



STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNISIPALITEIT • UMASIPALA • MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence
20 November 2023

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Legislation governing the municipality's operations

Constitution of the Republic of South Africa (Act 108 of 1996)
Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007)

Mayoral committee

Portfolio

Executive mayor and chairperson of mayoral committee

Deputy Executive Mayor

Speaker

Council Whip

MMC Human settlements

MMC Youth, sport and culture

MMC Planning, Local Economic Development and Tourism

MMC Environmental Management and Rural Management

MMC Community development

MMC Corporate services

MMC Financial services

MMC Protection services

MMC Infrastructure

MMC Parks, Open Spaces, Cemeteries

Councillor

J Fasser [elected as Executive Mayor on 29/11/2024 after resignation of GMM van Deventer

M Slabbert [elected as Deputy Mayor on 29/11/2024]

Q Smit

P Crawley

R Du Toit

T Kumm [replaced J Fasser who was acting MMC for Youth, Sport and Culture from 05/09/2024 until 29/11/2024]

M Slabbert [replaced C van Wyk on 3/9/2024, who resigned on 20/08/2024]

C Manuel [replaced J Williams on 29/11/2024]

X Kalipa

L Nkamisa

JC Anthony

J Williams [replaced J Fasser on 29/11/2024]

R Pheiffer [replaced P Johnson who resigned on 12/06/2024]

N Olayi

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
1	Cupido	R	24	Williams	J
2	Smit	Q	25	Joon	J
3	Crawley	P	26	Slabbert	M
4	Heneke	S	27	Groenewald	E
5	Hanekom	A	28	Nkamisa	L
6	Schäfer	S	29	Davids	J
7	Olayi	Z	30	Ntsunguzi	N
8	Mdemka	X	31	Rataza	M
9	Olayi	N	32	Mananga-Gugushe	N
10	Pheiffer	R	33	Tomose	A
11	Petersen	W	34	Nkopane	M
12	Manuel	C	35	Danana	M
13	Adams	R	36	Masimini	E
14	Van Rooyen	R	37	Petersen	G
15	Mcombring	N	38	Hendrikse	R
16	Ferns	A	39	Van Stade	M
17	Kumm	T	40	Ndalasi	Z
18	De Taillefer	I	41	Mkhontwana	N
19	Du Toit	R	42	Jooste	O
20	Serdyn	J	43	Pietersen	W
21	Vermeulen	E	44	Andrews	J
22	Fasser	J	45	Macfarlane	J
23	Anthony	JC	.		

Executive management

Position

Municipal Manager
Chief Financial Officer (CFO)
Director: Infrastructure
Director: Corporate Services
Director: Planning and Economic Development
Director: Community and Protection Services

Name

Geraldine Mettler
Kevin Carolus
Preshane Chandaka
Annalene de Beer (Contract Termination: 31 May 2025)
Anthony Barnes
Gary Boshoff

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Members of the Audit and Performance Committee

Chairperson

Linda Cecil Nene

Members:

Reyhana Gani

Ruthaleen Lucinda Colette Strydom (Resigned 28 November 2024)

Nimrod Llewellyn Mortimer

Mervin Burton (Appointed: 1 March 2025)

Registered head office

Plein Street

Stellenbosch

7600

Physical address

Plein Street

Stellenbosch

7600

Postal address

P O Box 17

Stellenbosch

7600

Bankers

First National Bank

Auditors

Auditor- General of South Africa (AGSA)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Statement

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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

I, as the Accounting Officer (accounting authority) acknowledges that I am 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 me to meet these responsibilities, I have set 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.

I am 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.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa (AGSA), are responsible for independently reviewing and reporting on the municipality's audited annual financial statements.

The audited annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis, I have signed on behalf of the municipality on 31 August 2025:



Geraldine Mettler
Accounting officer

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

	Note(s)	2025 R	2024 R
Assets			
Current Assets			
Cash and cash equivalents	3	30 708 541	150 678 874
Short term investments	4	518 794 766	455 716 603
Receivables from exchange transactions	5	241 149 571	251 987 495
Receivables from non-exchange transactions	6	91 604 344	86 667 444
Inventory	7	44 244 113	40 772 263
VAT Control	8	12 376 086	8 270 606
Other receivables from exchange transactions	9	111 374 191	92 177 903
Total Current Assets		1 050 251 612	1 086 271 188
Non-Current Assets			
Investment property	10	415 993 471	416 395 670
Property, plant and equipment	11	6 181 407 433	5 884 571 057
Biological assets	12	2 799 918	2 925 054
Heritage assets	13	1 312 810	1 312 810
Intangible assets	14	4 398 314	4 097 725
Trade and other receivables from exchange transactions	15	8 321 218	6 508 597
Total Non-Current Assets		6 614 233 164	6 315 810 913
Total Assets		7 664 484 776	7 402 082 101
Liabilities			
Current Liabilities			
Consumer deposits	16	25 397 225	24 190 439
Trade and other payables from exchange transactions	17	364 025 814	356 271 508
Trade and other payables from non-exchange transactions	18	27 248 692	37 210 255
Borrowings	19	71 570 709	69 853 210
Employee benefits	20	71 029 698	65 199 915
Provisions	21	5 113 974	-
Total Current Liabilities		564 386 112	552 725 327
Non-Current Liabilities			
Borrowings	19	443 130 954	514 496 032
Employee benefits	20	231 665 001	206 670 001
Provisions	21	149 311 189	106 740 477
Total Non-Current Liabilities		824 107 144	827 906 510
Total Liabilities		1 388 493 256	1 380 631 837
Net Assets		6 275 991 520	6 021 450 264
Community Wealth / Equity			
Accumulated surplus		5 940 271 155	5 749 770 027
Reserves and funds		335 720 493	271 680 259
Total Community Wealth / Equity		6 275 991 648	6 021 450 286

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

	Note(s)	2025 R	2024 R
Revenue			
Exchange Revenue			
Services charges – Electricity	22	1 026 379 390	874 585 643
Services charges – Waste management	22	101 436 645	96 326 521
Services charges – Waste water management	22	127 606 156	114 951 742
Services charges – Water management	22	209 832 004	203 270 709
Rent from fixed assets	23	11 733 059	11 055 806
Interest earned from receivables	24	26 446 509	23 504 654
Interests on current and non-current assets	25	61 433 850	57 311 807
Licence and permits	26	7 896 024	8 149 482
Agency services	27	3 816 817	3 697 082
Operational revenue	28	50 025 352	47 733 781
Sales of goods and rendering of services	29	39 900 097	34 767 325
Total Exchange Revenue		1 666 505 903	1 475 354 552
Non-Exchange Revenue			
Property rates	30	530 580 845	484 454 441
Fines, penalties and forfeits	31	187 263 479	166 867 895
Transfers and subsidies	32	365 052 350	373 561 314
Interest earned from receivables	24	4 522 479	4 239 407
Total Non-Exchange Revenue		1 087 419 153	1 029 123 057
Total Revenue		2 753 925 056	2 504 477 609
Expenditure			
Employee related cost	33	667 075 326	632 279 257
Remuneration of councillors	34	22 988 651	22 619 919
Bulk purchases	35	798 046 148	658 227 496
Inventory consumed	36	58 712 775	66 371 383
Contribution to/(from) debt impairment	37	24 479 099	49 123 660
Depreciation and amortisation	38	205 977 715	206 150 540
Impairment losses / (reversal) of impairment	39	771 721	2 756 436
Finance costs	40	72 867 237	63 411 228
Contracted services	41	284 539 132	276 087 503
Transfers and subsidies	42	17 868 001	21 324 136
Irrecoverable debts written off	43	176 954 586	101 629 854
Operating leases	45	7 961 624	6 145 742
Operational cost	46	148 117 898	132 050 928
Gain/(Loss) on disposals and fair value adjustments	47	4 822 884	3 002 579
Inventory adjustments to/(from) net realisable value	48	2 394 876	(290 008)
Contribution to/(from) Landfill provision	44	5 806 163	583 529
Total Expenditure		2 499 383 836	2 241 474 182
Surplus for the year		254 541 220	263 003 427

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

	Self insurance reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Opening balance as previously reported	9 885 492	176 826 279	186 711 771	5 580 128 911	5 766 840 682
Adjustments					
Correction of errors	-	-	-	9 659 284	9 659 284
Balance at 01 July 2023 as restated*	9 885 492	176 826 279	186 711 771	5 589 788 195	5 776 499 966
Surplus for the year	-	-	-	263 003 427	263 003 427
Transfers to / from accumulated surplus for the year	-	262 985 070	262 985 070	(262 985 070)	-
Property, plant and equipment purchased	-	(178 016 582)	(178 016 582)	178 016 582	-
Total changes	-	84 968 488	84 968 488	178 034 939	263 003 427
Opening balance as previously reported	9 885 492	261 794 767	271 680 259	5 767 823 274	6 039 503 533
Adjustments					
Correction of errors	-	-	-	(18 053 104)	(18 053 104)
Balance at 01 July 2024 as restated*	9 885 492	261 794 767	271 680 259	5 749 770 170	6 021 450 429
Surplus for the year	-	-	-	254 541 220	254 541 220
Transfers to / from accumulated surplus for the year	-	365 578 376	365 578 376	(365 578 376)	-
Property, plant and equipment purchased	-	(301 538 142)	(301 538 142)	301 538 142	-
Total changes	-	64 040 234	64 040 234	190 500 986	254 541 220
Balance at 30 June 2025	9 885 492	325 835 001	335 720 493	5 940 271 155	6 275 991 648

We draw to your attention amounts restated for net assets as depicted in note 61.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

	Note(s)	2025 R	2024 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 076 255 324	1 786 339 842
Transfers and Subsidies Received		350 408 787	330 874 091
Interest		61 433 850	57 311 807
Interest on service debtors		30 104 953	26 970 001
Payments			
Suppliers and employees		(1 939 489 797)	(1 754 483 883)
Finance charges		(57 028 892)	(49 186 011)
Transfers and subsidies		(15 420 541)	(21 324 136)
Taxes		(4 105 481)	3 708 446
Net cash from(used) operating activities	49	502 158 203	380 210 157
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	723 740
Payments			
Capital assets		(489 402 790)	(435 650 342)
Investments		(63 078 163)	(123 949 356)
Net cash flows from investing activities		(552 480 953)	(558 875 958)
Cash flows from financing activities			
Receipts			
Receipts of long term loans		-	137 446 093
Payments			
Payment of Long term loans		(69 647 579)	(55 046 811)
Net cash flows from financing activities		(69 647 579)	82 399 282
Net increase/(decrease) in cash		(119 970 329)	(96 266 519)
Cash and cash equivalents at year begin		150 678 874	246 945 413
		30 708 545	150 678 894

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance
	R	R	R	R	R		
2025							
Financial performance							
Revenue							
Exchange revenue							
Service charges - Electricity	1 079 705 173	-	1 079 705 173	1 026 379 390	(53 325 783)	95.06 %	The under performance is due to consumers making use of alternative energy sources.
Service charges - Water	182 522 220	-	182 522 220	209 832 004	27 309 784	114.96 %	The municipality has billed more water charges than initially anticipated due to an increase in water consumption.
Service charges - Waste Water Management	122 771 630	-	122 771 630	127 606 156	4 834 526	103.94 %	
Service charges - Waste Management	110 081 671	-	110 081 671	101 436 645	(8 645 026)	92.15 %	
Sale of goods and rendering of services	24 653 963	-	24 653 963	39 900 097	15 246 134	161.84 %	
Agency services	3 794 352	-	3 794 352	3 816 817	22 465	100.59 %	
Interest earned from receivables	18 172 580	-	18 172 580	26 446 509	8 273 929	145.53 %	
Interest earned from current and non current assets	54 232 144	-	54 232 144	61 433 850	7 201 706	113.28 %	
Rental from fixed assets	13 648 887	-	13 648 887	11 733 059	(1 915 828)	85.96 %	
Licence and permits	8 385 504	-	8 385 504	7 896 024	(489 480)	94.16 %	
Operational revenue	47 692 457	-	47 692 457	50 025 352	2 332 895	104.89 %	
	1 665 660 581	-	1 665 660 581	1 666 505 903	845 322	100.05 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance R
	R	R	R	R	R		
Non-exchange revenue							
Property rates	509 116 169	-	509 116 169	530 580 845	21 464 676	104.22 %	
Fines, penalties and forfeits	163 379 995	-	163 379 995	187 263 479	23 883 484	114.62 %	
Transfer and subsidies - Operational	244 432 599	-	244 432 599	234 413 694	(10 018 905)	95.90 %	
Interest	3 358 652	-	3 358 652	4 522 479	1 163 827	134.65 %	
	920 287 415	-	920 287 415	956 780 497	36 493 082	103.97 %	
Total Revenue (excl. capital transfers and contributions)	2 585 947 996	-	2 585 947 996	2 623 286 400	37 338 404	101.44 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R
Expenditure							
Employee costs	(655 857 193)	9 510 964	(646 346 229)	(667 075 327)	(20 729 098)	103.21 %	
Remuneration of councillors	(23 422 305)	-	(23 422 305)	(22 988 651)	433 654	98.15 %	
Bulk purchases - Electricity	(714 397 202)	(48 942 597)	(763 339 799)	(763 604 402)	(264 603)	100.03 %	
Inventory consumed	(109 511 524)	7 227 519	(102 284 005)	(93 154 521)	9 129 484	91.07 %	
Debt impairment	(74 031 467)	30 000 000	(44 031 467)	(24 479 099)	19 552 368	55.59 %	
Depreciation and amortisation	(219 703 322)	-	(219 703 322)	(205 977 715)	13 725 607	93.75 %	
Interest	(83 481 356)	-	(83 481 356)	(72 867 237)	10 614 119	87.29 %	
Contracted services	(321 654 586)	3 355 735	(318 298 851)	(284 539 132)	33 759 719	89.39 %	
Transfers and subsidies	(21 638 889)	-	(21 638 889)	(17 868 001)	3 770 888	82.57 %	
Irrecoverable debts written off	(121 382 915)	-	(121 382 915)	(176 954 586)	(55 571 671)	145.78 %	Traffic fines were written off due to an NPA directive that cancels fines not converted to summons within 18 months under the CPA. Indigent debt were written off in terms of council approved Credit and Debt collection policy.
Operational costs	(177 082 172)	(1 151 621)	(178 233 793)	(161 885 685)	16 348 108	90.83 %	
Losses on disposal of Assets	-	-	-	1 968 336	1 968 336	- %	
Other Losses	(680 000)	-	(680 000)	(9 957 817)	(9 277 817)	1 464.38 %	
Total Expenditure	(2 522 842 931)	-	(2 522 842 931)	(2 499 383 837)	23 459 094	99.07 %	
Surplus	63 105 065	-	63 105 065	123 902 563	60 797 498	196.34 %	
Transfers and subsidies - capital (monetary allocations)	135 215 319	-	135 215 319	125 956 656	(9 258 663)	93.15 %	
Transfers and subsidies - capital (in-kind)	-	-	-	4 682 000	4 682 000	- %	
Surplus for the year	198 320 384	-	198 320 384	254 541 219	56 220 835	128.35 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance R
	R	R	R	R	R		

Reconciliation of total revenue

Reconciliation items

Revenue as per Budget statement - before capital transfers and subsidies

2 623 286 400

Transfers and subsidies - Capital (Monetary allocations)

