments do not have a short maturity of three months or less from the date of acquisition and do not meet the definition of cash and cash equivalents in accordance with GRAP 2.

Recognition

The municipality recognises investments as a current asset when the funds have been transferred to the financial institution.

Measurement

The investments are initially measured at fair value plus the transaction costs that are directly attributable to their acquisition. The fair value is the total amount initially invested at the banking institution.

The investments are subsequently measured at amortised cost using the effective interest rate method. The gains on the investments are recognised in surplus or deficit through the amortisation process.

Derecognition

The municipality derecognises investments on maturity of the investments when the contractual rights to the cash flows from the investments are settled by the financial institutions.

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1.11 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

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

Classification

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

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

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

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants arising from contractual agreements (not statutory grants)	Financial liability measured at amortised cost

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Accounting Policies

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity 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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Accounting Policies

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 directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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 recognise 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.

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Accounting Policies

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.

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

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

Presentation

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

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense 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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.12 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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Accounting Policies

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Asset class	Depreciation method	Average useful life
Land		Indefinite
Machinery and equipment	Straight line	2 - 65
Furniture and office equipment	Straight line	2 - 40
Transport assets	Straight line	5 - 40
Computer equipment	Straight line	2 - 40
Infrastructure	Straight line	1 - 99
Community assets	Straight line	3 - 70
Other assets	Straight line	3 - 70

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 and that has a different useful life is depreciated separately.

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

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

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

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

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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 under construction are carried at cost. Depreciation of an asset commences when the asset is available for use. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

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

1.13 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.14 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

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 construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Recognition

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

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Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

Impairment

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

Transfers

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.

Derecognition

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 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 requires otherwise on a sale and leaseback). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance.

1.15 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	1 - 18
Other intangible assets	Straight line	Indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11). All intangible assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of 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).

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1.16 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 12). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 12). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

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1.17 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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

Refer to note 61 (Capital expenditure by vote) and Annexure B (Operating expenditure by vote) where an analysis of the budgeted and actual expenditure is presented.

1.18 Irregular expenditure

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is disclosed inclusive of VAT.

1.19 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.27.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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1.21 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.22 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.

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Accounting Policies

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest, royalties and dividends

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

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

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1.23 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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Taxes

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

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

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

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

Fines

Fines are 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.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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Services in-kind

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

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

1.24 Investment income

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

1.25 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.

1.26 Employee benefits

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

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against the statement of financial performance in the year in which they become payable.

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Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality 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 benefits in the cost of an asset.

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

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 20.

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

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

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes 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 municipality accounts for in the same way as for any other defined contribution plan. Where a plan is a defined benefit plan, the municipality 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 municipality account for the plan as if it was a defined contribution plan.

Accounting Policies

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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, an 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

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

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

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

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

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

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

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

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;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

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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.

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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other 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. An annual charge to income is made to cover both these liabilities.

1.27 Impairment of cash and non-cash-generating assets

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

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

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

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

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

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

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality 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 is 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.

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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.

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.28 Cash-backed reserves

Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as a 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments which include rental income and sale of houses must be paid into the Housing Development Fund. Monies standing to credit of the Housing Development Fund can be used only to finance housing developments within the municipal areas subject to the approval of the Provincial MEC responsible for housing. Since the Housing Development Fund was established in terms of legislation it may be reported separately in the Statement of Financial Position and the Statement of Changes in Net Assets.

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Accounting Policies

Capital replacement reserve (CRR)

This reserve is to be used for future capital expenditure from own funds only and may not be used for maintenance or other operating expenditure. The capital replacement reserve must be cash-backed. The annual contribution to be based on the budget, funds and reserves policy. The balance of the capital replacement reserve is invested in short-term investments.

The following sources of revenue are included in the capital replacement reserve:

- A percentage of the annual depreciation amount;
- Un-appropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Further cash surpluses appropriated as contributions in each annual or adjustments budget, as and when this can be afforded by the municipality;
- Revenue amounts equal to public contributions for bulk services contributions for funding of bulk services, i.e. capital contributions; and
- Net cash proceeds received from land sales. These net proceeds may only be utilised to fund municipal land development.

1.29 Cash-backed liabilities

In terms of the municipality's budget, funds and reserves policy the following liabilities below are also fully cash-backed and invested in short-term investments:

Working capital

An estimated amount of 1/12th of the total fixed operating expenditure.

Employee benefit obligation

The aim of the obligation is to ensure sufficient cash resources are available for the future payment of employee benefits. The contributions to the reserve must be made in accordance with the directives set in the budget, funds and reserves policy. The balance of the employee benefit reserve is partially cash backed and is invested in short-term investments.

Environmental rehabilitation provision

The aim to the provision is to ensure sufficient cash resources are available for the future payment of non-current provisions. The contributions to the provision must be made in accordance with the directives set in set in the budget, funds and reserves policy. The balance of the non-current provisions reserve is fully cash backed and is invested in short-term investments.

Unspent conditional grants and receipts and Contract revenue received in advance

The balance of all conditional grants received where the conditions have not been met.

Unspent loans

The balance of external loan funding received and not yet spent for the purpose why the loans were obtained.

Loan repayments due

The provision is defined as a cash-backed amount that consists of the current portion of loans that is set aside for the redemption of external loans annually.

Consumer deposits

The balance of consumer deposits held in cash by the municipality.

1.30 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.

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

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage, or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

1.31 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

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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 it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.32 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of the service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the 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 identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

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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.

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.

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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.

1.33 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.

The municipality does not hold any living resources, non-living resources are disclosed in note 3 .

1.34 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

1.35 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.36 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

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Accounting Policies

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

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Derecognition

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

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

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

1.37 Construction contracts and receivables

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

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

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

The municipality participates as a non-accredited municipality in the national housing programme. The municipality's roles and responsibilities in the housing development process are set out in the binding arrangements entered into with the Western Cape Department of Human Settlements. The municipality assesses the terms and conditions of each contract concluded with the Western Cape Department of Human Settlements to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, the municipality considers whether it is a contractor.

The binding arrangements entered into with the Western Cape Department of Human Settlements are non-commercial fixed price contracts. The objective of the arrangements is to construct low cost houses for the beneficiaries of the National Housing Programme in return for full reimbursement of costs from the department through a housing grant or subsidy.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

Advances received in excess of work completed are included in trade and other payables.

1.38 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.

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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.

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.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	31 850	30 750
Bank balances	105 175 175	185 302 167
	105 207 025	185 332 917

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Primary Bank Account - 083290044	102 329 409	182 959 947	95 484 776	104 984 525	185 033 325	95 443 123
MFMA Section 12 Account - 282503331	183 630	267 907	443 767	183 630	267 907	443 767
MFMA Section 12 Account - 332608611	7 020	935	-	7 020	935	-
Traffic Fines Payment Account - 083290702	-	-	-	-	-	-
Company Deposit Identifier - 082437238	-	-	-	-	-	-
Total	102 520 059	183 228 789	95 928 543	105 175 175	185 302 167	95 886 890

3. Inventories

Land : Topstructures not transferred	810 454	965 906
Consumable stores	15 927 113	14 962 408
Water	713 542	580 211
	17 451 109	16 508 525
Carrying value of inventories carried at fair value less costs to sell	17 451 109	16 508 525

During the year stock issued from consumable stores amounted to R30 870 809 (2020: R31 146 610). An amount of R29 172 (2020: R372 909) for consumable stores were written off, R155 452 (2020: R675 180) for low cost housing land were transferred to beneficiaries. Water consumed during the year, amounting to R99 245 224 (2020: R87 882 164), was expensed in the statement of financial performance.

Inventory pledged as security

No inventories are held as security for liabilities of the municipality.

Non-living resources

Management only identified water resources as no other natural resources are prevalent within the municipality's jurisdiction. The municipality owns boreholes from which water is extracted by the WCDDM and is sold to the municipality.

No liabilities or contingent liabilities arise from the water resources. No resources were given up that resulted in compensation from third parties.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
4. Investments		
Institutions holding the deposits		
ABSA	136 812 170	55 420 770
FNB	81 227 247	86 032 566
Standard Bank	132 989 905	142 669 945
Nedbank	142 597 992	112 400 918
Investec	66 088 458	81 529 896
	559 715 772	478 054 095
Current assets		
At amortised cost	559 715 772	478 054 095

The value of the investments has been measured at amortised cost using the effective interest rate method.

Short-term deposits are invested with various banking institutions for a period longer than three months, but not exceeding twelve months in accordance with the cash management and investment policy. This information is disclosed in terms of Section 125(2)(b) of the MFMA.

All unspent conditional grants and certain provisions and reserves, which are included in the short-term investments above, have been ring-fenced and may not be utilised for any other purposes. Refer to note 51.

The different institutions have external credit ratings from rating agencies.

5. Receivables from exchange transactions

5.1 Net balance

Consumer debtors - Electricity	38 090 332	39 019 094
Consumer debtors - Water	32 877 089	34 253 605
Consumer debtors - Sewerage	10 345 171	9 214 084
Consumer debtors - Refuse	10 817 884	9 869 052
Sundry receivables	988 681	1 067 508
Recoverable losses	187 465	189 588
Other receivables	28 810 839	32 057 861
	122 117 461	125 670 792

5.2 Receivables from exchange transactions past due but not impaired

Trade and other receivables with a payment ratio of more than 90% are not considered to be impaired. In instances where the payment ratio is less than 90%, the individual debtor is impaired based on the actual non-payment percentage of outstanding debt. At 30 June 2021, R 48 604 182 (2020: R 49 510 791) were past due but not impaired.

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

1 month past due	2 814 612	5 566 100
2 months past due	1 878 339	2 919 785
3 months past due	1 868 720	2 576 991
4 to 12 months past due	8 503 255	8 820 207
More than a year past due	33 539 256	29 627 708
	48 604 182	49 510 791

Saldanha Bay Municipality

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Figures in Rand	2021	2020
5.3 Reconciliation of provision for impairment		
Opening balance	(127 081 428)	(124 560 560)
Impairments	(5 086 303)	(2 095 871)
VAT movement	(798 644)	(424 997)
	(132 966 375)	(127 081 428)

6. Receivables from non-exchange transactions

6.1 Net balance

Consumer debtors - Rates	28 634 237	25 332 303
Fines	8 723 395	8 748 817
	37 357 632	34 081 120

Statutory receivables included in receivables from non-exchange transactions above:

Consumer debtors - Rates	28 634 237	25 332 303
Fines	8 723 395	8 748 817
	37 357 632	34 081 120

6.2 Statutory receivables general information

Consumer debtors - Rates

Property rates arise from the application of the Municipal Property Rates Act 6 of 2004. The transaction amount is based on the market value of a property and any impairments are based on the individual collection ratio.

The municipality levies interest on rates outstanding after the due date for payment at prime +1% per annum (2020: prime +1% per annum).

Fines

Fines arise from the application of the Administrative Adjudication of Road Traffic Offences Act, 1998. The transaction amount is based on the traffic offence committed and any impairments are based on the collection ratio.

No interest is levied on fines outstanding.

6.3 Statutory receivables past due but not impaired

Rates consumer debtors with a payment ratio more than 90% are not considered to be impaired. In instances where the payment ratio is less than 90%, the individual debtor is impaired based on the actual non-payment percentage of outstanding debt. At 30 June 2021, R22 300 209 (2020: R25 265 101) were past due but not impaired.

Fine debtors is impaired based on the non-collection ratio of outstanding fines. At 30 June 2021, R 8 309 967 (2020: R8 289 722) were past due but not impaired.

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

1 month past due	1 766 943	5 814 502
2 months past due	1 216 592	1 417 483
3 months past due	1 142 930	1 586 233
4 to 12 months past due	6 193 872	5 646 172
More than a year past due	20 289 839	19 090 435
	30 610 176	33 554 825

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand

	2021	2020
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6.4 Receivables from non-exchange transactions impaired

As at 30 June 2021, traffic fines of R 29 512 448 (2020: R 31 528 247) were impaired and provided for. The amount of the provision was R 20 789 052 as of 30 June 2021 (2020: R 22 779 430).

The ageing of the traffic fines is as follows:

6.5 Summary of traffic fines by ageing

Current (0 -30 days)	413 429	459 095
31 - 60 days	325 665	566 336
61 - 90 days	386 838	50 575
91 - 120 days	394 155	595 553
121 - 365 days	2 050 379	3 416 141
> 365 days	5 152 929	3 661 117
	8 723 395	8 748 817

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

Opening balance	(64 385 366)	(58 410 890)
Impairments:		
Consumer debtors - Rates	762 921	(5 499 177)
Fines	1 990 378	(475 299)
	(61 632 067)	(64 385 366)

Saldanha Bay Municipality

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7. Consumer debtors disclosure		
7.1 Calculation of net balance		
Gross balances		
Consumer debtors - Rates	69 477 252	66 938 238
Consumer debtors - Electricity	42 064 313	43 642 886
Consumer debtors - Water	92 077 605	90 512 970
Consumer debtors - Sewerage	39 289 663	37 159 348
Consumer debtors - Refuse	44 092 292	40 599 737
Housing receivables	2 593 830	2 788 999
Sundry receivables	6 043 576	5 833 753
	295 638 531	287 475 931
Less: Allowance for impairment		
Consumer debtors - Rates	(40 843 015)	(41 605 935)
Consumer debtors - Electricity	(3 973 981)	(4 623 792)
Consumer debtors - Water	(59 200 516)	(56 259 365)
Consumer debtors - Sewerage	(28 944 492)	(27 945 264)
Consumer debtors - Refuse	(33 274 408)	(30 730 685)
Housing receivables	(2 593 830)	(2 788 999)
Sundry receivables	(5 054 895)	(4 766 245)
	(173 885 137)	(168 720 285)
Net balance		
Consumer debtors - Rates	28 634 237	25 332 303
Consumer debtors - Electricity	38 090 332	39 019 094
Consumer debtors - Water	32 877 089	34 253 605
Consumer debtors - Sewerage	10 345 171	9 214 084
Consumer debtors - Refuse	10 817 884	9 869 052
Sundry receivables	988 681	1 067 508
	121 753 394	118 755 646
7.2 Summary by ageing		
Rates		
Current (0 -30 days)	6 334 028	67 200
31 - 60 days	1 441 278	5 248 166
61 - 90 days	829 754	1 366 908
91 - 120 days	748 775	990 680
121 - 365 days	4 143 493	2 230 031
> 365 days	15 136 909	15 429 318
	28 634 237	25 332 303
Electricity		
Current (0 -30 days)	32 568 807	30 827 784
31 - 60 days	915 003	2 806 373
61 - 90 days	479 899	1 226 951
91 - 120 days	369 151	711 638
121 - 365 days	1 348 501	1 156 344
> 365 days	2 408 971	2 290 004
	38 090 332	39 019 094

