



**KZN216 Ray Nkonyeni Municipality
Trading as Ray Nkonyeni Municipality
Annual Financial Statements
for the year ended 30 June 2023**

KZN216 Ray Nkonyeni Municipality

Trading as Ray Nkonyeni Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

| | |
|--|---|
| Legal form of entity | Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) |
| Nature of business and principal activities | Local Government |
| Mayoral committee | TROIKA |
| Executive Mayor | Cllr IS Mqadi |
| | Cllr GS Shange - Deputy Mayor |
| Councillors | Cllr PZ Mzindle - Speaker |
| | Cllr TT Hlophe - Chief whip |
| Grading of local authority | 4 |
| Accounting Officer | Mr. Khetha Zulu |
| Chief Finance Officer (CFO) | Ms. Nondumiso Amanda Zuma CA(SA) |
| Registered office | 10 Connor Street Port Shepstone 4042 |
| Business address | 10 Connor Street Port Shepstone 4042 |
| Postal address | PO Box 5 Port Shepstone 4042 |
| Bankers | FNB, Investec, Standard Bank, NEDBANK |
| Auditors | Auditor General of South Africa Registered Auditors |
| Preparer | The annual financial statements were internally compiled by: Snikiwe Qwabe CA(SA) Manager: Budget and Reporting |

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Abbreviations used:

| | |
|-------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

Mr KJ Zulu
Accounting Officer

KZN216 Ray Nkonyeni Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Incorporation

The municipality was incorporated on 10 August 2016 as an amalgamation of two municipalities (Former Hibiscus Coast and Eziqoleni Municipality) and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The municipality is engaged in local government and operates in South Africa. The municipality is charged with the responsibility of providing services such as refuse management, electricity, law enforcement, etc to communities in a sustainable manner to promote social and economic development, and to promote a safe and healthy environment.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of 2 313 400 416 and that the municipality's total assets exceed its liabilities by 2 313 400 416.

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

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

4. Subsequent events

The following events have been identified and disclosed in line with GRAP 14- Events After the Reporting Date

Adjusting events

The council resolved on 29 August 2023 the approval of writing off the recurring opening balances amounting to R1 086 926,43 and R177 672,97 for accruals and statutory accounts respectively.

The council approved a write off of R3 262 476,06 on 29 August 2023, for irregular expenditure and fruitless and wasteful expenditure incurred totaling R37 622,04 that was incurred in prior years/ current year as well as the investigation that was started before the end of the current financial year.

Non Adjusting events

The municipality is not aware of any non adjusting events affecting the current reporting period ending 30 June 2023.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

| | |
|------------|---------------|
| Name | Nationality |
| Mr KJ Zulu | South African |

6. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Mr KJ Zulu
Accounting Officer

KZN216 Ray Nkonyeni Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 7 | 5 563 789 | 7 058 307 |
| Receivables from exchange transactions | 8&10 | 114 951 573 | 107 805 007 |
| Receivables from non-exchange transactions | 9&10 | 353 514 881 | 316 528 828 |
| VAT receivable | 11 | 147 570 172 | 108 406 692 |
| Cash and cash equivalents | 12 | 114 250 485 | 131 186 313 |
| | | 735 850 900 | 670 985 147 |
| Non-Current Assets | | | |
| Investment property | 3 | 354 868 525 | 345 005 860 |
| Property, plant and equipment | 4 | 1 804 872 057 | 1 681 345 219 |
| Intangible assets | 5 | 489 221 | 856 909 |
| Heritage assets | 6 | 2 210 022 | 2 204 722 |
| | | 2 162 439 825 | 2 029 412 710 |
| Total Assets | | 2 898 290 725 | 2 700 397 857 |
| Liabilities | | | |
| Current Liabilities | | | |
| Long-term loan | 13 | 917 794 | 266 061 |
| Finance lease obligation | 14 | 16 451 206 | 14 314 409 |
| Payables from exchange transactions | 15 | 147 675 403 | 133 405 591 |
| VAT payable | 53 | 112 191 482 | 75 667 973 |
| Consumer deposits | 16 | 35 315 197 | 32 845 775 |
| Employee benefit obligation | 17 | 4 838 931 | 4 621 928 |
| Unspent conditional grants and receipts | 18 | 8 954 330 | 18 928 130 |
| Provisions | 19 | 39 843 830 | 35 472 537 |
| Housing Development Fund | 64 | 28 990 995 | 30 175 633 |
| | | 395 179 168 | 345 698 037 |
| Non-Current Liabilities | | | |
| Long-term loan | 13 | 9 914 553 | 2 955 760 |
| Finance lease obligation | 14 | 33 713 553 | 46 204 039 |
| Employee benefit obligation | 17 | 98 891 043 | 101 051 966 |
| Provisions | 19 | 47 191 992 | 41 487 158 |
| | | 189 711 141 | 191 698 923 |
| Total Liabilities | | 584 890 309 | 537 396 960 |
| Net Assets | | 2 313 400 416 | 2 163 000 897 |
| Accumulated surplus | | 2 313 400 416 | 2 113 657 745 |
| Total Net Assets | | 2 313 400 416 | 2 113 657 745 |

* See Note 52 & 56

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Sale of goods | | 52 787 | 798 224 |
| Service charges | 20 | 212 419 028 | 214 941 623 |
| Rendering of services | | 7 612 338 | 4 716 244 |
| Construction contracts | 52 | 14 581 330 | 52 819 210 |
| Rental of facilities and equipment | 21 | 4 686 054 | 3 896 567 |
| Interest received (trading) | | 6 461 319 | 5 553 507 |
| Agency services | 22 | 8 967 996 | 7 493 386 |
| Licences and permits | 23 | 596 052 | 268 554 |
| Operational revenue | | 3 673 041 | 1 066 978 |
| Interest received - investment | 24 | 10 845 380 | 5 181 831 |
| Gain on disposal of assets | | - | 427 301 |
| Fair value adjustments | | 8 732 429 | 7 587 194 |
| Total revenue from exchange transactions | | 278 627 754 | 304 750 619 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 25 | 486 255 611 | 464 477 219 |
| Licences and Permits | | 7 734 317 | 7 869 658 |
| Interest | 26 | 27 960 697 | 25 601 971 |
| Transfer revenue | | | |
| Government grants & subsidies | 27 | 471 032 957 | 416 020 713 |
| Public contributions and donations | 28 | 1 495 221 | 6 596 917 |
| Fines, Penalties and Forfeits | 29 | 23 979 078 | 30 190 102 |
| Total revenue from non-exchange transactions | | 1 018 457 881 | 950 756 580 |
| Total revenue | | 1 297 085 635 | 1 255 507 199 |
| Expenditure | | | |
| Employee related costs | 30 | (438 568 779) | (437 108 882) |
| Remuneration of councillors | 31 | (29 567 253) | (26 248 752) |
| Depreciation and amortisation | 32 | (87 270 786) | (88 711 840) |
| Impairments | 33 | (46 744 720) | 13 941 058 |
| Finance costs | 34 | (24 062 390) | (20 742 292) |
| Lease rentals on operating lease | 35 | (10 879 068) | (13 403 388) |
| Bad debts written off | | (7 793 796) | (4 423 719) |
| Bulk purchases | 36 | (107 469 790) | (122 719 656) |
| Contracted services | 37 | (211 568 765) | (229 790 789) |
| Transfers and Subsidies | 38 | (14 464 530) | (11 905 658) |
| Loss on disposal of assets | | (5 319 642) | - |
| Inventory consumed | | (11 773 807) | (13 825 104) |
| General Expenses | 39 | (151 202 787) | (129 146 376) |
| Total expenditure | | (1 146 686 113) | (1 084 085 398) |
| Surplus for the year | | 150 399 522 | 171 421 801 |

The accounting policies on pages 11 to 40 and the notes on pages 41 to 109 form an integral part of the annual financial statements.

* See Note 52 & 56

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Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|-------------------------------|----------------------|
| Opening balance as previously reported | 1 957 286 717 | 1 957 286 717 |
| Adjustments | | |
| Prior year adjustments 56 | 34 292 372 | 34 292 372 |
| Balance at 01 July 2021 as restated* | 1 991 579 089 | 1 991 579 089 |
| Changes in net assets | | |
| Correction of erros | (1 415 521) | (1 415 521) |
| Net income (losses) recognised directly in net assets | (1 415 521) | (1 415 521) |
| Surplus for the year | 123 494 177 | 123 494 177 |
| Total recognised income and expenses for the year | 122 078 656 | 122 078 656 |
| Total changes | 122 078 656 | 122 078 656 |
| Restated* Balance at 01 July 2022 | 2 163 000 894 | 2 163 000 894 |
| Changes in net assets | | |
| Surplus for the year | 150 399 522 | 150 399 522 |
| Total changes | 150 399 522 | 150 399 522 |
| Balance at 30 June 2023 | 2 313 400 416 | 2 313 400 416 |

Note(s)

* See Note 52 & 56

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Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|-----------|----------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Taxation | | 445 296 846 | 455 539 750 |
| Sale of goods and services | | 226 966 530 | 268 142 891 |
| Grants received | | 459 874 519 | 422 500 222 |
| Interest income | | 45 267 396 | 36 337 309 |
| Other cash item | | 3 673 041 | 1 066 978 |
| | | 1 181 078 332 | 1 183 587 150 |
| Payments | | | |
| Employee costs | | (464 580 295) | (488 671 957) |
| Suppliers | | (476 154 993) | (502 339 591) |
| Finance costs | | (24 062 390) | (20 742 292) |
| Transfers and Subsidies | | (14 464 530) | (11 905 658) |
| | | (979 262 208) | (1 023 659 498) |
| Net cash flows from operating activities | 42 | 201 816 124 | 159 927 652 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (216 015 703) | (158 663 908) |
| Proceeds from sale of property, plant and equipment | 4 | 1 136 149 | 917 747 |
| Purchase of investment property | 3 | (1 129 236) | (2 999 792) |
| Purchase of heritage assets | 6 | - | (159 600) |
| Proceeds from sale of heritage assets | 6 | - | 300 |
| Net cash flows from investing activities | | (216 008 790) | (160 905 253) |
| Cash flows from financing activities | | | |
| Movement of long-term loan | | 7 610 526 | (354 905) |
| Finance lease payments | | (10 353 688) | (10 367 649) |
| Net cash flows from financing activities | | (2 743 162) | (10 722 554) |
| Net increase/(decrease) in cash and cash equivalents | | (16 935 828) | (11 700 155) |
| Cash and cash equivalents at the beginning of the year | | 131 186 313 | 142 886 468 |
| Cash and cash equivalents at the end of the year | 12 | 114 250 485 | 131 186 313 |

The accounting policies on pages 11 to 40 and the notes on pages 41 to 109 form an integral part of the annual financial statements.

* See Note 52 & 56

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Sale of goods | 3 263 101 | (3 188 976) | 74 125 | 52 787 | (21 338) | Note 63 |
| Service charges | 253 617 973 | (16 927 024) | 236 690 949 | 212 419 028 | (24 271 921) | Note 63 |
| Rendering of services | 8 312 178 | 2 349 204 | 10 661 382 | 7 612 338 | (3 049 044) | Note 63 |
| Construction contracts | 56 574 904 | (29 007 568) | 27 567 336 | 14 581 330 | (12 986 006) | Note 63 |
| Rental of facilities and equipment | 2 610 345 | 1 100 000 | 3 710 345 | 4 686 054 | 975 709 | Note 63 |
| Interest received (trading) | 3 726 813 | - | 3 726 813 | 6 461 319 | 2 734 506 | Note 63 |
| Agency services | 4 894 168 | 1 150 000 | 6 044 168 | 8 967 996 | 2 923 828 | Note 63 |
| Licences and permits | 974 966 | (120 000) | 854 966 | 596 052 | (258 914) | Note 63 |
| Operational Revenue | 1 347 642 | 365 512 | 1 713 154 | 3 673 041 | 1 959 887 | |
| Other income | 514 737 | - | 514 737 | - | (514 737) | |
| Interest received - investment | 5 397 195 | 1 670 000 | 7 067 195 | 10 845 380 | 3 778 185 | Note 63 |
| Total revenue from exchange transactions | 341 234 022 | (42 608 852) | 298 625 170 | 269 895 325 | (28 729 845) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 498 623 169 | (6 505 152) | 492 118 017 | 486 255 611 | (5 862 406) | |
| Licences and Permits (Non-exchange) | 6 849 093 | 2 206 508 | 9 055 601 | 7 734 317 | (1 321 284) | Note 63 |
| Interest, Dividends and Rent on Land | 20 661 861 | 4 330 000 | 24 991 861 | 27 960 697 | 2 968 836 | Note 63 |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 417 462 000 | 61 357 968 | 478 819 968 | 471 032 957 | (7 787 011) | |
| Public contributions and donations | - | - | - | 1 495 221 | 1 495 221 | Note 63 |
| Fines, Penalties and Forfeits | 22 158 182 | 7 500 000 | 29 658 182 | 23 979 078 | (5 679 104) | Note 63 |
| Total revenue from non-exchange transactions | 965 754 305 | 68 889 324 | 1 034 643 629 | 1 018 457 881 | (16 185 748) | |
| Total revenue | 1 306 988 327 | 26 280 472 | 1 333 268 799 | 1 288 353 206 | (44 915 593) | |
| Expenditure | | | | | | |
| Employee Related Costs | (447 279 093) | (15 307 315) | (462 586 408) | (438 568 779) | 24 017 629 | |
| Remuneration of councillors | (31 434 264) | - | (31 434 264) | (29 567 253) | 1 867 011 | |
| Depreciation and amortisation | (99 500 000) | - | (99 500 000) | (87 270 786) | 12 229 214 | Note 63 |
| Impairments | (6 383 012) | - | (6 383 012) | (46 744 720) | (40 361 708) | Note 63 |
| Finance costs | (12 922 120) | 20 000 | (12 902 120) | (24 062 390) | (11 160 270) | Note 63 |
| Lease rentals on operating lease | (16 426 205) | 3 587 541 | (12 838 664) | (10 879 068) | 1 959 596 | Note 63 |
| Bad debts written off | (5 719 996) | - | (5 719 996) | (7 793 796) | (2 073 800) | Note 63 |
| Bulk purchases | (137 073 524) | - | (137 073 524) | (107 469 790) | 29 603 734 | Note 63 |
| Contracted Services | (244 880 540) | 14 936 872 | (229 943 668) | (211 568 765) | 18 374 903 | Note 63 |
| Transfers and Subsidies | (13 177 756) | (510 000) | (13 687 756) | (14 464 530) | (776 774) | Note 63 |
| Inventory consumed | (12 734 987) | (142 725) | (12 877 712) | (11 773 807) | 1 103 905 | |
| General Expenses | (144 053 706) | (1 664 904) | (145 718 610) | (151 202 787) | (5 484 177) | |

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|------------------------|-------------------|------------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Total expenditure | (1 171 585 203) | 919 469 | (1 170 665 734) | (1 141 366 471) | 29 299 263 | |
| Operating surplus | 135 403 124 | 27 199 941 | 162 603 065 | 146 986 735 | (15 616 330) | |
| Loss on disposal of assets | - | - | - | (5 319 642) | (5 319 642) | |
| Fair value adjustments | - | - | - | 8 732 429 | 8 732 429 | |
| | - | - | - | 3 412 787 | 3 412 787 | |
| Surplus before taxation | 135 403 124 | 27 199 941 | 162 603 065 | 150 399 522 | (12 203 543) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 135 403 124 | 27 199 941 | 162 603 065 | 150 399 522 | (12 203 543) | |
| Reconciliation | | | | | | |

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

| Figures in Rand | Note(s) | 2023 | 2022 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Significant accounting policies

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Impairment testing

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

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

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).