130 638 656

Total Revenue

2 753 925 056

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R
Financial position							
Assets							
Current assets							
Cash and cash equivalents	678 131 634	-	678 131 634	549 503 307	(128 628 327)	81.03 %	The variance is due to the external loan not being taken up, with projects funded from internal sources instead.
Trade and other receivables from exchange transactions	193 737 280	30 000 000	223 737 280	241 149 571	17 412 291	107.78 %	
Receivables from non-exchange transactions	27 565 128	-	27 565 128	91 604 344	64 039 216	332.32 %	The variance is mainly due to the traffic fines issued.
Inventory	39 708 227	7 227 519	46 935 746	44 244 113	(2 691 633)	94.27 %	
VAT	4 730 204	-	4 730 204	12 376 086	7 645 882	261.64 %	A change in accounting interpretation led to revised VAT disclosure.
Other current assets	5 961 272	-	5 961 272	111 374 191	105 412 919	1 868.30 %	
Total current assets	949 833 745	37 227 519	987 061 264	1 050 251 612	63 190 348	106.40 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance R
	R	R	R	R	R		
Non-current assets							
Investment property	426 240 116	-	426 240 116	415 993 471	(10 246 645)	97.60 %	
Property, plant and equipment	6 192 977 072	12 683	6 192 989 755	6 182 928 211	(10 061 544)	99.84 %	
Biological assets	5 876 776	(12 683)	5 864 093	2 799 918	(3 064 175)	47.75 %	
Heritage assets	1 312 677	-	1 312 677	1 312 810	133	100.01 %	
Intangible assets	4 241 247	-	4 241 247	4 398 314	157 067	103.70 %	
Trade and other receivables from exchange transactions	4 581 571	-	4 581 571	8 321 218	3 739 647	181.62 %	
Non-current receivables from non-exchange transactions	17 161	-	17 161	-	(17 161)	- %	
Total non-current assets	6 635 246 620	-	6 635 246 620	6 615 753 942	(19 492 678)	99.71 %	
Total assets	7 585 080 365	37 227 519	7 622 307 884	7 666 005 554	(44 210 007)	100.57 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R
Liabilities							
Current liabilities							
Financial liabilities	62 456 896	-	62 456 896	71 570 709	9 113 813	114.59 %	Variance is higher than budgeted due to a combination of unforeseen costs and unexpected changes in capital projects
Consumer deposits	23 688 825	-	23 688 825	25 397 225	1 708 400	107.21 %	
Trade and other payables from exchange transactions	340 912 960	46 802 479	387 715 439	364 890 337	(22 825 102)	94.11 %	A change in accounting interpretation led to revised VAT disclosure.
Trade and other payables from non-exchange transactions	(4 638 338)	-	(4 638 338)	27 248 692	31 887 030	(587.47)%	The variance is due to unspent conditional grants.
Provision	59 899 365	-	59 899 365	76 143 672	16 244 307	127.12 %	Cell 4 came into use in the current financial year increasing the provision
VAT	16 262 972	-	16 262 972	-	(16 262 972)	- %	A change in accounting interpretation led to revised VAT disclosure.
Total current liabilities	498 582 680	46 802 479	545 385 159	565 250 635	19 865 476	103.64 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance
	R	R	R	R	R		R
Non-current liabilities							
Financial liabilities	639 480 943	-	639 480 943	443 130 954	(196 349 989)	69.30 %	No external loan were taken up during the 2024/2025 financial year.
Provision	-	-	-	(5 113 974)	(5 113 974)	- %	
Provisions	355 936 231	(9 000 000)	346 936 231	380 976 190	34 039 959	109.81 %	Variance is attributed to the change in estimated Post Employment Medical Aid liability.
Total non-current liabilities	995 417 174	(9 000 000)	986 417 174	818 993 170	(167 424 004)	83.03 %	
Total liabilities	1 493 999 854	37 802 479	1 531 802 333	1 384 243 805	142 444 554	90.37 %	
Net assets	6 091 080 511	(574 960)	6 090 505 551	6 281 761 749	(186 654 561)	103.14 %	
Community wealth/ Equity							
Accumulated Surplus/(Deficit)	6 046 373 475	-	6 046 373 475	5 940 271 156	(106 102 319)	98.25 %	The variance is due to the external loan not being taken up, with projects funded from internal sources instead.
Reserves	44 707 036	-	44 707 036	335 720 493	291 013 457	750.93 %	The variance is due to cash backing the Capital Replacement Reserve to fund capital projects.
Total current community wealth/ equity	6 091 080 511	-	6 091 080 511	6 275 991 649	184 911 138	103.04 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R
Cash flow							
Cash flow from operating activities							
Receipts							
Property rates	488 754 805	-	488 754 805	530 580 845	41 826 040	108.56 %	The municipality over collected in the current financial year.
Service charges	1 748 294 862	-	1 748 294 862	1 483 916 064	(264 378 798)	84.88 %	The municipality under collected in terms of the service charges
Other revenue	210 076 753	-	210 076 753	61 758 411	(148 318 342)	29.40 %	Over estimation during the forecasting of other revenue.
Transfers and Subsidies - Operational	244 432 599	-	244 432 599	224 452 131	(19 980 468)	91.83 %	
Transfers and Subsidies - Capital	109 192 400	-	109 192 400	125 956 656	16 764 256	115.35 %	
Interest	54 232 144	-	54 232 144	91 538 803	37 306 659	168.79 %	Excess funds was invested to earn interest income
	2 854 983 563	-	2 854 983 563	2 518 202 910	(336 780 653)	88.20 %	
Payments							
Suppliers and employees	(2 159 319 072)	-	(2 159 319 072)	(1 939 489 797)	219 829 275	89.82 %	The municipality paid suppliers less than anticipated.
Finance charges	(69 253 782)	-	(69 253 782)	(57 028 892)	12 224 890	82.35 %	
Transfers and subsidies	(21 488 889)	-	(21 488 889)	(19 526 022)	1 962 867	90.87 %	
	(2 250 061 743)	-	(2 250 061 743)	(2 016 044 711)	234 017 032	89.60 %	
Net cash from/(used) operating activities	604 921 820	-	604 921 820	502 158 199	(102 763 621)	83.01 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance R
	R	R	R	R	R		
Cash flow from investing activities							
Payments							
Capital assets	(603 189 443)	-	(603 189 443)	(489 402 790)	113 786 653	81.14 %	The municipality had slight under spending on its capital expenditure budget.
Short term investments	-	-	-	(63 078 163)	(63 078 163)	- %	The municipality had excess funds to generate interest income by investments.
Net cash from/(used) investing activities	(603 189 443)	-	(603 189 443)	(552 480 953)	50 708 490	91.59 %	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget R	Reason for the material variance
	R	R	R	R	R		R
Cash flow from financing activities							
Receipts							
Borrowing long term/refinancing	118 845 659	-	118 845 659	-	(118 845 659)	- %	The municipality did not take up a loan as budgeted in the current financial year.
	118 845 659	-	118 845 659	-	(118 845 659)	- %	
Payments							
Repayment of borrowing	(63 919 845)	-	(63 919 845)	(69 647 579)	(5 727 734)	108.96 %	
	(63 919 845)	-	(63 919 845)	(69 647 579)	(5 727 734)	108.96 %	
Net cash from/(used) financing activities	54 925 814	-	54 925 814	(69 647 579)	(124 573 393)	(126.80)%	
Net Increase/ (Decrease) in cash held	56 658 191	-	56 658 191	(119 970 333)	(176 628 524)	(211.74)%	
Cash/cash equivalents at the year begin:	621 473 443	-	621 473 443	150 678 874	(470 794 569)	24.25 %	Short term investments are budgeted including cash and cash equivalents, whereas the actuals are split separately.
Cash/cash equivalents at the year end:	678 131 634	-	678 131 634	30 708 541	(647 423 093)	4.53 %	Short term investments are budgeted including cash and cash equivalents, whereas the actuals are split separately.

Commentary

*Budget adjustments done in terms of section 28 and section 31 of the MFMA. All budget adjustments relate to virements, virements are done in terms of the council approved policy

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

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

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

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

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.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1. Summary of significant accounting policies

1.1 Going concern assumption

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

1.2 Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.3 Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments. Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.4 Accumulated surplus

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

1.5 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.

Materiality utilised for the statement of budget comparison (GRAP 24) comprises of the following components:

Statement of financial Performance

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.5 Materiality (continued)

Revenue: 1% of Total Revenue

Expenditure: 2% of Total expenditure

Statement of financial position

Assets: 1% of total assets

Liabilities: 2% of total liabilities

Net assets: 5% of accumulated surplus

Cash flow statement

The receipt items follow a revenue base as per the statement of financial performance and the payments follow an expenditure base as per the statement of financial performance.

1.6 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition

Accounting Policy 1.18 on Revenue from Exchange Transactions and Accounting Policy 1.19 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment of financial assets

Accounting Policy 1.13 Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.10 and 1.11 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, considering the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual financial statements.

Accounting Policies

1.6 Significant judgements and estimates (continued)

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of non-financial assets

The recoverable amounts of cashgenerating units have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The recoverable amounts of individual assets have been determined based on the higher of valueinuse calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by several factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets.

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

Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 22 - Provisions.

A qualified environmental engineer calculates the provision. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at yearend. The professional engineer determines the cost of rehabilitation and the remaining useful life of each site. Interest rates linked to prime were used to calculate the effect of the time value of money.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Accounting Policies

1.6 Significant judgements and estimates (continued)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Allowance for doubtful debts

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

Impairment of statutory receivables

If there is an indication that a statutory receivable, may be impaired, the municipality measures the impairment loss. The impairment loss is measured 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, are reduced, either directly or using an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality 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 are 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.

Pre-paid electricity

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused.

1.7 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying GRAP 12 or another applicable Standard of GRAP.

Item	Useful life
Trees in plantation forest	Indefinite

Accounting Policies

1.8 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 ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is 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.

Subsequent measurement – cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property-Land	Indefinite
Property-buildings	30-99 years

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

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

When classification is difficult, the criteria used to distinguish investment property from owner -occupied property and from property held for sale in the ordinary course of operations, are as follows:

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes, and that will not be sold within the next 12 months are classified as Investment Properties

A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

Accounting Policies

1.8 Investment property (continued)

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

1.9 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 municipality elected the cost model for Property, plant and equipment.

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

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

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

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

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

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

After initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

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

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Property, plant and equipment (continued)

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

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

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Property, plant and equipment (continued)

Depreciation

Property, plant and equipment are depreciated on the straightline 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:

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	1-66
Furniture and office equipment	Straight-line	2-24
Transport assets	Straight-line	4-21
Computer equipment	Straight-line	5-23
Community assets	Straight-line	4-50
Other property, plant and equipment	Straight-line	6-99
Capital restoration asset	Straight-line	5-30
Electrical infrastructure	Straight-line	10-100
Water supply infrastructure	Straight-line	10-100
Solid waste infrastructure	Straight-line	10-50
Roads infrastructure	Straight-line	10-100
Information and communication infrastructure	Straight-line	3-15
Waste water network	Straight-line	10-100
Stormwater infrastructure	Straight-line	10-50

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

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

Accounting Policies

1.10 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

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

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

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

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

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

Subsequent measurement

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Accounting Policies

1.10 Intangible assets (continued)

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

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

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
Internally generated: Capital development	Straight-line	5 - 7 years
Computer software	Straight-line	3 - 30 years
Service operating and land rights	Straight-line	5 - 30 years

Derecognition

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit when the asset is derecognised.

1.11 Heritage assets

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

Initial recognition and measurement

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.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 13 Heritage assets.

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

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

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.

Reference to impairment paragraphs can be made to note , 1.16 and 1.17.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.11 Heritage assets (continued)

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).

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.

1.12 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

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.

1.12.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

A financial asset is:

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

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

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Accounting Policies

1.12 Financial instruments (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the municipality.

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

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

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

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

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

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

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

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

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

- the municipality 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.

Accounting Policies

1.12 Financial instruments (continued)

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.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost

1.12.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instrument is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Accounting Policies

1.12 Financial instruments (continued)

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Accounting Policies

1.12 Financial instruments (continued)

1.12.3 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be 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, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

1.12.4 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.13 Leases

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

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

Entity as lessee - operating leases

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

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

Any contingent rent is expensed in the period in which they are incurred.

Entity as lessor - operating leases

Operating lease revenue is recognised as revenue 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.

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.

Accounting Policies

1.13 Leases (continued)

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

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

1.14 Inventory

Initial measurement:

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

Inventories shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- (b) and the cost of the inventories can be measured reliably.

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

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

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

Accounting Policies

1.15 Landfill site

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;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change 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 discount rate; and
- the obligation the municipality incurs for having used the items 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

1.16 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity

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

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

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

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

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

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

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

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

Useful life is either:

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

Management has judged all assets as non cash generating assets.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Identification

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

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

Value in use

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

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

In assessing whether there is any indication that an asset may be impaired, the municipality will consider, as a minimum, the following indications:

External sources:

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially

Internal sources:

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Accounting Policies

1.17 Impairment of non-cash-generating assets

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

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal sources of information

- (c) Evidence is available of obsolescence or physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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.

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.18 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

a municipality's decision to terminate an employee's employment before the normal retirement date; or

an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.18 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

wages, salaries and social security contributions;

short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity 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 measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on the bonus accrued at year-end for each employee.

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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

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

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In this aspect defined contribution plans can be considered as the pension fund.

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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.

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

Other long term employee benefit

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

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

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.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of financial performance in the period that it occurs. Interest cost on employee benefit obligation is recognised as part of employee related cost.

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

the present value of the defined benefit obligation at the reporting date;

minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

Termination benefits

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

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

Stellenbosch Municipality

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Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

1.19 Provisions

Provisions are recognised when:

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

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

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

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

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 deficits.

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

Accounting Policies

1.19 Provisions (continued)

Environmental rehabilitation provisions

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As 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 adjustments result 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 be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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.

Provision for constructive obligation

A constructive obligation to restructure arises only when the municipality:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.20 Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Accounting Policies

1.20 Contingent assets and contingent liabilities (continued)

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.
- present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

1.21 Revenue

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

Recognition and measurement

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

Accounting Policies

1.21 Revenue (continued)

1.21.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognized in total as an accrual as all billing in July pertains to services rendered prior 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

The municipality accounts for availability charges as an exchange transaction.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

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

interest is levied on outstanding debtors using the effective interest rate method.

Rentals on facilities and equipment are recognised on the straight-line basis over the term of the lease agreement

Rendering of services

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

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

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

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

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

Stellenbosch Municipality

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Accounting Policies

1.21 Revenue (continued)

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.

The costs incurred or to be incurred in respect of the transaction can be measure reliably.

Interest earned and rentals received

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Traffic charges

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

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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 buyer 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.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Accounting Policies

1.21 Revenue (continued)

1.21.2 Revenue from non-exchange transactions

Rates and taxes

Other than services in-kind not recognised in terms of paragraph .99, an inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the fair value of the asset can be measured reliably.

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 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.

Rebates and discounts are offset against the revenue. As per iGRAP 1, there is no intention to collect this revenue

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

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.

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Accounting Policies

1.21 Revenue (continued)

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets or expenditure and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

1.22 Statutory receivables

1.22.1 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.

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

In estimating the future cash flows, an entity 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, an entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

1.22.2 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.

Accounting Policies

1.22 Statutory receivables (continued)

1.22.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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.

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 accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

1.22.4 Impairment

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 receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

it is probable that the receivable 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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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 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.

1.22.5 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;

Accounting Policies

1.22 Statutory receivables (continued)

- the municipality transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; 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.

1.23 Principal-agent arrangements

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.

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.

Accounting Policies

1.23 Principal-agent arrangements (continued)

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.

1.24 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below.

1.25 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2024 to 30 June 2025.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

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.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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.

1.28 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.

Accounting Policies

1.28 Irregular expenditure (continued)

All expenditure relating to irregular 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.

1.29 Related parties and related party transactions

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

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

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

An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- all members of the governing body of the Municipality;
- a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

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.

Accounting Policies

1.29 Related parties and related party transactions (continued)

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.

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.

1.30 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

1.31 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.32 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.33 Budget information

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

Material variances are determined in accordance with the municipalities materiality framework. These material differences will be explained in the financial statements under note for budget differences referenced to the statement of budget comparison.

Accounting Policies

1.34 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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.

1.35 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest hundred.

1.36 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 subcontractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

1.37 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.

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

The municipality manages its assets and liability as a whole and is not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

Accounting Policies

1.37 Segment information (continued)

Measurement

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

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

1.38 Offsetting

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

1.39 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior periods.

1.40 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.41 Housing arrangements

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Accounting Policies

1.41 Housing arrangements (continued)

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue shall comprise: (a) the initial amount of revenue agreed in the contract; and (b) variations in contract work, claims and incentive payments to the extent that: (i) it is probable that they will result in revenue; and (ii) they are capable of being reliably measured.

Contract costs shall comprise: (a) costs that relate directly to the specific contract; (b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

An expected deficit on a construction contract to which paragraph .49 applies shall be recognised as an expense immediately in accordance with paragraph .49.

1.42 Grants-in-aid

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

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

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

1.43 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

1.44 Unspent conditional grants

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

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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2. New standards and interpretations

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

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023: Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

The National Minister of Finance announced in Regulation Gazette no 11129 (dated 4 June 2020) the effective dates as indicated next to each standard above. In the event that the minister has not set an effective date, the year 2099 is utilised.

The Accounting Standards Board Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent Standard that was effective (prior to the adoption of the new/ replacement Standard) at the date that such new Standard is either adopted or becomes effective. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
3. Cash and cash equivalents		
3.1 Cash and cash equivalents		
Cash flow statement consist of the following:		
Call deposits and investments		
Deposit taking institutions (Call account)	11 271 312	56 294 377
Cash at bank		
Bank account	19 422 510	94 369 778
Cash on hand	14 719	14 719
Total cash and cash equivalents	30 708 541	150 678 874
The municipality had the following bank statement account balances		
FNB - Primary (62869253684)	12 889 874	85 135 796
FNB - Lamotte Trust (62869255169)	5 712 317	3 868 587
FNB - Charitable Trust (62869253733)	25 109	189 850
FNB - Longlands Trust (63010520062)	950 760	2 203 995
	19 578 060	91 398 228
Cash book reconciliation		
Grand cash book total	19 422 510	94 369 773
Less Lamotte trust cash book	(4 913 744)	(3 048 030)
Less Charitable trust cash book	(19 108)	(166 225)
Less Longlands cash book	(950 759)	(2 040 770)
	13 538 899	89 114 748
Reconciling the bank accounts to the cash book		
Primary Bank statement balance at the end of the year	12 889 874	85 135 796
Net movement/reconciling items	649 025	3 978 952
Cash book balance at the end of the year	13 538 899	89 114 748

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
4. Short term investments		
Short term investments	518 794 766	455 716 603
FNB Investments		
Opening Balance	-	-
Deposits	-	120 000 000
Interest accrued	-	2 663 014
Withdrawals	-	(122 663 014)
	-	-
Nedbank Investments		
Opening balance	188 007 062	209 268 026
Deposits	350 611 464	175 481 647
Interest accrued	13 757 109	21 847 389
Withdrawals	(347 420 676)	(218 590 000)
	204 954 959	188 007 062
Standard Bank Investments		
Opening balance	100 426 164	-
Deposits	290 846 521	200 000 000
Interest accrued	10 872 493	1 967 671
Withdrawals	(257 650 342)	(101 541 507)
	144 494 836	100 426 164
ABSA Investments		
Opening balance	167 283 375	122 499 219
Deposits	259 153 479	354 518 353
Interest accrued	18 819 212	15 383 731
Withdrawals	(275 911 096)	(325 117 928)
	169 344 970	167 283 375

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
5. Receivables from exchange transactions		
5.1		
Consumer receivables from exchange transactions		
Electricity	166 503 714	181 083 506
Waste management	10 491 623	8 849 764
Waste water management	11 410 191	12 164 769
Water	51 069 030	48 080 590
Service charges	939 532	1 063 430
	240 414 090	251 242 059
5.2		
Other consumer receivables from exchange transactions		
Property rental debtors	735 481	745 436
Total receivables from exchange transactions	241 149 571	251 987 495

The amount disclosed in this note is net of impairment. Refer to note 5.1 & 5.2 for the amount before the provision (gross) and the actual value of the provision.

