# KZN216 Ray Nkonyeni Municipality
**Trading as Ray Nkonyeni Municipality**
**Annual Financial Statements**
**for the year ended 30 June 2024**

# 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 |
| Mayor | Cllr PZ Mzindle |
| Councillors | Cllr GS Shange - Deputy Mayor |
| | Cllr TT Hlophe - Chief Whip |
| **Grading of local authority** | 4 |
| **Accounting Officer** | Mr Khetha Zulu |
| **Chief Finance Officer (CFO)** | Mr Vuyani Gqoboka AGA(SA) |
| **Registered office** | 10 Connor Street<br>Port Shepstone<br>4240 |
| **Business address** | 10 Connor Street<br>Port Shepstone<br>4240 |
| **Postal address** | PO Box 5<br>Port Shepstone<br>4240 |
| **Bankers** | FNB, Investec, Standard Bank, NEDBANK |
| **Auditors** | Auditor General of South Africa<br>Registered Auditors |
| **Preparer** | The annual financial statements were internally compiled by:<br>Vuyani Gqoboka<br>Acting CFO |

# Index

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



**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 |

# 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 2025 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 dependant on the municipal revenue including equitable share for continued funding of the 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 Auditing and reporting on the municipality's annual financial statements.

**Mr KJ Zulu**
**Accounting Officer**

# Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

### 1. Incorporation

The municipality was incorporated on 10 August 2016 as an amalgamation of two municipalities (Former Hibiscus Coast and Ezinqoleni 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 2024, the municipality had an accumulated surplus of 2 315 787 708 and that the municipality's total assets exceed its liabilities by 2 315 787 708.

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 27 August 2024 the approval of writing off irregular expenditure of R523 726 717 that was incurred in prior years/current year and fruitless and wasteful expenditure of R7 281 that occured in the current year. The council resolved on 25 June 2024 to dispose obsolete assets during the 2024 financial year.

Non Adjusting events

The municipality is not aware of any non adjusting events affecting the current reporting period ending 30 June 2024

### 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**

# Statement of Financial Position as at 30 June 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 7 | 10 621 268 | 5 563 789 |
| Receivables from exchange transactions | 8&10 | 134 253 996 | 114 755 388 |
| Receivables from non-exchange transactions | 9&10 | 309 162 903 | 296 617 979 |
| VAT receivable | 11 | 196 457 016 | 147 724 958 |
| Cash and cash equivalents | 12 | 66 405 168 | 115 621 005 |
| | | **716 900 351** | **680 283 119** |
| **Non-Current Assets** | | | |
| Investment property | 3 | 395 905 550 | 354 868 525 |
| Property, plant and equipment | 4 | 1 927 298 194 | 1 799 244 234 |
| Intangible assets | 5 | 343 532 | 489 221 |
| Heritage assets | 6 | 2 347 598 | 2 210 022 |
| | | **2 325 894 874** | **2 156 812 002** |
| **Total Assets** | | **3 042 795 225** | **2 837 095 121** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Long-term loan | 13 | 1 953 818 | 917 794 |
| Finance lease obligation | 14 | 29 839 169 | 16 451 206 |
| Payables from exchange transactions | 15 | 172 221 104 | 149 215 607 |
| VAT payable | 53 | 152 921 153 | 112 191 486 |
| Consumer deposits | 16 | 38 329 830 | 35 305 441 |
| Employee benefit obligation | 17 | 5 794 639 | 4 838 931 |
| Unspent conditional grants and receipts | 18 | 2 255 163 | 8 155 929 |
| Provisions | 19 | 40 709 397 | 39 843 830 |
| Housing Development Fund | 63 | 39 593 077 | 75 668 916 |
| | | **483 617 350** | **442 589 140** |
| **Non-Current Liabilities** | | | |
| Long-term loan | 13 | 15 056 207 | 9 914 553 |
| Finance lease obligation | 14 | 66 921 479 | 33 713 553 |
| Employee benefit obligation | 17 | 114 936 457 | 98 891 043 |
| Provisions | 19 | 46 476 024 | 47 191 990 |
| | | **243 390 167** | **189 711 139** |
| **Total Liabilities** | | **727 007 517** | **632 300 279** |
| **Net Assets** | | **2 315 787 708** | **2 204 794 842** |
| Accumulated surplus | | 2 315 787 708 | 2 204 794 842 |
| **Total Net Assets** | | **2 315 787 708** | **2 204 794 842** |

* See Note 52 & 56

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Sale of goods | | 61 642 | 52 787 |
| Service charges | 20 | 250 436 969 | 212 428 785 |
| Rendering of services | | 9 782 887 | 6 680 433 |
| Construction contracts | 52 | 34 639 260 | 15 508 509 |
| Rental of facilities and equipment | 21 | 4 145 746 | 4 686 054 |
| Interest from exchange transactions | | 8 154 821 | 6 461 319 |
| Agency services | 22 | 11 002 587 | 8 634 326 |
| Licences and permits | 23 | 597 570 | 596 052 |
| Recoveries | | 2 020 035 | - |
| Operational Revenue | | 1 222 723 | 3 673 041 |
| Interest - investment | 24 | 11 613 966 | 10 845 380 |
| Fair value adjustments | 44 | 36 062 800 | 8 732 429 |
| **Total revenue from exchange transactions** | | **369 741 006** | **278 299 115** |
| **Revenue from non-exchange transactions** | | | |
| Property rates | 25 | 507 016 893 | 486 141 047 |
| Licences and Permits | 26 | 9 059 580 | 7 734 317 |
| Interest from non-exchange transactions | 27 | 31 858 238 | 28 075 261 |
| Government grants & subsidies | 28 | 511 103 019 | 471 831 358 |
| Public contributions and donations | 29 | 117 324 | 1 495 221 |
| Fines, Penalties and Forfeits | 30 | 20 598 006 | 23 979 078 |
| **Total revenue from non-exchange transactions** | | **1 079 753 060** | **1 019 256 282** |
| **Total revenue** | | **1 449 494 066** | **1 297 555 397** |
| **Expenditure** | | | |
| Employee related costs | 31 | (480 605 576) | (438 568 779) |
| Remuneration of councillors | 32 | (40 274 550) | (29 567 253) |
| Depreciation and amortisation | 33 | (89 321 628) | (87 878 307) |
| Impairments | 34 | (103 559 489) | (64 519 104) |
| Finance costs | 35 | (23 734 002) | (24 062 390) |
| Lease rentals on operating lease | 36 | (13 235 261) | (11 219 434) |
| Bad debts written off | | (11 306 773) | (7 793 796) |
| Bulk purchases | 37 | (142 879 822) | (107 469 790) |
| Contracted services | 38 | (218 213 224) | (218 004 587) |
| Transfers and Subsidies | 39 | (18 394 060) | (16 079 161) |
| Loss on disposal of assets | | (2 766 016) | (4 634 642) |
| Inventory consumed | | (12 884 681) | (11 900 979) |
| General Expenses | 40 | (181 326 133) | (149 489 954) |
| **Total expenditure** | | **(1 338 501 215)** | **(1 171 188 176)** |
| **Surplus for the year** | | **110 992 851** | **126 367 221** |

* See Note 52 & 56

# Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
| --- | --- | --- |
| Opening balance as previously reported | 2 163 000 895 | 2 163 000 895 |
| Adjustments | | |
| Correction of errors 56 | (84 573 274) | (84 573 274) |
| **Balance at 01 July 2022 as restated*** | **2 078 427 621** | **2 078 427 621** |
| Changes in net assets | | |
| Surplus for the year | 126 367 221 | 126 367 221 |
| Total changes | 126 367 221 | 126 367 221 |
| **Restated* Balance at 01 July 2023** | **2 204 794 857** | **2 204 794 857** |
| Changes in net assets | | |
| Surplus for the year | 110 992 851 | 110 992 851 |
| Total changes | 110 992 851 | 110 992 851 |
| **Balance at 30 June 2024** | **2 315 787 708** | **2 315 787 708** |

Note(s)

* See Note 52 & 56

## Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Cash received from non-exchange transactions | | 502 122 435 | 474 652 527 |
| Cash received from exchange transactions | | 206 062 755 | 196 569 800 |
| Trasfers and subsidies received | | 505 202 253 | 461 059 157 |
| Interest from investments | | 11 613 966 | 10 845 380 |
| Other cash receipts | | 3 242 758 | 3 673 041 |
| | | 1 228 244 167 | 1 146 799 905 |
| **Payments** | | | |
| Employee costs | | (500 113 904) | (467 833 402) |
| Suppliers | | (512 631 316) | (436 631 384) |
| Finance costs | | (1 938 085) | (1 359 004) |
| Transfers and Subsidies | | (18 394 060) | (16 079 161) |
| | | (1 033 077 365) | (921 902 951) |
| **Net cash flows from operating activities** | 42 | **195 166 802** | **224 896 954** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 4 | (204 186 667) | (216 015 703) |
| Proceeds from sale of property, plant and equipment | 4 | 899 624 | 1 136 149 |
| Purchase of investment property | 3 | (4 974 225) | (1 129 236) |
| Purchase of heritage assets | 6 | (98 575) | - |
| **Net cash flows from investing activities** | | **(208 359 843)** | **(216 008 790)** |
| **Cash flows from financing activities** | | | |
| Movement of long-term loan | | 6 177 678 | 7 610 527 |
| Finance lease payments | | (42 200 473) | (32 064 002) |
| **Net cash flows from financing activities** | | **(36 022 795)** | **(24 453 475)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(49 215 836)** | **(15 565 311)** |
| Cash and cash equivalents at the beginning of the year | | 115 621 005 | 131 186 313 |
| **Cash and cash equivalents at the end of the year** | 12 | **66 405 169** | **115 621 002** |

The accounting policies on pages 11 to 40 and the notes on pages 41 to 104 form an integral part of the annual financial statements.

* See Note 52 & 56

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Sale of goods | 53 928 | 29 144 | **83 072** | 61 642 | **(21 430)** | Note 64 |
| Service charges | 245 147 365 | - | **245 147 365** | 250 436 969 | **5 289 604** | Note 64 |
| Rendering of services | 7 303 500 | 127 564 | **7 431 064** | 9 782 887 | **2 351 823** | Note 64 |
| Construction contracts | - | 35 456 351 | **35 456 351** | 34 639 260 | **(817 091)** | Note 64 |
| Rental of facilities and equipment | 3 497 748 | 1 476 900 | **4 974 648** | 4 145 746 | **(828 902)** | Note 64 |
| Interest received (trading) | 6 981 504 | 1 358 752 | **8 340 256** | 8 154 821 | **(185 435)** | Note 64 |
| Agency services | 7 585 068 | 876 872 | **8 461 940** | 11 002 587 | **2 540 647** | Note 64 |
| Licences and permits | 635 640 | 1 100 | **636 740** | 597 570 | **(39 170)** | Note 64 |
| Recoveries | - | - | **-** | 2 020 035 | **2 020 035** | Note 64 |
| Operational Revenue | 1 105 920 | 627 458 | **1 733 378** | 1 222 723 | **(510 655)** | Note 64 |
| Interest received - investment | 8 511 228 | 2 763 712 | **11 274 940** | 11 613 966 | **339 026** | Note 64 |
| **Total revenue from exchange transactions** | **280 821 901** | **42 717 853** | **323 539 754** | **333 678 206** | **10 138 452** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 509 406 030 | - | **509 406 030** | 507 016 893 | **(2 389 137)** | |
| Licences and Permits (Non-exchange) | 9 627 624 | - | **9 627 624** | 9 059 580 | **(568 044)** | Note 64 |
| Interest, Dividends and Rent on Land | 30 164 076 | - | **30 164 076** | 31 858 238 | **1 694 162** | Note 64 |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 499 874 004 | 13 309 355 | **513 183 359** | 511 103 019 | **(2 080 340)** | |
| Public contributions and donations | - | - | **-** | 117 324 | **117 324** | Note 64 |
| Fines, Penalties and Forfeits | 31 061 868 | 3 467 356 | **34 529 224** | 20 598 006 | **(13 931 218)** | Note 64 |
| **Total revenue from non-exchange transactions** | **1 080 133 602** | **16 776 711** | **1 096 910 313** | **1 079 753 060** | **(17 157 253)** | |
| **Total revenue** | **1 360 955 503** | **59 494 564** | **1 420 450 067** | **1 413 431 266** | **(7 018 801)** | |
| **Expenditure** | | | | | | |
| Employee Ralated Costs | (483 929 468) | (444 328) | **(484 373 796)** | (480 605 576) | **3 768 220** | |
| Remuneration of councillors | (31 164 160) | (9 119 114) | **(40 283 274)** | (40 274 550) | **8 724** | |
| Depreciation and amortisation | (102 525 012) | - | **(102 525 012)** | (89 321 628) | **13 203 384** | Note 64 |
| Impairments | (2 231 316) | (38 584 846) | **(40 816 162)** | (103 559 489) | **(62 743 327)** | Note 64 |
| Finance costs | (9 957 656) | (2 000) | **(9 959 656)** | (23 734 002) | **(13 774 346)** | Note 64 |
| Lease rentals on operating lease | (12 388 126) | (3 084 034) | **(15 472 160)** | (13 235 261) | **2 236 899** | Note 64 |
| Bad debts written off | (10 513 152) | 500 000 | **(10 013 152)** | (11 306 773) | **(1 293 621)** | Note 64 |
| Bulk purchases | (158 319 920) | 5 000 000 | **(153 319 920)** | (142 879 822) | **10 440 098** | Note 64 |
| Contracted Services | (273 566 226) | (8 196 664) | **(281 762 890)** | (218 213 224) | **63 549 666** | Note 64 |
| Transfers and Subsidies | (13 837 604) | (2 092 238) | **(15 929 842)** | (18 394 060) | **(2 464 218)** | Note 64 |
| Inventory consumed | (10 499 486) | (2 738 846) | **(13 238 332)** | (12 884 681) | **353 651** | Note 64 |
| General Expenses | (144 049 068) | (40 437 977) | **(184 487 045)** | (181 326 133) | **3 160 912** | Note 64 |

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Total expenditure** | **(1 252 981 194)** | **(99 200 047)** | **(1 352 181 241)** | **(1 335 735 199)** | **16 446 042** | |
| **Operating surplus** | **107 974 309** | **(39 705 483)** | **68 268 826** | **77 696 067** | **9 427 241** | |
| Loss on disposal of assets | - | 651 684 | **651 684** | (2 766 016) | **(3 417 700)** | Note 64 |
| Fair value adjustments | - | 9 000 000 | **9 000 000** | 36 062 800 | **27 062 800** | Note 64 |
| | **-** | **9 651 684** | **9 651 684** | **33 296 784** | **23 645 100** | |
| **Surplus before taxation** | **107 974 309** | **(30 053 799)** | **77 920 510** | **110 992 851** | **33 072 341** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **107 974 309** | **(30 053 799)** | **77 920 510** | **110 992 851** | **33 072 341** | |

# Significant Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|---|---|---|---|

### 1. Significant accounting polices

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

### 1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

### 1.2 Presentation currency

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

### 1.3 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.

### 1.4 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.

### 1.5 Significant judgements and sources of estimation uncertainty

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

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.