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Figures in Rand	2021	2020
Water		
Current (0 -30 days)	8 898 443	10 254 060
31 - 60 days	1 205 633	1 846 663
61 - 90 days	807 806	1 004 082
91 - 120 days	878 357	1 181 059
121 - 365 days	3 869 028	4 679 400
> 365 days	17 217 822	15 288 341
	32 877 089	34 253 605
Sewerage		
Current (0 -30 days)	1 566 414	1 333 099
31 - 60 days	325 593	387 023
61 - 90 days	272 314	294 526
91 - 120 days	281 775	265 411
121 - 365 days	1 445 144	1 357 609
> 365 days	6 453 931	5 576 416
	10 345 171	9 214 084
Refuse		
Current (0 -30 days)	1 405 183	1 400 755
31 - 60 days	344 910	501 325
61 - 90 days	294 899	375 350
91 - 120 days	318 376	323 497
121 - 365 days	1 695 671	1 470 080
> 365 days	6 758 845	5 798 045
	10 817 884	9 869 052
Sundries		
Current (0 -30 days)	76 129	96 863
31 - 60 days	23 472	24 716
61 - 90 days	23 422	18 877
91 - 120 days	21 061	95 387
121 - 365 days	144 911	156 774
> 365 days	699 686	674 891
	988 681	1 067 508

Saldanha Bay Municipality

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Figures in Rand	2021	2020
7.3 Summary by customer classification		
Consumers		
Current (0 -30 days)	42 813 939	42 308 761
31 - 60 days	6 371 493	8 248 719
61 - 90 days	4 986 762	6 152 015
91 - 120 days	5 310 931	6 045 341
121 - 365 days	27 197 349	27 083 506
> 365 days	118 564 229	104 005 915
	<u>205 244 703</u>	<u>193 844 257</u>
Less: Allowance for impairment	(144 482 408)	(135 876 388)
	<u>60 762 295</u>	<u>57 967 869</u>
Industrial/ commercial		
Current (0 -30 days)	39 022 798	39 635 082
31 - 60 days	1 633 597	3 687 370
61 - 90 days	1 394 624	2 534 012
91 - 120 days	1 148 588	2 733 615
121 - 365 days	6 624 870	8 106 685
> 365 days	23 434 036	21 417 741
	<u>73 258 513</u>	<u>78 114 505</u>
Less: Allowance for impairment	(29 402 729)	(32 843 895)
	<u>43 855 784</u>	<u>45 270 610</u>
National and provincial government		
Current (0 -30 days)	6 574 322	5 360 462
31 - 60 days	2 676 493	3 466 973
61 - 90 days	817 043	807 638
91 - 120 days	733 436	359 572
121 - 365 days	1 937 745	1 590 440
> 365 days	4 396 276	3 932 083
	<u>17 135 315</u>	<u>15 517 168</u>
Total		
Current (0 -30 days)	88 411 059	87 304 304
31 - 60 days	10 681 583	15 403 063
61 - 90 days	7 198 429	9 493 666
91 - 120 days	7 192 955	9 138 528
121 - 365 days	35 759 964	36 780 630
> 365 days	146 394 541	129 355 739
	<u>295 638 531</u>	<u>287 475 930</u>
Less: Allowance for impairment	(173 885 137)	(168 720 285)
	<u>121 753 394</u>	<u>118 755 645</u>
Reconciliation of allowance for impairment		
Opening balance	(168 720 285)	(160 711 063)
Impairments	(5 164 852)	(8 009 222)
	<u>(173 885 137)</u>	<u>(168 720 285)</u>
8. Prepayments		
Prepaid expenses	<u>4 211 631</u>	<u>4 051 079</u>

Saldanha Bay Municipality

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9. Operating leases		
Current assets	56 232	76 434
Current liabilities	(16 859)	(36 577)
	39 373	39 857

Operating leases - as lessee (expense)

At the reporting date the municipality had outstanding commitments under operating leases which fall due as follows:

Minimum lease payments due		
- within one year	4 334 476	885 341
- in second to fifth year	1 957 317	225 855
	6 291 793	1 111 196

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable. The term pertaining to the leases ranges from 1 to 3 years (2020: 1 to 3 years) and escalation rates vary from 8% to 10% (2020: 8% to 10%) per year.

Operating leases - as lessor (revenue)

Minimum lease payments due		
- within one year	873 990	957 528
- in second to fifth year	693 596	497 270
	1 567 586	1 454 798

Operating leases consist of rentals on the letting of premises. Lease agreements are non-cancellable and have terms from 1 to 10 years (2020: 1 to 10 years). The escalation rates of the lease agreements vary from 5% to 12% (2020: 5% to 12%). There are no contingent rents receivable.

Saldanha Bay Municipality

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10. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	513 210 069	-	513 210 069	514 154 519	-	514 154 519
Machinery and equipment	82 751 374	(58 899 130)	23 852 244	80 443 321	(53 830 602)	26 612 719
Furniture and office equipment	24 229 518	(16 666 285)	7 563 233	25 586 595	(16 687 882)	8 898 713
Transport assets	172 373 918	(109 813 644)	62 560 274	160 902 215	(99 514 016)	61 388 199
Computer equipment	33 950 354	(19 051 244)	14 899 110	27 401 585	(18 180 108)	9 221 477
Infrastructure	3 916 805 652	(1 944 858 059)	1 971 947 593	3 757 146 366	(1 843 010 052)	1 914 136 314
Community assets	307 517 508	(103 350 434)	204 167 074	294 121 412	(91 317 153)	202 804 259
Other assets	115 156 507	(53 093 636)	62 062 871	110 868 001	(51 153 027)	59 714 974
Total	5 165 994 900	(2 305 732 432)	2 860 262 468	4 970 624 014	(2 173 692 840)	2 796 931 174

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	514 154 519	-	(944 450)	-	-	513 210 069
Machinery and equipment	26 612 719	3 340 824	(116 667)	(5 822 882)	(161 750)	23 852 244
Furniture and office equipment	8 898 713	784 621	(227 809)	(1 758 580)	(133 712)	7 563 233
Transport assets	61 388 199	11 719 368	(30 756)	(10 486 602)	(29 935)	62 560 274
Computer equipment	9 221 477	8 380 090	(362 230)	(2 336 186)	(4 041)	14 899 110
Infrastructure	1 914 136 314	172 640 569	(1 019 412)	(107 001 623)	(6 808 255)	1 971 947 593
Community assets	202 804 259	15 732 953	(425 965)	(11 318 726)	(2 625 447)	204 167 074
Other assets	59 714 974	6 080 700	(179 105)	(3 313 643)	(240 055)	62 062 871
	2 796 931 174	218 679 125	(3 306 394)	(142 038 242)	(10 003 195)	2 860 262 468

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Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	511 682 931	2 471 588	-	-	-	-	514 154 519
Machinery and equipment	26 673 120	5 565 345	(110 297)	-	(5 515 449)	-	26 612 719
Furniture and office equipment	9 746 797	1 117 135	(141 824)	-	(1 823 395)	-	8 898 713
Transport assets	55 908 085	15 019 361	(271 816)	-	(9 267 431)	-	61 388 199
Computer equipment	9 641 994	1 810 299	(71 773)	-	(2 159 043)	-	9 221 477
Infrastructure	1 879 978 258	136 797 090	(1 286 940)	(383 908)	(100 968 186)	-	1 914 136 314
Community assets	201 278 833	12 380 657	(99 551)	-	(10 648 833)	(106 847)	202 804 259
Other assets	66 733 607	2 361 740	(6 286 611)	-	(3 093 762)	-	59 714 974
	2 761 643 625	177 523 215	(8 268 812)	(383 908)	(133 476 099)	(106 847)	2 796 931 174

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.

Capital expenditure increased/(decreased) by R7 843 076 (2020: -R8 440 498) as a result of the decrease in the provision for rehabilitation cost of the landfill sites, refer to note 48 for more detail.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand

	2021	2020
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10.1 Pledged as security

No assets are pledged as security for external borrowings. Refer to note 18.

10.2 Assets subject to finance lease (Net carrying amount)

Machinery and equipment	151 222	204 729
Computer equipment	181 000	316 750
	332 222	521 479

10.3 Assets subject to a service concession arrangement

Reconciliation of Service Concession Assets 2021

	Included in Infrastructure	Total
Opening balance	125 717 569	125 717 569
Additions	2 037 370	2 037 370
Depreciation	(3 803 654)	(3 803 654)
	123 951 285	123 951 285

Reconciliation of Service Concession Assets 2020

	Included in Infrastructure	Total
Opening balance	129 436 281	129 436 281
Additions	105 100	105 100
Depreciation	(3 823 812)	(3 823 812)
	125 717 569	125 717 569

In 2006 the municipality entered into a service concession arrangement with the WCDM for an initial period of 10 years wherein the WCDM operates the municipality's assets to provide bulk water to the municipality to distribute to its consumers. The agreement was subsequently extended until 30 June 2022. The other parties to this arrangement are Bergvriervier municipality and Swartland municipality which also appointed the WCDM as an operator.

The WCDM uses the bulk water services assets to provide water to the local municipalities and private users. In terms of the service level agreement the local municipalities determine a tariff, in consultation with the WCDM, that allows the WCDM to recover the costs the WCDM incurs in the provision of the bulk water services. The local municipalities pay the WCDM an administrative fee of 7% (2020: 8%) of the operational costs of the water function which is included in the tariff above.

The local municipalities recognise the costs recovered by the WCDM through the tariff as expenditure in their respective financial statements by its nature, as bulk purchases for water. The local municipalities also recognise all revenue earned from providing water to consumers, through monthly billing of the consumers, within their respective areas of jurisdiction.

The WCDM provides water services to third parties and bills the third parties directly (farmers in remote areas and some commercial consumers). The provision of the water to these third parties is approved by the local municipalities when the tariff for the year is approved. The water provided to third parties by the WCDM is thus recognised in their records.

Saldanha Bay Municipality

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

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	126 033 094	13 577 245	2 279 045	141 889 384
Additions/capital expenditure	80 483 758	5 180 092	3 232 195	88 896 045
Transferred to completed items	(46 726 650)	(10 567 081)	(850 407)	(58 144 138)
	159 790 202	8 190 256	4 660 833	172 641 291

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	124 041 424	7 225 331	3 499 339	134 766 094
Additions/capital expenditure	83 491 736	9 410 246	219 897	93 121 879
Projects impaired	-	(41 200)	-	(41 200)
Transferred to completed items	(81 500 066)	(3 017 132)	(1 440 191)	(85 957 389)
	126 033 094	13 577 245	2 279 045	141 889 384

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

Langebaan sport ground: Develop new sports grounds The supply chain process was delayed due to lockdown restrictions, the Contractor has been appointed and has been on site since July 2021. It is anticipated that phase 1 of the project will be completed in 2021/22.	1 246 639	1 008 623
Vredenburg: Landfil site extension The construction tender for this project was awarded on 21 December 2017 to Amandla Khubeka Joint Venture. During the appeal period which lapsed on 18 January 2018 an appeal was submitted by Martin and East (Pty) LTD. An external legal opinion was obtained and indicated that the appeal must be upheld. The tender was then awarded to Martin and East. Amandla Khubeka then obtained a court order to stop the project which resulted in an 18-month long litigation process. Secondly the water table was higher than anticipated which resulted in a design change and resulted in further delays. It is anticipated that the project will be finalised in 2021/22.	57 656 831	37 909 054
Middelpos: Stormwater infrastructure A delay was experienced while the municipality awaited the environmental approval. In addition to this, when the topographic survey was done, it was found that the site changed significantly over a period as a result of informal settlement structures erected on the site. Project plans had to be adjusted to accommodate the informal settlement structures. It is anticipated that the project will be finalised in 2021/22.	407 552	348 787
	59 311 022	39 266 464

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Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Refurbish Shelley Point desalination plant Expenditure relates to the planning phase of the project and environmental studies done. The funding for the project has not been secured in full to continue with the project.	765 650	765 650
Danger Bay Desalination Project Expenditure was incurred by WCDM on the Danger Bay Desalination projects planning phase. The planning included the environmental impact assessments and obtaining a successful environmental authorization for the project and preliminary planning and design of the infrastructure. The environmental authorization was transferred to the municipality and the validity was extended to 13 August 2023. The funding for the project has not been secured in full to continue with the project.	19 136 797	19 136 797
Investigate and design sewerage works: Brittanias Bay The project is still in the design phase. Construction will commence once the design phase has been completed. Therefore, the completion date cannot be accurately determined.	3 200 678	3 319 880
New Mun Offices on Urban revitalisation Site The funding for the project has not been secured in full to continue with the project.	504 838	504 838
Investigate and design sewerage works: Jacobs Bay The project is still in planning and design phase, which means the completion date cannot be accurately determined until the detailed design phase is completed in order for the tendering process to commence.	1 095 726	1 095 726
	24 703 689	24 822 891
10.5 Expenditure incurred to repair and maintain property, plant and equipment		
Contracted services	39 889 320	41 095 125
General expenses	8 907 156	9 164 847
Workshop costs	7 085 431	6 218 785
	55 881 907	56 478 757

10.6 Other information

Provision has been made for the estimated cost of rehabilitating landfill sites, included in infrastructure, as disclosed in note 21. Infrastructure assets were assessed during the year to determine whether there are any indicators of impairment. Refer to note 38.

All moveable assets were reviewed for changes in useful life and conditions. This resulted in changes of accounting estimates which was applied prospectively. Refer to note 48.

All completed projects were unbundled in line with the CIDMS asset hierarchy.

Saldanha Bay Municipality

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11. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	16 461 060	(9 854 283)	6 606 777	17 060 747	(8 650 663)	8 410 084

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	8 410 084	2 871 935	(57 501)	(4 617 741)	6 606 777

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	10 178 755	2 336 466	(1 261)	(4 103 876)	8 410 084

Expenditure incurred to repair and maintain intangible assets

Contracted services	857 772	1 890 627
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The estimated remaining useful life is reviewed at each reporting period. The intangible assets have not been pledged as security.

Saldanha Bay Municipality

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12. Investment property

	2021			2020		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18 431 650	-	18 431 650	17 360 000	-	17 360 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	17 360 000	1 071 650	18 431 650

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	15 720 000	1 640 000	17 360 000

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.

Details of valuation

The effective date of the revaluations was Wednesday, 30 June 2021. Revaluations were performed by HCB Valuations and Services (Pty) Ltd. Mr HC Botha was the valuer at HCB Valuations and Services (Pty) Ltd to perform the valuations. Mr Botha is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 5601, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

No investment property has been pledged as security.