5.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

The management of the municipality is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer receivables as well as the current payment ratio's of the municipality's consumer receivables.

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	179 052 128	(12 548 414)	166 503 714	193 853 518	(12 770 012)	181 083 506
Waste management	63 099 795	(52 608 172)	10 491 623	59 730 963	(50 881 199)	8 849 764
Waste water management	50 059 451	(38 649 260)	11 410 191	50 818 824	(38 654 055)	12 164 769
Water	199 917 048	(148 848 018)	51 069 030	201 196 856	(153 116 266)	48 080 590
Service charges	11 481 354	(10 541 822)	939 532	14 333 531	(13 270 101)	1 063 430
Total consumer receivables from exchange transactions	503 609 776	(263 195 686)	240 414 090	519 933 692	(268 691 633)	251 242 059

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

5. Receivables from exchange transactions (continued)

5.1.1 Ageing of consumer receivables

2025

Consumer receivables from exchange transactions

Total by debt type

	Not due				Past due		
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Electricity	179 052 128	154 934 011	4 450 575	3 204 730	344 839	1 902 883	14 215 090
Waste management	63 099 795	7 299 187	901 207	927 215	949 798	10 149 587	42 872 801
Waste water management	50 059 451	10 280 976	597 566	621 053	615 554	6 585 929	31 358 373
Water	199 917 048	47 744 573	3 957 186	3 765 386	3 771 682	17 554 920	123 123 301
Service charges	11 481 354	801 236	106 840	183 741	91 446	951 616	9 346 475
Total by debt type	503 609 776	221 059 983	10 013 374	8 702 125	5 773 319	37 144 935	220 916 040

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

5. Receivables from exchange transactions (continued)

2024

Consumer receivables from exchange transactions

Total by debt type

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Electricity	193 853 518	134 687 886	3 441 006	3 105 393	3 228 342	29 343 905	20 046 986
Waste management	59 730 963	7 187 615	943 191	844 837	859 804	7 979 630	41 915 886
Waste water management	50 818 824	11 184 061	756 999	641 734	689 836	5 345 409	32 200 785
Water	201 196 856	45 399 921	3 350 002	3 798 016	5 102 933	20 818 138	122 727 846
Service charges	14 333 531	919 970	65 931	49 620	32 793	491 660	12 773 557
Total by debt type	519 933 692	199 379 453	8 557 129	8 439 600	9 913 708	63 978 742	229 665 060

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

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5. Receivables from exchange transactions (continued)

5.1.2 Impairment reconciliation of consumer receivables

	2025				2024			
	Opening balance	Impairment raised	Impairment reversed	Closing balance	Opening balance	Impairment raised	Impairment reversed	Closing balance
Consumer receivables from exchange transactions								
Electricity	12 770 012	-	(221 598)	12 548 414	13 668 729	-	(898 717)	12 770 012
Waste management	50 881 199	1 726 973	-	52 608 172	39 267 074	11 614 125	-	50 881 199
Waste water management	38 654 055	-	(4 795)	38 649 260	30 804 743	7 849 312	-	38 654 055
Water	153 116 266	-	(4 268 248)	148 848 018	111 910 588	41 205 678	-	153 116 266
Service charges	13 270 101	-	(2 728 279)	10 541 822	12 387 955	882 146	-	13 270 101
Total consumer receivables	268 691 633	1 726 973	(7 222 920)	263 195 686	208 039 089	61 551 261	(898 717)	268 691 633

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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5. Receivables from exchange transactions (continued)

5.1.3 Consumer debt past due not impaired

2025

	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions						
Electricity	5 762 562	3 229 920	2 367 043	27 302	90 895	47 402
Waste management	879 589	128 969	87 407	72 036	378 955	212 222
Waste water management	670 479	84 371	51 713	36 936	324 036	173 423
Water	2 436 080	519 572	309 152	274 862	578 995	753 499
Service charges	124 999	22 390	18 060	8 378	51 659	24 512
Total consumer receivables	9 873 709	3 985 222	2 833 375	419 514	1 424 540	1 211 058

2024

	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions						
Electricity	41 986 563	3 028 791	2 786 197	3 018 528	26 753 214	6 399 833
Waste management	768 667	102 162	69 752	51 212	253 488	292 053
Waste water management	702 334	96 321	73 851	86 332	175 210	270 620
Water	2 136 338	348 266	378 724	301 836	459 261	648 251
Service charges	159 359	9 943	11 728	9 448	63 438	64 802
Total consumer receivables	45 753 261	3 585 483	3 320 252	3 467 356	27 704 611	7 675 559

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

5.2 Other receivables from exchange transactions

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Property rental debtors	33 110 231	(32 374 750)	735 481	33 113 954	(32 368 518)	745 436

Stellenbosch Municipality

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5. Receivables from exchange transactions (continued)

5.2.1 Ageing of other receivables from exchange transactions

2025

	Not due				Past due		
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	120 - 365 days	365+ days
Property rental debtors	33 110 231	578 915	193 077	412 867	210 389	2 596 236	29 118 747

2024

	Not due				Past due		
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	33 113 954	587 569	179 982	398 518	183 873	1 584 409	30 179 603

5.2.2 Impairment reconciliation of other receivables from exchange transactions

	2025				2024			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Property rental debtors	32 368 518	6 232	-	32 374 750	30 716 300	1 652 218	-	32 368 518

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2025 R	2024 R
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5. Receivables from exchange transactions (continued)

5.2.3 Other receivables from exchange transactions past due not impaired

2025

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	158 757	13 667	41 298	5 448	72 603	25 741

2024

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	158 724	7 671	55 029	4 324	29 259	62 441

The impairment provision calculation is calculated by assessing each individual debtor and assessing the probability of future payment using a formula considering historical trends in relation to the individual debtors payment history.

	Rates	Services	Interest	Sundry	Total
Government debt as at 30 June 2025					
Nat. dept of Public Works	1 120 778	10 074 117	1 752 329	13 025	12 960 249
Prov. dept of Transport and Public Works	156 953	397 177	75 436	1 792	631 358
Western Cape Education department	4 350	2 103 309	16 961	584	2 125 204
Department of Health	-	477 242	38	70	477 350
Dept of local government and housing	179 833	479 926	128 721	4 660	793 140
	1 461 914	13 531 771	1 973 485	20 131	16 987 301

	Rates	Services	Interest	Sundry	Total
Government debt as at 30 June 2024					
Nat. dept of Public Works	807 082	6 647 761	1 064 193	13 123	8 532 159
Prov. dept of Transport and Public Works	152 865	109 226	23 166	-	285 257
Western Cape Education department	1 024	2 414 221	16 529	52	2 431 826
Department of Health	-	669 869	-	-	669 869
Dept of local government and housing	157 950	453 161	61 248	3 662	676 021
Other government departments	832	170	147	1 007	2 156
	1 119 753	10 294 408	1 165 283	17 844	12 597 288

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
6. Receivables from non-exchange transactions		
	6.1	
Consumer receivables		
Property rates	30 966 570	29 072 921
Other receivables		
Accrued income	7 736 359	5 298 358
Fines	52 901 415	52 296 165
	60 637 774	57 594 523
Total receivables	91 604 344	86 667 444

6.1 Receivables from non-exchange transactions

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	69 501 843	(38 535 273)	30 966 570	66 235 109	(37 162 188)	29 072 921
Other receivables						
Accrued income	7 736 359	-	7 736 359	5 298 358	-	5 298 358
Fines	261 099 733	(208 198 318)	52 901 415	233 078 454	(180 782 289)	52 296 165
	268 836 092	(208 198 318)	60 637 774	238 376 812	(180 782 289)	57 594 523
Total	338 337 935	(246 733 591)	91 604 344	304 611 921	(217 944 477)	86 667 444

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6. Receivables from non-exchange transactions (continued)

6.1.1 Ageing of receivables from non-exchange transactions

2025

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables							
Property rates	69 501 843	27 527 095	1 451 626	1 119 213	1 022 868	8 280 257	30 100 784
Other receivables							
Accrued income	7 736 359	3 350 285	-	-	-	-	4 386 074
Fines	261 099 733	15 118 250	18 197 250	16 672 500	15 688 800	128 699 100	66 723 833
	268 836 092	18 468 535	18 197 250	16 672 500	15 688 800	128 699 100	71 109 907
	338 337 935	45 995 630	19 648 876	17 791 713	16 711 668	136 979 357	101 210 691

2024

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables							
Property rates	66 235 109	24 692 898	1 118 891	1 233 366	844 862	9 234 885	29 110 207
Other receivables							
Accrued income	5 298 358	912 284	-	-	-	-	4 386 074
Fines	233 078 454	10 082 954	10 345 650	10 445 974	12 562 199	67 658 106	121 983 571
	238 376 812	10 995 238	10 345 650	10 445 974	12 562 199	67 658 106	126 369 645
	304 611 921	35 688 136	11 464 541	11 679 340	13 407 061	76 892 991	155 479 852

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
6. Receivables from non-exchange transactions (continued)		
No debtors were pledged as security.		
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	30 966 570	29 072 921
Fines	52 901 415	52 296 165
	83 867 985	81 369 086
Financial asset receivables included in receivables from non-exchange transactions above		
Accrued Income	7 736 359	5 298 358

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Annual Financial Statements for the year ended 30 June 2025

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6. Receivables from non-exchange transactions (continued)

6.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2025				2024			
	Opening balance	Impairment Increase /(Reversal)	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment Increase /(Reversal)	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	37 162 188	1 373 085	-	38 535 273	29 697 191	7 464 997	-	37 162 188
Other receivables								
Fines	180 782 289	27 416 029	-	208 198 318	196 036 531	(15 254 242)	-	180 782 289
Total	217 944 477	28 789 114	-	246 733 591	225 733 722	(7 789 245)	-	217 944 477

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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6. Receivables from non-exchange transactions (continued)

6.1.3 Ageing of receivables from non-exchange transactions past due not impaired

2025

	Past due					
	Total	31-60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables						
Property rates	1 834 121	496 601	233 256	163 957	613 263	327 044
Other receivables						
Fines	49 183 507	3 637 173	3 350 402	3 135 797	25 723 717	13 336 418
	51 017 628	4 133 774	3 583 658	3 299 754	26 336 980	13 663 462

2024

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121- 365 days	365+ days
Consumer receivables						
Property rates	3 121 467	399 541	281 084	210 465	1 732 941	497 436
Other receivables						
Fines	42 213 208	1 873 717	1 891 887	2 275 159	12 253 667	23 918 778
	45 334 675	2 273 258	2 172 971	2 485 624	13 986 608	24 416 214

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Stellenbosch.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991. VAT increased from 14% to 15% from 1 April 2018.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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6. Receivables from non-exchange transactions (continued)

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

No impairment on VAT Receivable, balance expected to be fully recoverable

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1%). This rate is also considered an appropriate discount rate.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Significant impairment losses recognised or reversed

Traffic Fines: Impairment Recognised: Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage.

7. Inventory

Consumables	11 305 470	2 241 648
Materials and supplies	7 677 193	10 110 873
Water	1 457 427	2 865 719
Housing stock	6 300 000	8 050 000
Land	17 504 023	17 504 023
Total Inventories	44 244 113	40 772 263

8. VAT Control

VAT Control - Receivable / (Payable)	12 376 086	8 270 606
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The municipality is registered for VAT on the payment/ cash basis.

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 5. The statutory receivable amounts are as follows R12 376 086 (2024:R8 270 605)

Stellenbosch Municipality

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	2025 R	2024 R
9. Other receivables from exchange transactions		
Deposits	52 178 116	13 882 018
Input VAT: Accrual	29 714 635	37 788 796
Other receivable	4 080 355	6 039 523
Licensing and registration	3 652 467	3 673 272
Prepayments and advances	21 748 618	30 794 294
Total	111 374 191	92 177 903

10. Investment property

10.1 Reconciliation of carrying value

Opening carrying value

Cost		432 051 232	432 051 232
Accumulated depreciation and impairment losses		(15 655 563)	(13 509 744)
		416 395 669	418 541 488
Depreciation	38	(402 198)	(420 818)
Impairment loss / reversal of impairment loss	38	-	(1 725 000)
Closing carrying value		415 993 471	416 395 670

Cost	432 051 232	432 051 232
Accumulated depreciation and impairment losses	(16 057 761)	(15 655 562)

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.

There were no restrictions placed on any investment properties.

Maintenance of investment property

There were no repairs and maintenance expensed on rental properties. This is mainly due to the fact that rental agreements as entered into with the lessee states maintenance of these properties will be for the lessee's expense.

Amounts recognised in surplus or deficit

Rental revenue from Investment Property	11 733 059	11 055 806
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Stellenbosch Municipality

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	2025 R			2024 R		
11. Property, plant and equipment						
11.1 Reconciliation summary						
	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	528 707 475	(27 052 477)	501 654 998	524 290 475	(27 052 477)	497 237 998
Transport Assets	216 601 222	(91 686 838)	124 914 384	199 942 772	(90 320 940)	109 621 832
Electrical Infrastructure	1 673 559 124	(576 104 442)	1 097 454 682	1 598 646 075	(539 244 122)	1 059 401 953
Water Supply Infrastructure	2 089 346 519	(624 692 892)	1 464 653 627	2 022 387 311	(574 080 677)	1 448 306 634
Sanitation Infrastructure	1 390 203 554	(327 348 074)	1 062 855 480	1 331 799 108	(296 860 182)	1 034 938 926
Solid Waste Infrastructure	197 403 320	(17 929 977)	179 473 343	139 240 913	(16 091 310)	123 149 603
Other Infrastructure	57 827 828	-	57 827 828	33 785 570	-	33 785 570
Machinery and Equipment	95 131 481	(66 910 830)	28 220 651	84 583 321	(64 620 604)	19 962 717
Furniture and Office Equipment	59 647 143	(45 624 504)	14 022 639	56 931 514	(43 762 582)	13 168 932
Computer Equipment	85 301 812	(58 657 342)	26 644 470	79 895 167	(55 271 350)	24 623 817
Information and Communication Infrastructure	27 372 235	(4 471 481)	22 900 754	18 254 543	(3 328 374)	14 926 169
Roads Infrastructure	1 515 057 388	(617 291 501)	897 765 887	1 441 230 692	(573 118 428)	868 112 264
Storm water Infrastructure	94 713 519	(50 693 276)	44 020 243	87 559 967	(49 644 581)	37 915 386
Community Assets	230 183 021	(52 138 691)	178 044 330	201 082 252	(38 630 582)	162 451 670
Other assets						
Operational Buildings	392 672 917	(92 199 749)	300 473 168	365 224 673	(83 629 513)	281 595 160
Housing Selling Schemes	221 158 272	(40 677 323)	180 480 949	193 956 286	(38 583 860)	155 372 426
Total	8 874 886 830	(2 693 479 397)	6 181 407 433	8 378 810 639	(2 494 239 582)	5 884 571 057

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11. Property, plant and equipment (continued)

11.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	497 237 998	4 682 000	(265 000)	-	-	-	-	-	501 654 998
Transport Assets	109 621 828	20 285 614	(1 285 935)	-	-	-	(3 707 123)	-	124 914 384
Electrical Infrastructure	1 059 401 959	72 085 995	-	2 827 054	-	-	(36 860 326)	-	1 097 454 682
Water Supply Infrastructure	1 448 291 427	67 031 396	-	-	(56 980)	-	(50 612 216)	-	1 464 653 627
Sanitation Infrastructure	1 034 938 923	58 404 446	-	-	-	-	(30 487 889)	-	1 062 855 480
Solid Waste Infrastructure	123 143 110	28 832 382	-	-	-	29 336 517	(1 838 666)	-	179 473 343
Other Infrastructure	33 785 570	24 042 257	-	-	-	-	-	-	57 827 827
Machinery and Equipment	19 970 208	12 332 515	-	-	-	-	(3 836 674)	(245 397)	28 220 651
Furniture and Office Equipment	13 209 377	3 974 993	-	-	-	-	(2 999 910)	(161 821)	14 022 639
Computer Equipment	24 914 141	7 312 854	(123 968)	-	-	-	(5 157 140)	(301 417)	26 644 470
Information and Communication Infrastructure	14 908 221	9 135 639	-	-	-	-	(1 142 894)	(212)	22 900 754
Roads Infrastructure	868 112 235	73 826 730	-	-	-	-	(44 173 078)	-	897 765 887
Storm water Infrastructure	37 915 385	7 153 552	-	-	-	-	(1 048 694)	-	44 020 243
Community Assets	162 153 088	29 399 351	-	-	-	-	(13 508 109)	-	178 044 330
Other assets									
Operational Buildings	281 595 157	26 895 745	-	-	-	-	(8 017 734)	-	300 473 168
Housing Selling Schemes	155 372 426	27 285 733	-	-	-	-	(2 114 337)	(62 873)	180 480 949
Total	5 884 571 053	472 681 202	(1 674 903)	2 827 054	(56 980)	29 336 517	(205 504 790)	(771 720)	6 181 407 432