# Significant Accounting Policies

### 1.5 Significant judgements and sources of estimation uncertainty (continued)

**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.

**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.

### 1.6 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.

# Significant Accounting Policies

### 1.6 Investment property (continued)

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

**Fair value**

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

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

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

If the 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 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).

### 1.7 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.

# Significant Accounting Policies

### 1.7 Property, plant and equipment (continued)

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement 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 | 5-50 Years |
| Solid waste and disposal | Straight-line | 10-80 Years |
| Road and paving | Straight-line | 3-80 Years |
| Furniture and fittings | Straight-line | 5-15 Years |
| Motor vehicles | Straight-line | 5-30 Years |
| Machinery and equipment | Straight-line | 2-15 Years |
| Computer and office equipment | Straight-line | 5-7 Years |
| Electricity | Straight-line | 3-60 Years |
| Recreational Facilities | Straight-line | 5-50 Years |
| Buildings and other structures | Straight-line | 15- 50 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.

## Significant Accounting Policies

### 1.7 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).

### 1.8 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.

### 1.9 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.

# Significant Accounting Policies

### 1.9 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 4).

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).

# Significant Accounting Policies

### 1.10 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.

## Significant Accounting Policies

### 1.10 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).

### 1.11 Financial instruments

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

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

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

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

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

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

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.

## Significant Accounting Policies

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

# Significant Accounting Policies

### 1.11 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.

### 1.12 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**

## Significant Accounting Policies

**1.12 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, an 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

**1.12 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.

**1.13 Leases**

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

When a lease includes both land and buildings elements, the 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.

# Significant Accounting Policies

### 1.14 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.

### 1.15 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.

# Significant Accounting Policies

### 1.15 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.

### 1.16 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.

### 1.17 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:

# Significant Accounting Policies

**1.17 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.

## Significant Accounting Policies

### 1.18 Employee benefits

**Identification**

**Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

**Classification of plans**

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) 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.

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

**Net defined benefit liability (asset)**

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is 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 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.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

# Significant Accounting Policies

**1.18 Employee benefits (continued)**

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) 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 (b) 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: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

**Defined benefit cost**

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

**Short-term employee benefits**

**Recognition and measurement**

**All short-term employee benefits**

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:

(a) 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

# Significant Accounting Policies

### 1.18 Employee benefits (continued)

**Post-employment benefits: Defined contribution plans**

**Recognition and measurement**

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

## Significant Accounting Policies

**1.18 Employee benefits (continued)**

**Post-employment benefits: Defined benefit plans**

**Recognition and measurement**

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

**Statement of financial position**

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

**Components of defined benefit cost**

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

**Current service cost**

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

**Net interest on the net defined benefit liability (asset)**

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

**Remeasurements of the net defined benefit liability (asset)**

Remeasurements of the net defined benefit liability (asset) comprise:

(a) actuarial gains and losses;

# Significant Accounting Policies

### 1.18 Employee benefits (continued)

(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

**Presentation**

**Other long-term employee benefits**

**Recognition and measurement**

For other long-term employee benefits, 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:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

**Termination benefits**

**Recognition**

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

**Measurement**

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

### 1.19 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.

## Significant Accounting Policies

**1.19 Provisions and contingencies (continued)**

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.

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

# Significant Accounting Policies

**1.19 Provisions and contingencies (continued)**

- 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.

**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 1.16 and 1.17.

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.

# Significant Accounting Policies

### 1.19 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.

### 1.20 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.

### 1.21 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).

# Significant Accounting Policies

### 1.21 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.

### 1.22 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.

# Significant Accounting Policies

### 1.22 Revenue from non-exchange transactions (continued)

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

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.

# Significant Accounting Policies

### 1.22 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 form 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.

# Significant Accounting Policies

### 1.22 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.

### 1.23 Investment income

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

### 1.24 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.

### 1.25 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.

# Significant Accounting Policies

### 1.25 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 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.

### 1.26 Comparative figures

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

### 1.27 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).

### 1.28 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).

### 1.29 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 municipality's supply chain management policy.

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

### 1.30 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.

### 1.31 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.

### 1.32 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.

### 1.33 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.

# Significant Accounting Policies

### 1.33 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.

### 1.34 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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 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: |
|---|---|---|
| • GRAP 1 (as revised): Presentation of financial statements | 01 April 2023 | The impact of the is not material. |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | The impact of the is not material. |
| • GRAP 25 (as revised): Employee Benefits | 01 April 2023 | The impact of the is not material. |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | 01 April 2023 | The impact of the is not material. |
| • GRAP 2020: Improvements to the Standards of GRAP 2020 | 01 April 2023 | The impact of the is not material. |
| • Guideline: Guideline on Accounting for Landfill Sites | 01 April 2023 | The impact of the is not material. |
| • GRAP 1 (amended): Presentation of Financial Statements (Materiality) | 01 April 2023 | The impact of the is not material. |

### 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 2023 Improvements to the Standards of GRAP 2023 | 01 April 2099 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | 01 April 2099 | Unlikely there will be a material impact |
| • iGRAP 22 Foreign Currency Transactions and Advance Consideration | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 395 905 550 | - | 395 905 550 | 354 868 525 | - | 354 868 525 |

**Reconciliation of investment property - 2024**

| | Opening balance | Additions | Fair value adjustments | Total |
|---|---|---|---|---|
| Investment property | 354 868 525 | 4 974 225 | 36 062 800 | 395 905 550 |

**Reconciliation of investment property - 2023**

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

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 Commercia | 5 872 000 | 6 589 000 |
| Institutional | 19 066 000 | 26 831 050 |
| Recreational Facilities | 82 453 000 | 74 015 670 |
| Vacant Land | 288 514 550 | 247 432 805 |
| | **395 905 550** | **354 868 525** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 3. Investment property (continued)

During the 2024 financial year, Ray Nkonyeni Municipality conducted a valuation of its investment properties. The effective date of the valuations was 30 June 2024. Valuations were performed by an independent value professional valuer (no 4981/2) from Pholela Business Advisory, in terms of Section 20(2)a of the Property Valuers Profession Act 2000. Pholela Business Advisory 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.

**Amounts recognised in surplus or deficit**

| | | |
|---|---|---|
| Rental revenue from Investment property | 3 454 774 | 3 744 584 |
| Fair value adjustment | 36 062 800 | 8 732 429 |

# Notes to the Annual Financial Statements

Figures in Rand

## 4. Property, plant and equipment

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | 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 | 104 639 302 | - | 104 639 302 |
| Plant and machinery | 10 104 143 | (6 593 383) | 3 510 760 | 9 621 965 | (5 644 752) | 3 977 213 |
| Furniture and fixtures | 28 353 908 | (22 891 140) | 5 462 768 | 28 376 726 | (21 962 223) | 6 414 503 |
| Motor vehicles | 173 454 209 | (61 708 391) | 111 745 818 | 120 982 275 | (56 271 663) | 64 710 612 |
| IT equipment | 28 747 312 | (15 324 772) | 13 422 540 | 26 900 295 | (13 498 851) | 13 401 444 |
| Infrastructure | 2 384 167 443 | (1 305 008 518) | 1 079 158 925 | 2 217 945 172 | (1 229 510 753) | 988 434 419 |
| Community | 1 200 864 213 | (591 506 132) | 609 358 081 | 1 178 687 165 | (561 020 424) | 617 666 741 |
| **Total** | **3 930 330 530** | **(2 003 032 336)** | **1 927 298 194** | **3 687 152 900** | **(1 887 908 666)** | **1 799 244 234** |

## Notes to the Annual Financial Statements

Figures in Rand

**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2024**

| | Opening balance | Additions | Disposals | | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 104 639 302 | - | - | - | - | - | 104 639 302 |
| Plant and machinery | 3 977 213 | 655 242 | (375) | - | (1 121 320) | - | 3 510 760 |
| Furniture and fixtures | 6 414 503 | 420 707 | (17 388) | - | (1 355 054) | - | 5 462 768 |
| Motor vehicles | 64 710 612 | 59 678 696 | (762 639) | - | (12 016 524) | 135 673 | 111 745 818 |
| IT equipment | 13 401 444 | 3 865 388 | (65 291) | - | (3 779 001) | - | 13 422 540 |
| Infrastructure | 988 434 419 | 170 361 236 | (3 119 962) | - | (43 866 437) | (32 650 331) | 1 079 158 925 |
| Community | 617 666 741 | 25 351 719 | (918 363) | - | (27 037 603) | (5 704 413) | 609 358 081 |
| | **1 799 244 234** | **260 332 988** | **(4 884 018)** | **-** | **(89 175 939)** | **(38 219 071)** | **1 927 298 194** |

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2023**

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 104 640 302 | - | - | (1 000) | - | - | 104 639 302 |
| Plant and machinery | 4 325 633 | 1 279 327 | (162 246) | - | (1 465 501) | - | 3 977 213 |
| Furniture and fixtures | 5 371 872 | 2 280 354 | (37 864) | - | (1 199 859) | - | 6 414 503 |
| Motor vehicles | 60 619 123 | 15 499 829 | (1 053 341) | - | (10 187 510) | (167 489) | 64 710 612 |
| IT equipment | 10 442 775 | 6 061 747 | (207 386) | - | (2 895 692) | - | 13 401 444 |
| Infrastructure | 863 565 839 | 171 911 652 | (4 793 400) | - | (41 245 858) | (1 003 814) | 988 434 419 |
| Community | 632 792 261 | 21 661 815 | (419 289) | - | (30 516 199) | (5 851 847) | 617 666 741 |
| | **1 681 757 805** | **218 694 724** | **(6 673 526)** | **(1 000)** | **(87 510 619)** | **(7 023 150)** | **1 799 244 234** |

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 nil.

The council resolved on 25 June 2024 to dispose obsolete assets during the 2024 financial year.

**Pledged as security**

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

**Compensation received for losses on property, plant and equipment – included in operating profit.**

| | | |
|---|---|---|
| Plant and machinery | - | 22 208 |
| Motor vehicles | 97 953 | 1 211 132 |
| IT equipment | 49 596 | 52 855 |
| Infrastructure | - | 67 689 |
| | **147 549** | **1 353 884** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 4. Property, plant and equipment (continued)

**Assets subject to finance lease (Net carrying amount)**

| | | |
|---|---|---|
| Motor vehicles | 93 673 939 | 42 656 750 |

**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 | 70 439 872 | 100 588 680 |
| Community | 24 314 889 | 36 606 052 |
| | **94 754 761** | **137 194 732** |

| | | |
|---|---|---|
| **Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected** | | |
| Included within Infrastructure Assets | 9 091 193 | 19 120 815 |
| Projects were put on hold due to budget reprioritisation | | |
| Included within Community Assets | - | 583 432 |
| Projects were put on hold due to budget reprioritisation. | | |
| | **9 091 193** | **19 704 247** |

**Reconciliation of Work-in-Progress 2024**

| | Included within Infrastructure | Included within Community | Total |
|---|---|---|---|
| Opening balance | 100 588 680 | 36 606 052 | 137 194 732 |
| Additions/capital expenditure | 174 267 480 | 25 083 123 | 199 350 603 |
| Transferred to completed items | (201 693 153) | (36 790 854) | (238 484 007) |
| Write-offs | (2 723 134) | (583 432) | (3 306 566) |
| | **70 439 873** | **24 314 889** | **94 754 762** |

**Reconciliation of Work-in-Progress 2023**

| | Included within Infrastructure | Included within Community | Total |
|---|---|---|---|
| Opening balance | 92 720 918 | 18 508 477 | 111 229 395 |
| Additions/capital expenditure | 170 135 863 | 20 718 130 | 190 853 993 |
| Transferred to completed items | (156 760 967) | (2 620 555) | (159 381 522) |
| Reclassification | (5 507 134) | - | (5 507 134) |
| | **100 588 680** | **36 606 052** | **137 194 732** |

**Expenditure incurred to repair and maintain property, plant and equipment**

| | | |
|---|---|---|
| Maintainance of Property, Plant and Equipment | 67 118 628 | 66 021 252 |

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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 5. Intangible assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 2 549 152 | (2 205 620) | 343 532 | 2 549 152 | (2 059 931) | 489 221 |

**Reconciliation of intangible assets - 2024**

| | Opening balance | Additions | Disposals | Amortisation | Total |
|---|---|---|---|---|---|
| Computer software, other | 489 221 | - | - | (145 689) | 343 532 |

**Reconciliation of intangible assets - 2023**

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

**Pledged as security**

There are no items of intangible assets pledged as security:

### 6. Heritage assets

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art Collections, antiquities and exhibits | 2 571 813 | (224 215) | 2 347 598 | 2 432 687 | (222 665) | 2 210 022 |

**Reconciliation of heritage assets 2024**

| | Opening balance | Additions | Disposals | Donations | Impairment losses recognised | Total |
|---|---|---|---|---|---|---|
| Art Collections, antiquities and exhibits | 2 210 022 | 98 575 | - | 40 551 | (1 550) | 2 347 598 |

**Reconciliation of heritage assets 2023**

| | Opening balance | Donations | Total |
|---|---|---|---|
| Art Collections, antiquities and exhibits | 2 204 722 | 5 300 | 2 210 022 |

**Heritage assets borrowed from other entities**

Durban Local History Museums and KZN Museum Service Collection have loaned Ray Nkonyeni Municipality Port Shepstone Museum selected artifacts.