No expenditure was incurred to repair and maintain investment property.

Saldanha Bay Municipality

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13. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	12 000	-	12 000	12 000	-	12 000
Historical monuments	1 062 302	-	1 062 302	1 062 302	-	1 062 302
Historical buildings	2 223 958	-	2 223 958	2 223 958	-	2 223 958
Total	3 298 260	-	3 298 260	3 298 260	-	3 298 260

Reconciliation of heritage assets 2021

	Opening balance	Total
Art collections, antiquities and exhibits	12 000	12 000
Historical monuments	1 062 302	1 062 302
Historical buildings	2 223 958	2 223 958
	3 298 260	3 298 260

Reconciliation of heritage assets 2020

	Opening balance	Total
Art collections, antiquities and exhibits	12 000	12 000
Historical monuments	1 062 302	1 062 302
Historical buildings	2 223 958	2 223 958
	3 298 260	3 298 260

No heritage assets has been pledged as security.

No expenditure was incurred to repair and maintain heritage assets.

14. Payables from exchange transactions

Trade payables	72 588 053	101 042 530
Payments received in advance	14 133 610	11 706 555
Contract revenue received in advance	11 236 791	856 225
Retentions	7 380 626	7 737 089
Other payables	528 887	188 050
Unallocated deposits	3 169 045	3 238 311
	109 037 012	124 768 760

15. Consumer deposits

Electricity	15 010 329	14 072 992
Water	9 686 661	8 966 149
Refuse	2 956 194	2 386 650
Regional services levies	199 739	226 254
	27 852 923	25 652 045
Guarantees held in lieu of electricity and water deposits	4 247 252	4 300 252

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
16. VAT payable		
VAT payable	12 165 419	15 592 247
<p>VAT is payable on the payment basis. VAT is paid over to SARS on a net basis only when actual payments are received by the municipality and when actual payments are made to suppliers. The balance above is inclusive of accruals and provisions, where relevant.</p>		
17. Unspent government grants & subsidies		
Unspent government grants & subsidies comprises of:		
Unspent government grants & subsidies		
Human Settlement Development Grant (HSDG)	30 345 648	34 678 325
Regional Social Economic Projects Grant (RSEP)	3 078 647	5 712 170
Financial Management Capacity Building Grant (FMCBG)	446 740	532 474
Sports and Recreational Facilities Grant (SRFG)	605 842	253 710
Community Development Workers Grant (CDW)	91 547	149 643
Whole Society Approach Grant (WOSA)	530 693	877 235
Local Government Support Grant (LGSG)	707 007	679 589
Transnet Grant	1 573 452	1 573 452
Unspent public contributions and donations	79 000	-
	37 458 576	44 456 598
Unspent government grants & subsidies		
Provincial government	35 806 124	42 883 146
Public entities	1 573 452	1 573 452
Private entities	79 000	-
	37 458 576	44 456 598
Movement during the year		
Balance at the beginning of the year	44 456 598	32 527 734
Received during the year	147 530 537	150 723 488
Interest for the year	736 824	218 664
Income recognition during the year	(154 749 847)	(138 586 342)
Other conditions met during the year	(375 536)	(73 503)
Grants repaid	(140 000)	(353 443)
	37 458 576	44 456 598
Expenditure per vote		
Community and Operational Services	3 123 710	-
Corporate and Public Safety Services	9 468 202	8 471 130
Economic Development and Strategic Services	4 527 113	1 441 993
Financial Services	899 672	2 287 734
Infrastructure and Planning Services	27 652 374	45 251 267
Municipal Manager	148 543	161 490
	45 819 614	57 613 614

These amounts are invested in a ring-fenced investment until utilised. See note 51.

For the purposes of section 123 of the Municipal Finance Management Act 56 of 2003, the unspent grants relating to Human Settlements Development Grant should be increased by R 11 236 791 (2020: R 856 225). In terms of GRAP 11 any unspent portion received for the construction should be recognised as revenue received in advance and not as an unspent conditional grant. Refer to note 14 and appendix D for more details.

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
18. Borrowings		
At amortised cost		
DBSA	110 006 970	116 986 075
DBSA - WCDM	2 700 000	4 500 000
ABSA - WCDM	-	3 374 245
	112 706 970	124 860 320
Non-current liabilities	103 177 766	112 706 972
Current liabilities	9 529 204	12 153 348
	112 706 970	124 860 320
Balance at the beginning of year	124 860 320	143 622 024
Loans redeemed	(12 153 350)	(18 761 704)
	112 706 970	124 860 320

Long-term liabilities have been utilised in accordance with the MFMA.

The balance of the borrowings assumed by the municipality as part of the service concession arrangement with the WCDM is R2 700 000 (2020: R7 874 245) which are included above. The WCDM entered into loan agreements with financial institutions in the past to construct and/or upgrade some of the service concession assets. The municipality is responsible for servicing the loans.

Pledged as security

No assets were pledged as security for external borrowings.

Long term borrowings are repaid over periods varying from 10 to 15 years (2020: 10 to 15 years) and at interest rates varying from 6.75% to 13.38% (2020: 6.75% to 13.38%) per annum.

The amortised cost of the long-term liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions. Refer to appendix A for more information.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
19. Finance lease obligation		
Minimum lease payments due		
- within one year	175 782	303 324
- in second to fifth year inclusive	-	175 781
	<u>175 782</u>	<u>479 105</u>
less: future finance charges	(9 361)	(41 624)
Present value of minimum lease payments	<u>166 421</u>	<u>437 481</u>
Present value of minimum lease payments due		
- within one year	166 421	271 061
- in second to fifth year inclusive	-	166 420
	<u>166 421</u>	<u>437 481</u>
Non-current liabilities	-	166 420
Current liabilities	166 421	271 061
	<u>166 421</u>	<u>437 481</u>

The term period pertaining to these leases are between two and three years. Interest rates are linked to the prime interest rate at the contract date. The lease has fixed repayments and no arrangement has been entered into for contingent rent. The municipality's obligation under the finance lease is secured by the lessor's charge over the leased asset.

20. Employee benefit obligations

Total employee benefit obligation liability

Carrying value		
Post-retirement healthcare benefit	111 616 999	97 452 002
Long service awards	20 075 007	18 914 001
Staff bonuses	10 895 710	10 712 975
Staff leave	25 479 091	23 868 690
	<u>168 066 807</u>	<u>150 947 668</u>
Non-current liabilities	124 832 001	109 895 000
Current liabilities	43 234 806	41 052 668
	<u>168 066 807</u>	<u>150 947 668</u>

The actuarial valuation was performed, as at 30 June 2021, by Chanan Weiss from ARCH Actuarial Consulting CC (Registration 1998/023194/23). ARCH Actuarial Consulting CC is not connected to the municipality.

Saldanha Bay Municipality

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Figures in Rand	2021	2020
Reconciliation of employee benefit obligations		
20.1 Post-retirement healthcare benefit		
Defined benefit plan		
Present value of unfunded defined benefit obligation	111 616 999	97 452 002
Non-current liabilities	106 801 903	92 848 002
Current liabilities	4 815 096	4 604 000
	111 616 999	97 452 002
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	97 452 002	103 872 574
Benefits paid	(4 634 670)	(4 162 494)
Net expense recognised in the statement of financial performance	18 799 667	(2 258 078)
	111 616 999	97 452 002
Net expense recognised in the statement of financial performance		
Current service cost	3 513 000	4 005 393
Interest cost	9 873 000	9 596 615
Actuarial (gains) losses	5 413 667	(15 860 086)
	18 799 667	(2 258 078)

The post-retirement healthcare benefit is a defined benefit plan and consists of the fixed contribution percentage that is paid to various medical aid plans by the municipality consisting of LA Health, Key Health, Bonitas, Fed Health, Samwumed and Hosmed.

The employees of the municipality and their dependants are currently entitled to a subsidy of 70% of the medical scheme contributions after they retire or in the case of death. This percentage is reduced if an employee did not complete a required service period before retirement. Widow(er)s and orphans of in-service members are entitled to a subsidy of 60% of the contribution payable. Upon a member's death-in retirement, the surviving dependants will continue to receive the same benefits.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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Key assumptions used for the post-retirement healthcare benefit

Key financial assumptions

Discount rates	10.08 %	10.37 %
CPI	4.11 %	4.71 %
Health care cost inflation rate	6.86 %	6.43 %
Net effective discount	3.12 %	3.70 %

Key demographic assumptions

Average retirement age	62	62
Continuation of membership at retirement	75%	75%
Proportion assumed married at retirement	60%	60%
Proportion of eligible current non-member employees joining the scheme by retirement	15%	15%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010

Withdrawals

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	-%	-%
55+	-%	-%

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.08% (2020: 10.37%) per annum has been used. The corresponding index-linked yield at this term is 4.11% (2020: 4.71%). These rates were reduced from the yield curve obtained from the Johannesburg Stock Exchange of South Africa after the market close on the reporting date.

Family profile

It has been assumed that female spouses will be five years younger than their male counterparts. Further, it was assumed that 60% of eligible employees on a healthcare arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Medical scheme option

It has been assumed that in-service members and continuation members will remain on the same medical scheme and option. In-service non-members were assumed to join Samwumed Option B, should they join a scheme by retirement and continue to receive the post-employment subsidy.

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

Sensitivity analysis on the accrued liability (R millions) for the financial year ended 30 June 2021

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		51.088	60.529	111.617	
Healthcare inflation	+1%	61.973	66.732	128.705	15%
	-1%	42.525	55.189	97.714	-12%
Discount rate	+1%	42.824	55.383	98.207	-12%
	-1%	61.714	66.589	128.303	15%
Post-retirement mortality	-1 yr	52.456	62.497	114.953	3%
Average retirement age	-1 yr	55.456	60.529	116.238	4%
Continuation of membership at retirement	-10%	40.101	60.529	100.630	-10%

Sensitivity analysis on current-service and interest costs (R millions) for financial year ended 30 June 2021

Assumption	Change	Service cost	Interest cost	Total	% change
Central assumptions		3.513	9.873	13.386	
Healthcare inflation	+1%	4.425	11.347	15.672	17%
	-1%	2.884	8.666	11.550	-14%
Discount rate	+1%	2.933	9.555	12.488	-7%
	-1%	4.262	10.214	14.476	8%
Post-retirement mortality	-1 yr	3.603	10.158	13.761	3%
Average retirement age	-1 yr	3.659	10.285	13.944	4%
Continuation of membership at retirement	-10%	2.739	8.930	11.669	-13%

Present value of the obligation for the current and for the previous four periods

	2021	2020	2019	2018	2017
Healthcare benefit obligation	111 616 999	97 452 002	103 872 575	97 797 000	93 356 783

History of experience adjustments arising on the planned - Gains and Losses

	2021	2020	2019	2018	2017
Actuarial: (Gain) / Loss	5 413 667	(15 860 086)	(186 000)	1 720 000	6 202 000

Employer's best estimate of contributions expected to be paid in respect of the healthcare benefit obligation

	2023	2022
Estimated contribution	- (5 011 000)	(4 815 000)

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
20.2 Long-service awards		
Other long-term employee benefit obligation		
Present value of unfunded defined benefit obligation	20 075 007	18 914 001
Present value of the unfunded accrued liability		
Non-current liabilities	18 030 098	17 046 998
Current liabilities	2 044 909	1 867 003
	20 075 007	18 914 001
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	18 914 001	18 692 267
Benefits paid	(1 899 595)	(2 307 383)
Net expense recognised in the statement of financial performance	3 060 601	2 529 117
	20 075 007	18 914 001
Net expense recognised in the statement of financial performance		
Current service cost	1 634 006	1 650 068
Finance cost	1 384 000	1 450 706
Actuarial (gains) losses	42 595	(571 657)
	3 060 601	2 529 117

The long-service award is payable after 10 years and thereafter every five years of continuous service. The long service award provision is an estimate of the liability based on the current staff turnover. All permanent employees are entitled to a specified number of days additional leave plus additional remuneration based on their completed years of service. The employee may convert the additional leave into a cash amount. At the end of 30 June 2021 the total number of eligible employees was 952 (2020: 989).

Key assumptions used for the long-service awards

Key financial assumptions

Discount rates	9.44%	7.69%
CPI	4.84%	3.18%
Normal salary inflation rate	CPI plus 1%	CPI plus 1%
Normal salary increase rate	2.00%	6.25%
Net effective discount rate	3.40%	3.37%

Key demographic assumptions

Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA(90)	PA(90)

Saldanha Bay Municipality

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Figures in Rand

2021

2020

Withdrawals

The assumed rates of withdrawal from service are set out below:

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	-%	-%

Normal salary inflation rate

The assumed rate of salary inflation was set as the expected future CPI plus 1%. In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age	Promotional increase
20-24	5%
25-29	4%
30-34	3%
35-39	2%
40-44	1%
44+	-%

LSA arrangement

It was assumed that the employer's LSA arrangements would remain and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.44% (2020: 7.69%) per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long-service awards, for each employee. The 9.44% (2020: 7.69%) is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.91% (2020: 3.89%). These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on the reporting date.

The liability-weighted average term of the total liability is 7.56 years.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

Sensitivity analysis on the accrued liability (R millions) for the financial year ended 30 June 2021

Assumption	Change	Liability	% change
Central assumptions		20.075	
General salary inflation	+1%	21.450	7%
	-1%	18.834	-6%
Discount rate	+1%	18.799	-6%
	-1%	21.513	7%
Average retirement age	-2 yrs	17.549	-13%
	2 yrs	22.535	12%
Withdrawal rates	-50%	22.971	14%

Sensitivity analysis on current-service and interest costs (R millions) for the financial year ended 30 June 2021

Assumption	Change	Service cost	Interest Cost	Total	% change
Central assumptions		1.634	1.384	3.018	
General salary inflation	+1%	1.782	1.488	3.270	8%
	-1%	1.507	1.291	2.798	-7%
Discount rate	+1%	1.517	1.456	2.973	-1%
	-1%	1.771	1.299	3.070	2%
Average retirement age	2 yrs	1.806	1.557	3.363	11%
	-2 yrs	1.462	1.206	2.668	-12%
Continuation of membership at retirement	-50%	1.992	1.603	3.595	19%

Present value of the obligation for the current and for the previous four periods

	2021	2020	2019	2018	2017
LSA obligation	20 075 007	18 914 001	18 692 267	16 269 300	14 943 270

History of experience adjustments arising on the planned - Gains and Losses

	2021	2020	2019	2018	2017
Actuarial: (Gain) / Loss	42 595	(571 657)	948 544	945 390	(206 928)

Employer's best estimate of contributions expected to be paid in respect of the long-service awards

	2023	2022
Estimated contribution	(2 577 000)	(2 045 000)

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
20.3 Staff bonuses		
Staff bonuses	10 895 710	10 712 975
Bonuses reconciliation		
Opening balance	10 712 975	9 738 716
Benefits paid	(18 431 633)	(16 837 561)
Net expense recognised in the statement of financial performance	18 614 368	17 811 820
	10 895 710	10 712 975

Staff bonuses comprises of a thirteenth salary payment, annually payable in November or December.