2024

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11. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	450 624 998	47 363 000	(750 000)	-	-	-	-	497 237 998
Transport Assets	92 813 533	23 290 517	(344 380)	-	-	(6 137 838)	-	109 621 832
Electrical Infrastructure	993 264 216	97 906 401	-	-	8 844 418	(40 613 082)	-	1 059 401 953
Water Supply Infrastructure	1 407 862 485	89 431 389	-	(261 552)	-	(48 725 688)	-	1 448 306 634
Sanitation Infrastructure	1 047 729 288	16 032 063	-	-	-	(28 822 425)	-	1 034 938 926
Solid Waste Infrastructure	54 629 819	70 506 448	-	-	-	(1 986 664)	-	123 149 603
Other Infrastructure	33 785 570	-	-	-	-	-	-	33 785 570
Machinery and Equipment	21 837 300	2 506 158	(128 404)	-	-	(4 252 337)	-	19 962 717
Furniture and Office Equipment	15 521 781	1 650 402	(87 203)	-	-	(3 916 048)	-	13 168 932
Computer Equipment	28 634 713	2 475 540	(207 429)	-	-	(6 279 007)	-	24 623 817
Information and Communication Infrastructure	1 128 844	14 080 929	-	-	-	(283 604)	-	14 926 169
Roads Infrastructure	855 920 165	58 082 479	-	-	-	(45 890 380)	-	868 112 264
Storm water Infrastructure	35 113 847	3 850 003	-	-	-	(1 048 464)	-	37 915 386
Community Assets	140 206 912	29 610 536	-	-	-	(7 365 778)	-	162 451 670
Other assets								
Operational Buildings	283 299 748	7 660 930	-	-	-	(8 334 082)	(1 031 436)	281 595 160
Housing Selling Schemes	151 209 658	6 326 784	(468 753)	-	-	(1 695 263)	-	155 372 426
Total	5 613 582 877	470 773 579	(1 986 169)	(261 552)	8 844 418	(205 350 660)	(1 031 436)	5 884 571 057

Stellenbosch Municipality

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	2025 R	2024 R
11. Property, plant and equipment (continued)		
11.3 Construction work-in-progress		
Accumulated expenditure included in carrying value of property, plant and equipment		
Community Assets	44 319 445	21 623 075
Electrical Infrastructure	286 853 894	255 238 988
Other infrastructure	57 827 828	33 785 571
Information and Communication Infrastructure	12 780 605	12 780 606
Roads Infrastructure	176 141 509	115 639 922
Sanitation Infrastructure	226 646 379	182 498 512
Solid Waste Infrastructure	109 569 863	81 437 349
Storm Water Infrastructure	14 371 300	7 217 748
Water Supply Infrastructure	204 595 442	169 366 173
Other assets		
Operational Buildings	32 241 531	16 135 481
Housing	24 847 765	18 164 752
Total	1 190 195 561	913 888 177

There were no projects that were significantly delayed or halted during the current financial year. Significant delays are regarded as projects which has not seen any progress for a period exceeding 12 months.

11.4 Restrictions on property, plant and equipment

No assets have been pledged as security during the current financial year.

11.5 Property, plant and equipment pledged as security

No assets have been pledged as security during the current financial year.

11.6 Maintenance of property, plant and equipment

11.6.1 Maintenance Expenditure

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

Property, plant and equipment	74 490 709	92 310 830
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025		2024	
	R		R	
12. Biological assets				
12.1 Reconciliation of carrying value				
	2025		2024	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	2 925 054	2 925 054	5 142 777	5 142 777
Additions from acquisitions	-	-	-	-
Disposals through sales	-	-	-	-
Gains / Losses on disposals	-	-	-	-
Harvests	(76 793)	(76 793)	(723 740)	(723 740)
	2 848 261	2 848 261	4 419 037	4 419 037
Fair value less costs to sell adjustments				
Consumable assets	(48 343)	(48 343)	(1 493 983)	(1 493 983)
Closing carrying value	2 799 918	2 799 918	2 925 054	2 925 054

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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12. Biological assets (continued)

	Opening Balance	Decrease due to harvest	Fair value movement	Total
2025 - Nature and quantities of each biological asset				
Botmanskop Plantation	127 980	(38 394)	(12 797)	76 789
Paradyskloof Plantation	2 797 074	(38 398)	(35 545)	2 723 131
	2 925 054	(76 792)	(48 342)	2 799 920
2024 - Nature and quantities of each biological asset				
Botmanskop plantation	293 463	(109 324)	(56 159)	127 980
Paradyskloof Plantation	4 849 313	(614 416)	(1 437 823)	2 797 074
	5 142 776	(723 740)	(1 493 982)	2 925 054

The determination of fair value was as follows:

Principle:

Price determination was done on the basis of current sale value of the tender for the current year i.e. R602.10/m³ excluding 15% VAT . This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m³/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

Botmanskop plantation (Block E)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Paradyskloof plantation (Block G)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Pledged as security

There were no items of biological assets pledged as security in the current financial year.

Non-Financial Information

Quantities of each biological asset (In hectares)

Botmanskop Plantation	2.4	4
Paradyskloof Plantation	15.6	16
	18	20

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R		
13. Heritage assets				
13.1 Reconciliation of carrying value				
2025				
	Land and buildings	Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2024				
Cost	275 982	892 883	143 945	1 312 810
2024				
	Land and buildings	Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2023				
Cost	275 982	892 883	143 945	1 312 810

There were no heritage assets pledged as security during the current financial year.

Heritage assets used for more than one purpose

A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:

Neethlingshuis and De Withuis	61 624 136	61 981 836
58 - 60 Andringa Street	1 838 321	1 848 421
35B Mark Street	3 102 872	3 112 063
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12 556 879	12 587 685
116 - 118 Dorp Street, Voorgelegen - Offices	5 476 642	5 496 842
4 Reservoir West, Mooiwater	2 040 657	2 048 737
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8 056 879	8 087 685
PMU Building, Alexander Street, Burger Huis	1 544 909	1 551 474
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	61 268 397	61 460 908
Die Laan, Landbou Saal	4 315 867	4 322 684
	161 825 559	162 498 335

Expenditure incurred to repair and maintain heritage assets

The expenditure relating to repairs and maintenance of these buildings is included in the statement of financial performance and disclosed under note 11 to the financial statements.

There was no repairs and maintenance expenditure incurred on other remaining heritage assets.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
14. Intangible assets			
14.1 Reconciliation of carrying value			
2025			
		Computer software	Total
Opening carrying value as at 01 July 2024			
Cost		16 621 112	16 621 112
Accumulated amortisation and impairment		(12 152 072)	(12 152 072)
		4 469 040	4 469 040
Amortisation	38	(70 726)	(70 726)
Closing carrying value as at 30 June 2025		4 398 314	4 398 314
Cost		16 621 112	16 621 112
Accumulated amortisation and impairment		(12 222 798)	(12 222 798)
		4 398 314	4 398 314
2024			
		Computer software	Total
Opening carrying value as at 01 July 2023			
Cost		16 249 796	16 249 796
Accumulated amortisation and impairment		(11 773 018)	(11 773 018)
		4 476 778	4 476 778
Amortisation	38	(379 053)	(379 053)
Closing carrying value as at 30 June 2024		4 097 725	4 097 725
Cost		16 249 796	16 249 796
Accumulated amortisation and impairment		(12 152 071)	(12 152 071)
		4 097 725	4 097 725
Construction work in progress			
Internally generated intangible assets		<u>2 113 767</u>	<u>1 742 452</u>

14.2 Intangible assets pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

Restricted title

There were no items of intangible assets that have a restricted title in the current financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
15. Non-current receivables from exchange and non-exchange transactions			
Trading services debtors	5.1		
Electricity		828 729	493 864
Waste management		1 093 228	847 721
Waste water management		843 962	685 293
Water		4 207 406	3 344 996
Property rental debtors		462 895	503 839
Service charges		867 837	615 723
Total		8 304 057	6 491 436
Other receivables			
Public organisation		17 161	17 161
16. Consumer deposits			
Electricity		15 067 111	13 509 055
Sundry		169 611	171 511
Rental properties		710 874	752 824
Water		9 332 616	9 198 636
Wayleave		117 013	558 413
Total		25 397 225	24 190 439

Deposits are released on termination of the contract or when the contractual services are delivered.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
17. Trade and other payables from exchange transactions			
Affiliates, related parties and associated companies		265 587	-
Bulk purchases	17.1	104 360 494	91 950 423
Contractors	17.2	26 950 991	36 413 520
Control and clearing accounts	17.3	9 073 449	10 764 601
Other payables	17.4	223 375 290	217 142 961
Total		364 025 811	356 271 505
17.1 Bulk purchases			
Bulk water		2 038 931	8 742 225
Bulk electricity		102 321 563	83 208 198
Total		104 360 494	91 950 423
17.2 Contractors			
Retentions		26 950 991	36 413 520
17.3 Control and clearing accounts			
Cash and bank		2 772 723	2 471 629
Goods received/invoice received		10 192	108 488
Group life control		607 060	807 652
Salary Control - Employee Related Costs		5 664 042	7 376 832
Salary Control - Remuneration of Councillors		19 432	-
Total		9 073 449	10 764 601
17.4 Other payables			
Payables and accruals		140 824 980	137 546 991
Unallocated deposits		12 211 199	10 844 971
Advance payments		30 497 795	28 681 494
Output VAT: Accrual		65 135 594	66 556 152
Output VAT: Provision for doubtful debt impairment		(25 294 278)	(26 486 647)
Total		223 375 290	217 142 961

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

18. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

		2025					2024				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	18.1	27 314 154	105 033 229	(123 190 196)	-	9 157 187	18 842 462	120 455 201	(106 296 778)	(8 030 315)	24 970 570
Operational											
Monetary Allocations	18.2	9 087 924	18 441 025	(7 798 412)	(1 639 032)	18 091 505	13 618 203	22 924 987	(20 156 336)	(4 147 169)	12 239 685
Total		36 402 078	123 474 254	(130 988 608)	(1 639 032)	27 248 692	32 460 665	143 380 188	(126 453 114)	(12 177 484)	37 210 255

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

18. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

18.1 Unspent capital monetary allocations

	2025				2024				
	Opening balance	Funds received	Transfer to revenue	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
District Municipalities									
Western Cape	146 959	-	-	146 959	146 959	-	-	-	146 959
National Government									
Energy Efficiency and Demand Side Management Grant	-	5 000 000	(2 233 533)	2 766 467	-	-	-	-	-
Integrated National Electrification Programme Grant	(1)	9 556 000	(9 556 000)	(1)	8 030 315	20 000 000	(20 000 000)	(8 030 315)	-
Integrated Urban Development Grant	-	60 246 400	(60 246 400)	-	-	56 439 500	(56 439 500)	-	-
Municipal Disaster Relief Grant	19 413 122	6 000 000	(25 374 781)	38 341	-	30 132 000	(10 718 878)	-	19 413 122
Total	19 413 121	80 802 400	(97 410 714)	2 804 807	8 030 315	106 571 500	(87 158 378)	(8 030 315)	19 413 122
Private Enterprises									
Other transfers private enterprises	440 392	-	-	440 392	440 392	-	-	-	440 392
Provincial Government									
Western Cape	7 313 682	24 230 829	(25 779 482)	5 765 029	10 224 796	13 883 701	(19 138 400)	-	4 970 097
Total unspent capital monetary allocations	27 314 154	105 033 229	(123 190 196)	9 157 187	18 842 462	120 455 201	(106 296 778)	(8 030 315)	24 970 570

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

18. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

18.2 Unspent operational monetary allocations

	2025					2024				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
District Municipalities										
Western Cape	518 300	1 319 000	(92 000)	-	1 745 300	500 000	378 000	(119 700)	-	758 300
Households										
Other transfers (cash)	40 000	-	-	-	40 000	340 000	-	-	-	340 000
National Government										
Expanded Public Works Programme Integrated Grant	1	2 021 000	(2 021 000)	-	1	1 180 159	4 519 000	(4 518 999)	(1 180 158)	2
Integrated Urban Development Grant	-	2 054 600	(2 054 600)	-	-	-	2 970 500	(2 970 500)	-	-
Local Government Financial Management Grant	101 588	1 600 000	(1 508 523)	(102 000)	91 065	-	1 550 000	(1 448 412)	-	101 588
Total	101 589	5 675 600	(5 584 123)	(102 000)	91 066	1 180 159	9 039 500	(8 937 911)	(1 180 158)	101 590
Non-profit Institutions										
National Research Foundation	360 000	-	(66 729)	-	293 271	102 000	258 000	-	-	360 000
Private Enterprises										
Other transfers private enterprises	7 140 540	2 132 909	(115 252)	-	9 158 197	6 264 108	973 424	(96 991)	-	7 140 541

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

18. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

Provincial Government										
Western Cape	688 920	9 313 516	(1 940 308)	(1 537 032)	6 525 096	4 993 361	12 276 063	(11 001 734)	(2 967 011)	3 300 679
Public Corporations										
Other transfers public corporations	238 575	-	-	-	238 575	238 575	-	-	-	238 575
Total unspent operational monetary allocations	9 087 924	18 441 025	(7 798 412)	(1 639 032)	18 091 505	13 618 203	22 924 987	(20 156 336)	(4 147 169)	12 239 685

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

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

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
19. Borrowings		
Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.		
Annuity loans from Nedbank Limited have settlement periods of 10 years with interest rates varying from 10.71% to 8.8% per annum.		
Annuity loan from Standard Bank has a settlement period of 10 years with fixed interest rate of 11% per annum.		
Total borrowings		
Annuity and bullet loans	514 701 663	584 349 242
Less: Current portion transferred to current liabilities	(71 570 709)	(69 853 210)
Total non-current borrowings	443 130 954	514 496 032

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
20. Employee benefits			
Current employee benefits			
Post employment health care benefits	20.1	11 406 000	11 259 000
Long-service awards benefits	20.2	4 136 021	3 974 021
Bonus	20.3	16 787 332	15 545 103
Provision for gazetted upper limits		1 711 527	-
Staff leave	20.4	36 988 818	34 421 791
		71 029 698	65 199 915
Non-current employee benefits			
Post employment health care benefits	20.1	204 754 001	180 536 001
Long-service awards benefits	20.2	26 911 000	26 134 000
		231 665 001	206 670 001
Total		302 694 699	271 869 916
Split between current and non-current			
Current liabilities		71 029 698	65 199 915
Non-current liabilities		231 665 001	206 670 001
Total		302 694 699	271 869 916

20.1 Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by C Weiss of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
20. Employee benefits (continued)		
	Number	Number
In-service members (eligible employees on medical aid)	739	723
In-service non-members (eligible employees w/o medical aid)	429	427
Continuation members (retirees and surviving dependants)	175	174
Total members	1 343	1 324

Characteristics and risks of defined benefit plans [GRAP 25.143(a)]

The Municipality administers a defined benefit pension plan that provides retirement, disability, and death benefits to eligible employees. The plan is funded by both the entity and the employees through mandatory contributions based on a percentage of the employees' salaries.

Eligible employees appointed before 1 July 2003 will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement, and provided that they have not been promoted since then and do not receive a promotion in future. Promotions result in new employment contracts, and new contracts contain a 60% post-employment subsidy benefit. Hence, all other eligible employees will receive a 60% post-employment subsidy, should they be a member of a medical scheme at retirement.

The eligible employees' post-employment subsidy rates were provided, and it was assumed that all employees appointed before 1 July 2003 and who have not been promoted since then, will not receive a promotion in future.

Continuation members and their eligible dependants receive either a 60% or 70% subsidy, as described above. However, there are three members with special arrangements, whereby they are in receipt of a 50% subsidy.

Risks associated with the defined benefit plan [GRAP 25.143(a)]

Longevity Risk: There is a risk that eligible individuals live longer than expected, potentially increasing the liability of the plan as their benefits are payable for longer than expected.

Inflation Risk: There is a risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.

Volatility of open ended Defined Benefit Obligation:

The risk that the DBO may be volatile which is exacerbated by its long-term nature.

Regulatory Risk

The risk that changes in post-employment medical aid benefit may increase the defined benefit obligation for Stellenbosch Municipality.

Plan amendments, curtailments, and settlements [GRAP 25.147(c)]

During the reporting period, there were no amendments, curtailments, or settlements that had a significant effect on the plan's obligations Stellenbosch municipality.

The liability in respect of past service has been estimated as follows:

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2025 R	2024 R
20. Employee benefits (continued)		
In-service members (eligible employees on medical aid)	85 532 000	67 805 000
In-service non-members (eligible employees w/o medical aid)	9 278 000	7 341 000
Continuation members (retirees and surviving dependants)	121 350 001	116 649 001
Total liability	216 160 001	191 795 001

Maturity Profile

The defined benefit obligation of the municipality's health care plan has a weighted average duration of approximately 14 years. This duration reflects the estimated time period over which the accrued benefits are expected to be settled.

Maturity profile of the defined benefit obligation [GRAP 25.154(c)]

The following table provides a maturity analysis of the present value of the defined benefit obligations, showing the undiscounted cash flows to be paid in respect of benefits to be provided under the plan:

Future year intervals	Projected Benefit Payments
Within 1 year	12 039 000
Between 1 - 2 years	13 347 000
Between 2 - 3 years	14 540 000
Between 3 - 4 years	15 837 000
Between 4 - 5 years	17 246 000
6 to 10 years	109 538 000
11 to 15 years	163 174 000
16 to 20 years	227 906 000
21 to 25 years	302 529 000
26 to 30 years	377 222 000
31 to 40 years	918 425 000
41 to 50 years	905 716 000
51 to 60 years	647 629 000
61 to 70 years	304 184 000
71 to 80 years	76 394 000
	4 105 726 000

The benefits payments are scheduled based on the expected retirement ages of current employees and the provisions of the plan that determine the timing of benefits payments. The distribution of these payments is subject to changes in demographic factors such as retirements, mortality rates, and changes in employment within the Municipality.

