KZN216 Ray Nkonyeni Municipality
Trading as Ray Nkonyeni Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

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

Index

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

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 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors, if any, as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

Accounting Officer
Mr SM Mbili

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Name of member	Number of meetings attended
Ms. Bongeka Jojo (Chairperson until 31 March 2022)	2
Mr. Ashley Gonzalves (Chairperson from 1 April 2022)	4
Mr. Zwile Zulu	4
Ms. Leah Khumalo	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting OfficerAccounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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Chairperson of the Audit Committee

Date: ________________________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

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 2022, the municipality had an accumulated surplus (deficit) of 2 080 780 894 and that the municipality's total assets exceed its liabilities by 2 080 780 894.

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 26 July 2022 the approval of indigent support amounting to R100 130.00 relating to June 2022 which affected the revenue as well as receivables.

- The council approved a write off of R20 729 801,80 on 26 July 2022, for irregular expenditure and fruitless and wasteful expenditure incurred totalling R17 001,13 that was incurred in prior years/ current year as well as the investigation that was started before the end of the current financial year.

Non- adjusting events

- The council resolved on 26 July 2022 to donate land for two families affected by disaster to enable them to benefit from the Disaster Housing Project implemented by the KwaZulu Natal Department of Human Settlements. The estimated size of the donation is 100 metre^2 within the Farm no.6362. An estimate of the financial effect cannot be made as these are within a land parcel that has not been subdivided for valuation purposes.

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 Maxwell Sihle Mbili	South African

6. Auditors

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

Accounting Officer's Report

Accounting Officer
Mr SM Mbili

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	7	7 058 307	2 908 262
Receivables from exchange transactions	8&10	97 400 744	91 227 438
Receivables from non-exchange transactions	9&10	286 898 911	233 845 493
VAT receivable	11	32 704 991	22 548 521
Loan receivable	12	-	143 469
Cash and cash equivalents	13	131 589 908	142 813 211
		555 652 861	**493 486 394**
Non-Current Assets			
Investment property	3	307 811 000	290 226 000
Property, plant and equipment	4	1 676 867 104	1 589 705 314
Intangible assets	5	856 909	416 058
Heritage assets	6	2 204 722	2 071 122
		1 987 739 735	**1 882 418 494**
Total Assets		**2 543 392 596**	**2 375 904 888**
Liabilities			
Current Liabilities			
Long-term loan	14	266 061	467 516
Finance lease obligation	15	14 314 409	8 153 516
Payables from exchange transactions	16	134 015 976	127 666 573
Consumer deposits	17	32 845 775	32 039 075
Employee benefit obligation	18	4 621 928	4 372 922
Unspent conditional grants and receipts	19	49 376 216	42 624 255
Provisions	20	39 324 567	31 604 085
		274 764 932	**246 927 942**
Non-Current Liabilities			
Long-term loan	14	2 955 649	3 109 210
Finance lease obligation	15	46 204 039	41 424 988
Employee benefit obligation	18	101 051 966	90 994 041
Provisions	20	37 635 128	36 162 003
		187 846 782	**171 690 242**
Total Liabilities		**462 611 714**	**418 618 184**
Net Assets		**2 080 780 882**	**1 957 286 704**
Accumulated surplus		2 080 780 894	1 957 286 717
Total Net Assets		**2 080 780 894**	**1 957 286 717**