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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 |
| Buildings | Straight-line | 5-30 Years |
| Solid waste and disposal | Straight-line | 10-30 Years |
| Plant and machinery | Straight-line | 3-80 Years |
| Furniture and fixtures | Straight-line | 5-10 Years |
| Motor vehicles | Straight-line | 5-20 Years |
| Machinery and equipment | Straight-line | 5-10 Years |
| Computer and office equipment | Straight-line | 5-7 Years |
| Improvements | Straight-line | 20-30 Years |
| Electricity | Straight-line | 6-60 Years |
| Recreational Facilities | Straight-line | 20-30 Years |
| Buildings and other structures | Straight-line | 20-30 Years |

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.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

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1.8 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight-line | 5 Years |

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

Intangible assets are derecognised:

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

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

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Accounting Policies

1.9 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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.

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

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Accounting Policies

1.9 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its 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.

Transfers

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

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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1.10 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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.

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

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

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1.10 Financial instruments (continued)

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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1.11 Statutory receivables (continued)

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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1.11 Statutory receivables (continued)

- 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.

1.12 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the .

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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1.13 Inventories

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

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

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

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

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

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

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

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

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

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

1.14 Construction contracts and receivables

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

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

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

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

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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1.14 Construction contracts and receivables (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity 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 (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, 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 entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, 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 entity to reimburse it for employee benefits already paid.

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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 post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

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1.17 Employee benefits (continued)

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

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

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

Post-employment benefits

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

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

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

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1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

The return on plan assets is interest, dividends 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.

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1.17 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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute 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, an entity shall attribute benefit on a straight-line basis from:

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

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

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

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

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

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

The 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.

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1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

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

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1.17 Employee benefits (continued)

Termination benefits

The entity 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.

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

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

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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. This applies under both the cost model and the revaluation model.

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

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1.18 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

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

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

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1.20 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

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

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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

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1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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

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

Recognition

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

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

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Construction contract revenue

The municipality recognises revenue from construction contract when:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. An expected deficit on a construction contract shall be recognised as an expense immediately.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- (a) total contract revenue, if any, can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- (c) both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- (d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- (a) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- (b) the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

The stage of completion of a contract may be determined in a variety of ways. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

- (a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract
- (b) surveys of work performed; or
- (c) completion of a physical proportion of the contract work.

Transfers

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

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

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

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1.21 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue at the transaction date as per iGRAP 1.

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

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

Gifts and donations, including goods in-kind

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

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

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1.24 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

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.

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

1.27 Fruitless and wasteful expenditure

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

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

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

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1.29 Housing development fund

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

1.30 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

Measurement

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

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

1.31 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2024/06/30.

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

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

1.32 Related parties

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

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1.32 Related parties (continued)

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

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

1.33 Events after reporting date

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

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|----------------------------------|--|-------------------------|
|----------------------------------|--|-------------------------|

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • GRAP 103 (as revised): Heritage Assets | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 25 (as revised): Employee Benefits | N/A | Unlikely there will be a material impact |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | N/A | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | N/A | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Unlikely there will be a material impact |

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3. Investment property

| | 2023 | | | 2022 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 354 868 525 | - | 354 868 525 | 345 005 860 | - | 345 005 860 |

Reconciliation of investment property - 2023

| | Opening balance | Additions | Transfers | Fair value adjustments | Total |
|---------------------|-----------------|-----------|-----------|------------------------|-------------|
| Investment property | 345 005 860 | - | 1 130 236 | 8 732 429 | 354 868 525 |

Reconciliation of investment property - 2022

| | Opening balance | Transfers | Fair value adjustments | Total |
|---------------------|-----------------|-----------|------------------------|-------------|
| Investment property | 327 420 860 | 7 500 000 | 10 085 000 | 345 005 860 |

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.

Investment Properties

| | | |
|-------------------------|--------------------|--------------------|
| Business and Commercial | 6 589 000 | 5 731 000 |
| Institutional | 26 831 050 | 26 970 000 |
| Recreational Facilities | 74 015 670 | 72 617 000 |
| Vacant Land | 247 432 805 | 239 687 860 |
| | 354 868 525 | 345 005 860 |

During the 2023 financial year, Ray Nkonyeni Municipality conducted a valuation of its investment properties. The effective date of the valuations was Friday, 30 June 2023. Valuations were performed by an independent valuer, E Ganja MRICS Professional Valuer (No. 6934/2), from Ganprop Valuers & property Consultants Pty (Ltd), in terms of Section 20(2)a of the Property Valuers Profession Act 2000.

Evaluations Property Intelligence is not connected to the municipality and have recent experience in location and category of the investment property being valued.

Method of valuation

The valuation was based on market value of real estate, and the valuer used the direct sales comparison approach for the majority of properties, however the cost and income approach was also used

Key assumptions made in the valuation of investment property were as follows:

This method involves an analysis of recent sales of similar or comparable properties. It is based on the simple notion that if a property is sold in the open market, at a certain price, then an identical property would sell at the same price. Since no two properties are identical, and can never have the same location, necessary comparisons and adjustments must be made to determine the actual value of a particular property.

There were no property interests held under an operating lease that have been classified as Investment property.

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|---|-----------|------------|
| 3. Investment property (continued) | | |
| Amounts recognised in surplus or deficit | | |
| Rental revenue from Investment property | 3 744 584 | 3 738 628 |
| Fair value adjustments | 8 732 429 | 10 085 000 |

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4. Property, plant and equipment

| | 2023 | | | 2022 | | |
|------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 104 639 302 | - | 104 639 302 | 104 640 302 | - | 104 640 302 |
| Plant and machinery | 9 528 765 | (5 627 096) | 3 901 669 | 17 983 801 | (13 638 830) | 4 344 971 |
| Furniture and fixtures | 28 319 956 | (21 861 061) | 6 458 895 | 28 315 235 | (22 966 897) | 5 348 338 |
| Motor vehicles | 120 982 289 | (56 271 677) | 64 710 612 | 116 929 190 | (56 310 065) | 60 619 125 |
| IT equipment | 27 050 265 | (13 617 667) | 13 432 598 | 24 774 262 | (14 327 288) | 10 446 974 |
| Infrastructure | 2 338 919 845 | (1 285 253 746) | 1 053 666 099 | 2 176 197 689 | (1 251 303 061) | 924 894 628 |
| Community | 1 062 230 244 | (504 167 362) | 558 062 882 | 1 043 303 124 | (472 252 243) | 571 050 881 |
| Total | 3 691 670 666 | (1 886 798 609) | 1 804 872 057 | 3 512 143 603 | (1 830 798 384) | 1 681 345 219 |

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals | Transfers | Reclassificatio n | Depreciation | Impairment loss | Total |
|------------------------|----------------------|--------------------|--------------------|----------------|----------------------|---------------------|--------------------|----------------------|
| Land | 104 640 302 | - | - | (1 000) | - | - | - | 104 639 302 |
| Plant and machinery | 4 344 971 | 1 179 199 | (162 246) | - | - | (1 460 255) | - | 3 901 669 |
| Furniture and fixtures | 5 348 338 | 2 348 576 | (37 864) | - | - | (1 200 155) | - | 6 458 895 |
| Motor vehicles | 60 619 125 | 15 499 827 | (1 053 341) | - | - | (10 187 510) | (167 489) | 64 710 612 |
| IT equipment | 10 446 974 | 6 093 651 | (207 386) | - | - | (2 900 641) | - | 13 432 598 |
| Infrastructure | 924 894 628 | 177 344 542 | (4 793 400) | - | - | (42 938 130) | (841 541) | 1 053 666 099 |
| Community | 571 050 881 | 21 661 817 | (419 289) | - | - | (28 216 407) | (6 014 120) | 558 062 882 |
| | 1 681 345 219 | 224 127 612 | (6 673 526) | (1 000) | - | (86 903 098) | (7 023 150) | 1 804 872 057 |

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|------------------------|----------------------|--------------------|------------------|---------------------|---------------------|--------------------|----------------------|
| Land | 104 640 302 | - | - | - | - | - | 104 640 302 |
| Plant and machinery | 2 850 495 | 2 593 696 | (35 499) | - | (1 063 721) | - | 4 344 971 |
| Furniture and fixtures | 4 998 302 | 1 503 749 | (25 177) | - | (1 128 536) | - | 5 348 338 |
| Motor vehicles | 52 047 511 | 19 047 772 | (373 849) | - | (10 102 309) | - | 60 619 125 |
| IT equipment | 4 436 936 | 7 766 977 | (102 896) | - | (1 654 043) | - | 10 446 974 |
| Infrastructure | 844 443 292 | 130 521 705 | - | - | (47 578 188) | (2 492 181) | 924 894 628 |
| Community | 580 499 082 | 30 769 405 | - | (10 627 709) | (26 716 460) | (2 873 437) | 571 050 881 |
| | 1 593 915 920 | 192 203 304 | (537 421) | (10 627 709) | (88 243 257) | (5 365 618) | 1 681 345 219 |

During the preparation of the financial statements, the prior year movable assets figures (Plant and Machinery, Furniture and Fixtures, Motor Vehicle and IT Equipment) were reclassified within the asset classes to correctly align them with mSCOA. The net effect of the reclassification is null.

Pledged as security

There are no items of PPE that are pledged as security.

Depreciation rates

Item

Depreciation method

Average useful life

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| 4. Property, plant and equipment (continued) | | |
| Land | Straight-line | Indefinite |
| Buildings | Straight-line | 5 - 50 years |
| Solid waste and disposal | Straight-line | 5 - 80 years |
| Road and Paving | Straight-line | 3 - 80 years |
| Furniture and fittings | Straight-line | 5 - 15 years |
| Motor vehicles | Straight-line | 5 - 30 years |
| Computer and Office equipment | Straight-line | 5 - 7 years |
| Electricity | Straight-line | 6 - 60 years |
| Recreational facilities | Straight-line | 20 - 50 years |
| Buildings and other structures | Straight-line | 15 - 50 years |
| Improvements | Straight-line | 20 - 30 years |
| Machinery and equipment | Straight-line | 5 - 15 years |
| Compensation received for losses on property, plant and equipment – included in operating profit. | | |
| Plant and machinery | | 22 208 - |
| Motor vehicles | | 1 211 132 - |
| IT equipment | | 52 855 897 759 |
| Infrastructure | | 67 689 - |
| | | 1 353 884 897 759 |
| Assets subject to finance lease (Net carrying amount) | | |
| Motor vehicles | | 42 656 750 51 572 119 |

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|---|--------------------|--------------------|
| 4. Property, plant and equipment (continued) | | |
| Property, plant and equipment in the process of being constructed or developed | | |
| Cumulative expenditure recognised in the carrying value of property, plant and equipment | | |
| Infrastructure | 134 390 472 | 102 138 781 |
| Community | 36 859 517 | 18 761 942 |
| | 171 249 989 | 120 900 723 |

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

| | | |
|--|-----------|-----------|
| Bhobhoyi Organic storage facility | 157 220 | 157 220 |
| Project was approved back then by MIG but it has since been put on hold. | | |
| Freedom Heritage at KwaXaba | 580 073 | 580 073 |
| Project was approved back then by MIG but it has since been put on hold. | | |
| Roads Kawuseni Bhuka School | 164 683 | 164 683 |
| Project was put on hold due to budget reprioritisation. | | |
| Road George Mbele High Road | - | 91 832 |
| Project was put on hold due to budget reprioritisation. | | |
| Bhobhoyi Phase 2 Electrification | 23 634 | 23 634 |
| Project was put on hold due to budget reprioritisation. | | |
| Roads Mbele Pedestrian Bridge | - | 59 685 |
| Project was put on hold due to budget reprioritisation. | | |
| Rural Stormwater (Merlewood) | 5 844 290 | 5 844 290 |
| Project was put on hold due to budget reprioritisation. | | |
| Stormwater - Urban' | - | 2 813 578 |
| Project was put on hold due to budget reprioritisation. | | |
| Stormwater - Rural | 1 465 236 | - |
| Project put on hold due to reprioritisation | | |
| Magnolia Avenue Upgrade Ward 6 | 92 601 | 92 601 |
| Project was put on hold due to budget reprioritisation. | | |
| Rehabilitation Of Bench Road Southbroom Ward 2 | 168 596 | 168 596 |
| Project was put on hold due to budget reprioritisation. | | |
| Rehabilitation Of Sastri Road (Ward 17) | 87 719 | 87 719 |
| Project was put on hold due to budget reprioritisation. | | |
| Roads Kawusen Pedestrian Bridge | 162 023 | 162 023 |
| Project was put on hold due to budget reprioritisation. | | |
| Roads Khandalesizwe Pedestrian Brige | 86 957 | 86 957 |
| Project was put on hold due to budget reprioritisation. | | |
| Tarring Of Glade Road (Ward 17) | 175 010 | 175 010 |
| Project was put on hold due to budget reprioritisation. | | |
| Tarring Of Indira Road (Ward 17) | 8 820 | 8 820 |
| Project was put on hold due to budget reprioritisation. | | |
| Tarring Of Marlin Drive Ward 13 | 87 420 | 87 420 |
| Project was put on hold due to budget reprioritisation. | | |
| Tarring Of Ring Road Bhobhoyi Phase 1 | 371 241 | 371 241 |
| Planning and project was put on hold due to reprioritisation | | |
| Hibberdene Skybridge | 394 506 | - |
| Planning and project was put on hold due to reprioritisation | | |
| Concrete Bins | 41 969 | - |
| Project was put on hold due to reprioritisation | | |
| Roads Gadlogadla to Makhanya | 370 643 | - |
| Planning and project was put on hold due to reprioritisation | | |
| Roads Shibase Pedestrian Bridge near Sima's House | 370 404 | - |
| Planning and project was put on hold due to reprioritisation | | |
| Masinenge Housing - Infrastructure | 6 299 404 | - |
| Project was put on hold due to reprioritisation | | |

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|---|-------------------|-------------------|
| 4. Property, plant and equipment (continued) | | |
| LV Networks: Highmasts Wards 3,8,27,29 | 107 194 | - |
| Project was put on hold due to reprioritisation | | |
| | 17 059 643 | 10 975 382 |

Reconciliation of Work-in-Progress 2023

| | Included within Infrastructure | Included within Community | Total |
|------------------------------------|-----------------------------------|------------------------------|--------------------|
| Opening balance | 102 138 781 | 18 761 942 | 120 900 723 |
| Additions/capital expenditure | 170 061 617 | 20 718 130 | 190 779 747 |
| Transferred to completed items-PPE | (137 809 926) | (2 620 555) | (140 430 481) |
| | 134 390 472 | 36 859 517 | 171 249 989 |

Reconciliation of Work-in-Progress 2022

| | Included within Infrastructure | Included within Community | Total |
|------------------------------------|-----------------------------------|------------------------------|--------------------|
| Opening balance | 39 174 641 | 31 498 501 | 70 673 142 |
| Additions/capital expenditure | 125 040 075 | 26 490 134 | 151 530 209 |
| Transferred to completed items-PPE | (62 075 935) | (39 226 694) | (101 302 629) |
| | 102 138 781 | 18 761 941 | 120 900 722 |

Expenditure incurred to repair and maintain property, plant and equipment

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

| | | |
|---------------------|------------|------------|
| Contracted services | 60 514 119 | 55 848 370 |
|---------------------|------------|------------|

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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5. Intangible assets

| | 2023 | | | 2022 | | |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 2 549 152 | (2 059 931) | 489 221 | 2 890 936 | (2 034 027) | 856 909 |

Reconciliation of intangible assets - 2023

| | Opening balance | Additions | Disposals | Amortisation | Total |
|--------------------------|--------------------|-----------|-----------|--------------|---------|
| Computer software, other | 856 909 | - | - | (367 688) | 489 221 |

Reconciliation of intangible assets - 2022

| | Opening balance | Additions | Disposals | Amortisation | Total |
|--------------------------|--------------------|-----------|-----------|--------------|---------|
| Computer software, other | 416 058 | 918 671 | (9 237) | (468 583) | 856 909 |

Pledged as security

There are no items of intangible assets pledged as security:

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6. Heritage assets

| | 2023 | | | 2022 | | |
|---|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art Collections, antiquities and exhibits | 2 432 687 | (222 665) | 2 210 022 | 2 427 387 | (222 665) | 2 204 722 |

Reconciliation of heritage assets 2023

| | Opening balance | Additions | Disposals | Transfers received | Total |
|---|-----------------|-----------|-----------|--------------------|-----------|
| Art Collections, antiquities and exhibits | 2 204 722 | - | - | 5 300 | 2 210 022 |

Reconciliation of heritage assets 2022

| | Opening balance | Additions | Disposals | Total |
|---|-----------------|-----------|-----------|-----------|
| Art Collections, antiquities and exhibits | 2 071 122 | 159 600 | (26 000) | 2 204 722 |

Heritage assets borrowed from other entities

Durban Local History Museums loaned Ray Nkonyeni Municipality Port Shepstone Museum selected Artifacts.