The estimated current service cost for the upcoming year has been determined to be R 5 603 000, while the interest cost for the same period is projected to be R 22 676 000. For comparison, in 2023/2024, the current service cost and interest cost were R 5 165 000 and R 21 118 000, respectively.

Non-current	204 754 001	180 536 001
Current	11 406 000	11 259 000
Total liability	216 160 001	191 795 001

The municipality contributes to the following medical aids:

- Bonitas
- Key Health
- LA Health
- Samwumed
- Sizwe-Hosmed

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2025 R	2024 R
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20. Employee benefits (continued)

Rates of interest

Discount rate	11%	12.2%
CPI inflation rate	5%	6.2%
Medical aid contribution inflation rate	6.8%	7.7%

General:

It is assumed that the municipality's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits receivable and the contributions payable would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Basis for determining the discount rate [GRAP 25.147(d)]

The discount rate used to calculate the defined benefit obligation was determined based on the yield curve of current market rates of appropriate term that are denominated in the currency in which the benefits will be paid and that have maturities approximating the terms of the plan's obligations. The corresponding index-linked yield at this term is 5.18%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Actuarial assumptions of defined benefit obligation [GRAP 25.151]

The following are the significant actuarial assumptions used to calculate the present value of the defined benefit obligations for the Municipality's pension plan as of 30 June 2025. The assumptions are expressed in absolute terms to provide clarity on their impact:

Mortality rate

Assumption: SA 85 - 90

This mortality table is used to estimate the life expectancy of plan participants, based on current trends and historical data within the sector.

Discount rate:

Assumption: 11%

The discount rate is based on the yield curve of current market rates available and expected to be available during the estimated period of the obligations.

Medical aid contribution inflation rate

Assumption: 6.8%

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs

CPI Inflation rate:

Assumption: 5%

Inflation is considered in the projection of salary increases and the adjustment of retirement benefits.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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20. Employee benefits (continued)

Continuation of Membership:

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Normal retirement age

The average retirement age for all active employees was assumed to be 62 years.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	216 160 001	191 795 001
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Service cost: Current service cost	5 603 000	5 165 000
Net interest expense: Interest cost	22 676 000	21 118 000
Remeasurements: Actuarial (gains)/ losses	7 071 117	(660 010)
Total post-retirement benefit included in employee related costs	33 350 117	25 622 990

Movements in the present value of the defined benefit obligation

Opening balance	191 795 001	176 156 001
Current service cost	5 603 000	5 165 000
Interest cost	22 676 000	21 118 000
Actual employer benefit payments	(10 985 117)	(9 983 990)
Actuarial loss/ (gain) recognised in the year	7 071 117	(660 010)
Present value of fund obligation at the end of the year	216 160 001	191 795 001

Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		94.810	121.350	216.160	
Health care inflation	1%	112.987	132.358	245.345	14%
	-1%	80.259	111.751	192.010	-11%
Discount rate	1%	80.868	112.169	193.037	-11%
	-1%	112.396	132.014	244.410	13%
Post-employment mortality	1 yr	92.511	117.364	209.875	-3%
	- 1 yr	97.00	125.00	222.00	3%
Average retirement age	- 1 yr	103.206	121.350	224.556	4%
Continuation of membership at retirement	-10%	82.923	121.350	204.273	-5%

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2025 R	2024 R
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20. Employee benefits (continued)

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		5 603 000	22 676 000	28 279 000	
Health care inflation	1%	6 830 000	25 723 000	32 553 000	15%
	-1%	4 637 000	20 143 000	24 780 000	-12%
Discount rate	1%	4 719 000	21 919 000	26 638 000	-6%
	-1%	6 728 000	23 514 000	30 242 000	7%
Post-retirement mortality	+1 yr	5 470 000	22 006 000	27 476 000	-3%
	-1 yr	5 729 000	23 342 000	29 071 000	3%
Average retirement age	-1 yr	5 941 000	23 573 000	29 514 000	5%
Membership continuation	-10%	4 920 000	21 477 000	26 397 000	-7%

Methods and assumptions used in sensitivity analysis [GRAP 25.152(b)]

The sensitivity analyses were prepared using the projected unit credit method, which is consistent with the method used to value the DBO in the financial statements. The analyses assume a parallel shift in the respective actuarial assumptions while holding all other assumptions constant. It is important to recognize that the use of this method does not imply that the impact of changes in actuarial assumptions is linear or follows any predictable pattern.

Expected contributions for the next reporting period [GRAP 25.154(b)]

For the financial year ended 30 June 2025, Stellenbosch Municipality expects to contribute approximately R 5 603 000 (2024: R 5 165 000) to the defined benefit plan. This estimated contribution takes into account current salary levels, the number of participating employees, and actuarial assumptions regarding demographic and financial factors. These contributions are designed to secure sufficient assets to meet the plan's future benefits obligations as they become due.

20.2 Long-service awards benefits

Provision for long-service awards	20.2.1	31 047 021	30 108 021
Less: Transfer to current portion		(4 136 021)	(3 974 021)
Total non-current benefit		26 911 000	26 134 000
Non-current		26 911 000	26 134 000
Current		4 136 021	3 974 021
Total liability		31 047 021	30 108 021

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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20. Employee benefits (continued)

Long-service awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by Arch consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1168 (2024: 1142) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	10%	11.2%
CPI Inflation rate	4%	5.4%
General earnings inflation rate	5%	6.4%

Characteristics and risks of defined benefit plans

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive. In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days are valued at 1/249th of annual earnings per day.

Risks associated with the defined benefit plan

Termination of service risk: There is a risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected

Inflation Risk: There is a risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.

Regulatory Risk

There is a risk that changes to legislation with respect to long service awards may increase the defined benefit obligation for Stellenbosch Municipality.

Enforcement of eligibility criteria and rules

The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Volatility of open ended Defined Benefit Obligation:

The risk that the long service award DBO may be volatile which is exacerbated by its long-term nature.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	31 047 021	30 108 021
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
20. Employee benefits (continued)			
Amounts recognised in the statement of financial performance			
The amounts recognised in the statement of financial performance are as follow:			
Current service cost		2 304 000	2 185 000
Interest cost		3 158 000	3 008 000
Actuarial losses / (gains) recognised		(405 033)	182 442
Total expense included in employee related costs	33	5 056 967	5 375 442

20.2.1 Provision for long service awards

Movements in the present value of the defined benefit obligation

Opening Balance		30 108 021	27 958 021
Increases		5 056 967	5 150 000
Reductions (Payments, remeasurement etc.)		(4 117 967)	(3 000 000)
Closing balance		31 047 021	30 108 021

The following table provides a maturity analysis of the present value of the defined benefit obligations, showing the undiscounted cash flows to be paid in respect of benefits to be provided under the plan: (up to 40 years, R millions)

Future year intervals	Projected Benefit Payments
Within 1 year	4 419 000
Between 1 - 2 years	4 492 000
Between 2 - 3 years	3 588 000
Between 3 - 4 years	4 363 000
Between 4 - 5 years	4 965 000
6 to 10 years	27 717 000
11 to 15 years	30 087 000
16 to 20 years	25 266 000
21 to 30 years	34 443 000
31 to 40 years	3 436 000
	142 776 000

The benefits payments are scheduled based on the expected long service terms of current employees and the provisions of the plan that determine the timing of benefits payments. The distribution of these payments is subject to changes in demographic factors such as normal salary cost inflation and withdrawal rates.

The estimated current service cost for the upcoming year has been determined to be R 2 357 000, while the interest cost for the same period is projected to be R2 889 000. For comparison, in 2023/2024, the current service cost and interest cost were R 2 304 000 and R 3 158 000, respectively.

Sensitivity Analysis

Methods and assumptions used in sensitivity analysis

The sensitivity analyses were prepared using the projected unit credit method, which is consistent with the method used to value the DBO in the financial statements. The analyses assume a parallel shift in the respective actuarial assumptions while holding all other assumptions constant. It is important to recognize that the use of this method does not imply that the impact of changes in actuarial assumptions is linear or follows any predictable pattern.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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20. Employee benefits (continued)

Expected contributions for the next reporting period

For the financial year ended 30 June 2024, Stellenbosch Municipality expects to contribute approximately R 2 304 000 (2024: R 2 185 000) to the defined benefit plan. This estimated contribution takes into account current salary levels, the number of participating employees, and actuarial assumptions regarding demographic and financial factors. These contributions are designed to secure sufficient assets to meet the plan's future benefits obligations as they become due.

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		2304000	3158000	5462000	
General earnings inflation rate	1%	2483000	3354000	5837000	7%
	-1%	2144000	2980000	5124000	-6%
Discount rate	1%	2162000	3242000	5404000	-1%
	-1%	2465000	3060000	5525000	1%
Average retirement age	2 yr	2538000	3545000	6083000	12%
	-2 yr	1993000	2609000	4602000	-16%
Rates of termination of service	x2	1741000	2604000	4345000	-20%
	x0.5	2714000	3528000	6242000	14%

Sensitivity analysis on the defined benefit obligation

Assumption	Change	DBO	% Change
Central assumptions		31 047 000	
General earnings inflation	1%	32 856 000	6%
	-1%	29 396 000	-5%
Discount rate	1%	29 364 000	-5%
	-1%	32 920 000	6%
Average retirement age	+2 yr	34 793 000	12%
	-2 yr	25 856 000	-17%
Rates of termination of service	x2	25 998 000	-16%
	-x0.5	34 401 000	11%

20.3 Bonus

Provision for bonus	20.3.1	16 787 332	15 545 103
Less: Transfer to current portion		(16 787 332)	(15 545 103)
Total non-current benefit		-	-
Current		16 787 332	15 545 103

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	16 787 332	15 545 103
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
20. Employee benefits (continued)			
20.3.1 Provision for bonus			
Movements in the present value of the defined benefit obligation			
Opening Balance		15 545 103	14 629 565
Increases		1 242 229	915 538
Closing balance		16 787 332	15 545 103
20.4 Staff leave			
Provision for staff leave	20.4.1	36 988 818	34 421 791
Less: Transfer to current portion		(36 988 818)	(34 421 791)
Total non-current benefit		-	-
Current		36 988 818	34 421 791
Amounts recognised in the statement of financial position			
The amounts recognised in the statement of financial position are as follow:			
Present value of unfunded obligations		36 988 818	34 421 791
20.4.1 Provision for staff leave			
Movements in the present value of the defined benefit obligation			
Opening Balance		34 421 791	30 740 330
Increases/(Decreases)		4 626 966	5 751 360
Reductions (Payments, remeasurement etc.)		(2 059 939)	(2 069 899)
Closing balance		36 988 818	34 421 791

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
21. Provisions			
Landfill Sites	21.1	154 425 163	106 740 477
Split between current and non-current			
Current		5 113 974	-
Non-current		149 311 189	106 740 477
Total		154 425 163	106 740 477
21.1 Landfill Sites			
Opening Balance		106 740 477	95 421 976
Additional provisions raised		35 142 680	583 529
Increases (Passage of Time/Discounted Rate)		12 542 006	10 734 972
Closing balance		154 425 163	106 740 477
Split between current and non-current			
Current		5 113 974	-
Non-current		149 311 189	106 740 477
Total		154 425 163	106 740 477

Landfill site provision

The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 19/2/5/1/B4/45/WL0182/22 issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989)

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R154 425 163 (2024: R106 740 477) to restore the site at the end of its useful life.

The unwinding of the provision for landfill site for the current year was R12 542 006 (2024: R10 734 972) was included in the finance cost in the statement of financial performance.

Cells 1 and 2 have reached full capacity and must be rehabilitated. The expected future cash outflows for cells 1 and 2 should commence in the 2025/2026 financial year. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use. The expected future cash outflows is between July 2044 and July 2048 for cell 3. Cell 4 has come into use in November 2024 and cash outflows are expected in July 2044 and July 2048.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2025

Key cost parameters:

- Inflation rate 7.65% (2024: 5.4%)
- Discount rate 11% (2024: 11.75%)

Refer to note 44 for contribution to the provision.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
22. Services charges		
Electricity		
Consumption – Electricity	1 025 531 703	873 683 777
Availability charges – Electricity	847 687	901 866
Sub-total	1 026 379 390	874 585 643
Waste management		
Consumption – Waste management	100 206 223	95 164 675
Availability charges – Waste management	1 230 422	1 161 846
Sub-total	101 436 645	96 326 521
Waste water management		
Consumption – Waste water management	125 464 823	113 260 387
Availability charges – Waste water management	2 141 333	1 691 355
Sub-total	127 606 156	114 951 742
Water management		
Consumption – Water management	209 188 283	202 611 935
Availability charges – Water management	643 721	658 774
Sub-total	209 832 004	203 270 709
Total	1 465 254 195	1 289 134 615
The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
23. Rent from fixed assets		
Market related	7 023 004	6 359 726
Non-market related	4 710 055	4 696 080
Total	11 733 059	11 055 806
23.1 Rental by asset class		
Market related		
Investment property	7 023 004	6 359 726
Non-market related		
Property, plant and equipment	827 023	824 671
Investment property	3 883 032	3 871 409
	4 710 055	4 696 080
Total	11 733 059	11 055 806
24. Interest earned from receivables		
Exchange receivables	24.1 26 446 509	23 504 654
Non-exchange receivables	24.2 4 522 479	4 239 407
Total	30 968 988	27 744 061

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
24. Interest earned from receivables (continued)		
24.1 Interest earned from exchange receivables		
Consumer receivables		
Electricity	4 361 506	3 776 833
Water	13 155 533	11 555 709
Waste water management	3 390 854	3 027 593
Waste management	4 573 612	3 992 025
Service charges	965 004	1 152 494
	26 446 509	23 504 654
24.2 Interest earned from non-exchange receivables		
Consumer receivables		
Property rates	4 522 479	4 239 407
25. Interests on current and non-current assets		
Bank accounts	9 770 573	8 848 063
Short-term investments and call accounts	51 663 277	48 463 744
Total	61 433 850	57 311 807
26. Licence and permits		
Exchange revenue	26.1 7 896 024	8 149 482
26.1 Licenses and permits – Exchange revenue		
Market porters	199 282	206 910
Road and transport	7 696 516	7 942 115
Trading	226	457
Total	7 896 024	8 149 482
27. Agency services		
Provincial	3 816 817	3 697 082

The municipality collects license fees on behalf of the Provincial Government Western Cape and receives a 12% agency fee.

The municipality, as an agent, recognises only the 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.

No resources are held by the municipality on behalf of the principle.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
28. Operational revenue		
Exchange revenue		
Administrative Handling Fees	246 596	256 661
Breakages and Losses Recovered	36 818	3 011
Collection Charges	658 622	55 573
Incidental Cash Surpluses	1 547	1 982
Inspection fees	191	8 309
Insurance Refund	3 673 342	2 818 340
Merchandising, Jobbing and Contracts	1 872 411	4 917 486
Recovery Maintenance	879 057	534 756
Request for information	50 093	60 470
Sale of Property	-	1 618 109
Skills Development Levy Refund	926 187	931 782
Staff and Councillors Recoveries	578 537	420 158
Development Charges	41 101 951	36 107 144
Total	50 025 352	47 733 781
29. Sales of goods and rendering of services		
Application Fees for Land Usage	2 166 855	1 188 087
Building Plan Approval	10 782 152	8 719 636
Cemetery and Burial	1 314 183	1 270 896
Clearance Certificates	783 379	589 505
Encroachment Fees	8 229 278	6 487 688
Entrance Fees	650 001	261 922
Fire Services	121 315	246 318
Library Fees	9 634 369	9 507 954
Parking Fees	5 028 539	5 722 596
Photo copies, Faxes and Telephone charges	75 979	79 116
Removal of Restrictions	142 073	58 391
Sale of Goods	629 068	604 146
Scrap, Waste & Other Goods	341 706	29 970
Squatter Re-allocation	1 200	1 100
Total	39 900 097	34 767 325

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
30. Property rates by usage		
Agricultural property	21 963 083	20 789 622
Business and commercial properties	182 248 284	169 353 450
Public benefit organisations	44 316	41 684
Public service purposes properties	10 908 663	10 225 108
Residential properties	290 092 834	267 044 169
Vacant land	25 323 665	17 000 408
Total	530 580 845	484 454 441

Financial Note: Assessment Rates

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The current Valuation Roll came into effect on 01 July 2021. With reference to Section 78 of the Local Government: Municipal Property Rates Act, No. 6, 2004, two reviews have been finalised and two supplementary valuations have been performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2025:

Residential Property	R 0.005387
Business and Commercial Property	R 0.011313
Agricultural Property	R 0.001347
Public Service Purposes	R 0.011313
Public Service Infrastructure	R 0.001347
Public Benefit Organization	R 0.001347
Vacant Residential	R 0.010775
Vacant other	R 0.021550

Property Rates are levied monthly on property owners' accounts and are payable the 7th of each month. Property owners may request to pay their Rates annually, which amount will be levied in July and must be paid by the 7th of October annually. Interest on outstanding accounts for Property Rates is levied as per Council's Credit Control and Debt Collection Policy.