KZN Museum Services and Natal Arts Trust have loaned Ray Nkonyeni Municipality Margate 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 the end of the borrowed period.

**Pledged as security**

There are no items of heritage assets pledged as security:

### 7. Inventories

| | 2024 | 2023 |
|---|---|---|
| Housing Stock: Transfers | - | 629 903 |
| Consumable stores | 10 621 268 | 4 933 886 |
| | **10 621 268** | **5 563 789** |

**Inventory pledged as security**

There are no items of Inventory pledged as security

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 8. Receivables from exchange transactions

| | | |
|---|---|---|
| Employee costs in advance | 9 514 400 | 7 915 671 |
| Prepayments | 5 935 534 | 5 656 189 |
| Deposits | 2 750 635 | 2 750 635 |
| Sundry debtors | 9 483 120 | 4 538 100 |
| Consumer debtors - Electricity | 48 919 177 | 32 833 538 |
| Consumer debtors - Service Charges | 4 369 801 | 9 735 377 |
| Consumer debtors - Refuse | 50 286 383 | 47 413 353 |
| Consumer debtors - Other | 2 994 946 | 3 912 525 |
| | **134 253 996** | **114 755 388** |

## 9. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Fines | 1 140 232 | 1 248 648 |
| Receivables from Government entities | 3 713 242 | 17 081 811 |
| Consumer debtors - Rates | 304 309 429 | 278 287 520 |
| | **309 162 903** | **296 617 979** |

| | | |
|---|---|---|
| **Statutory receivables included in receivables from non-exchange transactions above are as follows:** | | |
| Property rates | 304 309 429 | 278 287 520 |
| Fines | 1 140 232 | 1 248 648 |
| | **305 449 661** | **279 536 168** |
| **Financial asset receivables included in receivables from non-exchange transactions above** | **3 713 242** | **17 081 811** |
| **Total receivables from non-exchange transactions** | 309 162 903 | 296 617 979 |

### 9. Receivables from non-exchange transactions (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**

Management used current year effective interest rate of 11.75% to discount future cash flows as per Gazette 48923, nr 1907 of 2023

**Statutory receivables past due but not impaired**

Statutory receivables which are less than 1 year past due are not considered to be impaired. At 30 June 2024 143 637 308, , - (2023: R134 766 896) were past due but not impaired.

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

| | | |
| --- | --- | --- |
| Current (0-30 days) | 1 916 336 | 16 558 300 |
| 31-60 days | 3 787 393 | 2 641 349 |
| 61-90 days | 16 668 737 | 14 681 263 |
| 91-120 days | 14 061 861 | 12 727 953 |
| 121-365 days | 107 202 981 | 88 158 032 |

**Factors the municipality considered in assessing statutory recievables past due but not impaired**

Consideration was given to past trends in terms of how the municipality has faired 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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 9. Receivables from non-exchange transactions (continued)

**Statutory receivables impaired**

As of 30 June 2024,Gross Statutory receivables were 542 538 317- (2023: 462 762 564).

The provision for impairment was 237 088 655 as of 30 June 2024 (2023: 183 226 396).

The ageing of these receivables is as follows:

| | | |
|---|---|---|
| >365 days | 381 188 544 | 327 995 669 |

**Methodology considered in assessing traffic fines impaired**

The methodology for calculating impairment for traffic fines was based on the average collection rate.

**Reconciliation of provision for impairment for statutory receivables**

| | | |
|---|---|---|
| Opening balance | 183 226 396 | 133 579 354 |
| Provision for impairment property rates | 35 051 630 | 26 248 152 |
| Provision for impairment fines | 18 810 629 | 23 398 890 |
| | **237 088 655** | **183 226 396** |

**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 | 444 353 496 | 383 279 957 |
| Consumer debtors - Electricity | 52 395 014 | 40 629 991 |
| Consumer debtors - Service charges | 8 631 225 | 7 954 590 |
| Consumer debtors - Refuse | 83 718 890 | 72 403 520 |
| Consumer debtors - Other | 5 070 192 | 4 675 097 |
| | **594 168 817** | **508 943 155** |
| **Less: Allowance for impairment** | | |
| Consumer debtors - Rates | (140 044 067) | (104 992 437) |
| Consumer debtors - Electricity | (3 475 837) | (7 796 453) |
| Consumer debtors - Service charges | (4 261 424) | 1 780 787 |
| Consumer debtors - Refuse | (33 432 507) | (24 990 167) |
| Consumer debtors - Other | (2 075 246) | (762 572) |
| | **(183 289 081)** | **(136 760 842)** |
| **Net balance** | | |
| Consumer debtors - Rates | 304 309 429 | 278 287 520 |
| Consumer debtors - Electricity | 48 919 177 | 32 833 538 |
| Consumer debtors - Service charges | 4 369 801 | 9 735 377 |
| Consumer debtors - Refuse | 50 286 383 | 47 413 353 |
| Consumer debtors - Other | 2 994 946 | 3 912 525 |
| | **410 879 736** | **372 182 313** |
| **Statutory receivables included in consumer debtors above are as follows:** | | |
| Rates | 304 309 429 | 278 287 520 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|
| **10. Consumer debtors disclosure (continued)** | | |
| **Financial asset receivables included in consumer debtors above** | **106 570 307** | **93 894 793** |
| **Total consumer debtors** | 410 879 736 | 372 182 313 |
| **Included in above is receivables from exchange transactions** | | |
| Electricity | 48 919 177 | 32 833 538 |
| Service charges | 4 369 801 | 9 735 303 |
| Refuse | 50 286 383 | 47 413 353 |
| Other | 2 994 946 | 3 912 600 |
| | **106 570 307** | **93 894 794** |
| **Included in above is receivables from non-exchange transactions (taxes and transfers)** | | |
| Rates | 304 309 429 | 278 287 520 |
| **Net balance** | **410 879 736** | **372 182 314** |
| **Rates** | | |
| Current (0 -30 days) | 1 916 336 | 16 558 300 |
| 31 - 60 days | 3 787 393 | 2 641 349 |
| 61 - 90 days | 16 668 737 | 14 681 263 |
| 91 - 120 days | 14 061 861 | 12 727 953 |
| 121 - 365 days | 107 202 981 | 88 158 031 |
| > 365 days | 160 672 121 | 143 520 624 |
| | **304 309 429** | **278 287 520** |
| **Electricity** | | |
| Current (0 -30 days) | 19 063 239 | 11 620 624 |
| 31 - 60 days | 7 925 216 | 6 242 595 |
| 61 - 90 days | 2 527 452 | 1 892 382 |
| 91 - 120 days | 1 263 713 | 1 250 574 |
| 121 - 365 days | 7 440 104 | 6 418 723 |
| > 365 days | 10 699 453 | 5 408 640 |
| | **48 919 177** | **32 833 538** |
| **Service charges** | | |
| Current (0 -30 days) | 408 395 | 698 715 |
| 31 - 60 days | 246 035 | 67 426 |
| 61 - 90 days | 150 421 | 1 650 |
| 91 - 120 days | 379 566 | 980 805 |
| 121 - 365 days | 688 114 | 448 454 |
| > 365 days | 2 497 270 | 7 538 327 |
| | **4 369 801** | **9 735 377** |
| **Refuse** | | |
| Current (0 -30 days) | 532 261 | 2 625 180 |
| 31 - 60 days | 499 586 | 424 027 |
| 61 - 90 days | 2 869 954 | 2 522 397 |
| 91 - 120 days | 2 455 912 | 2 189 289 |
| 121 - 365 days | 17 350 780 | 15 521 390 |
| > 365 days | 26 577 890 | 24 131 070 |
| | **50 286 383** | **47 413 353** |

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 10. Consumer debtors disclosure (continued)

| | | |
|---|---|---|
| **Other** | | |
| Current (0 -30 days) | 252 379 | 170 685 |
| 31 - 60 days | 107 863 | 94 520 |
| 61 - 90 days | 90 482 | 71 628 |
| 91 - 120 days | 61 392 | 87 460 |
| 121 - 365 days | 425 702 | 868 342 |
| > 365 days | 2 057 128 | 2 619 890 |
| | **2 994 946** | **3 912 525** |

**Summary of debtors by customer classification**

| | | |
|---|---|---|
| **Households** | | |
| Current (0 -30 days) | 9 160 713 | 11 636 937 |
| 31 - 60 days | 5 323 496 | (985 765) |
| 61 - 90 days | 15 161 367 | 12 425 874 |
| 91 - 120 days | 13 067 483 | 11 077 018 |
| 121 - 365 days | 83 937 099 | 73 050 385 |
| > 365 days | 290 977 591 | 232 900 714 |
| | 417 627 749 | 340 105 163 |
| Less: Allowance for impairment | (158 803 830) | (95 900 999) |
| | **258 823 919** | **244 204 164** |

| | | |
|---|---|---|
| **Business/ commercial** | | |
| Current (0 -30 days) | 10 625 575 | 10 657 990 |
| 31 - 60 days | 6 156 689 | 3 645 880 |
| 61 - 90 days | 6 009 483 | 3 612 484 |
| 91 - 120 days | 4 151 962 | 3 200 173 |
| 121 - 365 days | 23 718 275 | 19 162 466 |
| > 365 days | 49 407 222 | 41 738 789 |
| | 100 069 206 | 82 017 782 |
| Less: Allowance for impairment | (16 262 890) | (28 769 244) |
| | **83 806 316** | **53 248 538** |

| | | |
|---|---|---|
| **National and provincial government** | | |
| Current (0 -30 days) | 1 493 836 | 3 473 726 |
| 31 - 60 days | 1 085 908 | 711 142 |
| 61 - 90 days | 1 136 195 | 1 021 695 |
| 91 - 120 days | 1 002 999 | 960 227 |
| 121 - 365 days | 25 452 307 | 14 587 484 |
| > 365 days | 46 300 602 | 35 123 656 |
| | 76 471 847 | 55 877 930 |
| Less: Allowance for impairment | (7 706 434) | (12 092 549) |
| | **68 765 413** | **43 785 381** |

### 11. VAT receivable

| | | |
|---|---|---|
| VAT | 196 457 016 | 147 724 958 |

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 12. Cash and cash equivalents (continued)

| | 2024 | 2023 |
|---|---|---|
| Cash on hand | 26 657 | 26 981 |
| Bank balances | 8 097 157 | 7 686 301 |
| Short-term deposits | 18 688 277 | 32 238 807 |
| Cash and cash equivalent held on behalf of department of human settlements | 39 593 077 | 75 668 916 |
| | **66 405 168** | **115 621 005** |

**The municipality had the following bank accounts**

| Description / Account number | Bank statement balances | | Cash book balances | |
|---|---|---|---|---|
| | 30 June 2024 | 30 June 2023 | 30 June 2024 | 30 June 2023 |
| FNB-Primary account-62723734134 | 33 038 287 | 2 899 220 | 5 228 661 | 2 899 220 |
| First National Bank-Salaries-62730321007 | 3 416 | 611 | 3 416 | 611 |
| Standard Bank- KwaNdwalane Housing | 597 847 | 550 413 | 597 847 | 550 413 |
| Standard Bank- KwaXolo Housing | 13 194 980 | 12 148 071 | 13 194 980 | 12 148 071 |
| Standard Bank- KwaMavundla HSG -378692984013 | 277 853 | 255 807 | 277 853 | 255 807 |
| Standard Bank- Masinenge HSG- 378692984013 | 6 464 735 | 34 328 112 | 6 464 735 | 34 328 112 |
| Nedbank-Reserve Investment Account - 037881000791 | 20 903 458 | 27 139 957 | 20 903 458 | 27 139 957 |
| Standard Bank- RNM Unspent Conditional Grants-378692984016 | 55 814 | 51 758 | 55 814 | 51 758 |
| Standard Bank -RNM Accreditation Funds- 37869284017 | 12 329 | 11 446 | 12 329 | 11 446 |
| Investec Bank-MHOA (Housing Development Fund)-1100/190309 | - | 10 831 633 | - | 10 831 633 |
| First National Bank-Primary investment account-62726614151 | 522 900 | 7 529 242 | 522 900 | 7 529 242 |
| FNB- TRAFFIC FINES ACCOUNT- 6230321669 | 58 855 | 977 335 | 58 855 | 977 335 |
| FNB- 48 HOUR CASH ACCELERATOR- 74873852518 | 3 910 860 | 3 606 757 | 3 910 860 | 3 606 757 |
| Standard Bank - Louisiana HSG -378692984011 | 10 907 919 | 10 042 468 | 10 907 919 | 10 042 468 |
| Standard Bank - Nzimakwe 1 HSG -378692984003 | 702 516 | 646 777 | 702 516 | 646 777 |
| Standard Bank - Nzimakwe 2 HSG -378692984004 | 1 165 570 | 1 073 092 | 1 165 570 | 1 073 092 |
| Standard Bank - Bhoboyi SUB-HSG-378692984005 | 370 111 | 340 745 | 370 111 | 340 745 |
| Standard Bank - Bhoboyi EST-HSG -378692984006 | 13 305 | 12 679 | 13 305 | 12 679 |
| Standard Bank - Damaged HSES-378692984007 | 85 265 | 80 850 | 85 265 | 80 850 |
| Standard Bank - Uplands HSG -378692984008 | 85 179 | 80 768 | 85 179 | 80 768 |
| Standard Bank - Mkholombe HSG -378692984009 | 1 650 613 | 1 519 650 | 1 650 613 | 1 519 650 |
| Standard Bank - AIDS PROJECT -378692984010 | 164 108 | 151 087 | 164 108 | 151 087 |
| Standard Bank- Ray Nkonyeni Municipality- 378692984-001 | 2 213 | - | 2 213 | - |
| **Total** | **94 188 133** | **114 278 478** | **66 378 507** | **114 278 478** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 13. Long term Loan

| | | |
|---|---|---|
| **At amortised cost** | | |
| Long term Loan | 17 010 025 | 10 832 347 |

During the 2020 financial year the municipality entered into a loan agreement with DBSA to the value of R41,4 million to be drawn down over 4 financial years and repaid 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 of R3.5 million was received, as well as the second drawdown of R8.47 received in the 2022/2023 financial year, and  the third drawdown of R7.9 million received in the 2023/2024 Financial year and current loan balance outstanding is R17 million as of 30 June 2024.