The terms and conditions

The municipality will ensure adequate security to safeguard the artifacts.

The municipality will not own the artifacts, but the municipality will retain it until the end of the borrowed period.

Pledged as security

There are no items of heritage assets pledged as security:

7. Inventories

| | | |
|--------------------------|------------------|------------------|
| Housing Stock: Transfers | 629 903 | 629 903 |
| Consumable stores | 4 933 886 | 6 428 404 |
| | 5 563 789 | 7 058 307 |

Inventory pledged as security

There are no items of Inventory pledged as security

8. Receivables from exchange transactions

| | | |
|------------------------------------|--------------------|--------------------|
| Employee costs in advance | 7 915 671 | 7 915 671 |
| Prepayments | 5 656 189 | 6 568 673 |
| Deposits | 2 750 635 | 3 077 018 |
| Sundry debtors | 3 416 036 | 2 768 330 |
| Other debtors #2 | 1 318 248 | - |
| Consumer debtors - Electricity | 32 833 538 | 36 744 239 |
| Consumer debtors - Service Charges | 9 735 303 | 10 384 955 |
| Consumer debtors - Refuse | 47 413 353 | 36 634 572 |
| Consumer debtors - Other | 3 912 600 | 3 711 549 |
| | 114 951 573 | 107 805 007 |

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|---|--------------------|--------------------|
| 9. Receivables from non-exchange transactions | | |
| Fines | 66 188 520 | 84 968 559 |
| Receivables from Government entities | 9 038 841 | 7 038 841 |
| Consumer debtors - Rates | 278 287 520 | 224 521 428 |
| | 353 514 881 | 316 528 828 |
| Statutory receivables included in receivables from non-exchange transactions above are as follows: | | |
| Rates | 278 287 520 | 224 521 428 |
| Fines | 66 188 520 | 49 282 452 |
| | 344 476 040 | 273 803 880 |
| Financial asset receivables included in receivables from non-exchange transactions above | 9 038 841 | 7 038 840 |
| Total receivables from non-exchange transactions | 353 514 881 | 316 528 828 |

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9. Interests in other entities (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates

The municipality charges property rates in accordance with the Municipal Property rates Act, 2004 (6 of 2004)

Traffic fines

The municipality imposes traffic fines to offenders in accordance with the National Road Traffic Act, 1996 (93 of 1996)

Determination of transaction amount

The transaction amount for Property rates and Traffic fines is determined in accordance with GRAP 23 on revenue from non exchange transactions.

Interest or other charges levied/charged

Interest on Property rates has been charged at 11.25% in accordance with the approved tariffs of the municipality. There is no interest charged on traffic fines debtors.

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

Statutory receivables are assessed for impairment in accordance with GRAP 108. Refer to the impairment methodology document.

Discount rate applied to the estimated future cash flows

A discount rate of 10.75% was used against the municipality's future cash flows to be derived from gross receivables.

Statutory receivables past due but not impaired

Rates Statutory receivables which are less than 1 year past due are not considered to be impaired. At 30 June 2023, 134 766 896, - (2022: 102 342 498) were past due but not impaired.

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

| | | |
|---------------------|------------|------------|
| Current (0-30 days) | 16 558 300 | 2 552 156 |
| 31-60 days | 2 641 349 | 2 356 547 |
| 121-365 days | 14 681 263 | 13 245 547 |
| 121-365 days | 12 727 953 | 11 719 004 |
| 121-365 days | 88 158 032 | 72 469 730 |

Factors the municipality considered in assessing statutory receivables past due but not impaired. Factors the municipality considered in assessing statutory receivables past due but not impaired.

Consideration was given to past trends in terms of how the municipality has fared in terms of its revenue collections and its ability to institute legal processes that assist with the collections process. Of the total outstanding balance majority lies in debt in excess of 1 year past due date.

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| 9. Interests in other entities (continued) | | |
| Statutory receivables impaired | | |
| As of 30 June 2023, Statutory receivables of - (2022: 299 607 899) were impaired and provided for. | | |
| The amount of the provision was 118 286 524 as of 30 June 2023 (2022: 122 099 974). | | |
| The ageing of these receivables is as follows: | | |
| >365 days | 327 995 669 | 299 607 899 |
| Factors the municipality considered in assessing statutory receivables impaired | | |
| The following factors were considered when assessing statutory receivables impaired: | | |
| Financial difficulties faced by ratepayers due to the current economic climate; | | |
| Adverse nature of the current economic environment; | | |
| Probability of recovery considering processes available to the municipality. | | |
| Reconciliation of provision for impairment for statutory receivables | | |
| Opening balance | 122 099 974 | 98 211 049 |
| Revisions to impairment losses | (3 813 449) | 23 888 925 |
| | 118 286 525 | 122 099 974 |
| Receivables from non-exchange transactions pledged as security | | |
| There were no receivables from non-exchange transactions that were pledged as security. | | |
| 10. Consumer debtors disclosure | | |
| Gross balances | | |
| Consumer debtors - Rates | 383 279 957 | 338 951 819 |
| Consumer debtors - Electricity | 40 629 991 | 36 857 745 |
| Consumer debtors - Service charges | 7 954 590 | 7 075 301 |
| Consumer debtors - Refuse | 72 403 520 | 62 384 107 |
| Consumer debtors - Other | 4 675 172 | 5 077 653 |
| | 508 943 230 | 450 346 625 |
| Less: Allowance for impairment | | |
| Consumer debtors - Rates | (104 992 437) | (114 430 391) |
| Consumer debtors - Electricity | (7 796 453) | (113 506) |
| Consumer debtors - Service charges | 1 780 713 | 3 309 654 |
| Consumer debtors - Refuse | (24 990 167) | (25 749 535) |
| Consumer debtors - Other | (762 572) | (1 366 104) |
| | (136 760 916) | (138 349 882) |
| Net balance | | |
| Consumer debtors - Rates | 278 287 520 | 224 521 428 |
| Consumer debtors - Electricity | 32 833 538 | 36 744 239 |
| Consumer debtors - Service charges | 9 735 303 | 10 384 955 |
| Consumer debtors - Refuse | 47 413 353 | 36 634 572 |
| Consumer debtors - Other | 3 912 600 | 3 711 549 |
| | 372 182 314 | 311 996 743 |

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| 10. Consumer debtors disclosure (continued) | | |
| Statutory receivables included in consumer debtors above are as follows: | | |
| Rates | 256 227 770 | 230 577 618 |
| Financial asset receivables included in consumer debtors above | 115 954 544 | 81 419 125 |
| Total consumer debtors | 372 182 314 | 311 996 743 |
| Included in above is receivables from exchange transactions | | |
| Electricity | 46 553 456 | 33 287 465 |
| Service charges | 7 955 717 | 4 030 525 |
| Refuse | 72 580 666 | 36 634 572 |
| Other | 4 780 623 | 3 711 549 |
| | 131 870 462 | 77 664 111 |
| Included in above is receivables from non-exchange transactions (taxes and transfers) | | |
| Rates | 383 281 698 | 230 577 618 |
| Net balance | 515 152 160 | 308 241 729 |
| Rates | | |
| Current (0 -30 days) | 16 558 300 | 1 690 546 |
| 31 - 60 days | 2 641 349 | 1 560 975 |
| 61 - 90 days | 14 681 263 | 8 773 519 |
| 91 - 120 days | 12 727 953 | 7 762 659 |
| 121 - 365 days | 88 158 031 | 48 003 894 |
| > 365 days | 143 520 624 | 156 729 835 |
| | 278 287 520 | 224 521 428 |
| Electricity | | |
| Current (0 -30 days) | 11 620 624 | 19 294 867 |
| 31 - 60 days | 6 242 595 | 4 414 348 |
| 61 - 90 days | 1 892 382 | 1 301 523 |
| 91 - 120 days | 1 250 574 | 1 054 928 |
| 121 - 365 days | 6 418 723 | 4 480 777 |
| > 365 days | 5 408 640 | 6 197 796 |
| | 32 833 538 | 36 744 239 |
| Service charges | | |
| Current (0 -30 days) | 698 715 | 485 805 |
| 31 - 60 days | 67 426 | 39 359 |
| 61 - 90 days | 1 650 | 37 773 |
| 91 - 120 days | 980 805 | 36 243 |
| 121 - 365 days | 448 454 | 227 298 |
| > 365 days | 7 538 253 | 9 558 477 |
| | 9 735 303 | 10 384 955 |

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| 10. Consumer debtors disclosure (continued) | | |
| Refuse | | |
| Current (0 -30 days) | 2 625 180 | 235 375 |
| 31 - 60 days | 424 027 | 217 485 |
| 61 - 90 days | 2 522 397 | 1 335 165 |
| 91 - 120 days | 2 189 289 | 1 168 520 |
| 121 - 365 days | 15 521 390 | 7 586 752 |
| > 365 days | 24 131 070 | 26 091 275 |
| | 47 413 353 | 36 634 572 |
| Other | | |
| Current (0 -30 days) | 170 685 | 845 484 |
| 31 - 60 days | 94 520 | 71 957 |
| 61 - 90 days | 71 628 | 58 493 |
| 91 - 120 days | 87 460 | 58 491 |
| 121 - 365 days | 868 342 | 298 817 |
| > 365 days | 2 619 965 | 2 378 307 |
| | 3 912 600 | 3 711 549 |
| Summary of debtors by customer classification | | |
| Households | | |
| Current (0 -30 days) | 11 636 937 | 7 709 824 |
| 31 - 60 days | (985 765) | 3 900 243 |
| 61 - 90 days | 12 425 874 | 12 752 620 |
| 91 - 120 days | 11 077 018 | 10 948 139 |
| 121 - 365 days | 73 050 385 | 63 020 489 |
| > 365 days | 232 900 714 | 222 099 914 |
| | 340 105 163 | 320 431 229 |
| Less: Allowance for impairment | - | (125 623 880) |
| | 340 105 163 | 194 807 349 |
| Business/ commercial | | |
| Current (0 -30 days) | 10 657 990 | 10 284 188 |
| 31 - 60 days | 3 645 880 | 3 778 817 |
| 61 - 90 days | 3 612 484 | 4 081 924 |
| 91 - 120 days | 3 200 173 | 3 780 063 |
| 121 - 365 days | 19 162 466 | 20 004 869 |
| > 365 days | 41 738 789 | 61 560 290 |
| | 82 017 782 | 103 490 151 |
| Less: Allowance for impairment | - | (19 569 998) |
| | 82 017 782 | 83 920 153 |
| National and provincial government | | |
| Current (0 -30 days) | 3 473 726 | 2 039 230 |
| 31 - 60 days | 711 142 | 742 164 |
| 61 - 90 days | 1 021 695 | 460 325 |
| 91 - 120 days | 960 227 | 445 421 |
| 121 - 365 days | 14 587 484 | 8 783 884 |
| > 365 days | 35 123 656 | 23 907 184 |
| | 55 877 930 | 36 378 208 |
| Less: Allowance for impairment | - | (6 813 043) |
| | 55 877 930 | 29 565 165 |

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| 11. VAT receivable | | |
| VAT | 147 570 172 | 108 406 692 |
| 12. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | (1 298 397) | 18 260 |
| Bank balances | 8 238 840 | 10 472 422 |
| Short-term deposits | 35 398 977 | 47 193 933 |
| Cash and cash equivalent held on behalf of department of human settlements | 71 911 065 | 73 501 698 |
| | 114 250 485 | 131 186 313 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | Cash book balances | |
|--|-------------------------|--------------------|--------------------|--------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| FNB-Primary account-62723734134 | 2 899 220 | 6 076 211 | 2 899 220 | 6 076 211 |
| First National Bank-Salaries-62730321007 | 611 | 1 089 | 611 | (28 022) |
| Standard Bank- KwaDwalane Housing | 550 413 | - | 550 413 | - |
| Standard Bank-KwaXolo Housing | 12 148 071 | - | 12 148 071 | - |
| Standard Bank-KwaMavundla HSG-378692984013 | 255 807 | - | 255 807 | - |
| Standard Bank-Masinenge HSG-378692984012 | 34 328 112 | - | 34 328 112 | - |
| Nedbank-Reserve Investment Account - 037881000791 | 27 139 957 | - | 27 139 957 | - |
| Standard Bank-Masinenge HSG-89140/356988 | - | 32 296 086 | - | 32 183 664 |
| Standard Bank-KwaMavundla HSG-89139/356986 | - | 240 665 | - | 239 828 |
| Standard Bank-KwaXolo Housing-89139/356989 | - | 11 428 975 | - | 11 389 191 |
| Standard Bank- KwaDwalane Housing- 90439/364623 | - | 517 832 | - | 516 029 |
| Standard Bank- RNM Unspent conditional grants-89111/56985 | - | 48 695 | - | 48 525 |
| Standard Bank -RNM Accreditation Funds-89111/357732 | - | 10 769 | - | 10 732 |
| Standard Bank- RNM Unspent Conditional Grants-378692984016 | 51 758 | - | 51 758 | - |
| Standard Bank -RNM Accreditation Funds- 37869284017 | 11 446 | - | 11 446 | - |
| Investec Bank-MHOA (Housing Development Fund)-1100/190309 | 10 831 633 | 16 114 889 | 10 831 633 | 16 114 889 |
| First National Bank-Primary investment account-62726614151 | 7 529 242 | 47 140 858 | 7 529 242 | 47 140 858 |
| FNB- TRAFFIC FINES ACCOUNT- 6230321669 | 977 335 | 601 324 | 977 335 | 601 324 |
| FNB- 48 HOUR CASH ACCELERATOR- 74873852518 | 3 606 757 | 3 376 882 | 3 606 757 | 3 376 882 |
| Standard Bank - Louisiana HSG -378692984011 | 10 042 468 | 9 388 401 | 10 042 468 | 9 388 401 |
| Standard Bank - Nzimakwe 1 HSG -378692984003 | 646 777 | 604 653 | 646 777 | 604 653 |
| Standard Bank - Nzimakwe 2 HSG -378692984004 | 1 073 092 | 1 003 202 | 1 073 092 | 1 003 202 |
| Standard Bank - Bhoboyi SUB-HSG-378692984005 | 340 745 | 318 553 | 340 745 | 318 553 |
| Standard Bank - Bhoboyi EST-HSG -378692984006 | 12 679 | 12 261 | 12 679 | 12 261 |
| Standard Bank - Damaged HSES-378692984007 | 80 850 | 77 792 | 80 850 | 77 792 |
| Standard Bank - Uplands HSG -378692984008 | 80 768 | 77 713 | 80 768 | 77 713 |
| Standard Bank - Mkholombe HSG -378692984009 | 1 519 650 | 1 420 676 | 1 519 650 | 1 420 676 |
| Standard Bank - AIDS PROJECT -378692984010 | 151 087 | 141 247 | 151 087 | 141 247 |
| Total | 114 278 478 | 130 898 773 | 114 278 478 | 130 714 609 |