20.4 Staff leave

Staff Leave	25 479 091	23 868 690
Staff leave reconciliation		
Opening balance	23 868 690	17 228 776
Benefits paid	(1 677 469)	(1 018 769)
Net expense recognised in the statement of financial performance	3 287 870	7 658 683
	25 479 091	23 868 690

20.5 Multi-employer plans

Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation for the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions. The total expense recognised in the Statement of Financial Performance of R40 386 849 (2020: R37 821 387) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder. The amounts included are the latest available actuarial valuations for the fund.

LA Retirement Fund:

The LA Retirement Fund operates both as a defined benefit and defined contribution scheme.

Defined benefit scheme

The contribution rate of the defined benefit scheme is 27%; 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2020 disclosed an actuarial valuation amounting to R1 420 856 000 (30 June 2019: R1 655 893 000), with a net accumulated surplus of R22 251 000 (2019: R11 167 000), with a funding level of 101.6% (30 June 2019: 100.7%).

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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Defined contribution scheme

The actuarial valuation report at 30 June 2020 indicated that the defined contribution scheme of the fund is in a sound financial position, with net assets amounting to R1 891 631 000 (30 June 2019: R1 960 090 000), net investment reserve of Rnil (30 June 2019: Rnil) and with a funding level of 100% (2019: 100%).

The municipality has 6 employees (2020: 6 employees) that are members on this fund.

Consolidated Retirement Fund (Previously Cape Joint Retirement Fund):

The most recent statutory valuation performed as at 30 June 2020 revealed that the assets of the fund amounted to R28 424 000 000 (30 June 2019: R26 128 000 000), with funding levels of 132.2% and 100.5% (30 June 2019: 124.9% and 100.3%) for the Pensions Account and the Share Account respectively. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

The municipality has 792 employees (2020: 816 employees) and 14 Councillors (2020: 15 Councillors) that are members of this fund.

Municipal Workers Retirement Fund:

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 stated that the assets of the fund amounted to R7 720 948 000 (30 June 2014: R6 574 750 000), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the Risk Benefits Reserve and the data and processing error reserve, and an Investment Smoothing Reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

The municipality has 159 employees (2020: 173 employees) that are members of this fund.

The Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 stated that the net assets of the fund amounted to R1 798 030 000 (30 June 2017: R1 480 549 000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended Contingency Reserves in full.

The municipality has 1 councillor (2020 : 1 councillor) that is a member of this fund.

Saldanha Bay Municipality

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Figures in Rand

2021

2020

South African Local Authorities Pension Fund:

The pension fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2018 stated that the net assets of the fund amounted to R14 298 600 (30 June 2015: R13 231 200), with funding levels of 96.0% (30 June 2015: 100%). The actuary recommended that employers continue to contribute at the current rate of 19.18% of pensionable salary.

It is the actuary's opinion that:

- they are satisfied with the investment strategy of the fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund;
- the matching of assets with the liabilities of the fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

National Fund for Municipal Workers:

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their pensionable salary.

The most recent statutory valuation performed as at 30 June 2019 stated that the net assets of the fund amounted to R17 107 067 000 (30 June 2018 : R15 393 671 000), with funding levels of 100.40% (30 June 2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

The municipality has no members in this fund.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
21. Provisions		
Environmental rehabilitation	76 004 637	70 359 793
Non-current liabilities	65 969 740	67 252 464
Current liabilities	10 034 897	3 107 329
	76 004 637	70 359 793

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Increase due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	70 359 793	3 223 809	(5 005 056)	7 426 091	76 004 637

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	99 582 378	5 041 472	(4 399 590)	(29 864 467)	70 359 793

There are five sites under consideration, being the Vredenburg landfill, Langebaan landfill, Saldanha (Kalkrug) landfill and two landfill sites in Hopefield. A reconciliation of the environmental rehabilitation provision for these sites is provided below.

	Actual/estimated rehabilitation start date		
Langebaan	1 March 2017	2 993 822	5 437 976
Vredenburg	1 July 2030	60 195 781	52 865 295
Hopefield (1)	1 July 2023	1 782 457	1 890 681
Hopefield (2)	1 July 2023	1 839 040	2 001 162
Kalkrug	1 July 2021	9 193 537	8 164 679
		76 004 637	70 359 793

The estimation of the liability to rehabilitate the landfill sites was performed by Delta Built Environment Consultants (Pty) Ltd. The firm is registered with the Council of Engineers. Delta Built Environment Consultants (Pty) Ltd is not connected to the municipality.

An appropriate discount rate was used to determine the present value of the future environmental rehabilitation liability.

The funds to rehabilitate these landfill sites are included in the short-term investments. The funds are ring-fenced to ensure that this liability is cash-backed. Refer to note 51.

Saldanha Bay Municipality

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Figures in Rand	2021	2020
22. Service charges		
Sale of electricity	357 159 691	342 160 348
Sale of water	181 820 841	193 962 710
Refuse removal	99 182 611	94 262 677
Sewerage	90 946 100	80 109 297
Revenue forgone	(60 818 901)	(54 328 432)
	668 290 342	656 166 600
23. Construction contracts		
Construction contracts	307 234	7 676 675
<p>The municipality participates as a non-accredited municipality in the National Housing Programme. In the arrangement the municipality is appointed to construct low cost houses for the beneficiaries of the National Housing Programme.</p>		
24. Rental of facilities and equipment		
Facilities and equipment		
Rental of property, plant and equipment	10 974 480	13 275 816
Rental of investment property	1 739	3 478
Revenue forgone	(1 449 444)	(1 165 891)
	9 526 775	12 113 403
25. Interest earned - external investments		
Interest revenue		
Investments	25 903 293	42 617 627
Bank	3 427 309	5 299 125
	29 330 602	47 916 752
26. Interest earned - outstanding receivables		
Electricity	601 045	502 149
Refuse removal	2 043 828	2 530 946
Sewerage	1 720 926	2 128 591
Water	3 594 320	4 636 884
Other	468 538	753 169
	8 428 657	10 551 739
<p>The municipality levies interest on rates outstanding after the due date for payment at prime +1% per annum (2020: prime +1% per annum).</p>		
27. Agency services		
Commission: Vehicle licences	8 571 731	6 417 146
<p>The municipality acts as an agent for the Department of Transport and Public Work and manages the issuing of vehicle licenses for a commission.</p>		
28. Licences and permits		
Licences and permits	1 211 792	988 278

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The municipality earns revenue from applications for driver's and learner's licences and from issuing of public driving permits, driver's and learner's licences.

29. Other revenue

Administrative fees	91 741	77 956
Building plan fees	5 003 254	3 382 413
Bursary repayment	197 852	136 825
Cemetery and burial	851 047	709 293
Clearance certificates	516 478	309 465
Encroachment fees	497 321	397 595
Insurance claims	3 949 144	1 407 460
Town planning	1 202	415 217
Legal fees	285 208	123 048
Photocopies and faxes	78 009	95 313
Cleaning and removal	83 208	76 216
Tender document	79 880	44 657
Development charges	14 949 889	9 730 136
Request for information	18 718	9 427
Staff recoveries	81 416	128 992
Inspection fees	220 074	220 879
Transaction handling fees	383 820	363 609
Sundry revenue	1 001 094	627 467
	28 289 355	18 255 968

30. Property rates

Property rates	262 982 964	246 368 708
Revenue forgone	(18 794 569)	(16 688 696)
	244 188 395	229 680 012

Valuations

Residential	27 593 606 710	27 332 283 460
Business/Commercial	5 217 356 700	5 111 559 200
State	1 534 202 500	1 562 546 500
Municipal	876 535 830	872 723 830
Agriculture	1 526 952 080	1 488 381 580
Other	631 114 011	343 922 811
	37 379 767 831	36 711 417 381

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A residential rate of 0.6299 cents in the Rand (2020: 0.6028 cents in the Rand) was used to determine assessment rates on categories based on the following ratios:

Residential property	1:1
Residential business	1:1.4
Private open spaces	1:1
Residential nature reserve	1:0.3
Public service infrastructure property	1:0.0
Public benefit organisation property	1:0.25
Agricultural property	1:0.10

Rates are levied on an annual or monthly basis.

Saldanha Bay Municipality

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Figures in Rand

	2021	2020
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31. Interest earned - outstanding property rates

Property rates	3 385 609	3 302 772
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The municipality levies interest on rates outstanding after the due date for payment at prime +1% per annum (2020: prime + 1% per annum).

32. Government grants and subsidies

Operating grants

Equitable share	109 612 999	88 277 000
Expanded Public Works Programme Intergrated Grant (EPWP)	2 870 000	2 502 000
Financial Management Grant (FMG)	1 550 000	1 549 999
Municipal Infrastructure Grant (MIG)	965 550	970 750
Maintenance of Road Infrastructure Grant (MRIG)	135 000	118 000
SETA - Skills Development Subsidy	611 990	617 555
Library Services Grant (LSG)	7 757 000	7 388 000
Financial Management Support Grant (FMSG)	-	746 154
Human Settlement Development Grant (HSDG)	517 250	258 921
Whole of Society Approach Grant (WOSA)	367 214	466 204
Local Government Support Grant (LGSG)	4 611	25 023
Municipal Disaster Relief Grant (MDRG)	-	417 000
West Coast District Municipality Support Grant (WCDMSG)	-	143 150
Community Development Workers Grant (CDW)	134 720	-
Financial Management Capacity Building Grant (FMCBG)	252 474	167 338
Other	-	500 000
	124 778 808	104 147 094

Capital grants

Municipal Infrastructure Grant (MIG)	18 108 450	28 466 253
Human Settlement Development Grant (HSDG)	4 243 356	2 546 711
Intergrated National Electrification Programme Grant (INEPG)	3 000 000	1 000 000
Library Services Grant (LSG)	-	100 000
Regional Social Economic Projects Grant (RSEP)	3 633 523	287 831
Disaster and Emergency Services Grant (DESG)	-	1 538 453
Development of Sport and Facilities Grant (SARG)	253 710	-
Fire Service and Capacity Building Grant (FSCBG)	732 000	-
Afrisam	-	500 000
	29 971 039	34 439 248
	154 749 847	138 586 342

Included in above are the following grants and subsidies received:

Conditional grants received	45 136 848	50 309 342
Unconditional grants received	109 612 999	88 277 000
	154 749 847	138 586 342

Equitable Share

In order to qualify for a 100% indigent subsidy, the qualifying income for a household must be R5 000 or less per month. The income limits for seasonal workers will be calculated over a period of one year.

The second category is based on an income of R6 200 per month, such households will receive an indigent subsidy of 70% of the above-mentioned category.

All indigent subsidies are funded from the equitable share.

Saldanha Bay Municipality

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33. Fines		
Traffic Fines	14 452 550	20 813 947
Court Traffic Fines	283 170	327 120
Pound Fees Fines	48 370	43 970
Library books	18 391	30 838
	14 802 481	21 215 875

Key assumptions made with the recognition of revenue on traffic fines:

Revenue from traffic fines is recognised on a net basis after adjusting the fines issued for the probability of the traffic fines being withdrawn, reduced, written off (struck off) or the offender being given a rebate when settling the traffic fine. Based on historical information, 34.59% (2020: 24.28%) of all fines issued will be withdrawn, reduced or the offender will be given a rebate when settling the traffic fine.

34. Other revenue

Donated assets	23 336 748	12 271 366
Forfeits	364 724	4 272 254
Donated materials and supplies	-	972 991
	23 701 472	17 516 611

Services in-kind

The municipality received services in-kind under voluntary or non-voluntary schemes which included free training, workshops and technical assistance from government departments and entities. These services in-kind have not been recognised as they were assessed not to be significant to the municipality's operations and/or basic service delivery objectives.

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Figures in Rand	2021	2020
35. Employee related costs		
Municipal Manager and Directors	10 338 848	9 138 699
Other employees	401 918 847	370 976 373
	412 257 695	380 115 072

Refer to note 59 for the disclosure of remuneration of Municipal Manager and Directors.

Other employees

Acting allowances	2 125 500	1 321 168
Bargaining council levy	115 768	111 000
Basic salaries	246 079 659	221 805 014
Bonuses	18 614 371	17 811 825
Defined contribution plans	39 350 018	36 932 902
Employers contributions: Group life insurance	3 075 687	2 045 199
Employers contributions: Health care	13 744 267	12 828 597
Employers contributions: UIF	1 971 456	1 825 071
Employers contributions: WCA	2 354 780	1 467 926
Expense: Post retirements healthcare benefits	3 512 999	4 005 395
Housing allowance	2 210 319	2 006 144
Long-service awards	1 633 999	1 650 071
Municipal staff: Leave gratuity	3 157 105	7 376 239
Other allowances	349 933	411 980
Overtime payments	29 706 088	26 228 259
Scarcity allowance municipal staff	626 837	524 747
Standby allowance municipal staff	10 523 507	11 024 497
Telephone allowance	1 710 237	1 564 029
Travelling allowance	21 056 317	20 036 310
	401 918 847	370 976 373

36. Remuneration of Councillors

Remuneration of councillors	12 306 783	12 352 004
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Refer to note 59 for the disclosure of remuneration of Councillors.