* See Note 57

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		798 224	391 169
Service charges	21	214 941 623	195 944 866
Rendering of services		4 521 556	6 824 505
Construction contracts		48 302 929	56 729 871
Rental of facilities and equipment	22	3 896 567	3 785 050
Interest received (trading)		5 553 507	4 825 324
Agency services	23	4 965 053	5 400 353
Licences and permits	24	268 554	472 868
Recoveries		437	456 951
Operational revenue		1 946 210	347 655
Other income	25	-	2 679 935
Interest received - investment	26	5 181 831	3 513 272
Fair value adjustments		7 587 194	9 029 000
Total revenue from exchange transactions		**297 963 685**	**290 400 819**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	464 477 219	447 331 316
Licences and Permits (Non-exchange)		7 869 658	5 093 916
Surcharges and Taxes	28	-	9 848
Interest, Dividends and Rent on Land	29	25 601 971	23 400 805
Transfer revenue			
Government grants & subsidies	30	415 748 261	380 668 949
Public contributions and donations	31	6 596 917	2 465 770
Fines, Penalties and Forfeits	32	30 190 102	16 546 112
Total revenue from non-exchange transactions		**950 484 128**	**875 516 716**
Total revenue		**1 248 447 813**	**1 165 917 535**
Expenditure			
Employee related costs	33	(445 891 077)	(428 524 182)
Remuneration of councillors	34	(26 248 752)	(28 365 863)
Depreciation and amortisation	35	(88 489 795)	(94 350 628)
Impairment loss/reversal	36	(35 402 088)	22 958 755
Finance costs	37	(19 930 625)	(12 479 458)
Lease rentals on operating lease	38	(13 403 388)	(18 952 847)
Bad debts written off		(4 423 719)	(6 915 501)
Bulk purchases	39	(122 719 656)	(108 129 488)
Contracted services	40	(213 909 792)	(191 247 166)
Transfers and Subsidies	41	(9 890 135)	(6 635 338)
Loss on disposal of assets and liabilities		(490 446)	(2 289 489)
Inventory consumed		(13 825 104)	(11 980 602)
General Expenses	42	(130 329 059)	(116 675 594)
Total expenditure		**(1 124 953 636)**	**(1 003 587 401)**
Surplus for the year		**123 494 177**	**162 330 134**

The accounting policies on pages 13 to 43 and the notes on pages 44 to 113 form an integral part of the annual financial statements.

* See Note 57

KZN216 Ray Nkonyeni Municipality

Trading as Ray Nkonyeni Municipality
Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 721 501 465	1 721 501 465
Adjustments		
Adjustment to equity	(1 414 164)	(1 414 164)
Prior year adjustments 57	82 557 340	82 557 340
Balance at 01 July 2020 as restated*	**1 802 644 641**	**1 802 644 641**
Changes in net assets		
AFS adjustments	(7 688 058)	(7 688 058)
Correction of erros 57	50 339 296	50 339 296
Net income (losses) recognised directly in net assets	42 651 238	42 651 238
Surplus for the year	111 990 838	111 990 838
Total recognised income and expenses for the year	154 642 076	154 642 076
Total changes	154 642 076	154 642 076
Restated* Balance at 01 July 2021	**1 957 286 717**	**1 957 286 717**
Changes in net assets		
Surplus for the year	123 494 177	123 494 177
Total changes	123 494 177	123 494 177
Balance at 30 June 2022	**2 080 780 894**	**2 080 780 894**

Note(s)

* See Note 57

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation		443 007 457	377 424 571
Sale of goods and services		256 893 080	249 700 855
Grants		422 500 222	383 713 961
Interest income		36 337 309	31 749 249
Other cash item		1 946 647	3 484 541
		1 160 684 715	1 046 073 177
Payments			
Employee costs		(458 588 725)	(435 413 964)
Suppliers		(496 921 032)	(453 896 650)
Finance costs		(19 930 624)	(12 479 457)
		(975 440 381)	(901 790 071)
Net cash flows from operating activities	45	**185 244 334**	**144 283 106**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(174 669 494)	(95 486 203)
Proceeds from sale of property, plant and equipment	4	-	148 960
Purchase of investment property	3	(9 997 806)	-
Purchase of other intangible assets	5	(918 671)	-
Purchase of heritage assets	6	(159 000)	(251 600)
Net cash flows from investing activities		**(185 744 971)**	**(95 588 843)**
Cash flows from financing activities			
Proc from Long-Term Loan		-	3 500 000
Repayment of Long Term Loan		(355 016)	(4 713 849)
Finance lease payments		(10 367 649)	(5 870 997)
Net cash flows from financing activities		**(10 722 665)**	**(7 084 846)**
Net increase/(decrease) in cash and cash equivalents		**(11 223 302)**	**41 609 417**
Cash and cash equivalents at the beginning of the year		142 813 211	101 203 795
Cash and cash equivalents at the end of the year	13	**131 589 909**	**142 813 212**

The accounting policies on pages 13 to 43 and the notes on pages 44 to 113 form an integral part of the annual financial statements.