Relief Measures

The relief measures on property rates are generally described in paragraph 8 of the approved Property Rates Policy of the Municipality. This includes the specific under mentioned relief measures:

Rebate and Gross Monthly Household Income for Qualifying Senior Citizens and Disabled Persons:

Gross Monthly Household Income %

Up to R8 000 - 100%

From R8 001 to R 11 000 - 75%

From R11 001 to R13 000 - 50%

From R13 001 to R17 000 - 25%

Municipal Valuation Threshold Value

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
30. Property rates by usage (continued)			
On qualifying residential properties, property owners will receive a rebate up to a maximum value of R250 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: Municipal Property Rates Act, No. 6, 2004, and an additional value of R235 000 reduction granted as per paragraph 8.2.1(ii) of the approved Property Rates Policy.			
Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000.			
Stellenbosch Special Rebate			
A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates Policy of the Municipality.			
Other Rebates			
Rebates have also been granted to qualifying non-profit organizations and to organizations who qualified for any other rebate as defined in the Property Rates Policy. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.			
31. Fines, penalties and forfeits			
Fines	31.1	169 422 441	143 331 671
Forfeits	31.2	17 841 038	23 536 224
Total		187 263 479	166 867 895
31.1 Fines			
Traffic fines			
Municipal fines		169 181 492	143 096 788
Other fines			
Building fines		79 513	79 652
Law enforcement		95 036	22 720
Overdue books		40 835	26 028
Pound fees		25 565	106 483
Total		240 949	234 883
Total		169 422 441	143 331 671
31.2 Forfeits			
Unclaimed money		17 841 038	23 536 224
32. Transfers and subsidies			
Operational			
Allocations in-kind	32.1	10 686 317	9 338 292
Monetary allocations	32.2	223 727 377	209 922 147
Total transfers and subsidies: Operational		234 413 694	219 260 439
Capital			
Allocations in-kind	32.3	4 682 000	47 436 813
Monetary allocations	32.4	125 956 656	106 864 062
Total transfers and subsidies: Capital		130 638 656	154 300 875
Total		365 052 350	373 561 314

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
32. Transfers and subsidies (continued)		
32.1 Allocations in-kind: Operational		
Provincial government	10 686 317	9 338 292
The municipality received services in the form of consultancy fees to the value of R10 686 317 (2024: R9 338 292) from the western cape provincial government.		
32.2 Monetary allocations: Operational		
District municipalities	92 000	119 700
Households	1 500	-
National governments	5 584 123	8 937 911
National revenue fund	215 604 000	200 488 473
Non-profit institutions	66 729	-
Provincial government	2 379 025	376 063
Total	223 727 377	209 922 147
32.3 Allocations in-kind: Capital		
Departmental agencies and accounts	-	42 300 000
District municipalities	-	5 055 000
Households	4 682 000	-
Private enterprises	-	81 813
Total	4 682 000	47 436 813
32.4 Monetary allocations: Capital		
National government	97 410 714	87 158 378
Private enterprises	(41 000)	-
Provincial governments	28 586 942	19 705 684
Total	125 956 656	106 864 062
Included in above are the following transfers and subsidies received:		
Conditional grants received	134 351 229	143 397 369
Unconditional grants received	215 603 999	200 488 473
	349 955 228	343 885 842

Grant revenue is recognised when all the conditions of the grant has been met.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

33. Employee related cost

Senior management	33.1	13 881 056	11 246 668
Municipal staff	33.2	653 194 270	621 032 589
Total		667 075 326	632 279 257

33.1 Senior management costs

2025

	Municipal Manager	Chief Financial Officer	Director: Community and Protection Services	Director: Corporate Services	Director: Infrastructure	Director: Planning and Economic Development	Total
Basic salary	1 539 565	1 458 503	1 881 908	2 952 623	1 850 754	1 568 387	11 251 740
Bonuses	270 464	215 822	138 743	-	-	169 574	794 603
Allowances	225 336	304 171	100 800	37 400	40 800	140 800	849 307
Bargaining council	143	143	143	131	143	143	846
Group life insurance	26 428	21 089	21 089	19 332	21 089	21 089	130 116
Medical	37 575	35 341	-	-	-	51 066	123 982
Pension	292 371	190 063	-	-	13 000	222 455	717 889
Unemployment insurance	2 125	2 125	2 125	1 948	2 125	2 125	12 573
	2 394 007	2 227 257	2 144 808	3 011 434	1 927 911	2 175 639	13 881 056

Included in the Director: Corporate Services Basic Salary, is an amount in terms of a settlement agreement to the value of R1 541 584. The Director's contract termination was 31 May 2025.

Included in the directors basic salary is an amount of R1 711 527 in relation to a provision made according to the draft government notice on the upper limits of total remuneration packages of municipal managers and managers directly accountable to municipal managers.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

33. Employee related cost (continued)

2024

	Geraldine Mettler	Kevin Carolus	Director: Community and Protection Services	Director: Corporate Services	Director: Infrastructure	Director: Planning and Economic Development	Total
Basic salary	1 428 140	1 078 401	1 499 662	1 559 662	1 586 329	1 267 310	8 419 504
Bonuses	248 608	208 927	134 310	164 157	123 118	208 927	1 088 047
Allowances	225 904	301 543	101 925	40 800	41 485	40 800	752 457
Bargaining council	137	137	137	137	137	137	822
Group life insurance	24 471	20 471	20 471	20 471	20 471	20 471	126 826
Medical	43 973	32 810	-	-	-	54 068	130 851
Pension	272 953	197 081	-	-	-	245 377	715 411
Unemployment insurance	2 125	2 125	2 125	2 125	2 125	2 125	12 750
	2 246 311	1 841 495	1 758 630	1 787 352	1 773 665	1 839 215	11 246 668

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
33. Employee related cost (continued)		
33.2 Municipal staff costs		
Basic salary	385 854 578	360 808 704
Service-related benefits	111 058 269	113 208 875
Allowances	16 693 733	15 108 668
Bargaining council	260 522	249 820
Group life insurance	8 015 782	7 511 641
Medical	31 551 353	29 722 149
Pension	64 042 978	59 651 027
Post-retirement benefit: Medical	28 279 000	26 283 000
Leave Gratuity	4 626 966	5 751 360
Unemployment insurance	2 811 089	2 737 345
Total	653 194 270	621 032 589

Please refer to note 20 for detailed breakdown of the employee benefit items contained with the employee related costs note as disclosed above in note 33.2. These include: Post retirement benefit: medical, long service awards, leave gratuity and bonus provision.

34. Remuneration of councillors

Executive Mayor	34.1	1 121 376	1 040 254
Chief whip	34.2	823 412	792 276
Speaker	34.3	877 080	842 114
Deputy executive mayor	34.4	877 080	846 402
Executive committee	34.5	7 670 137	7 846 941
All other councillors	34.6	11 619 566	11 251 932
Total		22 988 651	22 619 919

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
34. Remuneration of councillors (continued)		
34.1 Executive Mayor		
Allowances and service related benefits		
Basic salary	848 947	810 646
Cell phone allowance	47 004	49 608
Travelling allowance	180 347	180 000
	1 076 298	1 040 254
Social contributions		
Medical aid benefits	45 078	-
Total	1 121 376	1 040 254

During the current financial year a new Executive Mayor was elected on the 29th of November 2024. The split between the two Executive Mayors earnings are depicted below:

Executive Mayor: J Fasser

Basic Salary	474 895
Cell Phone Allowance	27 419
Travelling allowance	105 347
Medical aid	45 078
	652 739

Executive Mayor: G Van Deventer

Basic Salary	374 052
Cell Phone Allowance	19 585
Travelling Allowance	75 000
	468 637

34.2 Chief whip

Allowances and service related benefits

Travelling allowance	167 957	167 957
Basic salary	566 001	534 615
Cell phone allowance	47 004	49 608
	780 962	752 180

Social contributions

Pension fund contributions	42 450	40 096
Total	823 412	792 276

34.3 Speaker

Allowances and service related benefits

Basic salary	650 076	612 506
Cell phone allowance	47 004	49 608
Travelling allowance	180 000	180 000
	877 080	842 114

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
34. Remuneration of councillors (continued)		
34.4 Deputy executive mayor		
Allowances and service related benefits		
Basic salary	809 076	792 506
Cell phone allowance	47 004	49 608
Travelling allowance	21 000	4 288
	877 080	846 402
34.5 Executive committee		
Allowances and service related benefits		
Basic salary	6 754 971	6 959 809
Cell phone allowance	442 119	493 730
Travelling allowance	255 717	151 830
	7 452 807	7 605 369
Social contributions		
Medial aid benefits	37 517	34 560
Pension fund contributions	179 813	207 012
	217 330	241 572
Total	7 670 137	7 846 941
34.6 All other councillors		
Allowances and service related benefits		
Basic salary	9 495 770	9 104 592
Cell phone allowance	1 450 885	1 532 079
Travelling allowance	276 695	276 660
	11 223 350	10 913 331
Social contributions		
Medial aid benefits	112 297	67 680
Pension fund contributions	283 919	270 921
	396 216	338 601
Total	11 619 566	11 251 932
35. Bulk purchases		
Electricity	763 604 402	626 175 769
Water	34 441 746	32 051 727
Total	798 046 148	658 227 496
36. Inventory consumed		
Consumables	27 463 968	35 032 652
Housing stock	1 550 000	1 060 000
Materials and supplies	29 698 807	30 278 731
Total	58 712 775	66 371 383

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
37. Contribution to/(from) debt impairment			
Trade and other receivables from exchange transactions	5	(4 289 159)	56 912 905
Property Rates	6	1 352 229	7 464 997
Traffic Fines		27 416 029	(15 254 242)
Total		24 479 099	49 123 660
38. Depreciation and amortisation			
Amortisation			
Intangible assets	14.1	192 560	379 052
Depreciation			
Investment property	10.1	402 989	420 819
Property, plant and equipment		205 382 166	205 350 669
		205 785 155	205 771 488
Total		205 977 715	206 150 540
39. Impairment losses / (reversal) of impairment			
Impairment loss / Reversal of impairment			
Investment property	10.1	-	1 725 000
Property, plant and equipment		771 721	1 031 436
Total		771 721	2 756 436
40. Finance costs			
40.1 Interest cost			
Borrowings			
• Annuity loans		57 028 893	49 186 011
Discounting of financial instruments	15&17	3 296 338	3 490 245
Interest costs non-current provisions	21	12 542 006	10 734 972
Total		72 867 237	63 411 228
41. Contracted services			
Consultants and professional services	41.1	35 045 288	23 809 802
Contractors	41.2	110 402 402	121 922 771
Outsourced services	41.3	139 091 442	130 354 930
Total		284 539 132	276 087 503
41.1 Consultants and professional services			
Business advisory services			
Audit committee		350 250	507 191
Business and financial management		3 433 375	2 864 992
Forensic investigators		44 000	228 993
Human resources		45 243	10 250
Organisational		26 290	33 150
Project management		2 406 093	704 822
Research and advisory		12 505 117	11 315 735
Valuer and assessors		2 492 280	2 153 994
Total business advisory services		21 302 648	17 819 127

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
41. Contracted services (continued)		
Laboratory services		
Water	1 518 354	822 851
Legal services		
Issue of summons	18 484	73 082
Legal advice and litigation	12 205 802	5 094 742
Total legal services	12 224 286	5 167 824
Total consultants and professional services	35 045 288	23 809 802
41.2 Contractors		
General services		
Artists and performers	-	373
Bore waterhole drilling	8 322	7 614
Catering services	1 585 937	1 954 395
Employee wellness	69 820	5 706
Event promoters	2 161 125	1 920 000
Forestry	2 558 763	4 164 442
Gardening services	184 571	216 658
Gas	4 165	1 304
Graphic designers	8 500	-
Interior decorator	-	79 364
Management of informal settlements	5 173 025	6 749 988
Medical services	580 666	84 624
Pest control and fumigation	86 214	85 311
Plants, flowers and other decorations	987 340	824 264
Preservation/Restoration/Dismantling/Cleaning services	-	121 589
Sewerage services	6 215 177	6 789 331
Stage and sound crew	243 720	240 185
Tracing agents and debt collectors	1 727	2 460 755
Transportation	10 938 687	2 067 693
Total general services	30 807 759	27 773 596
Maintenance services		
Maintenance of buildings and facilities	15 309 787	7 952 663
Maintenance of equipment	12 102 339	12 015 858
Maintenance of unspecified assets	46 370 538	68 635 839
Total maintenance service	73 782 664	88 604 360
Trading services		
Prepaid electricity vendors	5 811 979	5 544 815
Total contractor	110 402 402	121 922 771
41.3 Outsourced services		
Business and advisory services		
Accounting and Auditing	72 800	274 828
Project Management	15 192 638	3 035 986
Total business and advisory services	15 265 438	3 310 814

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
41. Contracted services (continued)			
General services			
Animal Care		-	700
Cleaning Services		1 184 094	2 060 890
Clearing and Grass Cutting Services		2 281 222	1 238 332
Drivers Licence Cards		772 462	929 040
Internal Auditors		99 144	1 800
Litter Picking and Street Cleaning		3 531 481	3 319 619
Personnel and Labour		-	29 400
Professional Staff		657 445	331 308
Refuse Removal		41 035 965	54 625 143
Traffic Fines Management		14 785 281	13 065 594
Transport Services		442 226	252 584
Total general services		64 789 320	75 854 410
Trading services			
Security Services		59 036 684	51 189 706
Total outsourced services		139 091 442	130 354 930
42. Transfers and subsidies			
Operational			
Allocations in-kind	42.1	2 447 460	5 757 678
Monetary allocations	42.2	15 420 541	15 566 458
Total transfers and subsidies: Operational		17 868 001	21 324 136
42.1 Allocations in-kind: Operational			
Households		2 447 460	5 757 678
42.2 Monetary allocations: Operational			
Households		6 199 286	7 146 603
Non-profit institutions		9 221 255	8 419 855
Total		15 420 541	15 566 458
43. Irrecoverable debts written off			
Electricity		12 322 419	17 146
Service Charges		6 437 756	-
Waste management		8 964 766	6 074
Waste water management		7 117 259	6 198
Water		37 674 138	54 046
Traffic Fines		102 206 318	101 264 460
Property rates		2 231 930	281 930
Total		176 954 586	101 629 854
44. Contribution to/(from) Landfill provision			
Landfill site		5 806 163	583 529

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
45. Operating leases		
Furniture and Office Equipment	1 623 232	1 363 775
Investment Properties	5 335 924	4 267 101
Machinery and Equipment	1 002 468	514 866
Total	7 961 624	6 145 742
46. Operational cost		
Achievements and Awards	67 351	24 559
Advertising, Publicity and Marketing	2 571 864	2 216 581
Bank Charges, Facility and Card Fees	1 862 000	1 727 211
Bargaining Council	6 338 112	6 071 063
Bursaries (Employees)	556 851	546 312
Cleaning Services	11 826	4 407
Commission	2 328 012	2 100 418
Communication	10 203 406	10 538 542
Drivers Licences and Permits	13 141	32 764
Entertainment	5 770	34 435
External Audit Fees	9 378 374	8 318 351
External Computer Service	25 103 323	21 633 340
Fines and Penalties	-	220 513
Full Time Union Representative	142 227	141 602
Hire Charges	10 594 250	9 584 861
Honoraria (Voluntarily Workers)	34 000	48 000
Indigent Relief	4 450 676	3 466 400
Insurance Underwriting	9 500 404	6 570 415
Learnerships and Internships	579 478	292 118
Licences	2 149 107	1 563 688
Management Fee	11 924 624	9 226 281
Municipal Services	22 549 331	19 736 269
Office Decorations	3 191	4 188
Printing, Publications and Books	418 079	408 542
Professional Bodies, Membership and Subscription	210 485	182 973
Registration Fees	4 946 101	5 172 781
Remuneration to Ward Committees	815 950	701 019
Resettlement Cost	21 668	25 877
Samples and Specimens	1 204 750	1 324 381
Search Fees	97 486	95 813
Skills Development Fund Levy	5 340 833	5 186 870
Storage of Files (Archiving)	80 655	76 657
System Access and Information Fees	84 431	44 984
Travel Agency and Visa's	24 549	6 395
Travel and Subsistence	982 350	896 822
Uniform and Protective Clothing	8 746 096	9 445 734
Vehicle Tracking	674 709	638 116
Workmen's Compensation Fund	4 102 438	3 741 646
Total	148 117 898	132 050 928

The following principle agent arrangements were in place in relation to the expenditure as contained in note 41 and note 46 to the annual financial statements:

EasyPay (Agent) is a payment platform used to collect municipal service payments from third parties. These payments are accepted by EasyPay on behalf of the Municipality (Principal), from third parties. A service charge is levied by EasyPay for collection of the payments. This fee is recognised as commissions paid.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