37. Depreciation and amortisation

Property, plant and equipment	142 038 242	133 476 099
Intangible assets	4 617 741	4 103 876
	146 655 983	137 579 975

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
38. Impairment of assets		
Impairments		
Property, plant and equipment The municipality had some of its infrastructure projects halted or terminated while in the process of being constructed or developed due to performance of service providers. The municipality also had some of its assets damaged during service delivery protests and vandalism.	10 003 195	106 847
Receivables from exchange transactions Receivables from exchange transactions with a payment ratio more than 90% are not considered to be impaired. The municipality impairs the non-payment portion of all debtors whose payment ratios is below 90%.	5 086 303	2 095 871
Receivables from non-exchange transactions Rates receivables with a payment ratio more than 90% are not considered to be impaired. The municipality impairs the non-payment portion of all debtors whose payment ratios is below 90%. Traffic fine receivables are impaired based on a three-year average payment ratio of all fines.	(2 753 298)	5 974 476
	12 336 200	8 177 194
39. Finance costs		
Employee benefit obligation	11 257 001	11 047 319
Finance leases	32 263	58 503
Borrowings	12 469 805	14 407 321
Provision for the rehabilitation of landfill site	3 223 808	5 041 473
Trade and other payables	1 192	2 098
Unspent conditional grants	736 823	218 665
	27 720 892	30 775 379
40. Bad debts written-off		
Trade and other receivables from exchange transactions	5 671 405	27 248 636
Trade and other receivables from non-exchange transactions	12 074 195	17 556 302
	17 745 600	44 804 938
41. Bulk purchases		
Electricity - Eskom	279 327 481	261 053 306
Water	47 485 503	41 774 005
	326 812 984	302 827 311
42. Contracted services		
Outsourced Services		
Security services	917 185	9 493 092
Traffic fines management	1 172 437	1 147 535
Project management	2 723 264	3 026 346
Hygiene services	2 101 389	1 740 190
Professional staff	44 550	3 067 149
Transport services	2 656 331	2 771 939
Other outsourced services	4 412 210	4 236 598

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Figures in Rand	2021	2020
Consultants and Professional Services		
Business and advisory	7 460 077	7 470 465
Legal cost	1 837 161	1 240 273
Infrastructure and planning	1 872 817	8 577 359
Other consultants and professional services	812 292	803 019
Contractors		
Building	307 234	6 386 325
Catering services	227 042	240 253
Haulage	3 943 670	4 349 939
Maintenance of buildings and facilities	1 934 812	2 525 968
Maintenance of equipment	1 530 147	1 483 218
Maintenance of unspecified assets	28 907 595	29 715 644
Other contractors	2 150 087	2 141 218
	65 010 300	90 416 530

The municipality incurred contract expenses of R 307 234 (2020: R 6 386 325) for Contractors and R0 (2020: R 615 170) for Consultants on contracts with the Western Cape Department of Human Settlements for the construction of low cost houses where the municipality has been appointed as a Project Developer.

43. Transfers and subsidies to third parties

Other subsidies

Bursaries to non-employees	556 991	527 561
Saldanha Bay Tourism Organisation	1 732 384	2 340 948
Humanitarian relief	-	1 703 595
Other	763 543	526 350
	3 052 918	5 098 454

The municipality provides grant funding to the Saldanha Bay Tourism Organisation to support tourism within the municipal boundaries.

44. General expenses

Advertising	1 795 408	1 407 481
Auditors remuneration	4 387 733	4 682 900
Bank charges	3 656 007	3 575 105
Bursaries	760 815	697 349
Commission paid	3 647 325	3 548 247
Conferences and seminars	13 177	219 468
Entertainment	1 600	-
Electricity	4 319 824	4 545 721
Fuel and oil	16 346 687	15 322 250
Insurance	5 736 668	3 546 101
License fees - computers	4 093 510	3 867 364
License fees - vehicles	1 394 041	1 749 383
Membership fees	4 171 180	3 806 861
Postage and courier	1 204 544	875 573
Remuneration of ward committees	633 000	693 250
SDL	2 928 242	2 614 891
Stocks and material	15 278 412	16 464 027
Telephone and fax	4 673 568	4 271 305
Travel and subsistence	93 515	1 058 280
Uniforms	3 050 438	3 336 831
Operating leases	6 411 404	5 518 053
Other expenses	275 490	473 884
	84 872 588	82 274 324

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Figures in Rand	2021	2020
45. Fair value adjustments		
Investment property carried at fair value	1 071 650	1 640 000
46. Cash generated from operations		
Surplus	78 577 402	106 209 612
Adjustments for:		
Depreciation and amortisation	146 655 983	137 579 975
Loss on disposal of assets and liabilities	3 298 813	7 994 658
Fair value adjustments	(1 071 650)	(1 640 000)
Finance costs	15 217 632	16 307 457
Impairment of assets	12 336 200	8 177 194
Bad debts written-off	17 745 600	44 804 938
Movements in employee benefit obligation	405 876	6 799 756
Donated assets	(23 336 748)	(12 271 366)
Development charges	(7 675 535)	(5 110 120)
Interest earned	(1 661 677)	6 276 079
Actuarial losses / (gains)	5 456 262	(16 431 746)
Gain on reversal of provision	(416 985)	(21 257 404)
Inventories written-off	184 624	1 048 089
Changes in working capital:		
Inventories	(1 127 208)	(510 983)
Receivables from exchange transactions	(7 204 378)	(37 996 012)
Other receivables from non-exchange transactions	(12 597 409)	(26 556 107)
Prepayments	(160 552)	(84 560)
Payables from exchange transactions	(353 242)	10 748 552
VAT	(3 426 828)	2 549 479
Unspent government grants & subsidies	(7 734 841)	11 740 531
Consumer deposits	2 200 878	2 385 288
Provisions	(5 005 055)	(4 545 109)
Operating lease assets and liabilities	484	(44 041)
	210 307 646	236 174 160

Saldanha Bay Municipality

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Figures in Rand	2021	2020
47. Financial instruments disclosure		
Categories of financial instruments		
2021		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	105 207 025	105 207 025
Investments	559 715 772	559 715 772
Receivables from exchange transactions	122 117 461	122 117 461
	787 040 258	787 040 258
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	(83 666 611)	(83 666 611)
Consumer deposits	(27 852 923)	(27 852 923)
Borrowings	(112 706 970)	(112 706 970)
Unspent conditional grants arising from contractual agreements	(1 652 452)	(1 652 452)
Finance lease obligation	(166 421)	(166 421)
	(226 045 377)	(226 045 377)
2020		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	185 332 917	185 332 917
Investments	478 054 095	478 054 095
Receivables from exchange transactions	125 670 792	125 670 792
	789 057 804	789 057 804
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	(112 205 980)	(112 205 980)
Consumer deposits	(25 652 045)	(25 652 045)
Borrowings	(124 860 320)	(124 860 320)
Unspent conditional grants arising from contractual agreements	(1 573 452)	(1 573 452)
Finance lease obligation	(437 481)	(437 481)
	(264 729 278)	(264 729 278)

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Figures in Rand	2021	2020
Financial instruments in Statement of financial performance		
2021		
	At amortised cost	Total
Interest revenue (calculated using effective interest method) for financial instruments at amortised cost	37 759 259	37 759 259
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12 503 260)	(12 503 260)
	25 255 999	25 255 999
2020		
	At amortised cost	Total
Interest revenue (calculated using effective interest method) for financial instruments at amortised cost	58 468 491	58 468 491
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(14 467 922)	(14 467 922)
	44 000 569	44 000 569

48. Change in estimate

Category and reason for change in accounting estimate

Property, plant and equipment - Remaining useful lives reviewed	3 583 504	1 383 736
Property, plant and equipment - Residual value reviewed	58 197	26 617
Landfill sites - Increase / (decrease) in estimated rehabilitation cost	7 843 076	(8 440 498)
Net impact on property, plant and equipment	11 484 777	(7 030 145)

Category and reason for change in accounting estimate

Traffic fines receivables - Decrease in success ratio	(2 277 935)	(2 915 132)
Net impact on traffic fines receivables	(2 277 935)	(2 915 132)

During the year under review the municipality assessed the conditions of property, plant and equipment. The estimation of rehabilitation cost for the landfill sites, the remaining useful lives of other assets as well as reviewed residual lives resulted in additional depreciation. The change in accounting estimate lead to a net increase/(decrease) on property, plant and equipment to the amount of R11 484 777 (2020: -R7 363 684). Refer to note 10. The estimation of rehabilitation cost for the landfill sites resulted in the provision being increased/(decreased) by R7 426 091 (2020: -R30 198 007) which resulted in an increase/(decrease) of R7 843 076 (2020: -R8 440 498) in assets and the remaining R416 985 (2020: R21 423 970) was allocated directly to surplus and deficit.

Furthermore, the traffic fines being withdrawn and reduced increased from the previous year to 34.59% (2020: 24.28%) thus the estimated average success ratio for traffic fines decreased from 75.72% in 2020 to 65.41% in the current year. The average non-payment ratio of traffic fines decreased from 72.3% in 2020 to 70.4% in the current year.

Saldanha Bay Municipality

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Figures in Rand

2021

2020

49. Prior-year adjustments

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

49.1 Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Current assets					
Receivables from non-exchange transactions	E1	35 011 313	(930 193)	-	34 081 120
Non-current assets					
Property, plant and equipment	E2, E3, E4, E5 & E6	2 797 343 065	(411 891)	-	2 796 931 174
Intangible assets	E7	14 407 544	(5 997 460)	-	8 410 084
Investment property	E2	17 530 000	(170 000)	-	17 360 000
		2 829 280 609	(6 579 351)	-	2 822 701 258
Current liabilities					
Unspent conditional grants and receipts	E8	44 260 371	196 227	-	44 456 598
		44 260 371	196 227	-	44 456 598
Accumulated surplus		3 120 368 762	(7 705 771)	-	3 112 662 991

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2021	2020		
49.2 Statement of financial performance					
2020					
	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Other income	E4	17 907 206	348 762	-	18 255 968
Government grants and subsidies	E8	138 565 418	20 924	-	138 586 342
Total revenue		156 472 624	369 686	-	156 842 310
Expenditure					
Depreciation and amortisation	E4, E5	(136 948 345)	(631 630)	-	(137 579 975)
Impairment of assets	E1	(7 362 195)	(814 999)	-	(8 177 194)
Finance Cost	E6 & E8	(30 581 070)	(194 309)	-	(30 775 379)
Contracted services	E3 & E7	(84 314 695)	(6 101 835)	-	(90 416 530)
Transfers and subsidies	E9	(5 089 512)	(8 942)	-	(5 098 454)
General expenditure	E9	(82 283 266)	8 942	-	(82 274 324)
Total expenditure		(346 579 083)	(7 742 773)	-	(354 321 856)
Gains and losses					
Fair value adjustment	E2	1 660 000	(20 000)	-	1 640 000
Gain on reversal of provision	E6	21 423 970	(166 566)	-	21 257 404
Surplus for the year		113 769 265	(7 559 653)	-	106 209 612

49.3 Cash flow statement

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Taxes and fines	E1	227 527 359	115 193	-	227 642 552
Grants	E8	150 370 048	20 930	-	150 390 978
Suppliers and others	E2, E3, E4, E5, E6 E7 & E8	(468 655 018)	735 704	-	(467 919 314)
		(90 757 611)	871 827	-	(89 885 784)
Cash flow from investing activities					
Purchase of property, plant and equipment	E2, E3, E4, E5 & E6	(144 283 475)	(1 420 827)	-	(145 704 302)
Purchase of other intangible assets	E8	(2 867 210)	549 000	-	(2 318 210)
		(147 150 685)	(871 827)	-	(148 022 512)

Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2021	2020		
49.4 Property, plant and equipment					
2019					
	Note	As previously reported	Correction of error	Re-classification	Restated
Land	E2	511 542 931	140 000	-	511 682 931
Machinery and equipment		26 673 120	-	-	26 673 120
Furniture and office equipment		9 746 797	-	-	9 746 797
Transport assets		55 908 085	-	-	55 908 085
Computer equipment		9 641 994	-	-	9 641 994
Other assets	R1	67 014 660	-	(281 053)	66 733 607
Infrastructure	E6 & R1	1 880 122 764	(145 522)	1 016	1 879 978 258
Community	R1	200 998 796	-	280 037	201 278 833
		2 761 649 147	(5 522)	-	2 761 643 625

2020					
	Note	As previously reported	Correction of error	Re-classification	Restated
Land		514 154 519	-	-	514 154 519
Machinery and equipment		26 612 719	-	-	26 612 719
Furniture and office equipment		8 898 713	-	-	8 898 713
Transport assets		61 388 199	-	-	61 388 199
Computer equipment		9 221 477	-	-	9 221 477
Other assets		59 714 974	-	-	59 714 974
Infrastructure	E3, E4, E5, E6 & R1	1 914 579 765	(406 371)	(37 080)	1 914 136 314
Community	R1	202 767 179	-	37 080	202 804 259
		2 797 337 545	(406 371)	-	2 796 931 174

Errors

The following prior period errors adjustments occurred:

Error 1

Instead of applying the non-payment ratio as at the end of the financial year, the average non-payment ratio was incorrectly applied when calculating the impairment movement.

Error 2

Land was incorrectly classified as Investment property and instead of Property, plant and equipment. The fair value adjustments incorrectly accounted for on the asset has also been corrected.

Error 3

Expenditure incurred on a study performed was incorrectly classified as Property, plant and equipment instead of Contracted services.

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Error 4

A private development donation incorrectly omitted from capitalisation during 2019/20 financial year. The corresponding depreciation has also been corrected.

Error 5

Water meters previously installed was incorrectly not depreciated as a result of commission date.

Error 6

Payments were incorrectly allocated between the landfill site provision and the landfill waste facility on the Langebaan Landfill site project. The corresponding Gain on reversal of provision and Finance charge has also been corrected.

Error 7

Expenditure incurred on research was incorrectly capitalised as Intangible asset instead of expensed.

Error 8

Interest on certain unspent conditional grants was not accrued for as required by the memorandums of agreement.

Error 9

Expenditure relating to Transfers and subsidies was incorrectly mapped to General expenditure.

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Work in progress projects incorrectly classified within Property, plant and equipment between Infrastructure, Community and Other.

50. Utilisation of Long-term liabilities reconciliation

Unspent borrowings at the beginning of the year	2 331 543	4 269 888
Utilised during the year to finance property, plant and equipment	(2 331 543)	(1 938 345)
	<u>-</u>	<u>2 331 543</u>

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. Refer to note 51.

51. Cash-backed reserves and liabilities

Cash and cash equivalents	105 207 025	185 332 917
Investments	559 715 772	478 054 095
Less: Cash-backed reserves and liabilities		
Unspent conditional grants and receipts	(37 458 576)	(44 456 598)
Housing development fund	(3 594 866)	(3 455 763)
Contract revenue received in advance	(11 236 791)	(856 225)
Unspent loans	-	(2 331 543)
Loan repayments due	(9 529 204)	(12 153 348)
Environmental rehabilitation provision	(76 004 637)	(70 359 793)
Employee benefit obligation	(145 743 407)	(126 584 669)
Consumer deposits	(27 852 923)	(25 652 045)
Capital replacement reserve	(258 361 537)	(279 805 135)
	<u>95 140 856</u>	<u>97 731 893</u>

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Figures in Rand	2021	2020
52. Irregular expenditure		
Opening balance as previously reported	-	10 934 172
Prior year adjustments	-	323 692
Opening balance as restated	-	11 257 864
Add: Irregular expenditure - current	417 761	1 244 280
Add: Irregular expenditure - prior period	10 199	-
Less: Amount written-off - current period	(270 061)	(12 502 144)
Closing balance	157 899	-

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

Payments made not following the due SCM process	96 705	-
Section 116(3) of the MFMA was not complied with	331 255	15 004
Section 67(1)(a) of the MSA was not complied with	-	7 16 542
CIDB regulations 25(7A) was not complied with	-	512 735
	427 960	1 244 281

Cases under investigations

Investigations regarding 2 cases (2020: 0) are still in progress, which are all related to non-compliance with procurement process requirements.