* See Note 57

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	3 421 968	(180 130)	**3 241 838**	798 224	**(2 443 614)**	Note 65
Service charges	238 253 350	(66 925)	**238 186 425**	214 941 623	**(23 244 802)**	
Rendering of services	6 539 168	(607 695)	**5 931 473**	4 521 556	**(1 409 917)**	Note 65
Construction contracts	75 737 892	2 223 776	**77 961 668**	48 302 929	**(29 658 739)**	Note 65
Rental of facilities and equipment	466 022	1 977 300	**2 443 322**	3 896 567	**1 453 245**	Note 65
Interest received (trading)	3 526 714	29 430	**3 556 144**	5 553 507	**1 997 363**	Note 65
Agency services	4 000 000	670 000	**4 670 000**	4 965 053	**295 053**	
Licences and permits	5 549 590	(4 619 280)	**930 310**	268 554	**(661 756)**	Note 65
Recoveries	-	-	**-**	437	**437**	Note 65
Other income 1	999 996	(39 995)	**960 001**	1 946 210	**986 209**	Note 65
Interest received - investment	4 500 000	650 000	**5 150 000**	5 181 831	**31 831**	
Total revenue from exchange transactions	**342 994 700**	**36 481**	**343 031 181**	**290 376 491**	**(52 654 690)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	475 785 492	-	**475 785 492**	464 477 219	**(11 308 273)**	
Licences and Permits (Non-exchange)	6 148 872	345 120	**6 493 992**	7 869 658	**1 375 666**	Note 65
Interest, Dividends and Rent on Land	20 565 516	(850 000)	**19 715 516**	25 601 971	**5 886 455**	Note 65
Transfer revenue						
Government grants & subsidies	403 152 210	34 412 804	**437 565 014**	415 748 261	**(21 816 753)**	
Public contributions and donations	-	-	**-**	6 596 917	**6 596 917**	
Fines, Penalties and Forfeits	20 764 356	300 000	**21 064 356**	30 190 102	**9 125 746**	Note 65
Total revenue from non-exchange transactions	**926 416 446**	**34 207 924**	**960 624 370**	**950 484 128**	**(10 140 242)**	
Total revenue	**1 269 411 146**	**34 244 405**	**1 303 655 551**	**1 240 860 619**	**(62 794 932)**	
Expenditure						
Personnel	(414 205 946)	(7 528 195)	**(421 734 141)**	(445 891 077)	**(24 156 936)**	
Remuneration of councillors	(31 434 264)	4 212 395	**(27 221 869)**	(26 248 752)	**973 117**	
Depreciation and amortisation	(89 796 704)	-	**(89 796 704)**	(88 489 795)	**1 306 909**	
Impairment loss/ Reversal of impairments	(6 219 012)	(22 864 710)	**(29 083 722)**	(35 402 088)	**(6 318 366)**	
Finance costs	(5 673 142)	-	**(5 673 142)**	(19 930 625)	**(14 257 483)**	Note 65
Lease rentals on operating lease	(19 217 924)	(951 989)	**(20 169 913)**	(13 403 388)	**6 766 525**	Note 65
Bad debts written off	(5 499 996)	-	**(5 499 996)**	(4 423 719)	**1 076 277**	Note 65
Bulk purchases	(125 067 084)	-	**(125 067 084)**	(122 719 656)	**2 347 428**	
Contracted Services	(250 244 022)	(7 410 596)	**(257 654 618)**	(213 909 792)	**43 744 826**	Note 65
Transfers and Subsidies	(7 348 708)	(2 681 067)	**(10 029 775)**	(9 890 135)	**139 640**	