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 15 056 207 | 9 914 553 |
| **Current liabilities** | | |
| At amortised cost | 1 953 818 | 917 794 |

## 14. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 50 702 247 | 32 772 538 |
| - in second to fifth year inclusive | 94 904 131 | 44 909 631 |
| | 145 606 378 | 77 682 169 |
| less: future finance charges | (48 845 730) | (27 517 410) |
| **Present value of minimum lease payments** | **96 760 648** | **50 164 759** |
| **Present value of minimum lease payments due** | | |
| - within one year | 29 839 169 | 16 451 206 |
| - in second to fifth year inclusive | 66 921 479 | 33 713 553 |
| | **96 760 648** | **50 164 759** |
| Non-current liabilities | 66 921 479 | 33 713 553 |
| Current liabilities | 29 839 169 | 16 451 206 |
| | **96 760 648** | **50 164 759** |

It is municipality policy to lease certain motor vehicles under finance leases.

## 15. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 5 670 616 | 9 283 688 |
| Payments received in advanced | 45 264 104 | 43 191 455 |
| Retentions | 49 133 322 | 41 062 617 |
| Unknown deposits | 19 738 053 | 18 066 087 |
| Accrued bonus | 13 496 658 | 13 090 327 |
| Accrued expense | 34 994 141 | 22 006 702 |
| Other creditors - Third party | 367 035 | 393 033 |
| Other creditors - UIP | 804 318 | 576 045 |
| Other Creditors - Insurance | 2 752 857 | 1 545 653 |
| | **172 221 104** | **149 215 607** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 16. Consumer deposits

| | | |
|---|---|---|
| Electricity | 10 095 683 | 8 960 180 |
| Other consumer deposits | 384 515 | 355 491 |
| Building plans | 27 841 357 | 25 984 815 |
| Hall deposits | 8 275 | 4 955 |
| | **38 329 830** | **35 305 441** |

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.

Building plans deposit are collected on submitting building plans to encourage development. Deposits are refunded when occupational certificate is issued.

## 17. Employee benefit obligations

**Defined benefit plans - General information**

**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 | (120 731 096) | (103 729 974) |
| | | |
| Non-current liabilities | (114 936 457) | (98 891 043) |
| Current liabilities | (5 794 639) | (4 838 931) |
| | **(120 731 096)** | **(103 729 974)** |

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

| | | |
|---|---|---|
| Opening balance | (103 729 975) | (105 673 895) |
| Benefits paid | 4 929 534 | 4 515 578 |
| Net expense recognised in the statement of financial performance | (21 915 886) | (2 571 658) |
| | **(120 716 327)** | **(103 729 975)** |

**Net expense recognised in the statement of financial performance are as follows:**

| | | |
|---|---|---|
| Service cost | 21 915 886 | 2 571 658 |
| - Current service cost | 3 957 471 | 4 275 816 |
| Interest cost | 13 423 642 | 12 827 340 |
| Remeasurements | 4 534 773 | (14 531 498) |
| | **21 915 886** | **2 571 658** |

**Calculation of actuarial gains and losses**

| | | |
|---|---|---|
| Actuarial (gains) losses – Obligation | 4 534 773 | (14 531 498) |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 17. Employee benefit obligations (continued)

**Key assumptions used**

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

| | | |
|---|---|---|
| Discount rates used | 12.94 % | 13.25 % |
| Consumer price inflation | 7.37 % | 7.28 % |
| Health care cost inflation | 8.87 % | 8.78 % |
| Net discount rate | 3.74 % | 4.11 % |

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

It is the relative 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 relative 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 2023 the duration of liabilities was 12.39 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.94% per annum, and the yield on the inflation linked bonds of a similar term was about 5.19% per annum, implying an underlying expectation of inflation of 7.37% per annum ([1 + 12.94%] / [1 + 5.19%] - 1). The healthcare cost inflation rate of 8.87% was assumed. It is 1.50% above the expected inflation over the expected term of the liability. However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.74% per annum ([1 + 12.94%] / [1 + 8.87%] - 1)

## 18. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Neighbourhood Development Grant | - | 1 200 663 |
| Integrated Urban Development Grant | - | 311 284 |
| Municipal Disaster Recovery Grant | 771 197 | - |
| Margate Airport Grant | 43 015 | 3 763 373 |
| Small towns rejuvenation Grant | 1 377 516 | 2 452 315 |
| Integrated National Electrification Programme | 63 435 | 326 519 |
| Municipal Disaster Relief Grant | - | 101 775 |
| | **2 255 163** | **8 155 929** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 19. Provisions

### Reconciliation of provisions - 2024

| | Opening Balance | Additions | Benefits paid | Current Interest cost | Actuarial (gain)/loss over the financial year | Total |
|---|---|---|---|---|---|---|
| Environmental rehabilitation | 26 907 712 | (3 906 234) | - | 928 316 | - | 23 929 794 |
| Legal proceedings | 231 250 | - | (231 250) | - | - | - |
| Long service awards | 24 124 949 | 1 700 220 | (5 188 561) | 2 324 823 | 2 539 330 | 25 500 761 |
| Leave provision | 35 771 909 | 5 417 395 | (3 434 438) | - | - | 37 754 866 |
| | **87 035 820** | **3 211 381** | **(8 854 249)** | **3 253 139** | **2 539 330** | **87 185 421** |

### Reconciliation of provisions - 2023

| | Opening Balance | Additions | Benefits paid | Current Interest cost | Actuarial (gain)/loss over the financial year | Total |
|---|---|---|---|---|---|---|
| Environmental rehabilitation | 18 631 717 | 7 282 924 | - | 993 071 | - | 26 907 712 |
| Legal proceedings | 231 250 | - | - | - | - | 231 250 |
| Long service awards | 24 891 233 | 1 828 163 | (2 715 113) | 2 439 855 | (2 319 189) | 24 124 949 |
| Leave provision | 33 205 492 | 5 197 911 | (2 631 494) | - | - | 35 771 909 |
| | **76 959 692** | **14 308 998** | **(5 346 607)** | **3 432 926** | **(2 319 189)** | **87 035 820** |

| | 2024 | 2023 |
|---|---|---|
| Non-current liabilities | 46 476 024 | 47 191 990 |
| Current liabilities | 40 709 397 | 39 843 830 |
| | **87 185 421** | **87 035 820** |

**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 employeee 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 2024.

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

## 19. Provisions (continued)

**Legal proceedings provisions**

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 and transfer of the land in the name of the municipality, the provision has been settled as of 30 June 2024.

**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 2024 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 2024 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:**

| | 2024 | 2023 |
| --- | --- | --- |
| >1 Year | 22 546 230 | 20 284 278 |
| <1 Year | 2 954 531 | 3 840 671 |
| | **25 500 761** | **24 124 949** |

**Eligible employees**

| | 2024 | 2023 |
| --- | --- | --- |
| Number of Employees | 1 062 | 1 044 |

**Key assumptions used**

| | 2024 | 2023 |
| --- | --- | --- |
| Discount rate | 9.90% | 10.47% |
| CPI | 4.96% | 5.26% |
| Salary Increase rate | 5.96% | 6.26% |
| Net Discount Rate | 3.72% | 3.96% |
| | - | - |

**Age and mortality**

| | 2024 | 2023 |
| --- | --- | --- |
| Normal retirement age (years) | 65 | 65 |
| Average retirement age (years) | 63 | 63 |
| Mortality | 85-90 | 85-90 |
| | - | - |

**Amount recognised in the financial performance under employee costs are as follows:**

| | 2024 | 2023 |
| --- | --- | --- |
| Service Cost | 1 700 220 | 1 828 163 |
| Interest Cost | 2 324 823 | 2 439 855 |
| Actuarial (gain)/loss | 749 668 | (2 319 189) |
| | **4 774 711** | **1 948 829** |

## 20. Service charges

| | 2024 | 2023 |
| --- | --- | --- |
| Sale of electricity | 187 231 182 | 153 094 871 |
| Solid waste | 63 205 787 | 59 333 914 |
| | **250 436 969** | **212 428 785** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 21. Rental of facilities and equipment

| | | |
|---|---|---|
| **Facilities and equipment** | | |
| Rental of facilities | 3 263 945 | 3 744 584 |
| Rental of equipment | 881 801 | 941 470 |
| | **4 145 746** | **4 686 054** |

## 22. Agency services

| | | |
|---|---|---|
| Driver's Licenses | 5 194 878 | 4 507 662 |
| Pedestrian Crossing Patrol | 711 650 | 931 905 |
| Commission third party | 736 286 | 832 913 |
| Accreditation commission | 4 359 773 | 2 361 846 |
| | **11 002 587** | **8 634 326** |

Refer to note 50 on Accounting by Principles and Agents

## 23. Licences and permits from exchange

| | | |
|---|---|---|
| Trading licences | 1 961 | 15 558 |
| Road and Transport | 595 609 | 580 494 |
| | **597 570** | **596 052** |

## 24. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Bank | 11 613 966 | 10 845 380 |

The amount included in Investment revenue arising from interest earned from the municipal investment accounts.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 25. Property rates

### Rates received

| | | |
|---|---|---|
| Public service infrastructure | 26 545 | 71 017 |
| Business and Commercial | 125 781 376 | 96 269 122 |
| Public Service Purposes | 27 357 608 | 21 461 759 |
| Residential | 355 490 072 | 353 046 272 |
| Industrial | 16 846 271 | 15 998 106 |
| Multi-purpose | - | 3 756 763 |
| Agricultural | 11 648 601 | 3 233 775 |
| Public benefit organisations | 1 558 849 | 1 222 044 |
| ST garages/store rooms | - | 770 268 |
| Mining | 88 407 | 195 158 |
| Special purpose | - | 569 371 |
| Communal land | - | 91 025 |
| Vacant land | 31 378 175 | 34 479 328 |
| Less: Income forgone | (63 159 011) | (45 022 961) |
| | **507 016 893** | **486 141 047** |

### Valuations

| | | |
|---|---|---|
| Public service infrastructure | 47 873 000 | 3 234 950 000 |
| Business and Commercial | 5 851 811 000 | 4 383 750 000 |
| Public Service Purposes | 1 239 752 000 | 970 330 000 |
| Residential | 32 111 455 500 | 28 514 501 000 |
| Industrial | 776 135 000 | 726 078 000 |
| Multi-purpose | - | 240 277 000 |
| Agricultural | 6 046 465 000 | 2 210 836 000 |
| Public benefit organisations | 789 906 000 | 415 361 000 |
| ST garages/store rooms | - | 59 204 000 |
| Mining | 3 205 000 | 7 500 000 |
| Special purpose | - | 82 606 000 |
| Communal land | - | 70 019 000 |
| Protected land | 8 317 000 | 19 823 000 |
| Vacant land | 1 442 609 000 | 1 633 420 000 |
| Municipal | 526 534 000 | 558 730 000 |
| | **48 844 062 500** | **43 127 385 000** |

Valuations on land and buildings are performed every 5 years. The latest general valuation came into effect on 1 July 2023 until 30 June 2028, To comply with the provisions of section 8 of the Municipal Property Rates Act as amended, the following property rates categories have been changed or eliminated on the current general valuation roll: Commercial renamed to Business and Commercial, State renamed to Public Service Purpose and Agriculture renamed to Agricultural; ST Garages/store rooms, special purpose and cummunal land are eliminated. Multi purpose properties' market values are assigned in accordance with the property rates category. Supplementary valuations rolls are performed annually to take into account changes in individual property values due to alterations, consolidations, rezonings subdivisions.

## 26. Licences and permits from non-exchange

| | | |
|---|---|---|
| Business Licences | 331 927 | 273 655 |
| Hazardous goods | 27 671 | 27 634 |
| Motor Licensing | 8 337 652 | 6 922 902 |
| Permits | 362 330 | 510 126 |
| | **9 059 580** | **7 734 317** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 27. Interest

| | | |
|---|---|---|
| Interest - Non Exchange transactions | 31 858 238 | 28 075 261 |

The amount represents the interest charged from the outstanding balances of non-exchange transactions (Property Rates).

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 28. Government grants & subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 285 237 059 | 260 646 349 |
| Energy Efficiency and Demand Side Management Grant | - | 5 000 000 |
| Provincialisation of libraries Grant | 12 418 000 | 12 418 000 |
| Expanded Public Works Programme Integrated Grant | 5 084 000 | 6 076 000 |
| Community Library Services grant | 1 848 000 | 2 102 000 |
| Financial Management Grant | 1 950 000 | 1 950 000 |
| Museum subsidies Grant | 476 000 | 449 000 |
| Community Modular Library grant | 715 000 | - |
| Local Government SETA | 826 336 | 770 639 |
| Economic Development and Environmental Affairs | - | 1 000 000 |
| Municipal Disaster Recovery Grant | 81 526 803 | - |
| | **390 081 198** | **290 411 988** |
| **Capital grants** | | |
| Integrated Urban Development Grant | 88 848 000 | 81 048 715 |
| Margate Airport Grant | 5 720 359 | 1 236 627 |
| Small towns rejuvenation Grant | 1 074 799 | 4 551 655 |
| Intermodal Facility Grant | - | 30 000 000 |
| Municipal Disaster Relief Grant | - | 18 998 225 |
| Neighbourhood Development Partnership Grant | 25 378 663 | 45 584 148 |
| | **121 021 821** | **181 419 370** |
| | **511 103 019** | **471 831 358** |

### Neighbourhood Development Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 1 200 663 | 797 803 |
| Current-year receipts | 24 178 000 | 46 000 000 |
| Conditions met - transferred to revenue | (25 378 663) | (44 799 337) |
| Other | - | (797 803) |
| | **-** | **1 200 663** |

Conditions still to be met - remain liabilities (see note 18).