Prior year adjustments

In the prior year certain irregular expenditure was disclosed as VAT exclusive. It has now been corrected and is disclosed inclusive of VAT. The opening balance and irregular expenditure - current has been restated with R323 692 and R66 878 respectively.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	-	805 444
Prior year adjustments	-	120 817
Opening balance as restated	-	926 261
Add: Fruitless and wasteful expenditure - current	25 356	30 095
Less: Amount written-off - current period	(2 499)	(17 750)
Less: Amounts recovered	(22 857)	(938 606)
Closing balance	-	-

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

Interest and penalties accrued on late payments	-	252
Incorrect salary payment	7 251	17 498
Cancellation of Tenders	-	12 345
Cost incurred without receiving any services	7 755	-
Incorrect invoicing by supplier	10 350	-
	25 356	30 095

Cases under investigations

No (2020: 0) cases under investigation.

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Amount recoverable		
After an informal disciplinary hearing took place the municipal official pleaded guilty and was liable for the losses suffered by Council and had to repay R 7 755.		
A municipal employee retired at the end of March 2021 and not all sick leave was captured and approved on the system. The retired employee repaid the full amount of R4 752.		
A supplier overcharged the municipality on items delivered by R10 350 and refunded the municipality with the amount overcharged.		
Prior year adjustments		
In the prior year certain fruitless and wasteful expenditure was disclosed as VAT exclusive. It has now been corrected and is disclosed inclusive of VAT. The opening balance has been restated with R120 817.		
54. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	3 943 841	4 170 485
Amount paid - current year	(3 943 841)	(4 170 485)
	<u>-</u>	<u>-</u>
South African Music Rights and Skills Development Levies		
Current year subscription / fee	2 928 178	2 617 396
Amount paid - current year	(2 928 178)	(2 617 396)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	-	4 320
Current year subscription / fee	4 438 916	4 678 581
Amount paid - current year	(4 438 916)	(4 682 901)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	62 767 324	58 121 825
Amount paid - current year	(62 767 324)	(58 121 825)
	<u>-</u>	<u>-</u>
Pension and Medical Aid deductions		
Current year subscription / fee	86 509 650	81 050 096
Amount paid - current year	(86 509 650)	(81 050 096)
	<u>-</u>	<u>-</u>

Saldanha Bay Municipality

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55. Deviation from supply chain management regulations

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

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

These circumstances are typically for emergency procurement, procurement where goods or services are available from only one supplier and procurement where it is impractical or impossible to follow the official procedures.

Regulation 36(1)(b) further allows the accounting officer to ratify any minor breaches of the procurement processes which are purely of a technical nature.

Deviations for the year

Emergencies	3 240 528	6 823 397
Sole provider	413 642	912 497
Impractical or impossible	9 185 878	11 759 003
Ad-hoc repairs	919 711	753 932
Strip and quote	13 409 530	10 491 532
	27 169 289	30 740 361

The details of the deviations for the year under review amounting to R27 169 289 (2020: R30 740 361) is included as Annexure E.

During the current year under review six minor breaches were made to Argos Scientific Africa; AL Abbot and Associates; HCB Valuations and Services (Pty) Ltd; Blackbird Trading 580 CC and Spark & Ellis (Pty) Ltd; Summat Training Institute (Pty) Ltd; and a tender opening error. The municipality did follow due process in terms of the MFMA and SCM Regulations. Minor breaches were performed to correct this and enable the municipality to complete processes prescribed in the MFMA and SCM Regulations. No expenditure was incurred before the ratification of the breaches.

During the previous year under review six minor breaches were made to Aecom; Motla Consulting Engineers; BSP Consulting Engineers; ETL Consulting Engineers (Pty) Ltd and OWS; and EAS Joint Venture. The municipality did follow due process in terms of the MFMA and SCM Regulations. Minor breaches were performed to correct this and enable the municipality to complete processes prescribed in the MFMA and SCM Regulations. No expenditure was incurred before the ratification of the breaches.

56. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Infrastructure assets	38 190 191	67 323 074
Other assets	-	455 000
Community assets	29 224 673	7 368 752
	67 414 864	75 146 826

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57. Contingencies

Contingent liabilities

The municipality is currently engaged in litigation which could result in damages or costs being awarded against Council if the claimants are successful in the actions. The following are the estimates:

Barry John Bickerdyke Stephan, Case no: 15307/16	550 000	550 000
Vredenburg Urban Renewal Project	9 092 191	9 092 191
West Coast Miracles (PTY) LTD/V Kearns and 35 Others of SBM, Case no: 13790/18	200 000	200 000
Van Pletzen & 5 Others/ Stephan & SBM & Minister of Local Government, Case no: 18342/18	200 000	200 000
Cancom Canfleet (Pty) Ltd & 9 Others/ SBM & TMT Services and Supplies & 14 Others: Case no: 21394/19	350 000	350 000
SBM / Amandla & Khubeka Construction, Case no: 9741/21	250 000	-
	10 642 191	10 392 191

Barry John Bickerdyke Stephan, Case no: 15307/16

An application for the reviewing and setting aside of a Town Planning resolution, of the Portfolio and Appeals Committee of Council for and an application for departure in respect of Farm 116 and Farm Fishing Lease no 117 in the Saldanha Bay Municipality Division Malmesbury. Judgement was delivered and the municipality has initiated the appeal process. The estimated liability towards Council is estimated at R550 000 (2020: R550 000).

Vredenburg Urban Renewal Project

The municipality obtained a conditional grant from the Department of Transport and Public Works for the acquisition of 7 properties, 32 hectares of land, to be used for the Vredenburg Urban Renewal Project. The conditions of the grant indicated that the municipality shall transfer to the Department the serviced sites, 4,3145 hectares of the purchased properties, for development by the department. An unspent conditional grant liability has been recognised for the cost associated with servicing the sites. The re-zoning of the 7 properties acquired are currently in process, the 4,3145 hectares portion to be transferred to the department was estimated based on historic cost. There is uncertainty about the amount of the obligation the municipality has under this agreement and the timing of the outflow of the economic benefits and/or service potential is also uncertain. The liability for Council relating to the transfer of the 4,3145 hectare portion is estimated at R9 092 190 (2020: R9 092 190).

West Coast Miracles (PTY) LTD/V Kearns and 35 Others of SBM, Case no: 13790/18

Application for the eviction of the occupants from Erven 35 and 40, St Helena Bay. Judgement was delivered and the municipality has initiated the appeal process. The estimated liability towards Council is estimated at R200 000 (2020: R200 000).

Van Pletzen & 5 Others/ Stephan & SBM & Minister of Local Government, Case no: 18342/18

Application for the reviewing and setting aside the approval of building plans in respect of Farm 116 and Farm Fishing Lease no 117 in the Saldanha Bay Municipality, division Malmesbury. Judgement was delivered and the municipality has initiated the appeal process. The estimated liability towards Council is estimated at R200 000 (2020: R200 000).

Cancom Canfleet (Pty) Ltd & 9 Others/ SBM & TMT Services and Supplies & 14 Others: Case no: 21394/19

Application for declaring section 73 of the National Road Traffic Regulations unconstitutional and interdict the use of the presumption imposed by section 73 of the act. The estimated liability towards Council is estimated at R350 000 (2020: R350 000).

SBM / Amandla & Khubeka Construction: Case no: 9741/21

Application for the payment of the outstanding amount owed on the tender cancelled for the construction of a class B landfill cell at the Vredenburg landfill site. The estimated liability towards Council is estimated at R250 000.

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Contingent assets		
Lateral Unison - Pending insurance claims	6 608 874	2 475 947

Outstanding insurance claims

The municipality had 21 outstanding insurance claims with Lateral Unison as at 30 June 2021 (2020: 36) of which the payout of, according to the municipality's assessment, is only probable and not virtually certain. The settlement of the claims is estimated to be R6 608 874 (2020: R2 475 947).

58. Events after the reporting date

Adjusting event

In terms of the service concession agreement, the local municipalities determine a tariff, in consultation with the WCDM, that allows the WCDM to recover the costs the WCDM incurs in the provision of the bulk water services. The local municipalities also pay the WCDM an administrative fee of 7% (2020: 8%) of the operational costs which is also included in the tariff above. The calculation of the 2020/21 surplus/deficit and its split between the local municipalities was finalised and agreed on 10 August 2021 and is regarded as an adjusting event after the reporting date. The Statement of Financial Position and Statement of Financial Performance have been adjusted to include the surplus amounting to R17 599 839 (2020: R24 901 198).

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59. Related parties

None of the members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the municipality and key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties.

Composition of management

Municipal Manager and Directors	
Municipal Manager	Mettler Heinrich
Chief Financial Officer	Vorster Stefan
Director: Infrastructure and Planning Services	Smith Gerrit
Director: Community and Operational Services	Volschenk Louis
Director: Corporate Services and Public Safety	Mbaliswana Phumzile
Director: Economic Development & Strategic Services	De Kock Cornell
Mayoral Committee members	
Executive Mayor	Koen Marius
Executive Deputy Mayor	Vaughan Eventhia
Finance Services	Mamabolo Sinah
Infrastructure and Planning Services	Vaughan Eventhia
Corporate Services and Public Safety	Truter Andre
Community and Operational Services	Kruger André
Economic Development and Strategic Services	Steyn Elizebeth
Office of the Municipal Manager	Scholtz Sharon
Speaker	Daniels Olwene
Other Councillors	America Wilhelm
	Girimane Nonkululeko
	Khulu Thulani
	Kordom Geraldine
	Kotze Jacobus
	Mafenuka Siyabulelo
	Makwetu Monde
	Mankay Ezelle
	Mitchell Leonard
	Nackerdien Ebrahim (1 July 2020 - 5 October 2020)
	Rossouw Theresa
	Salmon Tanduxolo
	Schaffers Michael (12 November 2020 - current)
	Schippers Francois
	Schrader Miranda
	Sipholi Goodman
	Van Nooi Charleen
	Van Tura Sucilla (1 July 2020 - 24 July 2020)
	Venter Andries
	Vries Stefanus (17 November 2020 - current)
	Williams Avril

Related party transactions

Rent paid to (received from) related parties

Councillor Francois Schippers	2 495	4 426
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During the 2020/21 financial year the Councillor Francois Schippers leased two properties from the municipality. Councillor Schippers paid rentals of R2 495 including interest (2020: R4 426) for the year. The market related rentals for these two properties are considered to be R11 469 (2020: R10 994).

Saldanha Bay Municipality

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Remuneration of management

Management class: Councillors

2021

	Basic salary	Cellphone Allowances	Medical Aid Contributions	Motor Vehicle Allowance	Pension Contributions	Total
Executive Mayor: M Koen	697 904	44 400	21 477	174 469	-	938 250
Deputy Mayor: E Vaughan	539 681	44 400	-	134 920	40 476	759 477
Speaker: O Daniels	539 681	44 400	-	134 920	40 476	759 477
Mayoral Committee Member: A Kruger	609 443	44 400	-	60 944	-	714 787
Mayoral Committee Member: S Mamabolo	505 952	44 400	-	126 488	37 947	714 787
Mayoral Committee Member: E Steyn	462 576	44 400	28 555	109 869	69 387	714 787
Mayoral Committee Member: S Scholtz	505 952	44 400	-	126 488	37 947	714 787
Mayoral Committee Member: A Truter	609 443	44 400	-	60 944	-	714 787
Councillor: W America	275 549	44 400	-	41 332	-	361 281
Councillor: N Girimane	240 740	44 400	-	24 074	18 056	327 270
Councillor: T Khulu	308 951	44 400	-	30 895	23 171	407 417
Councillor: G Kordom	240 740	44 400	-	24 074	18 056	327 270
Councillor: J Kotze	257 155	44 400	-	25 715	-	327 270
Councillor: S Mafenuka	240 740	44 400	-	24 074	18 056	327 270
Councillor: M Makwetu	240 740	44 400	-	24 074	18 056	327 270
Councillor: E Mankay	263 135	44 400	-	-	19 735	327 270
Councillor: L Mitchell	330 015	44 400	-	33 002	-	407 417
Councillor: E Nackerdien	62 037	11 441	-	6 204	4 653	84 335
Councillor: T Rossouw	282 870	44 400	-	-	-	327 270
Councillor: T Salmon	282 870	44 400	-	-	-	327 270
Councillor: M Schaffers	179 149	28 120	-	-	-	207 269
Councillor: F Schippers	213 487	44 400	-	53 372	16 011	327 270
Councillor: M Schrader	190 324	44 400	59 239	19 032	14 274	327 269
Councillor: G Sipholi	263 135	44 400	-	-	19 735	327 270
Councillor: C van Nooi	263 135	44 400	-	-	19 735	327 270
Councillor: S van Tura	15 664	3 073	-	3 916	-	22 653
Councillor: A Venter	282 870	44 400	-	-	-	327 270
Councillor: S Vries	175 886	27 607	-	-	-	203 493
Councillor: A Williams	226 296	44 400	-	56 574	-	327 270
	9 306 120	1 180 241	109 271	1 295 380	415 771	12 306 783