		2025 R	2024 R
46. Operational cost (continued)			
Ontec (Agent) sells and collects money from the sale of prepaid electricity on behalf of the Municipality. Ontec pays over the monies collected to the Municipality, minus the collection fee levied, determined at a rate specific in the Service Level Agreement. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the collection fee paid to Ontec (which includes costs incurred on debit or credit card electricity sales and cash handling fees incurred), is recognized as an expense. This same service was also performed by Syntell during the current financial year, however the contract came to an end to which Ontec then took over the respective duties. TMT (Agent) manages the collection of traffic fines (both legacy fines issue before 1 July 2017 and fines issued after this date), on behalf of the Municipality. TMT pays over the monies collected to the Municipality. The municipality recognises 100% of the money's collected as revenue from non - exchange transactions and the fee incurred to TMT is recognized as an expense. These arrangements are subject to standard terms and conditions upon termination. None of the municipalities assets are under the custodianship of the agents.			
47. Gain/(Loss) on disposals and fair value adjustments			
Gains/(losses) on disposals	47.1	1 968 336	(1 986 164)
Fair value adjustment	47.2	(6 791 220)	(1 016 415)
Total		(4 822 884)	(3 002 579)
47.1 Gains/(losses) on disposals			
Property, plant and equipment		1 968 336	(1 986 164)
47.2 Fair value adjustment			
Biological assets		(125 136)	(1 493 983)
Actuarial Assessments - Contribution to/(from) provision		(6 666 084)	477 568
Total		(6 791 220)	(1 016 415)
48. Inventory adjustments to net realisable value			
Inventory		2 394 876	(290 008)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
49. Net cash from/(used) operating activities		
Surplus for the year	254 541 220	263 003 427
Adjustments for:		
Depreciation and amortisation	205 977 715	206 150 540
Bad debts written off	176 954 586	101 629 854
Impairment Losses	771 720	2 756 436
(Gains) / Losses on disposal of assets	-	1 986 169
Fair value adjustment	4 822 884	1 493 983
Finance Cost	15 838 344	14 225 217
Increase / (Decrease) in provisions	5 806 163	583 529
Increase / (Decrease) employee benefit	24 158 699	22 386 000
Increase / (Decrease) operating Lease - Straight Lining	-	(694 514)
Inventory losses	2 394 876	(290 008)
Other changes, movements in PPE	21 905 482	3 514 734
Interest on service debtors	(864 035)	(774 058)
Debtors impairment	24 479 099	49 123 660
Prior period non-cash movement	-	(18 053 135)
Allocations in kind	(4 682 000)	-
Non-exchange assets received	2 447 460	(51 017 427)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(138 017 229)	(110 204 454)
(Increase) / Decrease in inventory	(5 866 726)	(826 465)
(Increase) / Decrease in receivables from exchange transactions	(59 098 857)	(91 216 748)
(Increase) / Decrease in other receivables from exchange	(19 196 288)	(53 525 674)
(Increase) / Decrease in VAT Receivable	(4 105 480)	3 708 446
Increase / (Decrease) in trade and other payables from exchange	7 754 306	31 477 739
Increase / (Decrease) in trade and other payables from non-exchange	(9 961 563)	8 330 204
Increase / (Decrease) in consumer deposits	1 206 786	1 842 813
Increase / (Decrease) in long term receivables	(5 108 959)	(5 400 111)
Net cash flows from operating activities	502 158 203	380 210 157

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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50. Financial instruments

50.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amortised cost				
Trade and other receivables from exchange transactions	241 149 571	241 149 571	251 987 495	251 987 495
Trade and other receivables from exchange transactions (Non-current)	8 321 218	8 321 218	6 508 597	6 508 597
Cash and cash equivalents	30 708 541	30 708 541	150 678 874	150 678 874
Short term investments	518 794 766	518 794 766	455 716 603	455 716 603
Trade receivables from non-exchange transactions	7 736 359	7 736 359	5 298 358	5 298 358
Other receivables from exchnage transactions	89 625 573	89 625 573	61 383 609	61 383 609
	896 336 028	896 336 028	931 573 536	931 573 536
Financial liabilities				
Amortised cost				
Trade and other payables:				
Consumer deposits	25 397 225	25 397 225	24 190 439	24 190 439
Trade and other payables from exchange transactions	327 237 482	327 237 482	319 405 527	319 405 527
Borrowings	514 701 663	514 701 663	584 349 242	584 349 242
	867 336 370	867 336 370	927 945 208	927 945 208
Total financial instruments	28 999 658	28 999 658	3 628 328	3 628 328

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

50.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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50. Financial instruments (continued)

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

30 June 2025

	Within 1 year	2 to 4 years	5 years +	Total
Maturity analysis				
Consumer deposits	25 397 541	-	-	25 397 541
Borrowings	120 351 256	399 911 272	202 167 952	722 430 480
Payables from exchange transactions	327 237 482	-	-	327 237 482
	472 986 279	399 911 272	202 167 952	1 075 065 503

30 June 2024

	Within 1 year	2 to 4 years	5 years +	Total
Maturity analysis				
Consumer deposits	24 190 439	-	-	24 190 439
Borrowings	126 676 235	444 558 392	277 872 087	849 106 714
Payables from exchange transactions	319 405 527	-	-	319 405 527
	470 272 201	444 558 392	277 872 087	1 192 702 680

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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50. Financial instruments (continued)

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

50.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 6 to the annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment. Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from non - exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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50. Financial instruments (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Cash and cash equivalents	30 708 541	150 678 874
Short term investments	518 794 766	455 716 603
Trade and other receivables from exchange transactions	241 149 571	251 987 495
Other receivables from exchange	89 625 573	61 383 609
Receivables from non-exchange transactions	8 544 534	5 298 358
Trade and other receivables from exchange transactions (Non-current)	8 321 218	6 508 597
Maximum credit and interest risk exposure	897 144 203	931 573 536

50.4 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

50.5 Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2025 R	2024 R
51. Capital commitments		
Commitments in respect of capital expenditure:		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure Assets	360 624 780	313 132 111
• Property, plant and equipment - Community Assets	53 118 044	4 593 068
• Property, plant and equipment - Computer Equipment	134 189	333 575
• Property, plant and equipment - Furniture and Equipment	247 409	9 635
• Property, plant and equipment - Housing Selling Schemes	107 900	-
• Property, plant and equipment - Machinery and Equipment	3 451 068	1 690 519
• Property, plant and equipment - Operational Buildings	1 381 610	4 113 409
• Property, plant and equipment - Other assets	14 825 843	-
• Property, plant and equipment - Transport Assets	13 037 843	3 656 443
• Heritage Assets	9 758	40 017
	446 938 444	327 568 777
Total capital commitments		
Already contracted for but not provided for	446 938 444	327 568 777
Total commitments		
Total commitments		
Authorised capital expenditure	446 938 444	327 568 777

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated

The amounts as disclosed are VAT inclusive.

The asset classes as stipulated is depicted as per the classes of Property, plant and equipment in note 11. The infrastructure items have been grouped together due to the fact that these items will only be unbundled once the projects are completed.

52. Related party disclosures

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. There is currently no loans granted to any councillors, management, staff and public.

Remuneration of management, key personnel and councillors

Compensation of key management and personnel is set out in notes 33 and 34 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

53. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of Stellenbosch Municipality

Supplier name - Award Number	Employee name	Relationship	State Institution & Capacity	Award details		
AECOM - B/SM 50/23	FA Lubbe	Spouse	NECSA, Cost Estimator	Rates award, no actual expenditure	-	-
	R De Kock	Spouse	City Of Cape Town, Projects And Design, Electrical		-	-
	E Bekker	Spouse	Gauteng department of Education		-	-
	L Burger	Spouse	Western Cape Education, Teacher		-	-
	A Peinke	Spouse	Ethenkwini Municipality, Senior Professional Engineer		-	-
	MB Wessels	Parent	Western Cape Education, Teacher		-	-
Bigen Africa B/SM 50/23	R van der Walt	Spouse	Western Cape Education, Teacher		-	-
	R Aartsma	Child	Dws Pretoria, Junior Engineer	Rates award, no actual expenditure	-	-
JPCE - B/SM 50/23 & SWM 1	JA Minnie	Spouse	City Of Cape Town, Head: Operations Centre And Systems Integration	Amount approved	-	103 318
NCC Environmental service - B/SM 50/23	C Rhoda	Spouse	City Of Cape Town, Environmental Programme Manager	Rates award, no actual expenditure	-	-
Neil Lyners and associates - B/SM 50/23 & ESH 2	A Potgieter	Child	City Of Cape Town, Professional Officer- Urban Mobility	Approved amount	-	3 459 930
Royal Mndawe Holdings (Pty) Ltd - B/SM 50/23	A Xuwuka	Spouse	Coega Development Corporation, Executive Manager	Rates award, no actual expenditure	-	-
Zutari - B/SM 50/23	HC Ahlschlager	Spouse	Special Investigating Unit, Legal Representative	Rates award, no actual expenditure	-	-
	K Nadasen	Spouse	National Department Of Public Works, Director: Key Account Management		-	-
	MR Marques	Spouse	Department Of Internal Affairs, Director		-	-
Zana Manzi Services (Pty) Ltd - B/SM 101/23	TJ Ndaka	Spouse	Education Department, School Principal		-	-
	Gloria Luthuli	Child	Desmond Tutu Child & Youth Care Centre, Head Of Institution	Award value	-	7 719 007

Stellenbosch Municipality

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53. Awards to close family members - SCM Regulation 45 (continued)

Alprene Plastic Products (Pty) Ltd - B/SM 61/23 & B/SM 62/23	Jean Glazer	Spouse	Department Of Forestry, Fisheries, And The Environment, Production Scientist	Rates award, no actual expenditure	-	-
Red Ant Security Relocation and Eviction services (Pty) Ltd - B/SM 27/23 & B/SM 84/23	Noxolo Lesiela	Spouse	Mogale City Local Municipality, Organisational Design And Development Practitioner	Rates, actual order amount	-	8 564 998
Tridentchem (Pty) Ltd - B/SM 69/23 & B/SM 71/24 & B/SM 82/25	George February	Spouse	Western Cape Government Education Department, Teacher	Actual expenditure	640 972	825 298
Jvz construction (Pty) Ltd - B/SM 92/23	RE Matthee	Spouse	Correctional Services, Security Guard	Approved amount	-	11 138 326
Ducharme asset management B/SM 108/23 & FQ 21/24	Lamahlubi Mbekeni	Spouse	Department Of Rural Development And Land Reform, Senior Legal Admin Officer	Rates, actual order amount	-	187 335
Resource innovations africa (Pty) Ltd - B/SM 64/23	Kaveeth Ramdeo	Spouse	Ethekweni Municipality, Electrical Engineer	Rates, actual order amount	-	1 619 358
Kemanzi (Pty) Ltd - B/SM 11/24 & B/SM 14/25	JN Du Toit	Spouse	City of Cape Town	Actual expenditure	400 410	2 031 400
Growie property group B/SM 07/23	Amanda Growie	Spouse	Gauteng Department Of Roads & Transport, Director	Rates, no actual spending	-	-
FG Transport CC B/SM 38/23 & FQ 07/24	H Pool	Spouse	Western Cape Education Department, Teacher	Rates, actual order amount	-	933 807
	Kaylyn Flagg	Child	Western Cape Education Department, Teacher		-	-
Immex (Pty) Ltd - B/SM 38/23	A Dorfling	Spouse	Western Cape Education Department, Speech And Language Therapist	rates, no actual spending	-	-
Ian Dickie and Company (Pty) Ltd - FQ/69/24 & B/SM 18/25	Deon Samuels	Spouse	South African Police Department, Warrant Officer	Rates, actual order amount	5 969	11 213
Rhode Security & Fire CC - BSM 45/24; FQ 111/24	Patricia Barbara Rhode	Spouse	Western Cape Government Education Department, Temporary Worker	Actual expenditure	832 445	247 595
Akhile Management and Consulting - B/SM 64/24 & FQ 124/25	M Hadebe	Spouse	Ehuruleni Municipality, Town Planner	Approved amount	172 500	527 598
Cigicell (Pty) Ltd - B/SM 52/24	T Nyawane	Spouse	Department Of Education, Deputy Principal	Estimate	-	5 100 000
Nedbank B/SM 78/24	MR Subramoney	Spouse	Department Of Education, Teacher	Total loan amount	-	267 180 084
Kemp & Associates - B/SM 61/24	M Williams	Spouse	Stellenbosch Municipality, Chief Legal Advisor	rates, no actual spending	-	-

Stellenbosch Municipality

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53. Awards to close family members - SCM Regulation 45 (continued)

	D October	Spouse	Cape Agulhas Municipality, Town & Regional Planner		-	-
	Daniel Lubbe	Spouse	Department of Education		-	-
TMT Services And Supplies - BSM 67/24; D/SM 19/24	Monique du Toit	Spouse	Protea Valley Association and City Of Cape Town, Member and Sub Council	Actual expenditure	7 345 587	7 032 203
Leago Environmental Solutions - FQ 36/25	Phaswa Wilson Magoro	Father	Limpopo Education Department, Teacher	Approved amount	249 000	-
	Chueme Solome Magoro	Mother	Limpopo Education Department, Teacher		-	-
Actom Electrical Products - FQ 116/25; D/SM 2/24	Tanya Lubbe	Spouse	Gauteng Education Department, Teacher	Approved amount	30 621	204 028
	CR Makamu	Spouse	Department Of Higher Education and Training, Lecturer		-	-
	Sybrand Nel	Child	City Of Cape Town, PPO/Head: Transmission System Development		-	-
Wec-Consult (Pty) Ltd - BSM 08/25	Enaas Richards	Spouse	Western Cape Government Education Department, School Finance and Records Officer	Actual Expenditure	420 000	-
Adapt It Holdings - DSM 4/25	Dudley Muziwanadoda	Spouse	Sanral, Operation & Maintenance, Manager	Amount approved	915 842	-
Stellemploy NPC - BSM 29/25	Siyothozoza Mbmabo	Child	Stellenbosch Municipality, Community Development Co-Ordinator	Rates, No actual spending	-	-
Steven Happie - BSM 38/25	Portia Jansen	Child	City Of Cape Town, Clerk	Actual Expenditure	262 300	-
Cape Petroleum cc - BSM 18/25	Franciska Happie	Spouse	Western Cape Government Education Department, Teacher	Rates, No actual spending	-	-
Ikapa Reticulation and flow - BSM 105/25	Lydia Buyiswa Mdyologolo	Spouse	Western Cape Government Education Department, Teacher	Rates award, no actual expenditure	-	-
Bergstan South Africa - B/SM 50/23	Cindy Davids	Child	Western Cape Education, Learning Support Teacher	Rates, No Actual Spending	-	-
	C Christians	Child	Western Cape Education, Learning Support Teacher		-	-
	J Beukes	Spouse	Department Of Social Development, Senior Social Worker		-	-
					11 275 646	316 885 498

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2025 R	2024 R
54. Unauthorised, irregular, fruitless and wasteful expenditure		
54.1 Unauthorised expenditure		
The municipality incurred no unauthorised expenditure in both the current and previous financial year.		
54.2 Irregular expenditure		
Opening balance as previously reported	12 431 861	30 129 574
Correction of prior period error	(340 000)	(2 869 426)
Opening balance as restated	12 091 861	27 260 148
Add: Irregular expenditure - current	9 917 424	12 420 386
Add: Irregular expenditure – prior period	256 576	-
Less: Amounts written-off – current	(19 395 257)	(27 248 674)
Closing balance	2 870 604	12 431 860

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

Irregular expenditure was identified as it breached the procurement process in terms of the Supply Chain Management Policy	10 174 000	12 420 386
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54.3 Fruitless and wasteful expenditure

The municipality incurred no fruitless and wasteful expenditure in both the current and previous financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

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	2025 R	2024 R
55. Additional disclosure in terms of Municipal Finance Management Act		
SALGA Contributions		
Current year subscription / fee	6 847 149	6 612 659
Early settlement discount	(342 357)	(330 633)
Current year expenditure	(1 626 199)	(1 570 507)
Prepaid expenditure	(4 878 593)	(4 711 519)
Amount approved by the director and noted by council	-	-
Audit fees		
Opening balance	-	16 509
Current year subscription / fee	10 767 700	8 623 801
Amount paid - current year	(10 747 808)	(8 623 801)
Amount paid - previous period	-	(16 509)
Amount approved by the director and noted by council	19 892	-
PAYE, UIF and SDL		
Current year subscription / fee	110 862 773	102 010 888
Amount paid - current year	(110 862 773)	(102 010 888)
Amount approved by the director and noted by council	-	-
Pension and medical aid deductions		
Current year subscription / fee	148 953 154	139 092 944
Amount paid - current year	(148 953 154)	(139 092 944)
Amount approved by the director and noted by council	-	-
Councillors' arrear consumer accounts		

There were no councillor arrear accounts more than 90 days as per the Municipal Finance Management Act (Act 56 of 2003).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act (Act 56 of 2003), the municipality experienced the following distribution losses for the year under review.

Electrical distribution losses (KW)

System input	384 906 552	357 647 395
Sales	(363 301 265)	(337 518 453)
	21 605 287	20 128 942

Electricity losses are calculated as 5.63% (2024: 5.63%). Electricity losses are within the industry norm.

Water distribution losses (KL)

System input	12 774 943	12 563 518
Sales	(8 789 256)	(8 631 963)
	3 985 687	3 931 555

Water losses are calculated as 31.20% (2024: 31.30%). Water losses are above the industry norm. The high losses are mostly attributed to an ever-aging water network of asbestos cement pipes. The heavy rain events and wetter than normal winter periods of recent years have permanently caused the old pipework to become more fragile it otherwise would've been. These increases in pipe bursts during the wet periods haven't reverted back to the pre-wet period levels. This could be expected of old asbestos pipe networks if there is movement of the ground around or near these pipes.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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56. 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 of 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.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

SALA Pension fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at September 2023 stated that the net assets of the fund amounted to R12 076 570 425 (July 2021: R12 238 000 000), with funding levels of 100% (July 2021: 85.5%). The actuary recommended that employers continue to contribute at the current rate of 19.18% of pensionable salary.

The actuaries 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.

LA retirement Fund (Previously Cape Joint Pension 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 2024 disclosed an actuarial valuation amounting to R1 302 163 000 (30 June 2023: R1 338 791 000), with a surplus of R202 952 000 (2023: R226 285 000), with a funding level of 118.5% (30 June 2023: 120.3%).