### Integrated Urban Development Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 311 284 | 2 241 546 |
| Current-year receipts | 88 848 000 | 81 360 000 |
| Conditions met - transferred to revenue | (88 848 000) | (81 048 715) |
| Withheld from Equitable Share | (311 284) | (2 241 547) |
| | **-** | **311 284** |

Conditions still to be met - remain liabilities (see note 18).

### Municipal Disaster Recovery Grant

| | | |
|---|---|---|
| Current-year receipts | 82 298 000 | - |
| Conditions met - transferred to revenue | (81 526 803) | - |
| | **771 197** | **-** |

Conditions still to be met - remain liabilities (see note 18).

### Margate Airport Grant

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 28. Government grants & subsidies (continued)

| | | |
|---|---|---|
| Balance unspent at beginning of year | 3 763 373 | - |
| Current-year receipts | 2 000 000 | 5 000 000 |
| Conditions met - transferred to revenue | (5 720 358) | (1 236 627) |
| | **43 015** | **3 763 373** |

**Small towns rejuvenation Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 2 452 315 | 7 003 970 |
| Conditions met - transferred to revenue | (1 074 799) | (4 551 655) |
| | **1 377 516** | **2 452 315** |

Conditions still to be met - remain liabilities (see note 18).

**Energy Efficiency Demand Side Management**

| | | |
|---|---|---|
| Current-year receipts | - | 5 000 000 |
| Conditions met - transferred to revenue | - | (5 000 000) |
| | **-** | **-** |

**Provincialisation of libraries Grant**

| | | |
|---|---|---|
| Current-year receipts | 12 418 000 | 12 418 000 |
| Conditions met - transferred to revenue | (12 418 000) | (12 418 000) |
| | **-** | **-** |

**Financial Management Grant**

| | | |
|---|---|---|
| Current-year receipts | 1 950 000 | 1 950 000 |
| Conditions met - transferred to revenue | (1 950 000) | (1 950 000) |
| | **-** | **-** |

**Community Modular libraries Grant**

| | | |
|---|---|---|
| Current-year receipts | 715 000 | - |
| Conditions met - transferred to revenue | (715 000) | - |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 18).

**Intermodal Facility Grant**

| | | |
|---|---|---|
| Current-year receipts | - | 30 000 000 |
| Conditions met - transferred to revenue | - | (30 000 000) |
| | **-** | **-** |

**Economic Development and Environmental Affairs**

| | | |
|---|---|---|
| Current-year receipts | - | 1 000 000 |
| Conditions met - transferred to revenue | - | (1 000 000) |
| | **-** | **-** |

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 28. Government grants & subsidies (continued)

**COGTA Electrification Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 784 811 |
| Conditions met - transferred to revenue | - | (784 811) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

**Municipal Disaster Relief Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 101 775 | 8 100 000 |
| Current-year receipts | - | 11 000 000 |
| Withheld from Equitable share | (101 775) | (18 998 225) |
| | - | **101 775** |

Conditions still to be met - remain liabilities (see note 18).

**Expanded Public Works Programme (EPWP)**

| | | |
|---|---|---|
| Current-year receipts | 5 084 000 | 6 076 000 |
| Conditions met - transferred to revenue | (5 084 000) | (6 076 000) |
| | - | - |

**Community Libraries Grant**

| | | |
|---|---|---|
| Current-year receipts | 1 848 000 | 2 102 000 |
| Conditions met - transferred to revenue | (1 848 000) | (2 102 000) |
| | - | - |

**Museum Grant**

| | | |
|---|---|---|
| Current-year receipts | 476 000 | 449 000 |
| Conditions met - transferred to revenue | (476 000) | (449 000) |
| | - | - |

**Local Government SETA**

| | | |
|---|---|---|
| Current-year receipts | 826 336 | 770 639 |
| Conditions met - transferred to revenue | (826 336) | (770 639) |
| | - | - |

### 29. Public contributions and donations

| | | |
|---|---|---|
| Public contributions and donations | 117 324 | 1 495 221 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 30. Fines, Penalties and Forfeits

| | | |
|---|---|---|
| Building Fines | 381 252 | 294 702 |
| Illegal Connections Fines | 548 841 | 292 033 |
| Law Enforcement Fines | 648 | - |
| Overdue Books Fines | 12 407 | 6 081 |
| Municipal Traffic Fines | 19 608 285 | 23 388 722 |
| Unclaimed Money Forfeits | 46 573 | (2 460) |
| | **20 598 006** | **23 979 078** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 31. Employee related costs

| | | |
|---|---|---|
| Basic | 288 889 726 | 274 917 390 |
| Bonus | 23 166 505 | 22 443 316 |
| Medical aid - company contributions | 20 834 612 | 20 093 503 |
| UIF | 2 214 291 | 2 057 422 |
| Leave pay | 5 417 394 | 5 197 920 |
| Defined contribution plans | 21 915 886 | 2 571 658 |
| Overtime payments | 22 168 280 | 20 371 148 |
| Long-service awards | 6 564 374 | 1 948 829 |
| Acting allowances | 1 212 127 | 638 055 |
| Car allowance | 20 192 065 | 18 911 382 |
| Housing benefits and allowances | 3 223 932 | 4 152 393 |
| Night shift allowance | 1 585 285 | 1 449 448 |
| Standby allowance | 5 752 947 | 5 088 990 |
| Bargaining council levy | 140 981 | 135 213 |
| Cellphone allowance | 993 577 | 1 021 377 |
| Pension Fund | 50 218 634 | 48 699 784 |
| Life insurance | 198 558 | 220 257 |
| | **474 689 174** | **429 918 085** |

**Remuneration of Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 1 222 973 | 926 203 |
| Car Allowance | 132 000 | 97 000 |
| Performance Bonuses | 93 487 | 184 137 |
| Contributions to UIF, Medical and Pension Funds | 43 212 | 32 306 |
| Cellphone allowance | 30 000 | 22 500 |
| | **1 521 672** | **1 262 146** |

.

**Remuneration of Chief Financial Officer**

| | | |
|---|---|---|
| Annual Remuneration | 179 979 | 1 393 336 |
| Car Allowance | 8 000 | 96 000 |
| Performance Bonuses | 179 081 | 159 376 |
| Contributions to UIF, Medical and Pension Funds | 190 | - |
| Cellphone allowance | 1 000 | 12 000 |
| | **368 250** | **1 660 712** |

The chief financial offer resigned as of 31 July 2023, therefore the remuneration for the chief financial offer includes one month remuneration and performance bonus for the 2022/23 financial year.

**Remuneration of Head of Department Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 130 629 | 1 117 185 |
| Car Allowance | 10 000 | - |
| Performance Bonuses | 132 364 | 128 509 |
| Contributions to UIF, Medical and Pension Funds | 7 508 | - |
| Cellphone allowance | 1 000 | 12 000 |
| | **281 501** | **1 257 694** |

The remuneration for Head of Department Corporate services includes one month remuneration as the contract ended in 31 July 2024 and performance bonus for the 2022/23 financial year

**Head of Department Strategic Planning and Governance**

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 31. Employee related costs (continued)

| | | |
|---|---|---|
| Annual Remuneration | 43 723 | 932 253 |
| Car Allowance | - | 10 000 |
| Performance Bonuses | 110 303 | 156 372 |
| Other | - | 13 790 |
| | **154 026** | **1 112 415** |

The Head of Department Strategic Planning and Governance resigned in the 2022/23 financial year, therefore the remuneration for the head of department Strategic planning and governance includes leave pay and performance bonus for the 2022/23 financial year.

**Remuneration of Head of Department Technical Services**

| | | |
|---|---|---|
| Annual Remuneration | 928 331 | 1 105 716 |
| Car Allowance | 180 000 | 12 000 |
| Performance Bonuses | 121 334 | 107 090 |
| Contributions to UIF, Medical and Pension Funds | 51 417 | - |
| Cellphone allowance | 12 000 | - |
| | **1 293 082** | **1 224 806** |

**Remuneration of Head of Department Public Safety**

| | | |
|---|---|---|
| Annual Remuneration | 366 263 | 1 140 367 |
| Car Allowance | 40 000 | 12 000 |
| Performance Bonuses | 110 303 | 117 800 |
| Contributions to UIF, Medical and Pension Funds | 11 834 | - |
| Cellphone allowance | 4 000 | - |
| | **532 400** | **1 270 167** |

The remuneration for Head of Department Public Safety includes four month remuneration as the contract ended in 31 October 2024 and performance bonus for the 2022/23 financial year

**Remuneration of Head of Department Development Planning Services**

| | | |
|---|---|---|
| Annual Remuneration | 676 602 | 624 225 |
| Car Allowance | 135 000 | 5 000 |
| Performance Bonuses | 65 155 | 107 091 |
| Contributions to UIF, Medical and Pension Funds | 32 409 | - |
| Cellphone allowance | 9 000 | - |
| | **918 166** | **736 316** |

**Remuneration of Head of Department of Community Services**

| | | |
|---|---|---|
| Annual Remuneration | 645 681 | 125 261 |
| Car Allowance | 180 000 | 1 000 |
| Performance Bonuses | 11 030 | - |
| Contributions to UIF, Medical and Pension Funds | 1 594 | 177 |
| Cellphone allowance | 9 000 | - |
| | **847 305** | **126 438** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 32. Remuneration of councillors

| | | |
| --- | --- | --- |
| Mayor | 867 023 | 979 832 |
| Deputy Mayor | 1 105 183 | 792 390 |
| Mayoral Committee Members | 9 340 121 | 6 673 850 |
| Speaker | 707 275 | 782 126 |
| Councillors | 27 159 637 | 19 593 415 |
| Chief Whip | 1 095 311 | 745 640 |
| | **40 274 550** | **29 567 253** |

**In-kind benefits**

The Mayor, Deputy 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 the use of separate council owned vehicle for official duties.

The Mayor, Deputy Mayor and speaker each have full-time bodyguards.

**Additional information**

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

The municipality has a total of 71 Councillors. The total composition being The Mayor, Deputy Mayor, Speaker, Chief Whip and 9 Members of the Mayoral Committe and 58 Ordinary Councillors.

The Mayor Cllr ZP Mzindle was appointed in the January Council 2024 and entered into office from 1 February 2024 which has an inpact on the current year Mayors remuneration in comparison to the prior year. The previous incumbent Mr IS Mqadi resigned from the municipality and was appointed the Mayor of Ugu District Municipality.

### 33. Depreciation and amortisation

| | | |
| --- | --- | --- |
| Property, plant and equipment | 89 175 939 | 87 510 619 |
| Intangible assets | 145 689 | 367 688 |
| | **89 321 628** | **87 878 307** |

### 34. Impairment loss

| | | |
| --- | --- | --- |
| **Impairments** | | |
| Property, plant and equipment | 38 219 071 | 7 023 150 |
| Heritage assets | 1 550 | - |
| Trade and other receivables | 65 338 868 | 57 495 954 |
| | **103 559 489** | **64 519 104** |

Impairment loss/ reversal on PPE and Trade receivables has been consolidated on the face of the 2024 statement of financial performance and broken down in this note.

### 35. Finance costs

| | | |
| --- | --- | --- |
| Non-current borrowings | 1 930 661 | 1 324 120 |
| Interest Charged | 7 424 | 34 884 |
| Finance leases | 20 867 601 | 21 710 315 |
| Landfill Site Provision Interest | 928 316 | 993 071 |
| | **23 734 002** | **24 062 390** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 36. Lease rentals on operating lease

| | | |
|---|---|---|
| **Motor vehicles** | | |
| Contractual amounts | 8 069 477 | 6 422 879 |
| **Equipment** | | |
| Contractual amounts | 1 140 224 | 1 809 938 |
| **Plant and equipment** | | |
| Contractual amounts | 989 365 | 343 365 |
| **Lease rentals on operating lease - Other** | | |
| Contractual amounts | 3 036 195 | 2 643 252 |
| | **13 235 261** | **11 219 434** |

### 37. Bulk purchases

| | | |
|---|---|---|
| Electricity - Eskom | 142 879 822 | 107 469 790 |

**Electricity losses**

| | | | | |
|---|---|---|---|---|
| Units purchased | - | - | 76 882 449 | 75 124 284 |
| Units sold | - | - | (67 669 096) | (62 259 474) |
| **Total loss** | **-** | **-** | **9 213 353** | **12 864 810** |

| | | |
|---|---|---|
| Comprising of: | | |
| Technical losses | 5 931 227 | 4 982 798 |
| Non-technical losses | 6 757 362 | 10 250 327 |
| **Total** | **12 688 589** | **15 233 125** |

| | | |
|---|---|---|
| Percentage Loss: | | |
| Technical losses | 6 % | 6 % |
| Non-technical losses | 6 % | 12 % |
| **Total** | **12 %** | **18 %** |