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| 13. Other financial liabilities | | |
| At amortised cost | | |
| Other financial liability | 10 832 347 | 3 221 821 |
| During the 2020 financial year the municipality entered into a loan agreement with DBSA to the value of R41,4 million over a 10 year period at a variable interest rate that determined with reference to the Government bond rate plus the DBSA's cost of funding and the DBSA net margin. The first draw down on the loan was made during the 2021 financial year. | | |
| Non-current liabilities | | |
| At amortised cost | 9 914 553 | 2 955 760 |
| Current liabilities | | |
| At amortised cost | 917 794 | 266 061 |
| 14. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 32 772 538 | 28 161 352 |
| - in second to fifth year inclusive | 44 909 631 | 61 615 666 |
| | 77 682 169 | 89 777 018 |
| less: future finance charges | (27 517 410) | (29 258 573) |
| Present value of minimum lease payments | 50 164 759 | 60 518 445 |
| Present value of minimum lease payments due | | |
| - within one year | 16 451 206 | 14 314 409 |
| - in second to fifth year inclusive | 33 713 553 | 46 204 039 |
| | 50 164 759 | 60 518 448 |
| Non-current liabilities | 33 713 553 | 46 204 039 |
| Current liabilities | 16 451 206 | 14 314 409 |
| | 50 164 759 | 60 518 448 |
| It is municipality policy to lease certain motor vehicles under finance leases. | | |
| 15. Payables from exchange transactions | | |
| Trade payables | 9 283 691 | 4 056 976 |
| Payments received in advanced | 42 720 068 | 43 693 305 |
| Retentions | 40 977 235 | 37 992 758 |
| Unknown deposits | 18 612 505 | 17 800 165 |
| Accrued bonus | 13 090 327 | 12 643 910 |
| Accrued expense | 20 476 846 | 15 501 417 |
| Other creditors - Third party | 393 033 | 386 992 |
| Other creditors - UIP | 576 045 | 751 266 |
| Other Creditors - Insurance | 1 545 653 | 578 802 |
| | 147 675 403 | 133 405 591 |

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|------------------------------|-------------------|-------------------|
| 16. Consumer deposits | | |
| Electricity | 8 969 936 | 8 190 786 |
| Other consumer deposits | 355 491 | 787 788 |
| Building plans | 25 984 815 | 23 860 116 |
| Hall deposits | 4 955 | 7 085 |
| | 35 315 197 | 32 845 775 |

Consumer deposits for electricity are paid by customers on application for new connections. The deposits are repaid when the the connections are terminated. In cases where consumers default on the accounts, Council may use the deposit as payment for the outstanding amount.

17. Employee benefit obligations

Defined benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion of the medical aid membership fee. The most recent actuarial valuations were carried out at 30 June 2023 by One Pangae Financial, Fellow of the Faculty of Actuaries and 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 amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|----------------------|----------------------|
| Present value of the defined benefit obligation-partly or wholly funded | (103 729 974) | (105 673 894) |
| Non-current liabilities | (98 891 043) | (101 051 966) |
| Current liabilities | (4 838 931) | (4 621 928) |
| | (103 729 974) | (105 673 894) |

The fair value of plan assets includes:

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

| | | |
|--|----------------------|----------------------|
| Opening balance | (105 673 895) | (95 366 963) |
| Benefits paid | 4 515 578 | 4 237 441 |
| Net expense recognised in the statement of financial performance | (2 571 658) | (14 544 373) |
| | (103 729 975) | (105 673 895) |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|--------------------|---------------------|
| Current service cost | (4 275 816) | (3 885 345) |
| Interest cost | (12 827 340) | (10 768 354) |
| Actuarial (gains) losses | 14 531 498 | 109 326 |
| | (2 571 658) | (14 544 373) |

Calculation of actuarial gains and losses

| | | |
|---------------------------------------|--------------|-----------|
| Actuarial (gains) losses – Obligation | (14 531 498) | (109 326) |
|---------------------------------------|--------------|-----------|

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17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

| | | |
|----------------------------|---------|---------|
| Discount rates used | 13.25 % | 12.41 % |
| Consumer price inflation | 7.28 % | 7.44 % |
| Health care cost inflation | 8.78 % | 8.94 % |
| Net discount rate | 4.11 % | 3.19 % |

The basis used to determine the overall expected rate of return on assets is as follows:

It is the relevant levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities, based on the combined weighted average of accrued liabilities of the municipality, was 13.97 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 12.41% per annum, and the yield on the inflation-linked bonds of a similar term was about 7.44% per annum, implying an underlying expectation of inflation of 7.44% per annum

The healthcare cost inflation rate of 8.94% was assumed. It is 1.50% above the expected inflation over the expected term of the liability.

| | | |
|-----------------------|-------|-------|
| Normal retirement age | 63 | 63 |
| Fully accrued age | 60 | 60 |
| Mortality | 85-90 | 80-90 |

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

| | | |
|-------------------------|--------------------|--------------------|
| Active employees | 56 792 735 | 58 488 105 |
| Continuation pensioners | 46 937 240 | 47 185 790 |
| | 103 729 975 | 105 673 895 |

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|------------------|-------------------|
| Neighbourhood Development Grant | 1 200 663 | 797 803 |
| Integrated Urban Development Grant | 311 284 | 2 241 546 |
| Margate Airport Grant | 3 763 373 | - |
| Small towns rejuvenation Grant | 2 452 315 | 7 003 970 |
| Integrated National Electrification Programme | 326 519 | - |
| Intermodal Facility Grant | 13 590 | - |
| COGTA Electrification Grant | 784 811 | 784 811 |
| Municipal Disaster Relief Grant | 101 775 | 8 100 000 |
| | 8 954 330 | 18 928 130 |

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19. Provisions

Reconciliation of provisions - 2023

| | Opening Balance | Additions | Utilised during the year | Change in interest cost | Actuarial (gain)/loss | Total |
|------------------------------|-------------------|-------------------|--------------------------|-------------------------|-----------------------|-------------------|
| Environmental rehabilitation | 18 631 717 | 8 275 995 | - | - | - | 26 907 712 |
| Legal proceedings | 231 250 | - | - | - | - | 231 250 |
| Long service awards | 24 891 235 | 1 828 163 | (2 715 113) | 2 439 855 | (2 319 189) | 24 124 951 |
| Leave provision | 33 205 493 | 5 197 910 | (2 631 494) | - | - | 35 771 909 |
| | 76 959 695 | 15 302 068 | (5 346 607) | 2 439 855 | (2 319 189) | 87 035 822 |

Reconciliation of provisions - 2022

| | Opening Balance | Additions | Utilised during the year | Change in interest cost | Actuarial (gain)/loss | Total |
|------------------------------|-------------------|-------------------|--------------------------|-------------------------|-----------------------|-------------------|
| Environmental rehabilitation | 12 682 282 | 5 949 435 | - | - | - | 18 631 717 |
| Legal proceedings | 231 250 | - | - | - | - | 231 250 |
| Long service awards | 23 479 721 | 1 772 662 | (3 852 030) | 1 727 906 | 1 762 976 | 24 891 235 |
| Leave provision | 31 372 835 | 4 040 813 | (2 208 155) | - | - | 33 205 493 |
| | 67 766 088 | 11 762 910 | (6 060 185) | 1 727 906 | 1 762 976 | 76 959 695 |

| | | |
|-------------------------|-------------------|-------------------|
| Non-current liabilities | 47 191 992 | 41 487 158 |
| Current liabilities | 39 843 830 | 35 472 537 |
| | 87 035 822 | 76 959 695 |

Leave provision

The municipality raises a provision for leave pay for all employees of the municipality as at the end of the financial year.

Employees of the municipality are entitled to a leave payment on termination for all leave days that have been earned and not forfeited by the employee on termination date. Leave accrues and forfeits in accordance with the leave policy of the municipality and the amount of the leave pay is uncertain at the reporting date.

The leave provision has been calculated based on leave balances as at year end and salary earnings on the employee as at the reporting date.

Environmental rehabilitation provision

The rehabilitation cost provision is for the closure of the Oatlands landfill site. The provision represents management's best estimate of the municipality's present value of future cashflows arising from the closure of the landfill site as at 30 June 2023.

The costs of rehabilitating the landfill site have been estimated by Promilezi Chartered Accountants. The estimate is based on the following:

1. Level and shape body waste 68700 m²
2. Load up selected material from commercial sources for capping on 0.2 m 68700 m²
3. The preparation, application and maintenance of vegetation 68700 m²
4. Fencing 1300m

The extent of the work covers cells 1 to 4. The cost of closing future cells will be added when they are opened

Legal proceedings provisions

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| 19. Provisions (continued) | | |
| The municipality constructed low cost housings on a property that was privately owned. The municipality and the owner of the land entered into an agreement for the municipality to pay the owner of the land occupational interest of R231 250 on completion of transfer on the land in the name of the municipality. As at the end of the 2023 financial year the amount to be paid in the future for the use of land was known however the timing could not be ascertained. | | |
| Long service awards | | |
| The long service awards is granted to municipal employees after the completion of fixed periods of continuation service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality as at 30 June 2023 may become entitled to in the future. The provision is based on an actuarial valuation performed at that date. The most recent actuarial valuation was carried out as at 30 June 2023 by One Pangae Expertise and Solutions, fellow of the faculty of Actuaries and Actuarial Society of South Africa. The present value of the obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Non-current liability | 20 284 278 | 22 855 441 |
| Current liability | 3 840 671 | 2 035 794 |
| | 24 124 949 | 24 891 235 |
| Eligible employees | | |
| Number of eligible employees | 1 044 | 1 068 |
| Key assumptions used | | |
| Discount rate | 10.47% | 10.22% |
| Consumer price index | 5.26% | 6.71% |
| Salary increase rate | 6.26% | 7.71% |
| Net discount rate | 3.96% | 2.33% |
| | - | - |
| Age and mortality | | |
| Normal retirement age | 65 | 65 |
| Average retirement age | 63 | 63 |
| Mortality | 85-90 | 85-90 |
| | - | - |
| Amount recognised in the financial performance under employee costs are as follows: | | |
| Current service cost | 1 828 163 | 1 772 662 |
| Interest cost | 2 439 855 | 1 727 906 |
| Actuarial gain/(loss) | (2 715 115) | (3 852 030) |
| | 1 552 903 | (351 462) |
| 20. Service charges | | |
| Sale of electricity | 153 085 114 | 157 557 830 |
| Solid waste | 59 333 914 | 57 383 793 |
| | 212 419 028 | 214 941 623 |

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| 21. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Rental of facilities | 3 744 584 | 3 694 332 |
| Rental of equipment | 941 470 | 202 235 |
| | 4 686 054 | 3 896 567 |
| 22. Agency services | | |
| Driver's Licenses | 4 507 662 | 4 294 770 |
| Management Fees | 832 913 | 670 283 |
| Other 1 | 3 627 421 | 2 528 333 |
| | 8 967 996 | 7 493 386 |
| 23. Licences and permits | | |
| Trading licences | 15 558 | (255 396) |
| Road and Transport | 580 494 | 523 950 |
| | 596 052 | 268 554 |
| 24. Investment revenue | | |
| Interest revenue | | |
| Bank | 10 845 380 | 5 181 831 |

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|-------------------------------|--------------------|--------------------|
| 25. Property rates | | |
| Rates received | | |
| Public service infrastructure | 71 017 | 67 608 |
| Commercial | 96 269 092 | 91 787 877 |
| State | 21 461 759 | 20 423 098 |
| Residential | 353 047 787 | 337 161 528 |
| Industrial | 15 998 106 | 15 297 208 |
| Multi-purpose | 3 756 763 | 3 584 696 |
| Agriculture | 3 241 578 | 3 137 004 |
| Public benefit organisations | 1 327 320 | 1 244 641 |
| ST garages/store rooms | 770 268 | 736 846 |
| Mining | 195 158 | 186 225 |
| Special purpose | 569 371 | 582 161 |
| Communal land | 91 025 | 86 894 |
| Vacant land | 34 479 328 | 32 828 295 |
| Less: Income forgone | (45 022 961) | (42 646 862) |
| | 531 278 572 | 507 124 081 |
| | 486 255 611 | 464 477 219 |

Valuations

| | | |
|-------------------------------|-----------------------|-----------------------|
| Public service infrastructure | 3 234 950 000 | 3 235 564 000 |
| Commercial | 4 383 750 000 | 4 486 434 000 |
| State | 970 330 000 | 968 765 000 |
| Residential | 8 514 501 000 | 8 499 548 000 |
| Industrial | 726 078 000 | 728 248 000 |
| Multi-purpose | 240 277 000 | 220 502 000 |
| Agriculture | 2 210 836 000 | 2 210 488 000 |
| Public benefit organisations | 415 361 000 | 377 592 000 |
| ST garages/store rooms | 59 204 000 | 59 180 000 |
| Mining | 7 500 000 | 7 500 000 |
| Special purpose | 82 606 000 | 110 494 000 |
| Communal land | 70 019 000 | 70 022 000 |
| Procted areas | 19 823 000 | 4 925 000 |
| Vacant land | 1 633 420 000 | 1 600 776 000 |
| Municipal | 558 730 000 | 470 973 000 |
| | 13 127 385 000 | 13 051 011 000 |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017 until 30 June 2022, and the extension of 12 months was approved by the MEC Cooperative Governance starting from 1 July 2022 to 30 June 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Interest

| | | |
|------------------------|------------|------------|
| Interest - Receivables | 27 960 697 | 25 601 971 |
|------------------------|------------|------------|