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2020

	Basic salary	Cellphone Allowances	Medical Aid Contributions	Motor Vehicle Allowance	Pension Contributions	Total
Executive Mayor: M Koen	699 129	44 400	19 885	174 836	-	938 250
Deputy Mayor: E Vaughan	539 680	44 400	-	134 922	40 476	759 478
Speaker: O Daniels	539 682	44 400	-	134 920	40 476	759 478
Mayoral Committee Member: A Kruger	609 443	44 400	-	60 944	-	714 787
Mayoral Committee Member: S Mamabolo	505 952	44 400	-	126 488	37 947	714 787
Mayoral Committee Member: E Steyn	460 894	44 400	26 317	114 089	69 087	714 787
Mayoral Committee Member: S Scholtz	505 943	44 400	-	126 496	37 948	714 787
Mayoral Committee Member: A Truter	609 443	44 400	-	60 944	-	714 787
Councillor: W America	197 480	34 886	-	24 762	-	257 128
Councillor: N Girimane	240 740	44 400	-	24 074	18 056	327 270
Councillor: T Khulu	308 951	44 400	-	30 895	23 171	407 417
Councillor: G Kordom	240 740	44 400	-	24 074	18 056	327 270
Councillor: J Kotze	257 154	44 400	-	25 716	-	327 270
Councillor: S Mafenuka	240 740	44 400	-	24 074	18 056	327 270
Councillor: M Makwetu	240 740	44 400	-	24 074	18 056	327 270
Councillor: E Mankay	263 135	44 400	-	-	19 735	327 270
Councillor: L Mitchell	330 016	44 400	-	33 001	-	407 417
Councillor: E Nackerdien	240 740	44 400	-	24 074	18 056	327 270
Councillor: T Rossouw	282 870	44 400	-	-	-	327 270
Councillor: T Salmon	282 870	44 400	-	-	-	327 270
Councillor: F Schippers	213 486	44 400	-	53 372	16 012	327 270
Councillor: M Schrader	193 364	44 400	55 595	19 378	14 533	327 270
Councillor: G Sipholi	263 135	44 400	-	-	19 735	327 270
Councillor: C van Nooi	263 135	44 400	-	-	19 735	327 270
Councillor: S van Tura	226 296	44 400	-	56 574	-	327 270
Councillor: A Venter	282 870	44 400	-	-	-	327 270
Councillor: A Williams	227 285	44 400	-	55 585	-	327 270
Councillor: A Wilsnach	9 889	1 707	-	985	-	12 581
	9 275 802	1 190 993	101 797	1 354 277	429 135	12 352 004

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Management class: Executive management

2021

	Basic salary	Bonus	Contributions to UIF, Medical and Pension Funds	Motor Vehicle Allowance	Cellphone allowance	Housing allowance	Other	Total
Municipal Manager: H Mettler	1 302 000	179 520	39 380	325 500	18 750	31 693	26 131	1 922 974
Director: S Vorster	1 277 647	-	274 541	319 412	18 000	76 526	80 174	2 046 300
Director: L Volschenk	925 200	57 653	202 136	92 520	18 000	24 971	22 743	1 343 223
Director: G Smith	1 128 862	-	231 834	282 216	19 500	51 548	(16 288)	1 697 672
Director: C de Kock	1 234 219	-	279 437	55 250	18 000	30 770	70 078	1 687 754
Director: P Mbaliswana	1 194 221	-	214 960	179 133	18 000	11 928	22 683	1 640 925
	7 062 149	237 173	1 242 288	1 254 031	110 250	227 436	205 521	10 338 848

2020

	Basic salary	Bonus	Contributions to UIF, Medical and Pension Funds	Motor Vehicle Allowance	Cellphone allowance	Housing allowance	Other	Total
Municipal Manager: H Mettler	1 251 307	78 587	39 715	312 699	19 000	28 280	47 737	1 777 325
Director: S Vorster	1 202 492	-	258 698	300 623	19 000	82 495	70 935	1 934 243
Director: L Volschenk	385 500	-	83 898	38 550	8 500	12 398	52 157	581 003
Director: G Smith	1 062 459	-	245 151	265 615	19 000	25 984	(20 373)	1 597 836
Director: C de Kock	1 155 765	-	262 999	52 000	19 000	33 796	87 669	1 611 229
Director: P Mbaliswana	1 123 973	-	202 315	168 596	19 000	15 905	81 440	1 611 229
Acting Director: Y Links	-	-	-	-	-	-	25 834	25 834
	6 181 496	78 587	1 092 776	1 138 083	103 500	198 858	345 399	9 138 699

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60. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Liquidity risk is the risk that the municipality might not be able to meet its obligations as they fall due. The municipality has a prudent liquidity risk management strategy which ensure that it maintains sufficient cash and cash equivalents to meet its objective as they fall due. The short-term investments are invested over terms that ensure that the municipality has a short-term maturing every month to reduce the liquidity risk. The municipality also manages liquidity risk through an ongoing review of future commitments and credit facilities.

The average collection rate of receivables is 98.5% (2020: 95.2%). Cash flow forecast are prepared and adequate utilised borrowings facilities are monitored.

2021	Up to 1 year	1 to 5 years	More than 5 years	Total
Borrowings - Capital repayments	9 529 204	51 101 409	52 076 357	112 706 970
Borrowings - Interest	11 443 745	35 807 709	19 028 446	66 279 900
Finance lease obligation	166 420	-	-	166 420
Finance lease obligation - interest	9 361	-	-	9 361
Payables from exchange transactions	83 666 931	-	-	83 666 931
	104 815 661	86 909 118	71 104 803	262 829 582

2020	Up to 1 year	1 to 5 years	More than 5 years	Total
Borrowings - Capital repayments	12 153 347	50 576 396	62 130 575	124 860 318
Borrowings - Interest	12 503 161	47 251 454	19 028 446	78 783 061
Finance lease obligation	271 061	166 420	-	437 481
Finance lease obligation - interest	32 263	9 361	-	41 624
Payables from exchange transactions	112 205 980	-	-	112 205 980
	137 165 812	98 003 631	81 159 021	316 328 464

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Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counter parties to the financial instrument fail to meet their contractual obligation, and arises mainly from the municipality's investments, receivables from exchange and non-exchange transactions, non-current receivables and cash and cash equivalents.

Receivables from exchange transactions

Receivables from exchange transactions are amounts owing by customers, and are presented net of impairment losses. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The impact of the COVID-19 pandemic on the economy and consumers will affected the impairment provision for the current year. The provision estimates were adjusted to account for this increase in risk of missed payments or default. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored.

Cash and cash equivalents and Investments

The municipality limits its exposure to credit risk by investing with only the major commercial banks in South Africa that have a sound credit rating and within the specific guidelines set in the council approved cash management and investment policy. Accordingly, the municipality does not consider its exposure to credit risk significant.

Non-current receivables

The non-current receivables have been fully impaired and provided for thus do not expose the municipality to credit risk.

The carrying amount of the financial assets represents the maximum credit exposure and the carrying amount of the financial assets as at 30 June was as follow:

Cash and cash equivalents	105 207 025	185 332 917
Investments	559 715 772	478 054 095
Receivables from exchange transactions	122 117 461	125 670 792

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Market risks

Interest rate risk

The municipality has interest-bearing assets however, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings, receivables from exchange transactions, cash in current banking institutions and investments. Financial instrument at variable rates expose the municipality to cash flow interest rate risk. Financial instrument at fixed rates expose the municipality to fair value interest rate risk, the COVID-19 pandemic contributed to the 2% decrease in the average interest rate.

At 30 June 2021, if the weighted average interest rate on financial instruments had been 1% higher/lower with all other variables held constant, surplus for the year would have been R 6 741 669 (2020: R 6 637 600) lower/higher, mainly as a result of higher/lower interest income on financial instrument at variable rates.

Cash flow interest rate risk

Financial instrument	Weighted average interest rate	Due in less than a year	Due in one to five years	Due after five years
Trade and other receivables - normal credit terms	6.80 %	122 117 461	-	-
Cash in current banking institutions	2.40 %	105 207 025	-	-
Investments	4.71 %	559 715 772	-	-

Fair value interest rate risk

Financial instrument	Weighted average interest rate	Due in less than a year	Due in one to five years	Due after five years
Borrowings	10.50 %	(9 529 204)	(51 101 409)	(52 076 357)
Finance lease obligation	10.68 %	(166 420)	-	-

Foreign exchange risk

The municipality currently procures Microsoft Licences of which the purchase price is denominated in foreign currency (US Dollars) which exposes the municipality to foreign-currency risk. The municipality does not hedge foreign exchange fluctuations. The movement in the currency was not material to the municipality procurement and, consequently, is not elaborated on any further.

61. Budget differences

Material differences between budget and actual amounts

The reasons for the material variances between the approved budget and the final budget are explained below. A variance is considered material if it is 10% or more and if the amount exceeds R5 million.

The adjustments made between the approved budget and the final budget include virements that were made after the approval of the final adjustment budget on 27 May 2021. Virements are transfers from one operating cost element or capital project to another, and are made in accordance with the virement policy.

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been assessed to have material variances:

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61.1 Statement of Financial Performance

	Variance	%	Reasons
Revenue from exchange transactions			
Other revenue	15 299 263	118	Received assets in lieu of development charges which could not have been anticipated during budget preparation.
Revenue from non-exchange transactions			
Government grants & subsidies	(66 243 485)	(30)	Less conditions were met in respect of National and Provincial grants received than budgeted for.
Other revenue	23 701 472	100	Received donated assets which could not have been anticipated during budget preparation.
Expenditure			
Impairment of assets	11 709 336	49	Less debtors were impaired than anticipated when the budget was prepared.
Finance costs	(7 769 818)	(39)	Interest on post-retirement medical aid benefits for employees amounting to R9 871 507 is budgeted under employee-related cost. If budgeted under finance cost, the variance is only 7%.
Bad debts written-off	20 757 540	54	Less debtors were written-off than anticipated when the budget was prepared.
Contracted services	58 530 585	47	Less funds were spent on training, consultants, professional fees and repairs and maintenance of municipal assets than budgeted for due to COVID-19 pandemic.
General expenses	19 969 920	19	Actual expenditure on general expenditure is lower than budgeted due to lower levels of expending incurred as a result of the COVID-19 pandemic.
Actuarial loss	(5 456 262)	(100)	Unable to anticipate losses as it is based on an expert valuation performed annually. Gain could not be anticipated.

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61.2 Statement of Financial Position

	Variance	%	Reasons
Current assets			
Cash and cash equivalents	15 505 758	17	Lower capital expenditure resulted in more cash available than budgeted.
Investments	167 565 516	43	Lower capital expenditure resulted in more cash available to invest than budgeted. More cash in the bank were invested at year end, than the previous year.
Current liabilities			
Payables from exchange transactions	(40 580 832)	(27)	Payables from exchange transactions was less than anticipated when budgeted.
VAT payable	9 254 657	318	VAT payable at year-end was more than what was anticipated when budgeted.
Unspent conditional grants and receipts	22 621 518	152	Less conditions met in respect of National and Provincial grants received than what was anticipated when budgeted.
Provisions	6 927 568	223	The current portion of the provision at year-end is more than anticipated when budgeted.
Non-current liabilities			
Provisions	(6 947 725)	(10)	The non-current portion of the provision at year-end is less than anticipated when budgeted.

61.3 Cash Flow Statement

	Variance	%	Reasons
Cash flows from operating activities			
Grants	(40 756 406)	(22)	Less grants were received than anticipated when budgeting mainly due to planned housing projects not being completed.
Other receipts	22 484 503	79	More capital contributions were received than budgeted for. The budgeted amount for construction contracts is allocated under Grants, whereas the actual is included as part of Other receipts.
Suppliers and other	87 047 116	15	Payments to suppliers were less than budgeted due to the COVID-19 pandemic.
Cash flows from investing activities			
Purchase of property, plant and equipment	118 017 479	38	Net cashflow is due to capital expenditure accrued for at year end and the underspending of the capital budget. Refer to note 61.4 for the reasons for the underspending of the capital budget.
Net movement in investments	(166 129 829)	(193)	Less investment funding was needed to fund the capital spending, as capital expenditure was lower than anticipated when budgeting.

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61.4 Capital budget

The municipality has spent R221 551 059 (2020: R179 859 681) of the capital budget of R318 360 892 (2020: R299 871 949) which translate to a spending ratio of 70% (2020: 60%). A summary of the budget per vote and the actual expenditure per vote is provided below:

Votes	Budget	Actual	Unspent	%	Unspent above R2 million
Infrastructure and Planning Services	239 636 731	189 591 850	50 044 881	79	46 245 395
Economic Development and Strategic Services	26 702 771	15 341 715	11 361 056	57	4 567 244
Community and Operational Services	29 440 384	9 949 038	19 491 346	34	12 185 157
Corporate and Public Safety Services	21 138 506	6 498 946	14 639 560	31	7 594 664
Financial Services	818 000	143 790	674 210	18	-
Municipal Manager	624 500	25 720	598 780	4	-
	318 360 892	221 551 059	96 809 833	70	70 592 460

Where the unspent balance of a project is more than R2 million, the reasons thereof are provided below:

Project	Unspent amount	Reasons
Infrastructure & Planning Services		
Construction of Olifantskop sewer pump station and pipeline	12 268 228	The scope for this contract was to construct the new Langebaan North sewer pump station that will accommodate the existing and proposed sewer inflows from the immediate draining area. There is a MFMA section 116 process required to proceed with the project. Unspent funds will be rolled over to the 2021/22 financial year.
Oostewal street: Langebaan-Phase 3	7 447 293	Tenders were invited for the construction phase of this project in November 2020, but no adjudication could be made which resulted in tender to be re-advertised. A record of decision was made on 5 July 2021 with regards to appeal. The Supply Chain Management (SCM) process re-convened on 19 July 2021. Unspent funds will be rolled over to the 2021/22 financial year.
Construction of Perron Street from Station Road to Kooitjieskloof	5 524 586	The process for appointment of a contractor commenced in December 2020. The environmental approval was not granted due to an endangered vegetation specie found within the current proposed alignment road, that resulted in a delay of the project and the municipality to revise the road alignment to bypass the endangered specie. Environmental approval was granted in May 2021. The SCM process was further delayed due to the grant MOA not yet finalised. The SCM process to continue in the 2021/22 financial year.
Upgrade Langebaan Sewerage Works Phase 3	4 094 462	This is a multi-year project for which some of the phases were completed. Unspent funds will be rolled over to the 2021/22 financial year for the project to continue. The SCM process for the finalisation of the project will proceed in the 2021/22 financial year.
Tsitsiratsitsi Toilet Facilities	3 172 372	The municipality appointed a consultant to conduct the designs for the installation of the toilets. The project was delayed due to unforeseen and performance challenges with the PSP. It is planned to advertise the tender in August 2021. Unspent funds will be rolled over to the 2021/22 financial year.