### 38. Contracted services

| | | |
|---|---|---|
| **Presented previously** | | |
| Information Technology Services | 57 915 | 31 518 |
| | | |
| **Outsourced Services** | | |
| Administrative and Support Staff | 8 162 278 | 9 905 252 |
| Business and Advisory | 8 249 212 | 3 810 906 |
| Catering Services | 353 170 | 299 183 |
| Cleaning Services | 8 834 438 | 8 213 444 |
| Clearing and Grass Cutting Services | 15 200 843 | 13 519 159 |
| Hygiene Services | 476 293 | 1 017 369 |
| Medical Waste Removal | 33 000 | - |
| Personnel and Labour | 7 897 100 | 5 289 615 |
| Connection/Dis-connection | 587 871 | 485 783 |
| Security Services | 49 534 843 | 42 462 688 |
| Swimming Supervision | 16 684 433 | 15 501 473 |
| Transport Services | 1 947 298 | 1 670 623 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 38. Contracted services (continued)

| | | |
|---|---|---|
| **Consultants and Professional Services** | | |
| Business and Advisory | 6 690 833 | 7 912 815 |
| Infrastructure and Planning | 1 520 658 | 578 247 |
| Laboratory Services | 682 863 | 603 244 |
| Legal Cost | 6 928 613 | 7 732 408 |
| **Contractors** | | |
| Catering Services | 660 660 | 849 719 |
| Electrical | 680 688 | 4 352 592 |
| Employee Wellness | 343 966 | 370 208 |
| Event Promoters | 1 049 793 | 3 845 299 |
| Maintenance of Property Plant & Equipment | 67 115 683 | 66 021 253 |
| Management of Informal Settlements | 4 279 261 | 14 327 370 |
| Pest Control and Fumigation | - | 20 160 |
| Tracing Agents and Debt Collectors | 602 639 | 39 218 |
| Shark Nets | 9 638 873 | 9 145 041 |
| | **218 213 224** | **218 004 587** |

### 39. Transfers and subsidies

| | | |
|---|---|---|
| Youth Development | 2 125 204 | 1 875 253 |
| Entrepreneurial Support | 10 264 890 | 8 636 759 |
| Tourism and Development Agency | 3 422 845 | 3 336 045 |
| Community Development Programmes | 2 581 121 | 2 231 104 |
| | **18 394 060** | **16 079 161** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 40. General expenses

| | | |
|---|---|---|
| Advertising | 2 695 358 | 2 251 290 |
| Auditors remuneration | 5 821 678 | 3 446 517 |
| Bank charges | 478 687 | 371 018 |
| Commission paid | 2 643 199 | 2 202 037 |
| Litigation settlement fees | 26 400 000 | - |
| Hire | 26 234 044 | 19 500 472 |
| Insurance | 7 416 312 | 7 069 209 |
| IT expenses | 10 695 875 | 10 962 147 |
| Skills Developement Levy | 4 124 396 | 3 850 218 |
| Toll Fees | 215 132 | 106 218 |
| Municipal vehicle tracking | 565 216 | 552 725 |
| Fuel and oil | 23 196 648 | 21 904 693 |
| Ward Committees | 4 053 795 | 2 901 980 |
| Postage and courier | 1 911 336 | 1 686 700 |
| Printing and stationery | 765 960 | 652 575 |
| Workmens Compensation | 3 062 889 | 5 284 166 |
| Protective clothing | 4 892 288 | 4 625 717 |
| Subscriptions and membership fees | 5 461 913 | 5 080 662 |
| Telephone and fax | 3 263 703 | 2 809 002 |
| Travel - local | 4 030 097 | 3 440 006 |
| Title deed search fees | 221 789 | 426 088 |
| Water & Electricity | 29 903 293 | 39 612 893 |
| Employee Bursaries | 1 084 921 | 1 246 724 |
| Municipal Vehicle Licencing | 705 804 | 834 394 |
| Sheriff Management Fees | 515 690 | 679 998 |
| Training and workshops | 3 410 534 | 3 188 355 |
| Signage | 2 684 014 | 1 588 247 |
| Indigent Relief | 4 871 562 | 3 215 903 |
| | **181 326 133** | **149 489 954** |

## 41. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 5 821 678 | 3 446 517 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

## 42. Cash generated from operations

| | | |
|---|---|---|
| Surplus | 110 992 851 | 126 367 221 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 89 321 628 | 87 878 307 |
| Loss on disposal of assets | 4 539 950 | 6 963 652 |
| Fair value adjustments | (36 062 800) | (8 732 429) |
| Impairment of assets | 38 217 521 | 7 023 150 |
| Bad debts written off | 11 306 773 | 7 793 796 |
| Movements in provisions | 149 601 | 10 076 126 |
| Movement in employee obligation | 17 001 122 | (1 943 920) |
| Public contributions and donations | (117 324) | (1 495 221) |
| Finance lease interest | 20 867 601 | 21 710 315 |
| **Changes in working capital:** | | |
| Inventories | (5 057 479) | 1 494 518 |
| Receivables from exchange transactions | (19 498 609) | (6 950 385) |
| Receivables from non-exchange transactions | (12 544 924) | (27 254 639) |
| Payables from exchange transactions | 23 005 498 | 14 269 813 |
| VAT Receivable | (48 732 058) | (39 318 266) |
| VAT Payable | 40 729 667 | 36 523 513 |
| Unspent conditional grants and receipts | (5 900 766) | (10 772 201) |
| Consumer deposits | 3 024 389 | 2 459 668 |
| Housing Development Fund | (36 075 839) | (1 196 064) |
| | **195 166 802** | **224 896 954** |

## 43. Operating surplus

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

| | | |
|---|---|---|
| **Operating lease charges** | | |
| Motor vehicles | | |
| • Contractual amounts | 8 069 477 | 6 422 879 |
| Equipment | | |
| • Contractual amounts | 1 140 224 | 1 809 938 |
| Plant and equipment | | |
| • Contractual amounts | 989 365 | 343 365 |
| Lease rentals on operating lease - Other | | |
| • Contractual amounts | 3 036 195 | 2 643 252 |
| | **13 235 261** | **11 219 434** |

| | | |
|---|---|---|
| Loss on sale of property, plant and equipment | (2 766 016) | (4 634 642) |
| Impairment on property, plant and equipment | 38 219 071 | 7 023 150 |
| Impairment on heritage assets | 1 550 | - |
| Impairment on trade and other receivables | 65 338 868 | 57 495 954 |
| Amortisation on intangible assets | 145 689 | 367 688 |
| Depreciation on property, plant and equipment | 89 175 939 | 87 510 619 |
| Employee Costs and Councillors Remuneration | 520 880 126 | 468 136 032 |

## 44. Fair value adjustments

| | | |
|---|---|---|
| Investment property (Fair value model) | 36 062 800 | 8 732 429 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**45. Commitments**

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 109 893 263 | 33 282 035 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 109 893 263 | 33 282 035 |

**Total commitments**

| | | |
|---|---|---|
| **Total commitments** | | |
| Authorised capital expenditure | 109 893 263 | 33 282 035 |

This committed expenditure relates to property plant and equipment and will be financed by 20% funds internally generated, 78% Integrated Urban Development Grant and 3% Market stalls grant .

**Operating leases - as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 3 132 844 | 2 744 354 |
| - in second to fifth year inclusive | 3 085 302 | 5 228 682 |
| | **6 218 146** | **7 973 036** |

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.

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 46. Contingencies

| | | | | | |
|---|---|---|---|---|---|
| **Claimant** | | Nature of contegent liability | Summary of matter and uncertainty | | |
| Tauris Garden Trading (Pty) Ltd (Masinenge Slums Clearance Project) | | Contractual Dispute | This contractual dispute is due to Tauris Garden Trading (Pty) Ltd c laiming that the RNM owes them an amount of R34 878075.03 for w ork they performed whereas the municipality is disputing this m atter due to the fact that Tauris Garden Trading (Pty) Ltd owes R ay Nkonyeni Municipality for snags. | - | 34 878 075 |
| W J Pienaar | | Pothole claim | There is a dispute of pothole damages, it is howevernot certain that t he plaintiff has a case against themunicip ality as not all the l igation requirements have not been met. | 7 037 | 7 037 |
| JD Chetty | | Pothole claim | There is a dispute of pothole damages as RayNkonye ni Municipality awaits the inspection of the plaintiff works in Durban | - | 15 208 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**46. Contingencies (continued)**

| | | | | | |
|---|---|---|---|---|---|
| E Meier | | Pothole claim | There is a dispute of pothole damages as there is no visible p othole on this road | 17 060 | 17 060 |
| A Reddy | | Improvement claim | Summons received on 08th September 2020 for animprove ment claim. A Reddy claims that the accessroad to his home was damaged due to a storm and thathe requested the Municipality to repair the damages asthe damages apparently was a threat to life or limb andafter officials allegedly failed to cause the repairs, hehired a private contractor to repair the access road. Henow 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 |

## Notes to the Annual Financial Statements

| Figures in Rand | | | | 2024 | 2023 |
|---|---|---|---|---|---|

**46. Contingencies (continued)**

| | | | | | |
|---|---|---|---|---|---|
| Dm Pieterse | | Damages | Letter of demand received for Motor Vehicle Damages from allegedly colliding with an open manhole on Buckingham & Park Street, Shelly Beach | 38 241 | - |
| A Maritz | | Damages | Letter of demand received for Pothole Damages that occurred on or about Shelly Beach/Margate. | 1 538 | - |
| S Reddy | | Damages | Letter of demand received for Motor Vehicle Damages that occurred by colliding with a tree as a result of a pothole on Robin Road Shelly Beach | 266 937 | - |
| S Engelbrecht | | Pothole Damages claim | Letter of demand received for Pothole Damages that occurred at or around Margate | 5 832 | - |
| PGA Plant Civils (Pty) Ltd | | Pothole damage | Letter of demand received for Pothole Damages that occurred at or near R102 Hibberdene | 28 055 | - |
| Lucretia | | Services rendered | Letter of demand received unpaid Invoice based on services rendered. | 29 500 | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 46. Contingencies (continued)

| | | | | | |
|---|---|---|---|---|---|
| A Anosike | | Motor Vehicle Accident | Summons received for alleged Motor vehicle Collision with Council Vehicle. | 204 996 | - |
| A GRUNDLING | | Pothole damage | Letter of demand received for Pothole Damages that occurred at or near Marine Drive, Margate. | 2 425 | - |
| D Ramos | | Pothole Damages Claim | Letter of demand then Summons received for Pothole Damages that occurred on Jacaranda Road, Shelly Beach | 42 010 | - |
| Modesta Mgumbela | | Damage claim | Letter of demand received for pothole damages in De Wet Street, Margate | 1 450 | 1 450 |
| Johan Haywood | | Damages Claim | Letter of demand received for pothole damages in Abelia Crescent, Sea Park | 5 200 | 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 | 110 000 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 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 | 278 850 |
| Inclusion South Africa (Pty) Ltd | | Pothole Damages Claim | Letter of demand received for Pothole Damages that occurred on Nelson Mandela Drive Port Shepstone | 76 150 | - |
| Natal Sharks Board | | Professional Services claim | Claim stemming from unpaid professional services rendered | - | 5 546 666 |
| Ndelu Group 01 (Pty) Ltd | | Breach of Contract Claim | Letter of demand received for payment in respect of Services Provided. | 84 500 | - |
| SL Ntombela | | Pothole Damages Claim | Letter of demand and subsequently Summons received for Pothole Damages that occurred on Alford Road Ramsgate | 44 373 | - |
| M Valorie | | Pothole Damages Claim | Letter of demand received for Pothole Damages that occurred on Seaslopes, Margate | 10 916 | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 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 |
| 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.<br><br>Arrestin g 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 |
| DB Lewis | | Pothole Damages Claim | Letter of demand received for Pothole Damages that occurred on Seaslopes Ave. Uvongo | 14 285 | - |

### 46. Contingencies (continued)

| | | | | 2024 | 2023 |
|---|---|---|---|---|---|
| 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 |
| Mvumikazi Tsewu | | Pothole Damages Claim | Letter of demand and subsequently Summons received for Pothole Damages that occurred on Ramsgate Beach | 143 100 | - |
| 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 | 58 924 | 49 021 |
| P A Nanak | | Damages | Letter of demand received for pothole damages in Robin Road, Albersville | 43 729 | 43 729 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**46. Contingencies (continued)**

| | | | | | |
|---|---|---|---|---|---|
| Keegan Pillay | | Accident Claim | Letter of Demand received for MVA damages after colliding with a vehicle from DComms. | 80 846 | 159 916 |
| 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 |
| Wandile Majova | | Damages | Letter of demand for personal injury claim-bridge collapsed on claimant at Mvutshini Location, Margate | 3 342 224 | 5 000 000 |
| Pieter Potgieter | | Damages (Pothole claim) | Letter of demand received for pothole damages in Seaslopes, Margate | 65 027 | 65 027 |
| Alison Shaw | | Damages | Letter of demand received for pothole damages in Miami Road, Hibberdene | 51 058 | 51 058 |
| Beyers Joubert | | Damages | Letter of Demand received for pothole damages at Marine Drive Margate | - | 7 306 |

## Notes to the Annual Financial Statements

| Figures in Rand | | | | 2024 | 2023 |
|---|---|---|---|---|---|

### 46. Contingencies (continued)

| | | | | | |
|---|---|---|---|---|---|
| M Leqheka | | Damages | Letter of demand received for motor vehicle accident damages in Valley Road, Margate | 8 534 | 8 534 |
| Maria Magdalena Erasmus | | Damages | Letter of Demand received – personal injury claim-fell into pothole on Manaba Beach Road | 380 000 | 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. | 369 470 | 361 360 |
| Fink Investments 13 Prop cc | | MVA Damages Claim | Letter of demand received then summons received for MVA damages that occured on Ridge road, Port shepstone | 63 880 | - |
| Sithembiso Ngezana | | Pothole Damages | Letter of demand received for pothole damage on Mcgyver Road Margate | 7 475 | - |
| Lambadina Trading | | Claim for services Rendered | Letter of demand then summons received fo services rendered in terms of verge Maintenance tender | 614 064 | - |
| | | | | **21 861 780** | **62 741 806** |

**Contingent assets**

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 46. Contingencies (continued)

The municipality anticipates that there is a probability for future economic benefits to flow into the municipality from transactions linked to billboard advertising. There are currently ongoing engagements with the companies in order for the matter to be finalised amicably.