KZN216 Ray Nkonyeni Municipality

Trading as Ray Nkonyeni Municipality
Annual Financial Statements for the year ended 30 June 2022

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
Sale of goods/Inventory	(12 838 802)	(1 856 132)	**(14 694 934)**	(13 825 104)	**869 830**	
General Expenses	(147 991 730)	3 472 595	**(144 519 135)**	(130 329 059)	**14 190 076**	Note 65
Total expenditure	**(1 115 537 334)**	**(35 607 699)**	**(1 151 145 033)**	**(1 124 463 190)**	**26 681 843**	
Operating surplus	**153 873 812**	**(1 363 294)**	**152 510 518**	**116 397 429**	**(36 113 089)**	
Loss on disposal of assets and liabilities	-	-	-	(490 446)	**(490 446)**	
Fair value adjustments	-	-	-	7 587 194	**7 587 194**	
	-	**-**	**-**	**7 096 748**	**7 096 748**	
Surplus before taxation	**153 873 812**	**(1 363 294)**	**152 510 518**	**123 494 177**	**(29 016 341)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**153 873 812**	**(1 363 294)**	**152 510 518**	**123 494 177**	**(29 016 341)**	

Reconciliation

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Accounting Policies

1.4 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 20 - 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 18.

Allowance for doubtful debts

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

1.5 Investment property

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

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

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

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

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

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

Accounting Policies

1.5 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).

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-30 Years
Solid waste and disposal	Straight-line	10-30 Years
Plant and machinery	Straight-line	3-80 Years
Furniture and fixtures	Straight-line	5-10 Years
Motor vehicles	Straight-line	5-20 Years
Machinery and equipment	Straight-line	5-10 Years
Computer and office equipment	Straight-line	5-7 Years
Improvements	Straight-line	20-30 Years
Electricity	Straight-line	6-60 Years
Recreational Facilities	Straight-line	20-30 Years
Buildings and other structures	Straight-line	20-30 Years

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

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

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

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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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).

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

1.7 Site restoration and dismantling cost

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

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

1.8 Intangible assets

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

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

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.

Accounting Policies

1.8 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

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

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

1.9 Heritage assets

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

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

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

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

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

1.9 Heritage assets (continued)

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).

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

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.

Accounting Policies

1.9 Heritage assets (continued)

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

1.10 Financial instruments (continued)

- 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.

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

Accounting Policies

1.10 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.11 Statutory receivables (continued)

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

Accounting Policies

1.11 Statutory receivables (continued)

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

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

1.12 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

Accounting Policies

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.14 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Construction contracts and receivables (continued)

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

Accounting Policies

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

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

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

[Specify judgements made]

1.17 Employee benefits

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

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

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

1.17 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.18 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

1.18 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

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

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

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

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

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.21 Revenue from non-exchange transactions

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

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

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

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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

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

Accounting Policies

1.24 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

Accounting Policies

1.26 Unauthorised expenditure (continued)

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

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

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

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

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

1.29 Housing development fund

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

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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.

Accounting Policies

1.31 Segment information (continued)

Measurement

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

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

1.32 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.

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.

Accounting Policies

1.33 Related parties (continued)

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	2022	2021

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:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	

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 2022 or later periods:

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

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	307 811 000	-	307 811 000	290 226 000	-	290 226 000

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustments	Total
Investment property	290 226 000	7 500 000	10 085 000	307 811 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	281 197 000	9 029 000	290 226 000

Pledged as security

There are no items of Investment property that are pledged as security:

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	2022	2021

3. Investment property (continued)

Investment Properties		
Business and Commercial	5 731 000	5 536 000
Institutional	26 970 000	25 738 000
Recreational Facilities	72 617 000	68 304 000
Vacant Land	202 493 000	190 648 000
	307 811 000	**290 226 000**