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|--|--------------------|--------------------|
| 27. Government grants & subsidies | | |
| Operating grants | | |
| Equitable share | 260 646 349 | 233 153 000 |
| Energy Efficiency Demand Side Managemnt | 5 000 000 | 4 000 000 |
| Provincialisation of libraries Grant | 12 418 000 | 12 017 000 |
| Expanded Public Works Programme (EPWP) | 6 076 000 | 5 535 500 |
| Community Libraries Grant | 2 102 000 | 1 758 000 |
| Financial Management Grant | 1 950 000 | 1 950 000 |
| Museum subsidies Grant | 449 000 | 429 000 |
| Modular libraries Grant | - | 682 000 |
| Local Government SETA | 770 639 | 734 593 |
| European Union Grant | - | 12 015 131 |
| Economic Developmemnt and Environmental Affairs | 1 000 000 | 817 000 |
| | 290 411 988 | 273 091 224 |
| Capital grants | | |
| Integrated Urban Development Grant | 81 048 715 | 96 889 454 |
| Margate Airport Grant | 1 236 627 | - |
| Small towns rejuvenation Grant | 4 551 655 | 996 030 |
| Intermodal facility grant | 29 986 410 | - |
| Municipal Disaster Relief Grant | 18 998 225 | - |
| Neighbourhood Development Grant | 44 799 337 | 45 044 005 |
| | 180 620 969 | 142 929 489 |
| | 471 032 957 | 416 020 713 |
| Neighbourhood Development Grant | | |
| Balance unspent at beginning of year | 797 803 | 14 584 808 |
| Current-year receipts | 46 000 000 | 31 257 000 |
| Conditions met - transferred to revenue | (44 799 337) | (45 044 005) |
| Withheld from Equitableshare | (797 803) | - |
| | 1 200 663 | 797 803 |
| Conditions still to be met - remain liabilities (see note 18). | | |
| Integrated Urban Development Grant | | |
| Balance unspent at beginning of year | 2 241 546 | - |
| Current-year receipts | 81 360 000 | 99 131 000 |
| Conditions met - transferred to revenue | (81 048 715) | (96 889 454) |
| Withheld from Equitableshare | (2 241 547) | - |
| | 311 284 | 2 241 546 |
| Conditions still to be met - remain liabilities (see note 18). | | |
| Margate Airport Grant | | |
| Current-year receipts | 5 000 000 | - |
| Conditions met - transferred to revenue | (1 236 627) | - |
| | 3 763 373 | - |
| Small towns rejuvenation Grant | | |
| Balance unspent at beginning of year | 7 003 970 | - |

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| Figures in Rand | 2023 | 2022 |
|--|------------------|------------------|
| 27. Government grants & subsidies (continued) | | |
| Current-year receipts | - | 8 000 000 |
| Conditions met - transferred to revenue | (4 551 655) | (996 030) |
| | 2 452 315 | 7 003 970 |
| Conditions still to be met - remain liabilities (see note 18). | | |
| Energy Efficiency Demand Side Management | | |
| Current-year receipts | 5 000 000 | 4 000 000 |
| Conditions met - transferred to revenue | (5 000 000) | (4 000 000) |
| | - | - |
| Provincialisation of libraries Grant | | |
| Current-year receipts | 12 418 000 | 12 017 000 |
| Conditions met - transferred to revenue | (12 418 000) | (12 017 000) |
| | - | - |
| Financial Management Grant | | |
| Current-year receipts | 1 950 000 | 1 950 000 |
| Conditions met - transferred to revenue | (1 950 000) | (1 950 000) |
| | - | - |
| Modular libraries Grant | | |
| Current-year receipts | - | 682 000 |
| Conditions met - transferred to revenue | - | (682 000) |
| | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | |
| Intermodal Facility Grant | | |
| Current-year receipts | 30 000 000 | - |
| Conditions met - transferred to revenue | (29 986 410) | - |
| | 13 590 | - |
| Economic Development and Environmental Affairs | | |
| Current-year receipts | 1 000 000 | 817 000 |
| Conditions met - transferred to revenue | (1 000 000) | (817 000) |
| | - | - |
| Municipal Disaster Relief Grant | | |
| Balance unspent at beginning of year | 8 100 000 | - |
| Current-year receipts | 11 000 000 | 8 100 000 |
| Conditions met - transferred to revenue | (18 998 225) | - |
| | 101 775 | 8 100 000 |
| Conditions still to be met - remain liabilities (see note 18). | | |

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|--|-------------------|-------------------|
| 27. Government grants & subsidies (continued) | | |
| Expanded Public Works Programme (EPWP) | | |
| Current-year receipts | 6 076 000 | 5 558 000 |
| Conditions met - transferred to revenue | (6 076 000) | (5 558 000) |
| | - | - |
| Community Libraries Grant | | |
| Current-year receipts | 2 102 000 | 1 758 000 |
| Conditions met - transferred to revenue | (2 102 000) | (1 758 000) |
| | - | - |
| Museum Grant | | |
| Current-year receipts | 449 000 | 429 000 |
| Conditions met - transferred to revenue | (449 000) | (429 000) |
| | - | - |
| Local Government SETA | | |
| Current-year receipts | 770 639 | 734 593 |
| Conditions met - transferred to revenue | (770 639) | (734 593) |
| | - | - |
| European Union Grant | | |
| Current-year receipts | - | 12 015 131 |
| Conditions met - transferred to revenue | - | (12 015 131) |
| | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | |
| Provide explanations of conditions still to be met and other relevant information. | | |
| 28. Public contributions and donations | | |
| Public contributions and donations | 1 495 221 | 6 596 917 |
| 29. Fines, Penalties and Forfeits | | |
| Building Fines | 294 702 | 141 569 |
| Illegal Connections Fines | 292 033 | 197 594 |
| Overdue Books Fines | 6 081 | 95 867 |
| Municipal Traffic Fines | 23 386 262 | 29 755 072 |
| | 23 979 078 | 30 190 102 |

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|-------------------------------------|--------------------|--------------------|
| 30. Employee related costs | | |
| Basic | 274 917 390 | 266 176 223 |
| Bonus | 22 443 316 | 21 372 478 |
| Medical aid - company contributions | 20 093 503 | 18 869 290 |
| UIF | 2 057 422 | 2 198 647 |
| Leave pay provision charge | 5 197 920 | 4 040 812 |
| Defined contribution plans | 2 571 658 | 14 544 373 |
| Overtime payments | 20 371 148 | 17 500 036 |
| Long-service awards | 1 948 829 | 5 263 542 |
| Acting allowances | 638 055 | 609 368 |
| Car allowance | 18 911 382 | 17 849 794 |
| Housing benefits and allowances | 4 152 393 | 3 771 395 |
| Night shift allowance | 1 449 448 | 1 459 061 |
| Standby allowance | 5 088 990 | 4 772 716 |
| Bargaining council levy | 135 213 | 129 934 |
| Telephone allowance | 1 021 377 | 992 613 |
| Pension fund | 48 699 784 | 46 984 127 |
| Life insurance | 220 257 | 198 801 |
| | 429 918 085 | 426 733 210 |

Remuneration of Municipal Manager

| | | |
|---|------------------|------------------|
| Annual Remuneration | 926 203 | 1 514 045 |
| Car Allowance | 97 000 | - |
| Performance Bonuses | 184 137 | 196 535 |
| Contributions to UIF, Medical and Pension Funds | 32 306 | - |
| Cellphone Allowance | 22 500 | 30 000 |
| | 1 262 146 | 1 740 580 |

The remuneration of Municipal Manager includes the payment of two different Managers. The first payment of R488 275 including including performance bonus was made to Manager with the contract ended on the 31st August 2022. The second Manager was appointed on 1 December 2022 with total payment of R 773 871.

Remuneration of Chief Financial Officer

| | | |
|---------------------|------------------|------------------|
| Annual Remuneration | 1 393 336 | 1 310 312 |
| Car Allowance | 96 000 | - |
| Performance Bonuses | 159 376 | - |
| Cellphone Allowance | 12 000 | 11 000 |
| | 1 660 712 | 1 321 312 |

Remuneration of Head of Department Corporate Services

| | | |
|---------------------|------------------|------------------|
| Annual Remuneration | 1 117 185 | 1 075 524 |
| Performance Bonuses | 128 509 | 126 610 |
| Cellphone Allowance | 12 000 | 8 000 |
| | 1 257 694 | 1 210 134 |

Head of Department Strategic Planning and Governance

| | | |
|------------------------|------------------|------------------|
| Annual Remuneration | 932 253 | 1 060 877 |
| Cellphone Allowance | 10 000 | 12 000 |
| Performance Bonuses | 156 372 | 116 059 |
| Subsistence and Travel | 13 790 | 6 959 |
| | 1 112 415 | 1 195 895 |

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|---|-------------------|-------------------|
| 30. Employee related costs (continued) | | |
| Head of Department Technical Services | | |
| Annual Remuneration | 1 105 716 | 1 041 174 |
| Cellphone Allowance | 12 000 | 12 000 |
| Performance Bonuses | 107 090 | 75 013 |
| | 1 224 806 | 1 128 187 |
| Head of Department Public Safety | | |
| Annual Remuneration | 1 140 367 | 1 057 272 |
| Cellphone Allowance | 12 000 | 12 000 |
| Performance Bonuses | 117 800 | 116 059 |
| | 1 270 167 | 1 185 331 |
| Head of Department Development Planning Services | | |
| Annual Remuneration | 624 225 | 1 293 804 |
| Cellphone Allowance | 5 000 | 12 000 |
| Performance Bonuses | 107 091 | 141 183 |
| | 736 316 | 1 446 987 |
| Head of Department of Community Services | | |
| Annual Remuneration | 125 261 | 1 040 288 |
| Cellphone allowance | 1 000 | 12 000 |
| Performance Bonuses | - | 94 958 |
| Contributions to UIF, Medical and Pension Funds | 177 | - |
| | 126 438 | 1 147 246 |
| 31. Remuneration of councillors | | |
| Executive Mayor | 979 832 | 732 005 |
| Deputy Executive Mayor | 792 390 | 592 020 |
| Mayoral Committee Members | 6 673 850 | 3 208 774 |
| Speaker | 782 126 | 748 839 |
| Councillors | 19 593 415 | 20 603 335 |
| Chief Whip | 745 640 | 363 779 |
| | 29 567 253 | 26 248 752 |
| In-kind benefits | | |
| The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | |
| The Mayor, Deputy Mayor and Speaker each have use of separate Council owned vehicle for official duties. | | |
| The Mayor, Deputy Mayor and speaker full-time bodyguards. | | |
| 32. Depreciation and amortisation | | |
| Property, plant and equipment | 86 903 098 | 88 243 257 |
| Intangible assets | 367 688 | 468 583 |
| | 87 270 786 | 88 711 840 |

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|---|-------------------|---------------------|
| 33. Impairment loss | | |
| Impairments | | |
| Property, plant and equipment | 7 023 150 | 5 369 393 |
| Trade and other receivables | 39 721 570 | 30 032 695 |
| | 46 744 720 | 35 402 088 |
| Reversal of impairments | | |
| Trade and other receivables | - | (49 343 146) |
| Total impairment losses (recognised) reversed | 46 744 720 | (13 941 058) |
| Impairment loss/ reversal on PPE and Trade receivables has been consolidated on the face of the 2023 statement of financial performance and broken down in this note. | | |
| 34. Finance costs | | |
| Non-current borrowings | 1 324 120 | 472 596 |
| Interest Charged | 34 884 | 17 713 |
| Finance leases | 21 710 315 | 19 440 317 |
| Other interest paid | 993 071 | 811 666 |
| | 24 062 390 | 20 742 292 |
| 35. Lease rentals on operating lease | | |
| Motor vehicles | | |
| Contractual amounts | 6 422 879 | 8 467 171 |
| Equipment | | |
| Contractual amounts | 1 469 572 | 2 043 794 |
| Plant and equipment | | |
| Contractual amounts | 343 365 | 328 674 |
| Lease rentals on operating lease - Other | | |
| Contractual amounts | 2 643 252 | 2 563 749 |
| | 10 879 068 | 13 403 388 |
| 36. Bulk purchases | | |
| Electricity - Eskom | 107 469 790 | 122 719 656 |

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|--|-------------------|-------------------|
| 36. Bulk purchases (continued) | | |
| Electricity losses | | |
| | Number 2023 | Number 2022 |
| Units purchased | 75 124 284 | 85 614 146 |
| Units sold | (62 259 474) | (70 815 940) |
| Total loss | 12 864 810 | 14 798 206 |
| Comprising of: | | |
| Technical losses | 4 982 798 | 5 160 544 |
| Non-technical losses | 10 250 327 | 10 763 421 |
| Total | 15 233 125 | 15 923 965 |
| Percentage Loss: | | |
| Technical losses | 6 % | 6 % |
| Non-technical losses | 12 % | 12 % |
| Total | 18 % | 18 % |
| 37. Contracted services | | |
| Presented previously | | |
| Information Technology Services | 31 518 | 71 360 |
| Outsourced Services | | |
| Administrative and Support Staff | 8 976 565 | 5 453 151 |
| Business and Advisory | 3 810 906 | 3 070 947 |
| Catering Services | 299 183 | 996 669 |
| Cleaning Services | 8 213 444 | 7 840 213 |
| Clearing and Grass Cutting Services | 13 519 159 | 13 430 156 |
| Hygiene Services | 1 017 369 | 1 485 229 |
| Personnel and Labour | 5 289 615 | 8 782 195 |
| Connection/Dis-connection | 485 783 | 428 320 |
| Security Services | 42 462 688 | 37 872 450 |
| Swimming Supervision | 15 501 473 | 15 661 703 |
| Transport Services | 1 670 623 | 444 272 |
| Consultants and Professional Services | | |
| Business and Advisory | 7 912 815 | 8 660 363 |
| Infrastructure and Planning | 578 247 | 1 774 238 |
| Laboratory Services | 603 244 | 523 278 |
| Legal Cost | 7 732 408 | 4 998 865 |

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|--|--------------------|--------------------|
| 37. Contracted services (continued) | | |
| Contractors | | |
| Catering Services | 849 719 | 719 711 |
| Electrical | 4 352 592 | 7 044 615 |
| Employee Wellness | 370 208 | 109 522 |
| Event Promoters | 3 845 299 | - |
| Maintenance of Buildings and Facilities | 4 799 711 | 5 744 046 |
| Maintenance of Equipment | 5 736 600 | 4 122 420 |
| Maintenance of Unspecified Assets | 49 977 807 | 45 981 904 |
| Management of Informal Settlements | 14 327 370 | 45 734 337 |
| Pest Control and Fumigation | 20 160 | 126 556 |
| Tracing Agents and Debt Collectors | 39 218 | 78 725 |
| Shark Nets | 9 145 041 | 8 635 544 |
| | 211 568 765 | 229 790 789 |
| 38. Transfer and subsidies | | |
| Other subsidies | | |
| Transfers and Subsidies | 14 464 530 | 11 905 658 |
| 39. General expenses | | |
| Advertising | 3 708 204 | 4 184 753 |
| Auditors remuneration | 3 446 517 | 4 683 824 |
| Bank charges | 371 018 | 1 345 741 |
| Commission paid | 2 173 067 | 1 401 124 |
| Discount allowed | - | 456 635 |
| Entertainment | - | 1 275 |
| Fines and penalties | 166 200 | 155 400 |
| Hire | 19 500 472 | 13 934 723 |
| Insurance | 7 069 209 | 7 896 573 |
| IT expenses | 10 795 947 | 9 456 408 |
| Levies | 3 850 218 | 3 738 061 |
| Fuel and oil | 21 904 693 | 16 402 445 |
| Postage and courier | 1 686 700 | 1 574 636 |
| Printing and stationery | 652 575 | 516 358 |
| Protective clothing | 4 625 717 | 4 981 295 |
| Subscriptions and membership fees | 5 080 662 | 5 115 279 |
| Telephone and fax | 2 809 002 | 3 219 871 |
| Travel - local | 3 440 006 | 2 191 073 |
| Title deed search fees | 426 088 | 158 562 |
| Utilities - Other | 39 612 893 | 27 070 158 |
| Management fees | 964 887 | 527 859 |
| Other expenses | 18 918 712 | 20 134 323 |
| | 151 202 787 | 129 146 376 |
| 40. Other revenue | | |
| Operational revenue | 3 673 041 | 1 066 978 |
| 41. Auditors' remuneration | | |
| Fees | 3 446 517 | 4 683 824 |