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

| **Description** | | |
| --- | --- | --- |
| Billboard advertising | 1 915 914 | 1 615 949 |
| | | - |

### 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.

**Market risk**

**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 2024 and 2023, 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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 48. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 2 315 787 708 and that the municipality's total assets exceed its liabilities by 2 315 787 708.

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.

# Notes to the Annual Financial Statements



## 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 | Goods and/or services |
|---|---|
| Technical Services | Provision and maintenance of infrastructure |
| Community Services | Provision of refuse removal basic service delivery |

### 49. Segment information (continued)

**Segment surplus or deficit, assets and liabilities**

**2024**

| | Technical Services | Community Services | Total |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from non-exchange transactions | 548 841 | 5 084 000 | 5 632 841 |
| Revenue from exchange transactions | 188 925 980 | 71 201 207 | 260 127 187 |
| **Total segment revenue** | **189 474 821** | **76 285 207** | **265 760 028** |
| unallocated revenue | | | 1 183 734 037 |
| **Municipality's revenue** | | | **1 449 494 065** |
| **Expenditure** | | | |
| Salaries and wages | 13 213 377 | 100 875 837 | 114 089 214 |
| Bulk purchases | 142 879 822 | - | 142 879 822 |
| Contracted services | 15 344 543 | 48 493 917 | 63 838 460 |
| Operating leases | 486 043 | 5 243 692 | 5 729 735 |
| Operational cost | 5 760 367 | 23 614 793 | 29 375 160 |
| Inventory cost | 58 664 | 9 188 524 | 9 247 188 |
| Finance costs | 1 930 661 | - | 1 930 661 |
| **Total segment expenditure** | **179 673 477** | **187 416 763** | **367 090 240** |
| **Total segmental surplus/(deficit)** | **9 801 344** | **(111 131 556)** | **(101 330 212)** |
| Unallocated expenses | | | 971 410 975 |
| **Entity's surplus (deficit) for the period** | | | **110 992 851** |
| **Assets** | | | |
| Current assets | 264 224 260 | (118 292 976) | 145 931 284 |
| Non-current assets | 73 164 890 | - | 73 164 890 |
| **Total segment assets** | **337 389 150** | **(118 292 976)** | **219 096 174** |

# Notes to the Annual Financial Statements

Figures in Rand

### 49. Segment information (continued)

| | Technical Services | Community Services | Total |
|---|---|---|---|
| Unallocated assets | | | 2 823 699 051 |
| **Total assets as per Statement of financial Position** | | | **3 042 795 225** |
| **Liabilities** | | | |
| Current liabilities | 95 457 273 | - | 95 457 273 |
| Non-current liabilities | 12 930 286 | - | 12 930 286 |
| **Total segment liabilities** | **108 387 559** | **-** | **108 387 559** |
| Unallocated liabilities | | | 618 619 960 |
| **Total liabilities as per Statement of financial Position** | | | **727 007 519** |

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

**2023**

| | Technical Services | Community Services | Total |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from non-exchange transactions | 5 292 033 | 6 076 000 | 11 368 033 |
| Revenue from exchange transactions | 158 648 519 | 67 279 370 | 225 927 889 |
| **Total segment revenue** | **163 940 552** | **73 355 370** | **237 295 922** |
| Other unallocated revenue 1 | | | 1 060 259 469 |
| **Municipality's Revenue** | | | **1 297 555 391** |

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Segment information (continued)

| | | | |
|---|---|---|---|
| **Expenditure** | | | |
| Salaries and wages | 14 002 045 | 100 635 335 | 114 637 380 |
| Bulk purchases | 107 469 790 | - | 107 469 790 |
| Contracted services | 19 056 818 | 44 265 883 | 63 322 701 |
| 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 |
| Finance costs | 1 324 120 | - | 1 324 120 |
| transfers and subsidies | - | 286 094 | 286 094 |
| **Total segment expenditure** | **146 750 431** | **171 939 946** | **318 690 377** |
| **Total segmental surplus/(deficit)** | **17 190 121** | **(98 584 576)** | **(81 394 455)** |
| Unallocated expenses | | | 852 497 799 |
| **Entity's surplus (deficit) for the period** | | | **126 367 221** |
| **Assets** | | | |
| Current assets | 184 285 722 | (81 296 322) | 102 989 400 |
| Non-current assets | 73 164 890 | - | 73 164 890 |
| **Total segment assets** | **257 450 612** | **(81 296 322)** | **176 154 290** |
| Unallocated assets | | | 2 660 940 831 |
| **Total assets as per Statement of financial Position** | | | **2 837 095 121** |
| **Liabilities** | | | |
| Current liabilities | 56 588 841 | - | 56 588 841 |
| Non-current liabilities | 6 752 608 | - | 6 752 608 |
| **Total segment liabilities** | **63 341 449** | **-** | **63 341 449** |
| Unallocated liabilities | | | 568 958 812 |
| **Total liabilities as per Statement of financial Position** | | | **632 300 261** |

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 50. Accounting by principals and agents

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

**Details of the arrangments 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 2024 R10 266 301 : (2023 R7 801 413)

**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**

| | 2024 | 2023 |
|---|---|---|
| **Department of Human Settlements** | | |
| Accreditation fees received | 4 359 773 | 2 361 846 |

| | 2024 | 2023 |
|---|---|---|
| **Department of Transport** | | |
| Commission Earned | 5 906 528 | 5 439 567 |

### 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

| | 2024 | 2023 |
|---|---|---|
| **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 | 854 036 | 991 923 |
| Tower 13 Lifeguard services cc - Councillor at Ray Nkonyeni Municipality | 273 055 | 316 948 |
| Andrews Hire - Official at Ray Nkonyeni Municipality- Relative employed at Ray Nkonyeni Municipality | 14 250 | 54 500 |
| RDC Builders - relative retired from SAPS | 5 266 812 | 1 152 041 |
| Bright idea projects 416 cc t/a Margate Construction- Relative employed at TVET college in Port Shepstone | - | 15 570 468 |
| Margate ConstructionvRelative employed at TVET college in Port Shepstone | 59 094 535 | - |
| | **65 502 688** | **18 670 662** |

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 52. Construction Contracts Revenue

| | | |
| --- | --- | --- |
| Integrated National Electrification Programme (INEP) | - | 4 352 592 |
| Human Settlement | 34 639 260 | 11 155 917 |
| | **34 639 260** | **15 508 509** |

Method used to determine the Revenue- Integrated National Electrification Programme

Revenue is recognised when conditions are met on INEP projects.

Method used to determine the stage of completion of contracts in progress

The municipality received tranches as per the national treasury payment schedule. Projects are implemented per stage and the contractor are aslo paid per stage.

Method used to determine the Revenue- Human Settlement

Revenue is determined on a claims basis where the municipality submits the claims to the Department of Human Settlement for expenditure inccured.

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 Settlement. Projects are implemented per stage and contractors are also paid per stage.

### 53. VAT payable

| | | |
| --- | --- | --- |
| Tax payables | 152 921 153 | 112 191 486 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 54. Related parties

| Relationships | |
| --- | --- |
| UGU District Municipality | Inter governmental relations |
| South Coast Tourism and Investment Enterprise | Inter governmental relations |
| Councillors | Refer to the Councillors remuneration note |
| key management personnel | Refer to the employee cost note |

**Audit Committee**

The MFMA obliges every municipality to establish an independent audit committee, which must advise the municipal council, political office-bearers, accounting officer and management staff of the municipality, on matters relating to internal financial controls and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance, compliance with the MFMA, the annual Division of Revenue Act (DoRA) and any other applicable legislation, and any other issues referred to it by the municipality. The audit committee is governed by formal terms of reference (the Audit Committee Charter), which are regularly reviewed and approved by the council

| **Audit Committee Fees** | | |
| --- | --- | --- |
| Audit Committee Chairperson | 139 499 | 146 033 |
| Audit Committee Members | 193 769 | 167 500 |
| | **333 268** | **313 533** |

The audit committee comprises of five (5) external, non-executive members.

All members are external and therefore independent with no conflicts of interests being reported.

Five (5) audit committee meetings were held since the beginning of this financial year. The audit committee held meetings with the accounting officer, senior management of the municipality, the internal audit function and the AGSA (external auditors) collectively and individually, on matters related to governance, internal control, and risk in the municipality, throughout the reporting period. The chairperson of the MPAC is a standard invitee to our meeting and is encouraged to attend some of our meetings. Representatives from the AGSA, and COGTA attended some of the audit committee meetings.

**Related party balances**

| **Grants to related parties** | | |
| --- | --- | --- |
| South Coast Tourism and Investment Enterprise | 3 936 271 | 3 596 915 |

**Remuneration of management**

### 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 conditional assessment conducted as at 30 June 2024 and resulted in the followng decreases in the depreciation for property plant and equipment in the 2024 financial year and future periods:f -

The impact on the statement of financial performance (Depreciation) in 2024 financial year and future periods:

| | | |
| --- | --- | --- |
| Machinery and Equipment | (260 511) | (127 584) |
| Furniture and Equipment | (123 996) | (144 641) |
| Motor Vehicles | (883 955) | (879 745) |
| Computer and Office Equipment | (140 739) | (335 527) |
| Infrastructure Assets | (2 427 265) | (6 715 944) |
| Community Assets | (3 402 241) | (3 811 637) |
| | **(7 238 707)** | **(12 015 078)** |

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 55. Change in estimate (continued)

**Intangible Assets**

A change in the estimated remaining useful life of various assets of the Municipality based on their conditional assessment conducted as at 30 June 2024 and resulted in the following decreases in the amortisation for intangible asset in the 2024 financial year and future periods:

The impact on the statement of financial performance (Amortisation) and statement of financial position accumulated armotisation in 2024 financial year and future period.

| | | |
| --- | --- | --- |
| Increase/(Decrease ) Change in amortization | (217 088) | (131 960) |

### 56. Prior period errors

**Receivable from non-exchang**e-

The receivabe balance was erroneously recorded at an incorrect balance in the prior year. The error was corrected and the results of the correction are as follows:

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 56. Prior period errors (continued)

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Increase/ (Decrease) in receivables from non-exchange | (17 475 979) | (39 420 922) |
| (Increase)/Decrease in Net Assets | - | 39 420 922 |
| | **(17 475 979)** | **-** |

| | | |
|---|---|---|
| **Statement of Financial Performance** | | |
| Increase/(Decrease) In Agency Services | (298 405) | - |
| Increase/(Decrease) In Impairment | 17 774 384 | - |
| | **17 475 979** | **-** |

**Government grants and subsidies**

The change is due to the correction of the CoGTA Electrification project payments that were erroneously processed using an incorrect funding in the prior year.

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| (Increase)/Decrease in unspent conditional grants | - | 798 401 |

| | | |
|---|---|---|
| **Statement of Financial Performance** | | |
| (Increase)/Decrease in Revenue from Non-Exchange | - | (798 401) |

**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". An error was identified that some community assets were erroneously classified as infrastructure.

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Increase/(Decrease) in PPE cost | - | 116 456 921 |
| (Increase)/Decrease in PPE Accumulated Depreciation | (2 299 791) | (54 314 826) |
| (Increase)/Decrease PPE Accumulated Impairment | 162 273 | (400 719) |
| (Increase)/Decrease in Net Assets | - | (514 547) |
| | **(2 137 518)** | **61 226 829** |

| | | |
|---|---|---|
| **Statement of Financial Performance** | | |
| Increase/(Decrease) in Depreciation | 2 299 791 | - |
| Increase/(Decrease) in Impairment | (162 273) | - |
| | **2 137 518** | **-** |

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". An error was identified that some community assets were erroneously classified as infrastructure.

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Increase/(Decrease) in PPE cost | (5 432 889) | (115 541 784) |

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**56. Prior period errors (continued)**

| | | |
|---|---|---|
| (Increase)/Decrease in PPE accumulated depreciation | 1 692 272 | 53 812 274 |
| (Increase)/Decrease in PPE accumulated impairment | (162 272) | 400 719 |
| (Increase)/Decrease in Retention | (85 382) | - |
| (Increase)/Decrease in Input Tax Recognised | 11 137 | - |
| (Increase)/Decrease in Net Assets | - | 101 962 |
| | **(3 977 134)** | **(61 226 829)** |

**Statement of Financial Performance**

| | | |
|---|---|---|
| Increase/(Decrease) in Depreciation | (1 692 272) | - |
| Increase/(Decrease) in Impairment | 162 273 | - |
| Increase/(Decrease) in Contracted Services | 5 507 134 | - |
| | **3 977 135** | **-** |

Payable from exchange transactions

Invoice was erroneously not recognised in the prior year. The error was corrected and the results of the correction are as follows

**Statement of Financial Position**

| | | |
|---|---|---|
| Increase /(Decrease) VAT Receivable | 139 303 | - |
| (Increase) /Decrease Payables from exchange transactions | (1 067 986) | (121 500) |
| (Increase)/Decrease in Net Assets | - | 121 500 |
| | **(928 683)** | **-** |

**Statement of financial performance**

| | | |
|---|---|---|
| Increase/(Decrease) Contracted services | 928 683 | - |

Consumer Deposit

Electricity refund was incorrectly debited against revenue. The error was corrected and the results of the correction are as follows.

**Statement of Financial Position**

| | | |
|---|---|---|
| Increase/(Decrease) in Consumer Deposit | - | (9 756) |

**Statement of financial performance**

| | | |
|---|---|---|
| (Increase) /Decrease in Fines; Penalties and Forfeits | - | 9 756 |

Housing Development Fund

The unspent housing development grant revenue was understated in the prior years and the adjustments have been processed and the correction is as follows.