During the 2022 financial year, Ray Nkonyeni Municipality conducted a valuation of its investment properties. The effective date of the valuations was Tuesday, 30 June 2022. Valuations were performed by an independent valuer, Mr Abubaker Rahim Professional Valuer, from E-valuations, in terms of Section 20(2)a of the Property Valuers Profession Act 2000, and Member of the South African Institute of Valuer's, (SACPVP Reg.No 3576), of Evaluations Property Intelligence. Evaluations Property Intelligence is not connected to the municipality and have recent experience in location and category of the investment property being valued.

Method of valuation

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

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

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

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

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3 738 628	3 027 244
Fair value adjustments	10 085 000	9 029 000

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	99 208 102	-	99 208 102	99 208 102	-	99 208 102
Plant and machinery	21 668 857	(15 797 797)	5 871 060	17 320 340	(14 639 267)	2 681 073
Furniture and fixtures	26 797 250	(21 182 145)	5 615 105	25 671 126	(20 515 298)	5 155 828
Motor vehicles	117 075 698	(56 451 377)	60 624 321	100 838 136	(48 784 322)	52 053 814
IT equipment	22 460 684	(13 811 778)	8 648 906	17 324 069	(12 881 542)	4 442 527
Infrastructure	2 176 637 623	1 251 052 647)	925 584 976	2 046 554 818	1 201 266 003)	845 288 815
Community	1 043 533 119	(472 218 485)	571 314 634	1 024 615 032	(443 739 877)	580 875 155
Total	**3 507 381 333**	**(1 830 514 229)**	**1 676 867 104**	**3 331 531 623**	**(1 741 826 309)**	**1 589 705 314**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	99 208 102	-	-	-	-	-	99 208 102
Plant and machinery	2 681 073	4 413 244	(35 499)	-	(1 187 758)	-	5 871 060
Furniture and fixtures	5 155 828	1 617 216	(25 177)	-	(1 132 762)	-	5 615 105
Motor vehicles	52 053 814	19 047 772	(373 863)	-	(10 103 402)	-	60 624 321
IT equipment	4 442 527	5 833 963	(102 896)	-	(1 524 688)	-	8 648 906
Infrastructure	845 288 815	130 177 837	-	-	(47 389 495)	(2 492 181)	925 584 976
Community	580 875 155	30 623 732	-	(10 627 709)	(26 683 107)	(2 873 437)	571 314 634
	1 589 705 314	**191 713 764**	**(537 435)**	**(10 627 709)**	**(88 021 212)**	**(5 365 618)**	**1 676 867 104**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	99 208 102	-	-	-	-	99 208 102
Plant and machinery	2 399 541	1 149 186	(51 397)	(816 001)	(256)	2 681 073
Furniture and fixtures	4 744 043	1 402 333	(51 644)	(937 256)	(1 648)	5 155 828
Motor vehicles	38 724 021	22 151 815	(787 175)	(8 018 984)	(15 863)	52 053 814
IT equipment	4 407 392	1 339 045	(109 442)	(1 190 075)	(4 393)	4 442 527
Infrastructure	853 538 890	50 033 911	-	(58 168 871)	(115 115)	845 288 815
Community	568 887 606	44 937 865	(2 164 519)	(25 005 970)	(5 779 827)	580 875 155
	1 571 909 595	**121 014 155**	**(3 164 177)**	**(94 137 157)**	**(5 917 102)**	**1 589 705 314**

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

Pledged as security

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

Depreciation rates

Item	**Depreciation method**	**Average useful life**

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

4. Property, plant and equipment (continued)

Land	Straight-line	Indefinite
Buildings	Straight-line	5 - 30 years
Solid waste and disposal	Straight-line	10 - 30 years
Road and Paving	Straight-line	3 - 80 years
Furniture and fittings	Straight-line	5 - 10 years
Motor vehicles	Straight-line	5 - 20 years
Computer and Office equipment	Straight-line	5 - 7 years
Electricity	Straight-line	6 - 60 years
Recreational facilities	Straight-line	20 - 30 years
Buildings and other structures	Straight-line	20 - 30 years
Improvements	Straight-line	20 - 30 years
Machinery and equipment	Straight-line	5 - 10 years