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|--|--------------------|--------------------|
| 42. Cash generated from operations | | |
| Surplus | 150 399 522 | 171 421 801 |
| Adjustments for: | | |
| Depreciation and amortisation | 87 270 786 | 88 711 840 |
| Gain (loss) on sale of assets and liabilities | 5 319 642 | (427 301) |
| Fair value adjustments | (8 732 429) | (7 587 194) |
| Impairment loss (reversal) | 46 744 720 | (13 941 058) |
| Bad debts written off | 7 793 796 | 4 423 719 |
| Movements in provisions | 3 555 739 | (25 314 323) |
| Public contributions and donations | (1 495 221) | (6 596 917) |
| Changes in working capital: | | |
| Inventories | 1 494 518 | (4 150 045) |
| Receivables from exchange transactions | (20 803 606) | (2 450 679) |
| Other receivables from non-exchange transactions | (72 595 935) | (46 997 228) |
| Payables from exchange transactions | 50 717 088 | 40 861 778 |
| VAT | (39 163 480) | (45 312 950) |
| Unspent conditional grants and receipts | (9 973 800) | 4 282 016 |
| Consumer deposits | 2 469 422 | 806 700 |
| Housing Development Fund | (1 184 638) | 2 197 493 |
| | 201 816 124 | 159 927 652 |

43. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

| | | |
|--|-------------------|-------------------|
| Motor vehicles | | |
| • Contractual amounts | 6 422 879 | 8 467 171 |
| Equipment | | |
| • Contractual amounts | 1 469 572 | 2 043 794 |
| Plant and equipment | | |
| • Contractual amounts | 343 365 | 328 674 |
| Lease rentals on operating lease - Other | | |
| • Contractual amounts | 2 643 252 | 2 563 749 |
| | 10 879 068 | 13 403 388 |

| | | |
|---|-------------|-------------|
| (Loss) gain on sale of property, plant and equipment | (5 319 642) | 462 238 |
| Loss on sale of intangible assets | - | (9 237) |
| Compensation from third parties - Heritage assets | - | (25 700) |
| Impairment on property, plant and equipment | 7 023 150 | 5 369 393 |
| Impairment on trade and other receivables | 39 721 570 | 30 032 695 |
| Reversal of impairment on trade and other receivables | - | 49 343 146 |
| Amortisation on intangible assets | 367 688 | 468 583 |
| Depreciation on property, plant and equipment | 86 903 098 | 88 243 257 |
| Employee costs | 468 136 032 | 463 357 634 |

44. Fair value adjustments

| | | |
|--|-----------|-----------|
| Investment property (Fair value model) | 8 732 429 | 7 587 194 |
|--|-----------|-----------|

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| 45. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 33 282 035 | 117 911 869 |
| Total capital commitments | | |
| Already contracted for but not provided for | 33 282 035 | 117 911 869 |
| Total Commitments | | |
| Authorised Capital Expenditure | 33 282 035 | 117 911 869 |
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 1 310 396 | 5 995 997 |
| - in second to fifth year inclusive | 434 934 | 515 880 |
| | 1 745 330 | 6 511 877 |

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

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46. Contingencies

| Claimant | Nature of contingent liability | Summary of matter and uncertainty | 2023 | 2022 |
|---|--------------------------------|---|------------|------------|
| Tauris Garden Trading (Pty) Ltd (Masinenge Slums Clearance Project) | Contractual Dispute | This contractual dispute is due to Tauris Garden Trading (Pty) Ltd claiming that the RNM owes them an amount of R34 878 075.03 for work they performed whereas the municipality is disputing this matter due to the fact that Tauris Garden Trading (Pty) Ltd owes Ray Nkonyeni Municipality for snags. | 34 878 075 | 34 878 075 |
| W J Pienaar | Pothole claim | There is a dispute of pothole damages, it is however not certain that the plaintiff has a case against the municipality as not all the litigation requirements have not been met. | 7 037 | - |
| JD Chetty | Pothole claim | There is a dispute of pothole damages as Ray Nkonyeni Municipality awaits the inspection of the plaintiff works in Durban | 15 208 | 15 208 |

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46. Contingencies (continued)

| | | | | | |
|-----------------|--|---------------|---|--------|---------|
| E Meier | | Pothole claim | There is a dispute of pothole damages as there is no visible pothole on this road | 17 060 | 17 060 |
| Siboniso Hlophe | | Pothole claim | There is a dispute of pothole damages, it is however not certain that the plaintiff has a case against the municipality as not all the litigation requirements have been met. | - | 5 996 |
| NT James | | Damages claim | There is a dispute between NT James and RayNkonyeni Municipality where NT James is claiming damages for losing business as his business property is not cleaned. The municipal attorney believes there is no case as NT James is owing the municipality for rates and electricity | - | 546 000 |

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46. Contingencies (continued)

| | | | | |
|--------------------------|---------------------|--|---|---------|
| Gerhardus Van Der Merwe | Pothole claim | There is a dispute of pothole damages, it is however not certain that the plaintiff has a case against the municipality as not all the litigation requirements have not been met. | - | 60 307 |
| T Booyse | Damage claim | Letter of demand received for damages to a vehicle radiator, which is claimed due to the terrible state of gravel road near Bauhinia Road Southport. | - | 6 291 |
| Y Mashalaba & Associates | Contractual Dispute | This contractual dispute is due to the plaintiff claiming Ray Nkonyeni Municipality owes them for work performed while the municipality is disputing on the grounds that there is no evidence that the work was performed. | - | 198 400 |

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46. Contingencies (continued)

| | | | | |
|---|-------------------|--|--------|--------|
| A Reddy | Improvement claim | Summons received on 08th September 2020 for an improvement claim. A Reddy claims that the access road to his home was damaged due to a storm and that he requested the Municipality to repair the damages as the damages apparently was a threat to life or limb and after officials allegedly failed to cause the repairs, he hired a private contractor to repair the access road. He now claims compensation from the Municipality. | 40 294 | 40 294 |
| NS Govender | Pothole claim | Summons received in October 2020 for Pothole Damages incurred at or near Knoxgore Road, Uvongo. | 9 089 | 9 089 |
| NM Harilal vs Ray Nkonyeni Municipality | Damages | Letter of Demand received in lieu of Pothole Damages | - | 11 378 |

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46. Contingencies (continued)

| | | | | |
|-------------|-------------------|--|---|---------|
| Price trust | Contractual claim | Letter of Demand for apparent damages to the building noted upon vacation of the building situated on Price Street, Port Shepstone that was used as an office block that housed the Municipalities IT & Community Services Sections. | - | 420 000 |
|-------------|-------------------|--|---|---------|

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46. Contingencies (continued)

| R Pretorius | Damages claim | Summons received on the 21st January 2021. The plaintiff claims that, the Municipality has stopped supply of the electricity to its premises based on the reasoning that the electricity meter was missing and the underground cabling being damaged. Plaintiff avers that it had attended to the replacement and repairs at its own cost since the Municipality refused to do so and it now claims the cost thereof from the Municipality. Plaintiff previously applied for an order compelling the Municipality to provide a meter and repair the cable however, it did not believe that it should do so since it averred inter alia, illegal tampering by the Plaintiff. The Municipality, through Seethal Attorneys opposed | - | 62 555 |
|-------------|---------------|---|---|--------|

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46. Contingencies (continued)

| | | | | | |
|------------------|--|--------------------------|---|---------|-------|
| | | | the matter after extensive interviews with the Electricity team and last reported that the matter was being settled out of court. | | |
| S Naicker | | Damages | Letter of Demand received for pothole damages | - | 5 150 |
| John Beardsmore | | Damages | Letter of demand received for Pothole Damages Claim. | - | 5 200 |
| Modesta Mgumbela | | Damage claim | Letter of demand received for pothole damages in De Wet Street, Margate | 1 450 | - |
| Johan Haywood | | Damages Claim | Letter of demand received for pothole damages in Abelia Crescent, Sea Park | 5 200 | - |
| BV Mbotho | | Damages (Loss of income) | Letter of demand received Claiming damages as a result of a MV Accident involving a Municipal owned tractor on the N2 toward Harding at or near Marbrug | 110 000 | - |

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46. Contingencies (continued)

| | | | | |
|---------------------|-----------------------------|---|-----------|-----------|
| BV Mbotho | Damages (Motor vehicle) | Letter of demand received Claiming damages as a result of a MV Accident involving a Municipal owned tractor on the N2 toward Harding at or near Marbrug | 278 850 | - |
| Henk J Van Rensburg | Damages | Letter of demand received for pothole damages in Owen Ellis Drive Port Edward. | - | 22 935 |
| Natal Sharks Board | Professional Services claim | Claim stemming from unpaid professional services rendered | 5 546 666 | 5 546 666 |
| Ayanda N Khwela | Damages | Letter of Demand received in lieu of pothole Damages | - | 85 140 |
| MRS. P GOVENDER | Pothole Damages Claim | Claim stemming from collision with a pothole | - | 19 541 |
| Alison Cwele | Damages | Letter of Demand received for pothole damages on Valley Road Umbango | - | 15 658 |

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46. Contingencies (continued)

| | | | | | |
|----------------|--|-----------------------------------|---|---------|---------|
| D Govender | | Damages (alleged Unlawful Arrest) | Govender avers that arresting officer arrested him without just cause to do so. Arresting Officers stated that arrest was based on reckless and negligent driving and was accordingly handed over to SAPS as such. | 200 000 | 200 000 |
| S & NP Zindela | | Damages (alleged unlawful arrest) | Claimants aver that arresting officers arrested them without just cause as they were passengers in a vehicle that was stopped. Arresting officers submit that arrest was because vehicle was on record as a stolen vehicle and upon questioning driver and occupants, no answer was forthcoming in terms of ownership of vehicle. Matter was handed to SAPS as such. | 400 000 | 400 000 |

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46. Contingencies (continued)

| | | | | | |
|-------------------|--|---|--|------------|------------|
| EM SAYED & OTHERS | | Damages (alleged unlawful arrest) | Three Claimants instituted joint action against the Minister of Police jointly and severally against RNM in respect of alleged unlawful arrest that took place on or about 27th April 2018 during the Annual Biker Festival held at Margate. Summons was served on Public Safety Department on 14th March 2022 and then transmitted to Legal | - | 975 000 |
| S Radbone | | Damages (Personal Injury/Loss of Income | S Radbone appointed Mcleod & Associates to claim from the Municipality damages in the amount of R14,729,750.00, pertaining to injuries and loss of amenities having allegedly fallen into an unsecured storm water drain that was also concealed by overgrown grass and vegetation. | 14 729 750 | 14 729 750 |

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46. Contingencies (continued)

| | | | | | |
|---------------|--|----------------|--|---------|---------|
| NB MAKHAMBHI | | Damages | Letter of demand served on 25th March 2022. Claimant's Attorneys (subrogation) alleged that claimant's vehicle was damaged due to tree branch having fallen on the claimant's vehicle on or about the 08th February 2022 in the Southbroom area. | - | 45 952 |
| S Sewlall | | Damages | Pothole Damages Claim Instituted by the Plaintiff. | 194 050 | 194 050 |
| Ben Malaba | | Damages | Letter of demand received for pothole damages in D200, Gamalakhe | 39 676 | - |
| MA Mngomeni | | Damages | Letter of demand received in lieu of Pothole Damages | 49 021 | 49 021 |
| P A Nanak | | Damages | Letter of demand received for pothole damages in Robin Road, Albersville | 43 729 | - |
| Keegan Pillay | | Accident Claim | Letter of Demand received for MVA damages after colliding with a vehicle from DComms. | 159 916 | 159 916 |

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46. Contingencies (continued)

| | | | | | |
|------------------|--|-------------------------|--|-----------|-----------|
| Natsure Aviation | | Damages | Letter of Demand received -mva damages as a result of an unmanned municipal tractor that collided into claimants hangar at the Margate Airport-Development Planning Services | 223 450 | 223 450 |
| Wandile Majova | | Damages | Letter of demand for personal injury claim-bridge collapsed on claimant at Mvutshini Location, Margate | 5 000 000 | 5 000 000 |
| Pieter Potgieter | | Damages (Pothole claim) | Letter of demand received for pothole damages in Seaslopes, Margate | 65 027 | - |
| Alison Shaw | | Damages | Letter of demand received for pothole damages in Miami Road, Hibberdene | 51 058 | - |
| Beyers Joubert | | Damages | Letter of Demand received for pothole damages at Marine Drive Margate | 7 306 | 7 306 |
| M Leqheka | | Damages | Letter of demand received for motor vehicle accident damages in Valley Road, Margate | 8 534 | - |

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46. Contingencies (continued)

| | | | | |
|-------------------------------------|---------------------|--|-------------------|-------------------|
| Maria Magdalena Erasmus | Damages | Letter of Demand received – personal injury claim-fell into pothole on Manaba Beach Road | 300 000 | 300 000 |
| MTN | Contractual claim | Letter of Demand received pertaining to claims for usage of cellular phone contracts by staff stemming from as far back at the time of Hibiscus Coast Municipality. | 361 360 | 361 360 |
| Appileh Nandie Trading and projects | Contractual Dispute | Litigation (Non-Contingent portion and Contingent Portion) Their Counter Claim (Contingent Liability)R This is a contractual dispute with a Contractor who is appointed to provided Beach Cleaning Services to the Municipality. DComms had drafted the SLA to reflect the appointed amount as per annum as opposed to for the three-year period, and had raised an order and honored invoices for 14 months before discovering the error. | - | 6 105 542 |
| | | | 62 741 806 | 70 722 290 |

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46. Contingencies (continued)

Contingent assets

The municipality had identified lost Revenue as result of various businesses that were not paying for the use of Billboard spaces. The municipality currently has no contractual agreements with these entities, but the municipality decided to engage these businesses regarding the use of Municipal Space. Through many attempts to reconcile and mediate a way forward some Businesses did not want to comply and make payments as recommended. This matter has since been handed to our Legal Team who is currently dealing with the matter bringing rise to a contingent asset. The contingent assets amount is disclosed at an inclusive amount.

Based on current calculations the amount the municipality deems probable to bill and recoup is as follows:

Company Names

| | |
|------------------|----------------|
| Clout Media | 241 160 |
| Outdoor Networks | 156 264 |
| | 397 424 |

47. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

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

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

Market risk

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47. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2023 and 2022, the municipality's borrowings at variable rate were denominated in the Rand and the UK pound.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Based on the various scenarios, the municipality manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the municipality raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the municipality borrowed at fixed rates directly. Under the interest rate swaps, the municipality agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

48. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of 2 313 400 416 and that the municipality's total assets exceed its liabilities by 2 313 400 416.

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

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

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49. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: Technical Services and Community Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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.

The Municipality has other departments namely Budget and Treasury, Corporate Services, Strategic Planning and Governance, Development planning services and Public safety that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municipality that generates significant economic benefits or service potential.

Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure.