**Statement of Financial Position**

| | | |
|---|---|---|
| (Increase)/Decrease in Housing Development Fund | - | (46 677 921) |
| Increase?(Decrease) in Net Assets | - | 46 677 921 |
| | **-** | **-** |

During the preparation of 2023/2024 financial statements, errors were identified in 2022/2023 figures and their opening balances. Errors were corrected and resulted in the impact disclosed below.

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

**56. Prior period errors (continued)**

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Increase/(Decrease) Receivable from non-exchange | (17 435 988) | (39 420 922) |
| Increase /(Decrease) VAT Receivable | 143 649 | - |
| (Increase) /Decrease Payables from exchange transactions | (1 465 176) | - |
| (Increase)/Decrease Unspent conditional grants | 798 401 | (46 677 921) |
| (Increase)/Decrease in Consumer deposits | 9 756 | - |
| Increase/(Decrease) Cash and cash equivalent | 823 092 | - |
| Increase/(Decrease) Receivables from exchange | (195 177) | - |
| (Increase)/Decrease in Net Assets | - | 86 098 843 |
| **Statement of financial performance** | | |
| (Increase)/Decrease Construction contract revenue | 39 992 | - |
| (Increase)/Decrease in Government grants | (798 401) | - |
| (Increase)/Decrease in fines | - | (9 756) |
| Increase/(Decrease) Loss in disposal | (685 000) | - |
| Increase/(Decrease) Transfer and Subsidies | 1 456 914 | - |
| Increase/(Decrease) General expense | (1 427 944) | - |
| Increase/(Decrease) Operating lease | 340 367 | - |
| Increase/(Decrease) Contracted services | 928 683 | - |

**57. Comparative figures**

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 57. Comparative figures (continued)

| | | |
|---|---|---|
| **Service charges** | | |
| Audited Amount | - | 212 419 028 |
| Transferred from Fines, Penalties and Forfeits | - | 9 757 |
| | **-** | **212 428 785** |
| **Property Rates** | | |
| Audited Amount | - | 486 255 611 |
| Transferred to Interest from non-exchange | - | (114 564) |
| | **-** | **486 141 047** |
| **Interest from Non-Exchange** | | |
| Audited Amount | - | 27 960 697 |
| Transferred from property rates | - | 114 564 |
| | **-** | **28 075 261** |
| **Government grants & subsidies** | | |
| Audited Amount | - | 471 032 957 |
| Correction of Error | - | 798 401 |
| | **-** | **471 831 358** |
| **Fines, Penalties and Forfeits** | | |
| Audited Amount | - | 23 979 078 |
| Transferred to Services Charges | - | (9 756) |
| Correction of error | - | 9 756 |
| | **-** | **23 979 078** |
| **Depreciation and Amortisation** | | |
| Audited Amount | - | 87 270 786 |
| Correction of Error | - | 607 520 |
| | **-** | **87 878 306** |
| **Contracted services** | | |
| Audited Amount | - | 211 568 765 |
| Correction of Error | - | 6 435 821 |
| | **-** | **218 004 586** |
| **Inventory Consumed** | | |
| Audited Amount | - | 11 773 807 |
| Transferred from General expenses | - | 127 172 |
| | **-** | **11 900 979** |
| **General expenses** | | |
| Audited Amount | - | 151 202 787 |
| Transferred to Inventory consumed | - | (127 172) |
| Transferred to transfers and subsidies | - | (1 614 631) |
| Correction of error | - | 28 970 |
| | **-** | **149 489 954** |

**Receivables from non-exchange transactions**

## Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

### 57. Comparative figures (continued)

| | | |
| --- | --- | --- |
| Audited Amount | - | 353 514 881 |
| Correction of Error | - | (56 896 902) |
| | **-** | **296 617 979** |

**VAT Receivable**

| | | |
| --- | --- | --- |
| Audited Amount | - | 147 570 172 |
| Correction of Error | - | 154 786 |
| | **-** | **147 724 958** |

**Property Plant and Equipment**

| | | |
| --- | --- | --- |
| Audited Amount | - | 1 804 872 057 |
| Correction or Error | - | (5 627 823) |
| | **-** | **1 799 244 234** |

**Payables from exchange transactions**

| | | |
| --- | --- | --- |
| Audited Amount | - | 147 675 403 |
| Correction of Error | - | 1 540 203 |
| | **-** | **149 215 606** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
| --- | --- | --- |

## 57. Comparative figures (continued)

| | | |
| --- | --- | --- |
| **Unspent Conditional Grants and receipts** | | |
| Audited Amount | - | 8 954 330 |
| Correction of Error | - | (798 401) |
| | **-** | **8 155 929** |

| | | |
| --- | --- | --- |
| **Accumulated surplus** | | |
| Audited Amount | - | 2 313 400 416 |
| Correction of Error | - | (43 665 704) |
| | **-** | **2 269 734 712** |

| | | |
| --- | --- | --- |
| **Consumer Deposit** | | |
| Audited Amount | - | 35 315 197 |
| Correction of Error | - | (9 756) |
| | **-** | **35 305 441** |

| | | |
| --- | --- | --- |
| **Receivables from exchange transactions** | | |
| Audited Amount | - | 114 951 573 |
| Transferred from cash and cash equivalents | - | (1 369 511) |
| Correction of Error | - | 1 174 332 |
| | **-** | **114 756 394** |

| | | |
| --- | --- | --- |
| **Loss on disposal** | | |
| Audited Amount | - | 5 319 642 |
| Correction of Error | - | (685 000) |
| | **-** | **4 634 642** |

| | | |
| --- | --- | --- |
| **Transfers and Subsidies** | | |
| Audited Amount | - | 14 464 530 |
| Transfer from general expenses | - | 1 614 631 |
| | **-** | **16 079 161** |

| | | |
| --- | --- | --- |
| **Rendering of Services** | | |
| Audited Amount | - | 7 612 338 |
| Correction of Error | - | (931 905) |
| | **-** | **6 680 433** |

| | | |
| --- | --- | --- |
| **Construction Contracts** | | |
| Audited Amount | - | 14 581 330 |
| Correction of Error | - | 927 179 |
| | **-** | **15 508 509** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|---|---|

### 57. Comparative figures (continued)

| | | |
|---|---|---|
| **Agency Services** | | |
| Audited Amount | - | 8 967 996 |
| Correction of Error | - | (333 670) |
| | **-** | **8 634 326** |

| | | |
|---|---|---|
| **Lease rentals on operating lease** | | |
| Audited Amount | - | 10 879 068 |
| Correction of error | - | (340 366) |
| | **-** | **10 538 702** |

| | | |
|---|---|---|
| **Cash and cash equivalents** | | |
| Audited Amount | - | 114 250 485 |
| Transferred to receivables from exhange transactions | - | 1 369 511 |
| | **-** | **115 619 996** |

### 58. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance as previously reported | 31 342 | 35 092 |
| Add: Fruitless and wasteful expenditure identified - current | 7 281 | 33 872 |
| Less: Amount written off - current | (7 281) | (2 530) |
| Less: Amount written off - prior period | - | (35 092) |
| **Closing balance** | **31 342** | **31 342** |

**Details of fruitless and wasteful expenditure**

| | Disciplinary steps taken/criminal proceedings | | |
|---|---|---|---|
| Eskom-Interest | None | 7 122 | 17 801 |
| Ugu accounts Interest | None | 159 | 943 |
| Pension Fund Interest | None | - | 15 128 |
| | | **7 281** | **33 872** |

In accordance with GRAP 14 Events after reporting date, The council resolved on 27 August 2024 the approval of writing off fruitless and wasteful expenditure of R7 281 that occured in the current year.

### 59. Irregular expenditure

| | | |
|---|---|---|
| Opening balance as previously reported | 423 217 632 | 39 185 562 |
| Add: Irregular expenditure - current | 185 793 157 | 173 260 102 |
| Add: Irregular expenditure - prior period | - | 214 034 444 |
| Less: Amount written off - current | (136 432 171) | - |
| Less: Amount written off - prior period | (387 294 546) | (3 262 476) |
| **Closing balance** | **85 284 072** | **423 217 632** |

In accordance with GRAP 14 Events after reporting date, The council resolved on 27 August 2024 the approval of writing off irregular expenditure of R523 726 717 that was incurred in prior years and current year

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

# Notes to the Annual Financial Statements

Figures in Rand

### 59. Irregular expenditure (continued)

**Cases under investigation**

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

### 60. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government**

| | | |
|---|---|---|
| Current year subscription / fee | 5 117 442 | 4 670 251 |
| Amount paid - current year | (5 117 442) | (4 670 251) |
| | - | - |

**Audit fees**

| | | |
|---|---|---|
| Opening balance | - | 809 323 |
| Current year subscription / fee | 5 783 302 | 3 174 438 |
| Amount paid - current year | (5 783 302) | (3 983 761) |
| | - | - |

**PAYE and UIF**

| | | |
|---|---|---|
| Current year subscription / fee | 69 567 623 | 65 051 667 |
| Amount paid - current year | (69 567 623) | (65 051 667) |
| | - | - |

**Pension and Medical Aid Deductions**

| | | |
|---|---|---|
| Current year subscription / fee | 111 579 265 | 111 860 777 |
| Amount paid - current year | (111 579 265) | (111 860 777) |
| | - | - |

**VAT**

| | | |
|---|---|---|
| VAT receivable | 196 457 016 | 147 724 958 |
| VAT payable | (152 921 153) | (112 191 486) |

All VAT returns have been submitted by the due date throughout the year.

## Notes to the Annual Financial Statements

Figures in Rand

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

**Councillors' arrear consumer accounts**

The following Councillors' accounts had arrear accounts outstanding for more than 90 days at 30 June 2024: The municipality deducts arrears on a monthly basis as per policy guided by legislation, currently there is no debt outstanding beyond 120 days.

| 30 June 2024 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Account number: 0004005915 | 893 | 517 | 1 410 |
| Account number: 0001101325 | 2 076 | 863 | 2 939 |
| Account number: 0001165934 | 1 372 | 1 054 | 2 426 |
| Account number: 0004029240 | 1 036 | 979 | 2 015 |
| Account nymber: 0004020305 | 742 | 701 | 1 443 |
| Account number: 0003004337 | 1 282 | 4 872 | 6 154 |
| Account number: 0004529021 | 1 332 | 1 903 | 3 235 |
| | **8 733** | **10 889** | **19 622** |

| 30 June 2023 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Account number: 0004029240 | 952 | 1 364 | 2 316 |
| Account number: 0004020305 | 515 | 493 | 1 008 |
| Account number: 0003004337 | 1 562 | 2 207 | 3 769 |
| Account number: 0001110610 | 1 375 | 3 023 | 4 398 |
| | **4 404** | **7 087** | **11 491** |

### 61. Utilisation of Long-term liabilities reconciliation

| | | |
|---|---|---|
| Long-term liabilities raised | 17 010 025 | 10 832 347 |

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.

### 62. Deviation from supply chain management regulations

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

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

| | | |
|---|---|---|
| **Section 36 Deviations** | | |
| Emergency s36(1)(a)(i) | 1 241 567 | 1 872 446 |
| Sole Supplier s36(1)(a)(ii) | 3 026 304 | 1 452 191 |
| Special works of art or historical objects where specifications are difficult to compile s(36(1)(a)(iii) | 100 255 | 100 000 |
| Impractical or impossible to follow the official procurement process s36(1)(a)(v) | 5 512 250 | 4 220 546 |
| | **9 880 376** | **7 645 183** |

# Notes to the Annual Financial Statements

Figures in Rand

### 63. Housing Development Fund

| | | |
|---|---|---|
| Housing Development Fund | 39 593 077 | 75 668 916 |

### 64. Budget differences

**Material differences between budget and actual amounts**

The reasons for Revenue and Expenditure above 10% or below 10% between budget and actual amounts have been explained below:

**Sales of goods**- The revenue from sale of goods was largely affected by the revenue from beach events, in the current year Marine drive has been under rehabilitation which affected traffic flow reducing the number of events that could be held in st micheals beach and Margate beach was affect by the floods and still requires rehabilitation.

**Rendering of Services**- Signage revenue largely contributed to the over performance of revenue for rendering of services due to additional contractual engagements for billboard advertising of various businesses.

**Rental of Facilities**- Property rental revenue is contingent on rentals requested within a period.

**Agency Services**-The municipality under takes various services on behalf of the department of transport and department of human settlement and generates commission based on the revenue generated for such services and expenditure incurred in the rendering of the services.

**Operational Revenue-** Operational revenue largely comprises of sheriff recovery fees billed to consumers accounts for fees incurred by the sheriffs office in attempts to recover outstanding debt and recovery revenue is based on the fees incurred by the sherrifs office and paid by the municipality.

**Fines, Penalties and Forfeits**- Fines are contingent on law infringements identified in each period like traffic fines and municipal by-laws which will have an impact on the actual revenue billed for the year.

**Depreciation and Amortisation**- During the preparation of the annual financial statements, the useful lives of some assets were re-assessed resulting in the variance between budget versus actual.

**Impairments**- Infrastructure was affected by the recent floods which resulted in the substantial increase in the impairment of assets.

**Finance Costs** -The municipality acquired additional assets on a finance lease agreement which has resulted in an increased interest cost as interest is higher than capital repayments in the beginning of a financing agreement.

**Lease rentals on operating lease-** The addition of finance lease vehicle saved the municipality operational lease charges for the vehcles that were budgeted under operational leases.

**Bad debts written off**- The municipality has a policy the encourages consumers to settle their long outstanding debt, the policy allows for interest write off on debt outstanding over two years to be written off on condition that the principle debt is settled. This variance therefore means there have been more consumers who have made arrangments to settle their overdue accounts.

**Contracted Services**- During the preparation of the annual financial statements, there were was a reallocation of contracted services that was transferred to non-current assets as there are repairs and maintenance identified to be improvements to assets and capitalized.

**Transfers and Subsidies**- During the preparation of the annual financial statements, there were was a reallocation of contracted services that was transferred from general expenses for projects identified to be transfers and subsidies and resulted in the variance between budget versus actual..