Defined contribution scheme

The actuarial valuation report at 30 June 2024 indicated that the defined contribution scheme of the fund is in a sound financial position, with net assets amounting to R2 213 314 000 (30 June 2023: R2 163 627 000), net investment reserve of Rnil (30 June 2023: Rnil) and with a funding level of 100% (2023: 100%).

Cape Joint Retirement Fund (CRF)

The most recent statutory valuation performed as at 30 June 2024 revealed that the assets of the fund amounted to R47 307 646 000 (30 June 2023: R42 710 035 000), with funding levels of 117.3% (2023: 120.1%). 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.

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.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

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	2025 R	2024 R
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56. Retirement benefit information (continued)

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident 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 2021 stated that the assets of the fund amounted to R10 866 257 000 (30 June 2017: R7 720 948 000), with funding levels of 100.0% (30 June 2017: 102.0%). The Fund's assets exceeded the member liabilities as at 30 June 2021, by a margin of R 130.4 million or 1.2%. In the valuation report the actuaries have chosen to allocate R 100.3 million to the Risk Reserve, to allow for projected excess salary-multiple death and disability claims in the year following the valuation date (in excess of the contributions allocated toward these risk benefits over this period), while also leaving a reasonable margin against future claims variability. Accordingly there is a small positive balance in the Investment Reserve. The value of the assets is more than sufficient to cover the accrued liabilities (Members' Shares), and the required level of risk reserve in respect of the self-insured risk benefits, and the Fund is therefore financially sound.

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 2024 stated that the net assets of the fund amounted to R31 228 359 (30 June 2023: R27 542 846), with funding levels of 101% (30 June 2024: 101%). 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 Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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57. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 5 941 439 748.

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

58. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph

reference			
36 (1)(a) i	Dispense with the official procurement processes in an emergency	1 681 858	24 771 246
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	603 352	15 680 919
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	5 350 276	18 275 924
Total deviations		7 635 486	58 728 089

The deviations and value disclosed is representative of the award value. In the event of a rates based award, an estimate is utilised based on certain projected provisions. In the event that an award value is not present, nor an estimate due to certain conditions, the actual expenditure incurred will be disclosed.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
59. Contingent liabilities		
Contingency arising out of litigation	23 690 372	18 469 072
Litigation is the process of taking a civil law suit (legal dispute) to Court. A civil case refers to a legal dispute between two or more parties seeking resolution through the civil court system. Civil litigation refers to the legal process of resolving disputes between parties seeking monetary damages, specific performance, or other remedies instead of criminal sanctions. These cases arise from a wide range of issues, including contract disputes, personal injury claims, property disputes, employment grievances, and more.		
Contingency arising out of arbitration	1 000 000	1 000 000
Arbitration is a procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. In choosing arbitration, the parties opt for a private dispute resolution procedure instead of going to court.		
Contingency arising out of adjudication	1 413 689	-
Adjudication is the legal process of formally settling a dispute, typically by an arbiter, who makes a decision based on presented evidence and legal arguments. It's a formal and decisive way to resolve conflicts.		
Municipal landfill site	-	-
The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 19/2/5/1/B4/45/WL0182/22 issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989). The obligation is immediately enforceable upon closure of the landfill site. As part of these licensing obligations, the municipality is responsible for post-closure obligations namely, ground water monitoring, decommissioning, monitoring committee and gas monitoring. The duration of the time for the cost to be incurred is contingent on the decision making of the regional director as stipulated in the licence conditions. At 30 June 2024, a decision has not been made by the regional director on the post-closure obligations for the municipality as per the licence agreements, as a result thereof, a reliable estimate of the costs to be incurred cannot be reliably estimated due to the uncertainty of the key events contained within the licencing conditions.		
VAT on library grants	3 226 905	2 487 695
The municipality will pay back the VAT on library grants and has subsequently realised this as a liability in the records of the municipality. The municipality will enter into negotiations with SARS on the penalties and interest on these VAT amounts. The amount of interest and penalties has been calculated over the last 5 years and is disclosed according as a contingent liability. The amount and timing of this payment of the penalties and interest is contingent on the outcome of the negotiations with SARS.		
	29 330 966	21 956 767

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

	2025 R	2024 R
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60. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision making process of the municipality. Aspects relating to GRAP 18 paragraph 21 (a) - (j) which does not form part of the review process of the management reports will not form part of the segment information.

Segmental reporting was based and identified on the MFMA S71 monthly budget statements/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

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

Community and public safety

Governance and administration

Economic and environmental services

Trading services

Goods and/or services

Primary services providing community safety, crime prevention and law enforcement.

Primary services in relation to financial management, financial and governance decision making.

Urban and developmental planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.

Primary basic service provision including water, electricity, sanitation and refuse.

Stellenbosch Municipality

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	2025 R	2024 R			
60. Segment information (continued)					
Segment surplus or deficit, assets and liabilities					
By function					
	Community and Public Safety R	Economic and environmental services R	Trading services R	Governance and admin R	Total R
2025					
Segment revenue					
External revenue from non-exchange transactions	12 327 191	279 705 465	166 804 663	624 059 354	1 082 896 673
External revenue from exchange transactions	21 623 237	37 154 557	1 490 897 722	28 950 023	1 578 625 539
Interest income	-	-	25 481 504	66 921 340	92 402 844
	33 950 428	316 860 022	1 683 183 889	719 930 717	2 753 925 056
Segment expenses					
Total segment expenses	287 591 785	313 180 259	1 235 010 873	350 618 611	2 186 401 528
Depreciation, amortisation and impairment	20 253 461	46 409 048	125 180 853	13 269 828	205 113 190
Interest Expense	-	-	69 570 898	3 296 338	72 867 236
Contribution to provisions	-	-	5 806 162	-	5 806 162
Debt impairment	(2 609 710)	27 416 029	(1 679 447)	1 352 229	24 479 101
Impairment loss/(reversal)	-	62 872	-	708 847	771 719
Inventory losses	200 000	-	1 408 292	786 608	2 394 900
Cost of housing sold	1 550 000	-	-	-	1 550 000
	306 985 536	387 068 208	1 435 297 631	370 032 461	2 499 383 836
Surplus for the year	(273 035 108)	(70 208 186)	247 886 258	349 898 256	254 541 220
Other information					
Additions to non-current assets	69 497 239	114 731 630	242 626 748	45 825 585	472 681 202

Stellenbosch Municipality

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	2025 R			2024 R	
60. Segment information (continued)					
2024					
Segment revenue					
External revenue from non-exchange transactions	4 564 035	223 396 995	212 666 231	584 256 388	1 024 883 649
External revenue from exchange transactions	17 804 445	41 722 331	1 308 644 422	26 366 895	1 394 538 093
Interest income	-	-	22 352 160	62 703 708	85 055 868
	22 368 480	265 119 326	1 543 662 813	673 326 991	2 504 477 610
Segment expenses					
Total segment expenses	268 481 525	289 392 987	1 072 386 123	288 417 789	1 918 678 424
Depreciation, amortisation and impairment	11 832 592	56 079 421	128 832 692	9 405 833	206 150 538
Debt Impairment	2 571 325	(15 254 242)	54 341 579	7 464 997	49 123 659
Impairment losses on financial assets	-	-	1 031 435	1 725 000	2 756 435
Interest expense	-	-	59 920 983	3 490 245	63 411 228
Contribution to provisions	-	-	583 528	-	583 528
Inventory Losses	(10 000)	-	(302 936)	22 928	(290 008)
Cost of housing sold	1 060 000	-	-	-	1 060 000
	283 935 442	330 218 166	1 316 793 404	310 526 792	2 241 473 804
Surplus for the year	(261 566 962)	(65 098 840)	226 869 409	362 800 199	263 003 806
Other information					
Additions to non-current assets	30 806 470	91 425 710	268 935 146	79 606 250	470 773 576

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.

Information about geographical areas

All the municipality's operations are located in the Republic of South Africa in the Cape Winelands area. Information to report on different geographical areas is not available would be expensive and impractical to develop

Stellenbosch Municipality

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		2025 R	2024 R			
61. GRAP 3 Adjustments						
The following restatements and adjustments occurred which are set out below:						
61.1 Adjustments of Statement of financial position items						
2024						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Current assets						
Cash and cash equivalents	3	150 678 874	-	-	-	150 678 874
Receivables from exchange transactions	5	251 987 494	-	-	-	251 987 494
Receivables from non-exchange transactions	6	86 667 444	-	-	-	86 667 444
Inventory	7	23 268 240	17 504 023	-	-	40 772 263
VAT Control	8	30 829 208	(22 558 602)	-	-	8 270 606
Other receivables from exchange transactions	9	54 389 107	37 788 796	-	-	92 177 903
Short term investments	4	455 716 603	-	-	-	455 716 603
		1 053 536 970	32 734 217	-	-	1 086 271 187
Non-current assets						
Trade and other receivables from exchange transactions	15	6 508 597	-	-	-	6 508 597
Investment property	10	422 930 670	(6 535 000)	-	-	416 395 670
Property, plant and equipment	11	5 853 784 635	30 786 422	-	-	5 884 571 057
Biological assets	12	2 925 054	-	-	-	2 925 054
Heritage assets	13	1 312 810	-	-	-	1 312 810
Intangible assets	14	4 097 725	-	-	-	4 097 725
		6 291 559 491	24 251 422	-	-	6 315 810 913
Total assets		7 345 096 461	56 985 639	-	-	7 402 082 100
Liabilities						
Current liabilities						
Borrowings	19	69 853 210	-	-	-	69 853 210
Employee benefits	20	65 195 966	3 949	-	-	65 199 915
Consumer deposits	16	24 190 439	-	-	-	24 190 439
Trade and other payables from exchange transactions	17	320 683 581	35 587 927	-	-	356 271 508
Trade and other payables from non-exchange transactions	18	37 827 435	(617 180)	-	-	37 210 255
		517 750 631	34 974 696	-	-	552 725 327
Non-current liabilities						
Borrowings	19	514 496 032	-	-	-	514 496 032
Employee benefits	20	206 670 001	-	-	-	206 670 001
Provisions	21	106 740 477	-	-	-	106 740 477
		827 906 510	-	-	-	827 906 510
Total liabilities		1 345 657 141	34 974 696	-	-	1 380 631 837
Community Wealth / Equity						
Reserves and funds		271 680 259	-	-	-	271 680 259
Accumulated surplus		5 727 759 087	22 010 940	-	-	5 749 770 027
Total Community Wealth / Equity		5 999 439 346	22 010 940	-	-	6 021 450 286

Stellenbosch Municipality

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		2025 R	2024 R			
61. GRAP 3 Adjustments (continued)						
61.2 Adjustments of Statement of financial performance items						
2024						
	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Revenue						
Exchange revenue						
Services charges – Electricity	22	874 585 643	-	-	-	874 585 643
Services charges – Waste management	22	96 326 521	-	-	-	96 326 521
Services charges – Waste water management	22	114 951 742	-	-	-	114 951 742
Services charges – Water management	22	203 270 709	-	-	-	203 270 709
Sales of goods and rendering of services	29	25 260 049	9 507 276	-	-	34 767 325
Agency services	27	3 697 082	-	-	-	3 697 082
Interest earned from receivables	24	23 504 654	-	-	-	23 504 654
Interests on current and non-current assets	25	57 311 807	-	-	-	57 311 807
Licence and permits	26	8 149 482	-	-	-	8 149 482
Rent from fixed assets	23	11 055 806	-	-	-	11 055 806
Operational revenue	28	48 819 185	(1 085 404)	-	-	47 733 781
		1 466 932 680	8 421 872	-	-	1 475 354 552
Non-exchange revenue						
Property rates	30	484 454 441	-	-	-	484 454 441
Fines, penalties and forfeits	31	166 867 895	-	-	-	166 867 895
Transfers and subsidies	32	342 231 985	31 329 329	-	-	373 561 314
Interest earned from receivables	24	4 239 407	-	-	-	4 239 407
		997 793 728	31 329 329	-	-	1 029 123 057
Total revenue		2 464 726 408	39 751 201	-	-	2 504 477 609
Expenditure						
Employee related cost	33	631 801 689	477 568	-	-	632 279 257
Remuneration of councillors	34	22 619 919	-	-	-	22 619 919
Bulk purchases	35	658 227 496	-	-	-	658 227 496
Inventory consumed	36	66 371 383	-	-	-	66 371 383
Contribution to/(from) debt impairment	37	49 123 660	-	-	-	49 123 660
Depreciation and amortisation	38	204 290 393	1 860 147	-	-	206 150 540
Impairment losses / (reversal) of impairment	39	2 756 436	-	-	-	2 756 436
Finance costs	40	63 411 228	-	-	-	63 411 228
Contracted services	41	278 249 405	(2 161 902)	-	-	276 087 503
Transfers and subsidies	42	21 324 136	-	-	-	21 324 136
Irrecoverable debts written off	43	101 629 854	-	-	-	101 629 854
Operating leases	45	6 145 742	-	-	-	6 145 742
Operational cost	46	132 062 028	(11 100)	-	-	132 050 928
Gain/(Loss) on disposals and fair value adjustments	47	3 480 147	(477 568)	-	-	3 002 579
Inventory adjustments to/(from) net realisable value	48	(290 008)	-	-	-	(290 008)
Contribution to/(from) Landfill provision	44	583 529	-	-	-	583 529
Total expenditure		2 241 787 037	(312 855)	-	-	2 241 474 182
Surplus for the year		222 939 371	40 064 056	-	-	263 003 427

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61. GRAP 3 Adjustments (continued)

61.3 Correction of errors

The following material prior period errors adjustments occurred with respective reasonings:

Revenue from non - exchange transactions - Transfers and subsidies

An inspection was performed on the entire population of non-exchange revenue. Consequently it was found that Land was transferred in the municipality's name that was not previously recognised. The municipality had also identified that the VAT portion of the library grant had not been recognised as goods and services. Consequently, the municipality corrected the revenue from non-exchange to revenue from exchange transactions. The municipality also received land that was transferred to the municipality in the prior year. The breakdown of the items are depicted below:-

Nature of error

Revenue from non-exchange transactions previously reported	342 231 985
Library fees revenue correction to sale of goods and rendering of services	(9 507 275)
Library fees VAT portion correction to Output VAT accrual	(1 463 395)
Land recognition related to prior years from provincial government	42 300 000
	373 561 315

Property plant and equipment

An in depth review was done on the entire fixed asset register to identify corrections that are required. The municipality was also informed of land that was transferred in the municipality's name in the prior year. This land has also affected the land inventory line item on the statement of financial position with a contra total of R17 504 023 (Including Investment Property transfer). The required corrections are depicted below:

Nature of error

Property, plant and equipment previously reported	5 853 784 635
Retention payment recognised in relation to prior years	1 315 601
Decreased in depreciation due to a change in useful live of assets	(1 860 147)
Recognition of land to property, plant and equipment	42 300 000
Transfer of land to land inventory according to council resolution	(10 969 023)
	5 884 571 066

Accumulated surplus

The accumulated surplus was restated due to multiple reasons. In the prior year the municipality performed various corrections due to items that presented itself out of the review of the components. These are all depicted below:

Nature of error

Accumulated surplus previously reported	5 727 759 087
Supplier VAT correction	3 629 757
Correction of unallocated deposits older than 3 years.	4 621 665
VAT correction of library grant, now recognised as goods and services for prior years	(22 872 073)
VAT accrual on library grant for prior years now recognised.	(5 319 808)
Prior year accruals, previously recognised but not cleared.	1 270 264
Prior year property plant and equipment correction for changes in asset categories	40 198 672
Other changes	482 463
	5 749 770 027

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61. GRAP 3 Adjustments (continued)

Trade and other payables from exchange transactions

Various corrections were performed on trade and other payables line items. These changes come as a result of investigation of control accounts as well as changes in the interpretation of the VAT accounting standards. The consequent corrections are depicted below:

Nature of error

Trade and other payables previously reported	320 683 581
Correction of prior year retention of supplier not previously recognised	1 512 941
Correction of incorrect leave payout control account utilised	(3 949)
Payables and accruals prior year correction for accounts not previously cleared	(2 509 116)
Correction of unallocated deposits which were older than 3 years and not previously cleared	(3 481 453)
Output VAT accrual not previously recognised as other payables	66 556 152
Output VAT provision for doubtful debt not previously recognised as other payables	(26 486 647)
	356 271 509

Other receivables from exchange transactions

This error relates to a change in interpretation of accounting standards in the current year. VAT was previously recognised on a net basis on the statement of financial position including all accruals. Subsequently this net line item for VAT has now been segregated. The contra account also affected with these correcting journals is the VAT control account.

Nature of error

Other receivables from exchange previously reported	54 389 107
VAT input accrual recognised to other receivables	37 788 796
	92 177 903

62. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

63. Change in estimate

Property, plant and equipment

The useful lives of all asset classes were adjusted during the 2024/2025 financial year to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 11. The effect of changing the remaining useful life of assets for the municipality during 2024/2025 has decreased the depreciation charge for the current year by R 13 821 745 (2023/2024: R402 000). It is impracticable to estimate the effect of these changes on future periods.

Provisions: Landfill site rehabilitation

The reference interest rate of the inflation rate to calculate the landfill site provision was changed from the Western Cape CPI rate to an inflation rate specific to construction cost and adjusted for risks. This is due to this rate being more relevant this year due to changes in circumstances. This rate also best represents current considerations for the specific construction industry. The financial effect of the change in the current period is R31 210 954.83. It is impractical to estimate the effect on future periods as the financial markets are unpredictable in the future years and this plays the most important role in determining these interest rates.