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

Technical Services
Community Services

Goods and/or services

Provision and maintenance of infrastructure
Provision of refuse removal basic service delivery

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49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

| | Technical Services | Community Services | Total |
|--|--------------------|---------------------|----------------------|
| Revenue | | | |
| Revenue from non-exchange transactions | 154 295 928 | 67 279 370 | 221 575 298 |
| Revenue from exchange transactions | 5 282 277 | 6 076 000 | 11 358 277 |
| Total segment revenue | 159 578 205 | 73 355 370 | 232 933 575 |
| unallocated revenue | | | 1 059 799 468 |
| Municipality's revenue | | | 1 292 733 043 |
| Expenditure | | | |
| Salaries and wages | 14 002 045 | 100 635 335 | 114 637 380 |
| Bulk purchases | 107 469 790 | - | 107 469 790 |
| Contracted services | 10 247 704 | 43 337 196 | 53 584 900 |
| Operating leases | 607 453 | 3 076 940 | 3 684 393 |
| Operational cost | 4 234 099 | 15 921 451 | 20 155 550 |
| Inventory cost | 56 106 | 7 754 243 | 7 810 349 |
| Interest dividends and rent | 1 324 120 | - | 1 324 120 |
| Transfer and Subsidies | - | 286 094 | 286 094 |
| Total segment expenditure | 137 941 317 | 171 011 259 | 308 952 576 |
| Total segmental surplus/(deficit) | 21 636 888 | (97 655 889) | (76 019 001) |
| Unallocated expenses | | | 784 037 797 |
| Total Municipal Expenditure | | | 1 092 990 373 |

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| | Technical Services | Community Services | Total |
|---|--------------------|---------------------|----------------------|
| 49. Segment information (continued) | | | |
| Assets | | | |
| Current assets | 206 994 588 | (38 720 888) | 168 273 700 |
| Non-current assets | 103 749 432 | - | 103 749 432 |
| Total segment assets | 310 744 020 | (38 720 888) | 272 023 132 |
| Unallocated assets | | | 2 624 558 013 |
| Total assets as per Statement of financial Position | | | 2 896 581 145 |
| Liabilities | | | |
| Current liabilities | (78 776 801) | (29 742 955) | (108 519 756) |
| Unallocated liabilities | | | (474 660 972) |
| Total liabilities as per Statement of financial Position | | | (583 180 728) |

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

2022

| | Technical Services | Community Services | Total |
|--|--------------------|--------------------|----------------------|
| Revenue | | | |
| Revenue from non-exchange transactions | 4 197 594 | 5 558 000 | 9 755 594 |
| Revenue from exchange transactions | 158 575 751 | 62 523 196 | 221 098 947 |
| Total segment revenue | 162 773 345 | 68 081 196 | 230 854 541 |
| Other unallocated revenue 1 | | | 1 017 608 044 |
| Municipality's Revenue | | | 1 248 462 585 |

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49. Segment information (continued)

Expenditure

| | | | |
|-----------------------------|-------------|------------|-------------|
| Salaries and wages | 12 659 979 | 97 841 653 | 110 501 632 |
| Bulk purchases | 122 719 656 | - | 122 719 656 |
| Contracted services | 12 692 260 | 40 966 483 | 53 658 743 |
| Operating leases | 938 345 | 4 200 161 | 5 138 506 |
| Operational cost | 4 830 413 | 12 409 833 | 17 240 246 |
| Inventory cost | 53 529 | 8 109 410 | 8 162 939 |
| Interest dividends and rent | 320 133 | - | 320 133 |

| | | | |
|----------------------------------|--------------------|--------------------|--------------------|
| Total segment expenditure | 154 214 315 | 163 527 540 | 317 741 855 |
|----------------------------------|--------------------|--------------------|--------------------|

| | | | |
|--|------------------|---------------------|---------------------|
| Total segmental surplus/(deficit) | 8 559 030 | (95 446 344) | (86 887 314) |
|--|------------------|---------------------|---------------------|

| | | | |
|----------------------|--|--|-------------|
| Unallocated expenses | | | 808 642 074 |
|----------------------|--|--|-------------|

| | | | |
|------------------------------------|--|--|----------------------|
| Total Municipal Expenditure | | | 1 126 383 929 |
|------------------------------------|--|--|----------------------|

Assets

| | | | |
|--------------------|-------------|--------------|------------|
| Current assets | 138 239 508 | (50 190 029) | 88 049 479 |
| Non-current assets | 89 971 585 | - | 89 971 585 |

| | | | |
|-----------------------------|--------------------|---------------------|--------------------|
| Total segment assets | 228 211 093 | (50 190 029) | 178 021 064 |
|-----------------------------|--------------------|---------------------|--------------------|

| | | | |
|--------------------|--|--|---------------|
| Unallocated assets | | | 2 471 976 955 |
|--------------------|--|--|---------------|

| | | | |
|--|--|--|----------------------|
| Total assets as per Statement of financial Position | | | 2 649 998 019 |
|--|--|--|----------------------|

Liabilities

| | | | |
|---------------------|--------------|--------------|--------------|
| Current liabilities | (55 451 243) | (20 595 174) | (76 046 417) |
|---------------------|--------------|--------------|--------------|

| | | | |
|-------------------------|--|--|---------------|
| Unallocated liabilities | | | (460 293 857) |
|-------------------------|--|--|---------------|

| | | | |
|---|--|--|----------------------|
| Total liabilities as per Statement of financial Position | | | (536 340 274) |
|---|--|--|----------------------|

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

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50. Accounting by principals and agents

The entity was a party to a principal-agent arrangement(s).

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

Ray Nkonyeni Municipality entered to an agreement with KwaZulu Natal Department of Transport to act on its behalf. The agreement was entered into is for the transfer of motor vehicle registration and licensing, learner and driving licence testing and vehicle testing functions. The municipality will be acting as an agent of the KwaZulu Natal Department of Transport. The municipality is entitled to a fee equal to the collection fee of 10% (ten percent), including VAT for all fees collected.

The municipality entered into tripartite agreements with the Department of Human Settlements. The roles and responsibilities stipulated in the agreement are assigned to the municipality and the implementing agent such as executing the project with due diligence and care and undertaking of the construction of top structures.

Entity as agent

Revenue recognised

The amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of the principal is 4 507 662 (2022: 4 294 770).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables/payable

Department of Human Settlements

| | | |
|-----------------------------|-----------|-----------|
| Accreditation fees received | 3 627 421 | 2 528 333 |
|-----------------------------|-----------|-----------|

Department of Transport

| | | |
|-------------------|-----------|-----------|
| Commission Earned | 4 507 662 | 4 294 770 |
|-------------------|-----------|-----------|

51. Awards made to a person who is a spouse, child or parent of a person in service of the state, or has been in the service of the state in the previous twelve months

Company and Relationship

| | | |
|---|------------|------------|
| Best drive Port Shepstone t/a auto junction fitment centre - Relative employed at UGU district municipality | 584 782 | - |
| Luyaneli Events (Pty)Ltd - Official at Ray Nkonyeni Municipality | 991 923 | 554 244 |
| Tower 13 Lifeguard services cc - Councillor at Ray Nkonyeni Municipality | 316 948 | 273 018 |
| Auto Junction - Works at Ugu District Municipality | - | 810 166 |
| Margate Construction - Works for TVET college in Port Shepstone | - | 30 433 092 |
| Andrews Hire - Official at Ray Nkonyeni Municipality- Relative employed at Ray Nkonyeni Municipality | 54 500 | 2 950 |
| RDC Builders - Works for SAPS | 1 152 041 | 1 711 198 |
| Bright idea projects 416 cc t/a Margate Construction- Relative employed at TVET college in Port Shepstone | 15 570 468 | - |

| | |
|-------------------|-------------------|
| 18 670 662 | 33 784 668 |
|-------------------|-------------------|

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| 52. Construction Contracts Revenue | | |
| Integrated National Electrification Programme (INEP) | | |
| Amount of revenue recognised-Capital | 4 352 592 | 7 044 614 |
| Method used to determine the Revenue | | |
| Revenue is determined when there is an expenditure paid for work done of the INEP projects. | | |
| Method used to determine the stage of completion of contracts in progress | | |
| The municipality received amount in tranches as per the National Treasury's payment plan. Projects are implemented per stage and the contractors are also paid per stage. | | |
| Retention Amount | | |
| Refer to Note 15- Included on Payables from Exchange transactions. | | |
| Additional text | | |
| Human Settlements | | |
| Amount Revenue recognised-Operational | 10 228 738 | 45 774 596 |
| Method used to determine the Revenue | | |
| Revenue is determined on a claims basis where the Municipality submit the claims to Department of Human Settlements for expenditure incurred. | | |
| Method used to determine the stage of completion of contracts in progress | | |
| Subsidies are approved per site for a set amount, which is determined by the Department of Human Settlements. Projects are implemented per stage and the contractors are also paid per stage. | | |
| Retention Amount | | |
| No retention withheld for Housing projects. | | |
| Accumulated costs to date | | |
| Aggregate amount of costs incurred to date-Human Settlements | 143 271 066 | 133 042 328 |
| Aggregate amount of costs incurred to date-INEP | 10 622 248 | 6 269 656 |
| | 153 893 314 | 139 311 984 |
| 53. VAT payable | | |
| Tax payables | 112 115 259 | 75 667 973 |

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54. Related parties

Relationships

Ugu District Municipality

Ugu South Coast Tourism Pty(Ltd)

Ugu South Coast Development Agency

Councillors

Key management personnel

Inter governmental relations

Inter governmental relations

Inter governmental relations

Refer to the Councillors remuneration note

Refer to the employee cost note

Related party balances

Grants to related parties

Ugu South Coast Tourism Pty(Ltd)

Ugu South Coast Development Agency SOC

South Coast Tourism and Investment Enterprise

| | |
|-----------|-----------|
| - | 2 074 395 |
| - | 1 050 000 |
| 1 102 500 | - |

55. Change in estimate

Property, plant and equipment

A change in the estimated remaining useful life of various assets of the Municipality based on their condition assessment conducted as at 30 June 2023 and resulted in the following decreases in the depreciation for property plant and equipment in the 2023 financial year and future periods:

The impact on the statement of financial performance (Depreciation) in 2023 financial year and future periods:

| | | |
|-------------------------------|---------------------|--------------------|
| Machinery and Equipment | (127 584) | (284 859) |
| Furniture and Equipment | (144 641) | (300 758) |
| Motor Vehicles | (879 745) | (37 716) |
| Computer and Office Equipment | (335 527) | (412 173) |
| Infrastructure Assets | (6 715 944) | (5 924 938) |
| Community Assets | (3 811 637) | (35 512) |
| | (12 015 078) | (6 995 956) |

Intangible assets

A change in the estimated remaining useful life of various assets of the Municipality based on their condition assessment conducted as at 30 June 2023 and resulted in the following decreases in the amortisation for intangible asset in the 2023 financial year and future periods:

The impact on the statement of financial performance (Amortisation) in 2023 financial year and future period.

| | | |
|-------------------|---------|---|
| Intangible assets | 131 960 | - |
|-------------------|---------|---|

56. Prior-year adjustments

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

Errors

Below are the prior period errors that occurred during the year under review. The disclosure has been done retrospectively disclosing the 2022, 2021 and 2020 financial year adjustments respectively.

The following prior period errors adjustments occurred:

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56. Prior-year adjustments (continued)

Receivables from non-exchange transactions

Debt reduction due to change in effective date which was moved from January 2019 to June 2020 therefore all the billings from January 2019 to May 2020 for rates had to be reversed on customer's accounts.

The municipality is assessing its accounts receivables and the impairment thereof amended its management's considerations that have an impact on the basis of receivables to be impaired. The considerations made by management took into account various factors (operational and economical) and led to dertermination that the majority of accounts receivable being outstanding for more than a year, it eas evident that these were the receivables that the impairment would be determined on and this was a change from the previous financial year whereby the impairment was determined on the gross outstanding receivables balance at year.

There was an impairment reversal on the property rates due to the impairment methodology, impairing the debts over one, not on the gross outstanding amount.

Statement of financial position

| | | | |
|---|---|-------------|---|
| Increase/(Decrease in receivables from non-exchange | - | (6 056 190) | - |
| (Increase)/ Decrease in Net assets | - | 6 056 190 | - |
| | - | - | - |

Statement of financial Position

| | | |
|--|------------|---|
| Increase/(Decrease) in receivables from non-exchange | 35 686 107 | - |
|--|------------|---|

Statement of financial performance

| | | |
|--|--------------|---|
| Increase/(Decrease) in the impairment loss | (35 686 107) | - |
|--|--------------|---|

Receivables from exchange transactions

An amount of R 326 383 was incorrectly recognised in the Statement of Financial Performance. The correction of error was processed to recognise revenue and receivables due to the municipality due to contracts related to billboards advertising that were previously not billed for whilst deliberations took place on the matter.

The municipality is assessing its accounts receivables and the impairment thereof amended its management's considerations that have an impact on the basis of receivables to be impaired. The considerations made by management took into account various factors (operational and economical) and led to dertermination that the majority of accounts receivable being outstanding for more than a year, it eas evident that these were the receivables that the impairment would be determined on and this was a change from the previous financial year whereby the impairment was determined on the gross outstanding receivables balance at year.t

There was an impairment reversal on the property rates due to the impairment methodology, impairing the debts over one, not on the gross outstanding amount.

Statement of financial position

| | | |
|---|-------------------|-------------|
| Increase/(decrease) in receivables from exchange transactions (Sundries) | 267 680 | - |
| Increase/(decrease) in receivables from exchange transactions (Deposit) | - | 326 383 |
| (Increase)/decrease in Net assets | - | 1 820 760 |
| Increase/(decrease) in receivables from exchange transactions (Consumer) | (1 698 692) | (2 147 143) |
| (Increase)/decrease in Vat output | (34 915) | - |
| Increase/(decrease) in receivables from exchange transactions (Service Charges) | 13 657 039 | - |
| | 12 191 112 | - |

Statement of financial performance

| | | |
|---|--------------|---|
| (Increase)/decrease in Revenue from exchange transactions | (232 765) | - |
| Increase/(decrease) in general expenses | 1 698 692 | - |
| Increase/(decrease) in impairment loss | (13 657 039) | - |

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|--|---------------------|----------|
| 56. Prior-year adjustments (continued) | | |
| | (12 191 112) | - |
| Government grants and subsidies | | |
| During the year under review it was identified that funds related to the Modular libraries grants were spent but the recognition to revenue transfer was omitted in error. | | |
| Statement of financial position | | |
| (Increase)/decrease in unspent conditional grants | 272 452 | - |
| Statement of financial performance | | |
| (Increase)/decrease in Government grants | (272 452) | - |

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56. Prior-year adjustments (continued)

Property, plant and equipment

Community assets

During the asset verification, an error was identified in the amount recorded in WIP for the assets that were capitalized in the previous years which should have been expensed in terms of GRAP 17 para 25 "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."

Statement of financial position

| | | |
|---|-----------------|-----------|
| Increase/(Decrease) in PPE cost | 145 678 | (375 671) |
| (Increase)/ Decrease in accumulated depreciation and impairment | (33 356) | (404) |
| Increase/ (Decrease) in VAT Input | 21 854 | - |
| (Increase)/ Decrease in Retention | (16 593) | - |
| (Increase)/ Decrease in Payable | (150 937) | - |
| (Increase)/ Decrease in Net Assets | - | 376 075 |
| | (33 354) | - |

Statement of financial performance

| | | |
|--|--------|---|
| Increase/(Decrease in depreciation and amortisation) | 33 354 | - |
|--|--------|---|

Infrastructure assets

During the asset verification, an error was identified in the amount recorded in WIP for the assets that were capitalized in the previous years which should have been expensed in terms of GRAP 17 para 25 "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."