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Project	Unspent amount	Reasons
Witteklip Project 3627 Phase 1: Services : IRDP Roads	3 077 347	A project application was submitted for the installation of services in September 2020 to the DoHS and approval is still outstanding. The municipality cannot commence with projects unless it is approved and funds received. Therefore appointment of a contractor couldn't commence.
Rehabilitation of Existing Structure Into Tourism and Hospitality Facility	2 873 740	The social partner with the municipality, who would have managed certain aspects of the proposed facility withdrew at a late stage. A shortage in funding first had to be addressed before the tender could be awarded resulting in the planned commencement date of the project being pushed out. The contract has been awarded and construction will commence soon. Unspent funds will be rolled over to the 2021/22 financial year.
Relocation of Bulk Lines St Helena Bay	2 754 196	Extensive time was spent on design and the survey of the existing water bulk mains to determine the exact proposed location of the new pipeline. The survey and designs have been completed and the tender is in process to be advertised. Unspent funds will be rolled over to the 2021/22 financial year.
Vredenburg: Landfill site extension	2 730 652	The project has not been completed due to unforeseen delays with the dipole testing of the new cell liner. The construction is mostly complete, but testing is still in process. Unspent funds will be rolled over for completion of the project in the 2021/22 financial year.
Louville Project 3475: Services: GAP: Roads	2 302 519	A project application for the installation of services was submitted to the DoHS in September 2020 and approval was received dated 12 March 2021. The SCM process has commenced and will be finalised in the 2021/22 financial year. Unspent funds will be rolled over to the 2021/22 financial year.
	<u>46 245 395</u>	

Economic Development and Strategic Services

Witteklip Active Box	2 567 244	The SCM process had to re-convene from the start due to the termination of the previous contract. The price increases over time had an effect on the budget and additional funds had to be secured. The unspent funds will be rolled over to the 2021/22 financial year as the SCM process will be finalised in the 2021/22 financial year.
Witteklip Multifunctional Sport field	2 000 000	Approval for this project was granted by Council in May 2021 where after the normal SCM process will be followed. The unspent funds will be rolled over to the 2021/22 financial year.
	<u>4 567 244</u>	

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Project	Unspent amount	Reasons
Community and Operational Services		
Develop New Sport Grounds: Langebaan Sport Ground	12 185 157	The project was delayed due to various factors that includes omitting of specifications, budgetary constraints, appeals by bidders as well as complications with the site establishment. The contractor has started with the project and the estimated project completion date is January 2022. Unspent funds will be rolled over to the 2021/22 financial year.
Corporate and Public Safety Services		
Central Fire Stations	7 594 664	The tender for this project was awarded on 18 September 2020. The project has started and will be completed in January 2022.

62. Segment information

62.1 General information

Identification of segments

The municipality organises financial information for budgeting purposes on the basis of five major functional areas: energy sources, water management, waste management, waste water management and sport and recreation - resorts. The segments were organised around the type of service delivered.

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

Aggregated segments

Other municipal activities were not aggregated into a General reportable segment.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Energy Sources	Electricity
Water management	Water
Waste management	Refuse removal
Waste water management	Sanitation
Resorts	Rental of resort facilities

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62.2 Segment surplus or deficit, assets and liabilities

2021

	Energy Sources	Water management	Waste management	Waste water management	Resorts	Non-reportable segments	Total
Revenue							
Revenue from exchange transactions							
Service charges	348 788 122	164 007 100	75 366 187	80 128 933	-	-	668 290 342
Construction contracts	-	-	-	-	-	307 234	307 234
Rental of facilities and equipment	-	-	-	-	6 350 161	3 176 614	9 526 775
Interest earned - external investments	-	-	-	-	-	29 330 602	29 330 602
Interest earned - outstanding receivables	601 045	3 594 320	2 043 828	1 720 926	-	468 538	8 428 657
Agency fees	-	-	-	-	-	8 571 731	8 571 731
Licences and permits	-	-	-	-	-	1 211 792	1 211 792
Other revenue	2 109 223	4 548 895	510 031	1 110 409	34 000	19 976 797	28 289 355
Internal billing	20 257 054	2 973 355	1 321 851	84 713	-	85 686 936	110 323 909
Revenue from non-exchange transactions							
Property rates	-	-	-	-	-	244 188 395	244 188 395
Interest earned - outstanding property rates	-	-	-	-	-	3 385 609	3 385 609
Government grants & subsidies	9 484 290	21 353 279	32 049 648	10 678 636	-	81 183 994	154 749 847
Fines	-	-	-	-	-	14 802 481	14 802 481
Other revenue	9 149 818	1 492 922	-	2 248 008	-	10 810 724	23 701 472
Segment revenue	390 389 552	197 969 871	111 291 545	95 971 625	6 384 161	503 101 447	1 305 108 201
Internal billing							(110 323 909)
Municipality's revenue							1 194 784 292

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	Energy Sources	Water management	Waste management	Waste water management	Resorts	Non-reportable segments	Total
Expenditure							
Employee related costs	(27 090 328)	(20 557 864)	(35 818 158)	(27 518 886)	(11 789 403)	(289 483 056)	(412 257 695)
Remuneration of councillors	-	-	-	-	-	(12 306 783)	(12 306 783)
Depreciation and amortisation	(16 823 642)	(23 476 007)	(6 076 371)	(24 169 866)	(1 573 440)	(74 536 657)	(146 655 983)
Impairment of assets	(6 236 735)	(2 575 536)	(2 262 151)	(916 730)	(1 835 465)	1 490 417	(12 336 200)
Finance costs	(3 462 953)	(1 070 427)	(5 215 508)	(4 096 629)	(212 805)	(13 662 570)	(27 720 892)
Bad debts written-off	(171 965)	(2 914 971)	(1 283 868)	(847 652)	-	(12 527 144)	(17 745 600)
Bulk purchases	(279 327 481)	(47 485 503)	-	-	-	-	(326 812 984)
Contracted services	(2 819 069)	(3 557 185)	(13 386 984)	(7 574 300)	(875 940)	(36 796 822)	(65 010 300)
Transfers and subsidies	-	-	(291 983)	-	-	(2 760 935)	(3 052 918)
Inventories written-off	-	-	-	-	-	(184 624)	(184 624)
General expenses	(9 122 657)	(4 110 482)	(7 692 546)	(8 333 055)	(1 354 294)	(54 259 554)	(84 872 588)
Internal charges	(36 718 513)	(18 329 313)	(11 752 812)	(19 905 396)	(7 005 521)	(16 612 354)	(110 323 909)
Segment expenditure	(381 773 343)	(124 077 288)	(83 780 381)	(93 362 514)	(24 646 868)	(511 640 082)	(1 219 280 476)
Operating surplus/(deficit)	8 616 209	73 892 583	27 511 164	2 609 111	(18 262 707)	(8 538 635)	85 827 725
Actuarial gains	40 777	(248 257)	(31 671)	(536 256)	309 348	(4 990 203)	(5 456 262)
Fair value adjustments	-	-	-	-	-	1 071 650	1 071 650
Gain on reversal of provision	-	-	416 985	-	-	-	416 985
Loss on disposal of assets and liabilities	(59 217)	(77 838)	(2 562)	(110 231)	(171 613)	(2 877 352)	(3 298 813)
Gain on foreign exchange	-	-	-	-	-	16 117	16 117
Total surplus/(deficit)	8 597 769	73 566 488	27 893 916	1 962 624	(18 124 972)	(15 318 423)	78 577 402
Other information							
Capital expenditure for the year	24 880 848	45 303 028	44 156 855	18 143 717	752 766	88 313 845	221 551 059

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Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

62.3 Information about geographical areas

Although the municipality operates in a number of geographical wards, it is irrelevant for users of the annual financial statements as the municipality's geographical areas of operation can be seen as a single geographical area for decision making purposes.

63. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

64. Material losses

Water losses	<u>22 588 338</u>	<u>12 573 753</u>
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The kiloliters purchased was 10 125 274 (2020: 10 459 784) while the kiloliters sold was 7 814 968 (2020: 8 963 447). This resulted in losses recorded at 22.78% (2020: 14.31%). These losses are predominantly due to metering inefficiencies, unmetered connections, aging pipeline infrastructure, burst pipes, old reticulation networks and other leakages which are by nature regarded as normal production losses. The WCDM is in the process of having their meters calibrated to confirm the accuracy of the kiloliters billed to the municipality.

Electricity losses	<u>42 183 472</u>	<u>39 658 788</u>
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The kilowatts purchased was 228 922 796 (2020: 230 467 445) while the kilowatts sold amounted to 200 113 089 (2020: 201 151 347). This resulted in losses recorded at 12.58% (2020: 12.72%). These losses are the result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non technical losses, e.g. theft and vandalism.

CAS 87/5/2020 Allegation of Theft

An internal investigation lead to the identification of alleged theft committed by an employee of the municipality. It was identified that goods confiscated during the National lockdown, were stolen. The alleged theft was confirmed in April 2020 and reported to SAPS during May 2020 in accordance with section 32 of the MFMA for criminal investigation. The investigation was still ongoing, the estimated loss suffered by the municipality is R187 465 due to the alleged theft.

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65. Awards to close family members of persons in the service of the state

The detail listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulations 2005 that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Name of person or entity		
Amandla GCF Construction (Pty) Ltd	28 916 879	-
Blackbird Trading 315	30 483	121 932
Cliffe Dekker Hofmeyr Incorporated	9 200	-
Conlog (Pty) Ltd	1 778 506	660 237
DJ and Sons	80 495	161 016
GWJ Trading	87 412	41 366
Hendrik Christoffel Barnard	18 090	-
J and Sons	395 218	340 150
JPCE (Pty) Ltd	-	140 668
LJ Projects & Events	119 580	549 737
Madeleyn Incorporated	631 531	-
Mak Heat Logistics	29 929	-
Morrison Bros Services	28 980	359 934
Motheo Construction Group (Pty) Ltd	10 888 035	-
Munsoft	9 430 823	3 805 033
National Sea Rescue Institute of South Africa	2 896 080	-
NCC Environmental Services (Pty) Ltd	68 310	-
Palesa and Rinea Trading	5 969	-
Piston Power Chemicals	417 689	375 771
Quantum Design and Engineering	3 715	-
Rhamis Trading	16 544	-
Sandveld Field Services	406 603	108 245
Siphakame Skills Development	264 600	-
Siroccon International (Pty) Ltd	104 190	7 256 985
Van der Spuy and Partners	459 469	27 600
	57 088 330	13 948 674

Amandla GCF Construction (Pty) Ltd

Mr W Frazenburg (Director) has various family members in service of the state:

- Mr J Emanuel (brother-in-law) is employed by National Government: Employment and Labour.
- Ms U Frazenburg (sister) is employed by National Government: Deeds Office.
- Mr E Frazenburg (brother) is employed by Department of Education: Western Cape Government.
- Ms J Frazenburg (sister) is employed by Department of Education: Western Cape Government.
- Mr B Frazenburg (brother) is employed by City of Cape Town.

Blackbird Trading 315

The sister in law of Mrs M Pretorius (Director), Mrs H Meeding, is employed by Saldanha Bay Municipality.

Cliff, Dekker and Hofmeyer Incorporated

The sibling of Mr A Kariem (Director), Dr S Kariem, is employed by the Department of Health.
The parent of Mr T Rapuleng (Director), Ms B Rapuleng, is employed by Ekurhuleni Municipality.
The spouse of Mr W Van Wyk (Director), Ms P Van Wyk, is employed by the Office of Chief Justice.

Conlog (Pty) Ltd

The wife of Mr L Moodley (Director), Mrs N Moodley, is employed by Department of Health.

DJ and Sons

The cousin of Mr D Julies, Ms R Farmer, is employed by Saldanha Bay Municipality.

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GWJ Trading

The spouse of Mr G Julius, Ms D Julies, as well as his cousin Ms R Farmer, are employed by Saldanha Bay Municipality.

Hendrik Christoffel Barnard

Mr Barnard was employed at the City of Cape Town within the last 12 months of date of order. He resigned on 31 March 2020.

J and Sons

The partner of Mr J Fortuin (Director), Ms N Albertus, is employed by Saldanha Bay Municipality.

JPCE (Pty) Ltd

The spouse of Ms J Minnie (Director), Mr J Minnie, is employed at the City of Cape Town.

LJ Projects & Events

The spouse of Mr L Jafta (Director), Mrs C Jafta, is employed at the Department of Water and Sanitation.

Madeleyn Incorporated

The spouse of Mr T Nel (Director), is employed as a State Prosecutor. This is a rates tender and during the 2019/20 financial year no expenditure was incurred.

Mak Heat Logistics

Mr N Makeleni (Director) was employed by the Department of Correctional Services within the last 12 months of date of order. He resigned on 30 November 2020.

Morrison Bros Services

The nephew of Mr W Morrison (Director), Mr JC Morrison, is employed by Saldanha Bay Municipality.

Motheo Construction Group (Pty) Ltd

The sister of SJ Manthlasi (Director), R Manthlasi is employed by Department of Home Affairs.

Munsoft

The spouse of Mr N Rerani (Director), Mrs M Rerani is employed by the Office of the Chief Justice. In the prior year revised declarations were received and the expenditure was not disclosed, this has since been corrected.

National Sea Rescue Institute of South Africa

The spouse of Mr C Robertson (Director), Mrs S Modack-Robertson, is employed by the Western Cape Department of Health, Emergency Medical Services.

NCC Environmental Services

The spouse of Mr L Rhoda (Director), Mrs C Rhoda is employed by the City of Cape Town.

Palesa and Rinae Trading

The husband of Mrs M Ndouvhanda (Director), Mr N Ndouvhanda is employed by the South African Military Defence Force.

Piston Power Chemicals

The spouse of Mr Ujush Anidhee (Director), Ms N Anidhee, is employed at the KZN Department of Education.

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Quantum Design and Engineering

The father of Mr M Cilliers (Director), Mr JP Cilliers, is employed by City of Cape Town.

Rhamis Trading

The son of Mr M Manuel (Director), Mr R Manuel is employed by Saldanha Bay Municipality.

Sandveld Field Services

The husband of Mrs M Pretorius (Director), Mr Pretorius, is employed by South African Air Force. In the prior year revised declarations were received and the expenditure was not disclosed. This is now corrected.

Siphakame Skills Development

The spouse of Mr Nondumiso Vacu (Director), Ntobeko Vaco is employed by Drankenstein Municipality.

Siroccon International (Pty) Ltd

The parent of Mr C Van Tonder (Director), Mr M van Tonder, was employed at the City of Cape Town during the previous twelve months (resigned 31 July 2019). The order issued in the current year to this bidder relates to an award in previous financial years.

Van der Spuy and Partners

The spouse of Mr I Van Zyl (Director), M Van Zyl, is employed as the Head Mistress of Paarl Girls High School.

Zutari (Pty) Ltd

The spouse of Mr RJ Ahlschlager (Director), Mrs HC Ahlschlager is employed by the Special Investigation Unit.
The sibling of I Gasant (Director), S Seegers is employed by City of Cape Town.
The spouse of Mr KP Nadasen (Director), K Nadasen is employed by Department of Public Works.
The son of N Mjoli-Mncube (Director), T Mncube is employed by the Airports Company of South Africa.
This is a rates tender and during the 2020/21 financial year no order was issued.

Ikapa Reticulation and Flow CC

The spouse of Mr R Davids (Director), Mrs S Davids is employed by Department of Education. This is a rates tender and during the 2020/21 financial year no order was issued.