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

	2022	2021
IT equipment	897 759	330 495

Assets subject to finance lease (Net carrying amount)

	2022	2021
Motor vehicles	69 165 815	51 282 543

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	108 318 982	43 187 703
Community	20 741 112	33 289 350
	129 060 094	**76 477 053**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Nkulu Community Hall	-	590 188
The costs incurred relate to planning and design		
Bhobhoyi Organic storage facility	157 220	157 220
Project was approved back then by MIG but it has since been put on hold.		
Freedom Heritage at KwaXaba	857 482	857 482
Project was approved back then by MIG but it has since been put on hold.		
Roads Kawuseni Bhuka School	164 683	-
Project was put on hold due to budget reprioritisation.	-	-
Road George Mbele High Road	91 832	-
Project was put on hold due to budget reprioritisation.	-	-
Bhobhoyi Phase 2 Electrification	23 634	-
Project was put on hold due to budget reprioritisation.	-	-
Roeds Mbele Pedestrian Bridge	59 685	-
Project was put on hold due to budget reprioritisation.	-	-
Rural Stormwater (Merlewood)	5 844 290	-
Project was put on hold due to budget reprioritisation.	-	-
Stormwater - Urban'	2 813 578	-
Project was put on hold due to budget reprioritisation.	-	-
Magnolia Avenue Upgrade Ward 6	92 601	-
Project was put on hold due to budget reprioritisation.	-	-
Rehabilitation Of Bench Road Southbroom Ward 2	168 596	-
Project was put on hold due to budget reprioritisation.	-	-
Rehabilitation Of Sastri Road (Ward 17)	87 719	-
Project was put on hold due to budget reprioritisation.	-	-
Roads Kawusen Pedestrian Bridge	162 023	-
Project was put on hold due to budget reprioritisation.	-	-
Roads Khandalesizwe Pedestrian Brige	86 957	-
Project was put on hold due to budget reprioritisation.	-	-
Tarring Of Glade Road (Ward 17)	175 010	-
Project was put on hold due to budget reprioritisation.	-	-
Tarring Of Indira Road (Ward 17)	8 820	-
Project was put on hold due to budget reprioritisation.	-	-
Tarring Of Marlin Drive Ward 13	87 420	-
Project was put on hold due to budget reprioritisation.	-	-
Tarring Of Ring Road Bhobhoyi Phase 1	371 241	-
Project was put on hold due to budget reprioritisation		
	11 252 791	**1 604 890**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	43 187 704	33 289 350	76 477 054
Additions/capital expenditure	125 040 075	26 490 134	151 530 209
Transferred to completed items-PPE	(59 908 796)	(29 040 566)	(88 949 362)
Transferred to completed items-IP	-	(9 997 806)	(9 997 806)
	108 318 983	**20 741 112**	**129 060 095**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	57 170 921	18 200 927	75 371 848
Additions/capital expenditure	50 033 911	44 937 863	94 971 774
Other movements	-	(96)	(96)
Transferred to completed items	(64 017 128)	(29 849 344)	(93 866 472)
	43 187 704	**33 289 350**	**76 477 054**

Expenditure incurred to repair and maintain property, plant and equipment

	2022	2021
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	45 990 552	44 190 477

There is a reclassification of the PPE (WIP) in the previous year's additions from community assets to infrastructure assets to correctly classify it in terms of the mSCOA. The change in classification affects the following projects UPGRADE OF NELSON MANDELA DRIVE, and UPGRADE OF MAIN HARDING ROAD totaling to R4 708 863.