Statement of financial position

| | | |
|--|------------------|-----------|
| Increase/(Decrease) in PPE cost | 343 867 | (783 801) |
| Increase/(Decrease in accumulated depreciation and amortisation) | (188 692) | (61 723) |
| Increase/ (Decrease) in VAT Input | 32 384 | 14 404 |
| (Increase)/ Decrease in Retention | (376 251) | (110 432) |
| (Increase)/ Decrease in Net asset | - | 941 552 |
| | (188 692) | - |

Statement of financial performance

| | | |
|--|---------|---|
| Increase/(Decrease in depreciation and amortisation) | 188 692 | - |
|--|---------|---|

Land

The municipality has done a process of land verification and has identified land that belongs to the municipality that needs to be included in the land register in terms of IGRAP 18. The municipality affected the correction on 30 June 2020 according to GRAP 3 "the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable".

Statement of financial position

| | | | |
|------------------------------------|-----|---|-------------|
| Increase/(Decrease) in PPE cost | 1 | - | 5 432 200 |
| (Increase)/ Decrease in Net assets | (1) | - | (5 432 200) |
| | - | - | - |

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56. Prior-year adjustments (continued)

Investment property

The municipality has done a process of land verification and has identified land that belongs to the municipality that needs to be included in the Investment Property register in terms of IGRAP 18. The municipality affected the correction on 30 June 2020 according to GRAP 3 "the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable".

Statement of financial position

| | | | |
|---|-----|---|--------------|
| Increase/(Decrease) in cost/fair value of investment property | 1 | - | 37 194 860 |
| (Increase)/ Decrease in Net assets | (1) | - | (37 194 860) |
| | - | - | - |

Trade and other payables from exchange

During the preparation of financial statements it was noted that there were accruals that are recurring from the prior financial year that cannot be supported. An item was submitted to council to write off the balance. Decrease on Payables - The supplier was incorrectly overpaid during the 2022 year. Decrease on Accrued Expense and Third Party - Long outstanding Accruals and Third Party Payment have been identified and written off because they exceed the prescribed period.

The impact of the correction is as follows:

Statement of financial position

| | | |
|--|---|-------------|
| (Increase)/Decrease in trade payables from exchange transactions | - | 1 154 167 |
| (Increase)/ Decrease in Net assets | - | (1 154 167) |
| | - | - |

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56. Prior-year adjustments (continued)

Integrated National Electrification Programme

During the preparation of the Annual Financial Statements National Treasury Issued guidance for Accounting for The Integrated National Electrification Programme (INEP) Grant allocations and the Municipality identified adjustments that affect the following financial years of 2022,2021,2020

Statement of financial position

| | | | |
|--|-------------|-------------|-------------|
| Increase/(Decrease) in VAT receivables | 1 056 692 | 1 102 873 | 2 410 869 |
| (Increase)/Decrease VAT Output | (1 056 692) | (1 102 873) | (2 410 869) |
| | - | - | - |

Statement of financial performance

| | | |
|---|-------------|---|
| (Increase)/Decrease in Construction Contracts Revenue | (7 044 614) | - |
| Increase/(Decrease) in contracted services | 7 044 614 | - |
| | - | - |

Unspent conditional grants and subsidies

During the preparation of financial statement it was noted that unspent grant relating to the modular libraries grant was infact spent in the previous financial year. The correction of error impacted the financial statements as follows:

Statement of financial position

| | | |
|---|---------|---|
| (Increase)/Decrease in unspent conditional grants and subsidies | 272 452 | - |
|---|---------|---|

Statement of financial performance

| | | |
|--|-----------|---|
| (Increase)/Decrease in Government grants and subsidies | (272 452) | - |
|--|-----------|---|

Statement of financial position

| | | |
|--|---|---|
| Increase/(Decrease in trade and other receivables from exchange transactions | 1 | - |
|--|---|---|

57. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

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| 57. Comparative figures (continued) | | |
| Operational revenue | | |
| Audited amount | - | 1 946 210 |
| Transferred to Gain on disposal of assets | - | (427 301) |
| Transferred to loss on disposal of assets | - | (490 446) |
| Transferred from Recoveries | - | 437 |
| Correction of error | - | 232 766 |
| Transfer to rendering of services | - | (194 688) |
| | - | 1 066 978 |
| Government grants & subsidies | | |
| Audited amount | - | 415 748 261 |
| Correction of error | - | 272 452 |
| | - | 416 020 713 |
| Depreciation and amortisation | | |
| Audited amount | - | 88 489 795 |
| Correction of error | - | 222 045 |
| | - | 88 711 840 |
| Gain on disposal of assets | | |
| Transfer from operational revenue | - | (427 301) |
| Loss on disposal of assets | | |
| Audited amount | - | (490 446) |
| Transfer from operational revenue | - | 490 446 |
| | - | - |
| Unspent conditional grants and receipt | | |
| Audited amount | - | 49 376 216 |
| Correction of error | - | (272 452) |
| | - | 49 103 764 |
| Finance costs | | |
| Audited amount | - | 19 930 625 |
| Transfer from contracted services | - | 811 666 |
| | - | 20 742 291 |
| Contracted services | | |
| Audited amount | - | 213 909 792 |
| Transfer from Employee related costs | - | 8 782 195 |
| Transfer from general expense | - | 54 187 |
| Correction of error | - | 7 044 615 |
| | - | 229 790 789 |
| General expenses | | |
| Audited amount | - | 130 329 059 |
| Correction of error | - | 1 698 692 |
| Transfer to finance costs | - | (811 666) |
| Transfer to transfers and subsidies | - | (2 015 523) |
| Transfer to contracted services | - | (54 187) |

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|--|------|--------------------|
| 57. Comparative figures (continued) | | |
| | - | 129 146 375 |
| Investment property | | |
| Audited amount | - | 307 811 000 |
| Correction of error | - | 37 194 860 |
| | - | 345 005 860 |
| Employee related costs | | |
| Audited amount | - | 445 891 077 |
| Transfer to contracted services | - | (8 782 195) |
| | - | 437 108 882 |
| Construction contract revenue | | |
| Audited amount | - | 48 302 929 |
| Correction of error | - | 7 044 614 |
| | - | 55 347 543 |
| Recoveries | | |
| Audited amount | - | 437 |
| Transfer to Operational revenue | - | (437) |
| | - | - |

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|---|------|----------------------|
| 57. Comparative figures (continued) | | |
| Transfers and subsidies | | |
| Audited amount | - | 9 890 135 |
| Transfer from general expenses | - | 2 015 523 |
| | - | 11 905 658 |
| Rendering of services | | |
| Audited amount | - | 4 521 556 |
| Transfer from operational revenue | - | 194 688 |
| | - | 4 716 244 |
| Provisions (current) | | |
| Audited amount | - | 39 324 567 |
| Transfer to provisions (Non current) | - | (3 852 030) |
| | - | 35 472 537 |
| Provisions (Non current) | | |
| Audited amount | - | 37 635 128 |
| Transfer from provisions (Current) | - | 3 852 030 |
| | - | 41 487 158 |
| VAT receivables | | |
| Audited amount | - | 108 338 049 |
| Correction of error | - | (988 049) |
| | - | 107 350 000 |
| Receivables from exchange transactions | | |
| Audited amount | - | 97 400 744 |
| Correction of error | - | 10 404 263 |
| | - | 107 805 007 |
| Receivables from non-exchange transactions | | |
| Audited amount | - | 286 898 911 |
| Correction of an error | - | 29 629 917 |
| | - | 316 528 828 |
| Vat payables | | |
| Audited amount | - | 75 633 058 |
| Correction of error | - | (1 021 777) |
| | - | 74 611 281 |
| Cash and cash equivalents | | |
| Audited amount | - | 131 589 908 |
| Correction of error | - | 701 044 |
| | - | 132 290 952 |
| Property plant and equipment | | |
| Audited amount | - | 1 676 867 104 |
| Correction of error | - | 4 478 115 |
| | - | 1 681 345 219 |

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57. Comparative figures (continued)

Payables from exchange transactions

| | | |
|---------------------|---|--------------------|
| Audited amount | - | 134 015 976 |
| Correction of error | - | (610 380) |
| | - | 133 405 596 |

58. Events after the reporting date

The following events have been identified and disclosed in line with GRAP 14- Events After the Reporting Date

Adjusting events

- The council resolved on 29 August 2023 the approval of writing off the recurring opening balances amounting to R1 086 926,43 ad R177 672,97 for accruals and statutory accounts respectively.

- The council approved a write off of R3 262 476,06 on 29 August 2023, for irregular expenditure and fruitless and wasteful expenditure incurred totalling R37 622,04 that was incurred in prior years/ current year as well as the investigation that was started before the end of the current financial year.

Non- adjusting events

There were no non adjusting events identified in this reporting period ending 30 June 2023.

59. Fruitless and wasteful expenditure

| | | |
|--|---------------|---------------|
| Opening balance as previously reported | 35 092 | 32 309 |
| Add: Fruitless and wasteful expenditure identified - current | 33 872 | 19 784 |
| Less: Amount written off - current | (2 530) | (17 001) |
| Less: Amount written off - prior period | (35 092) | - |
| Closing balance | 31 342 | 35 092 |

Details of fruitless and wasteful expenditure

| | Disciplinary steps taken/criminal proceedings | |
|--------------------------|---|---|
| Eskom - interest | None | 1 |
| Interest - Pension fund | None | 1 |
| Interest on Ugu accounts | None | 3 |

60. Irregular expenditure

| | | |
|---|--------------------|-------------------|
| Opening balance | 39 185 562 | 55 522 381 |
| Add: Irregular expenditure-current period | 173 260 102 | 4 392 985 |
| Add:irregular expenditure-prior period | 214 034 444 | - |
| Less: Amount written off - current | - | (4 392 985) |
| Less: Amount written off - prior period | (3 262 476) | (16 336 819) |
| Closing balance | 423 217 632 | 39 185 562 |

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60. Irregular expenditure (continued)

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

| | | |
|--------------------------|--------------------|------------------|
| Other | - | 4 392 985 |
| Other: Panel allocations | 387 294 546 | - |
| | 387 294 546 | 4 392 985 |

Cases under investigation

| | | |
|---|------------|------------|
| Disciplinary steps taken/criminal proceedings under investigation | 35 923 087 | 35 923 087 |
|---|------------|------------|

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 4 670 000 | 4 748 288 |
| Amount paid - current year | (4 670 000) | (4 748 288) |
| | - | - |

Audit fees

| | | |
|---------------------------------|-------------|----------------|
| Opening balance | 809 323 | 111 718 |
| Current year subscription / fee | 3 174 438 | 5 153 281 |
| Amount paid - current year | (3 983 761) | (4 455 676) |
| | - | 809 323 |

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

PAYE and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 65 051 667 | 58 553 647 |
| Amount paid - current year | (65 051 667) | (58 553 647) |
| | - | - |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|---------------|---------------|
| Current year subscription / fee | 111 860 777 | 102 646 896 |
| Amount paid - current year | (111 860 777) | (102 646 896) |
| | - | - |

VAT

| | | |
|----------------|---------------|--------------|
| VAT receivable | 147 570 172 | 108 406 692 |
| VAT payable | (112 115 259) | (75 667 973) |

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

| 30 June 2023 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|------------------------|-------------------------------------|-------------------------------------|---------------|
| Councillor PR Gumbi | 952 | 1 364 | 2 316 |
| Councillor ET Khayase | 515 | 493 | 1 008 |
| Councillor NLL Mbuyisa | 1 562 | 2 207 | 3 769 |
| Councillor VL Ntanza | 1 375 | 3 023 | 4 398 |
| | 4 404 | 7 087 | 11 491 |

| 30 June 2022 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---------------------|-------------------------------------|-------------------------------------|---------------|
| Councillor AT Damas | 1 652 | - | 1 652 |
| Councillor R Gumbi | 979 | 3 082 | 4 061 |
| Councillor L Ntanza | 1 534 | 12 853 | 14 387 |
| | 4 165 | 15 935 | 20 100 |

62. Utilisation of Long-term liabilities reconciliation

| | | |
|------------------------------|------------|-----------|
| Long-term liabilities raised | 10 832 347 | 3 221 821 |
|------------------------------|------------|-----------|

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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63. Deviation from supply chain management regulations

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

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

Section 36 Deviations

| | | |
|---|-----------|-----------|
| In an emergency - s36(1)(a)(i) | 1 872 446 | 13 720 |
| Sole supplier - s36(1)(a)(ii) | 1 452 191 | 13 058 |
| Impractical or impossible to follow the official procurement process - s36(1)(a)(v) | 4 220 546 | 4 154 026 |
| Special works of art or historical objects where specifications are difficult to compile - s36(1)(a)(iii) | 100 000 | 121 095 |

7 645 183 4 301 899

64. Housing Development Fund

| | | |
|--------------------------|------------|------------|
| Housing Development Fund | 28 990 995 | 30 175 633 |
|--------------------------|------------|------------|

65. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% (10% over approved budget) has been explained below:

- Sale of goods-The municipality anticipated to collect more on the aquatic beach events.
- Construction contracts- The Department of Human Settlements changed most of the project agreements to tripartite agreement and makes payment direct to Service providers which has resulted in variance between the budgeted versus actual figures.
- Rendering of services-The municipality did not perform as anticipated to collect on the plot clearing revenue.
- Service charges-Adjustment budget was done based on the the mid year performance and anticipated to perform in the same as the first half.
- Rental of facilities and Equipment-The budget was done as per the performance of the previous year.
- Interest received (trading)- The increase in our debtors has yielded more interest charged than the anticipated amount with an average monthly interest receivable on outstanding debtors. This interest is based on the outstanding debtors, this shows that most of our customers are failig to settle their outstanding debts on time.
- Agency Services- This line item is aligned to the performance of licences and permits of motor vehicle, the more licences are issued the more the municipality get agency services.
- Licences and permits- Licences and permits from exchange transactions collected less than anticipated due to low collection on parking fees and issued less motor licencing than the anticipation.
- Interest received (investment)-This is the interest earned from investment of the municipality. The municipality earned more interest than the anticipated amount.
- Licences and permits (non-exchange)-The municipality collected less than the budgeted amount because Motor vehicle licencing was budgeted based on last year performance as last year's actuals exceeded the budgeted amount and the municipaity anticipated to collect more.

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65. Budget differences (continued)

- Interest, Dividend and Rent on Land- The increase in the outstanding debtors has yielded to the increased on the interest charged than anticipated average monthly interest receivable on outstanding debtors. This interest is based on the outstanding debtors, this shows that most of our customers are failing to pay their debts on time.
- Fines, penalties and forfeits- The issued traffic fines were less than the anticipated amount, the budget was based on the prior year performance.
- Depreciation and Armotastion- The municipality acquired less assets than initially anticipated.
- Impairment loss/reversal of impairment-
- Finance Costs- Armotisation schedules for all leased vehicles were recalculated at the end of financial year and adjustments were identified and resulted to actual amount being more than the anticipated amount.
- Lease rentals on operating lease-The municipality paid less then the anticipated amount on the budget.
- Bad debts written off- The municipality anticipated to write off lesser than the actual amounts. That means more debtors were unable to settle their outstandig debts.
- Bulk purchases-The municipality anticipated to buy more units for resale.
- Contracted Services-Housing projects contribute the highest variance in contracted services as the expenditure is directly link to the tripartite agreement, the department of Human Settlement entered into which effects expenditure incurred onthe housing projects. Cost saving measures