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

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 890 936	(2 034 027)	856 909	3 083 557	(2 667 499)	416 058

Reconciliation of intangible assets - 2022

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

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	629 529	(213 471)	416 058

Pledged as security

There are no items of intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	2 427 387	(222 665)	2 204 722	2 293 787	(222 665)	2 071 122

Reconciliation of heritage assets 2022

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

Reconciliation of heritage assets 2021

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	1 819 522	251 600	2 071 122

Heritage assets borrowed from other entities

Durban Local History Museums loaned Ray Nkonyeni Municipality Port Shepstone Museum selected Artifacts.
The terms and conditions
The municipality will ensure adequate security to safeguard the artifacts.
The municipality will not own the artifacts, but the municipality will retain it until the end of the borrowed period.

Pledged as security

There are no items of heritage assets pledged as security:

Figures in Rand	2022	2021

7. Inventories

Housing Stock: Transfers	629 903	-
Consumable stores	6 428 404	2 908 262
	7 058 307	**2 908 262**

Inventory pledged as security

There are no items of Inventory pledged as security

8. Receivables from exchange transactions

Employee costs in advance	7 915 671	7 915 671
Prepayments	6 568 673	6 100 513
Deposits	2 750 635	2 750 635
Sundry debtors	2 501 654	4 664 700
Consumer debtors - Electricity	33 287 465	29 747 705
Consumer debtors - Service charges	4 030 525	3 246 394
Consumer debtors - Refuse	36 634 572	32 930 760
Consumer debtors - Other	3 711 549	3 871 060
	97 400 744	**91 227 438**

A new classification has been included in the current and comparative financial year called service charges which included what was previously classified as legal fees and other various service charges as per the debtors aging which were previously classified under other debtors. This has resulted in the removal of legal fees on the face of the note and an adjustment to other debttors.

9. Receivables from non-exchange transactions

Fines	49 282 452	25 383 333
Government grants and subsidies	7 038 841	7 038 841
Consumer debtors - Rates	230 577 618	201 423 319
	286 898 911	**233 845 493**
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Rates	230 577 618	201 423 319
Fines	49 282 452	25 383 333
	279 860 070	**226 806 652**
Financial asset receivables included in receivables from non-exchange transactions above	**7 038 841**	**7 038 840**
Total receivables from non-exchange transactions	286 898 911	233 845 493

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

A discount rate of 7,5% was used against the municipality's future cash flows to be derived from gross receivables.

Statutory receivables past due but not impaired

Rates Statutory receivables which are less than 1 year past due are not considered to be impaired. At 30 June 2022, 102 342 498 (2021: 102 694 195) were past due but not impaired.

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

	2022	2021
Current (0-30 days)	2 552 156	2 514 051
31-60 days	2 356 547	2 095 588
61-90 days	13 245 062	12 263 163
91-120 days	11 719 004	10 504 990
121-365 days	72 469 730	75 316 403

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

Consideration was given to past trends in terms of how the municipality has 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	2022	2021

9. Receivables from non-exchange transactions (continued)

Statutory receivables impaired

As of 30 June 2022, Statutory receivables of 299 607 899 (2021: 221 305 454) were impaired and provided for.

The amount of the provision was 122 099 974 as of 30 June 2022 (2021: 98 211 048).

The ageing of these receivables is as follows:

>365 days	299 607 899	221 305 454

Factors the municipality considered in assessing statutory receivables impaired.

The following factors were considered when assessing statutory receivables impaired:

Financial difficulties faced by ratepayers due to the current economic climate;

Adverse nature of the current economic environment;

Probability of recovery considering processes available to the municipality.

Reconciliation of provision for impairment for statutory receivables

Opening balance	98 211 049	111 111 406
Unused amounts reversed	-	(39 402 994)
Revisions to impairment losses	23 888 925	26 502 637
	122 099 974	**98 211 049**

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	345 008 009	296 107 577
Consumer debtors – Electricity	40 703 580	34 755 531
Consumer debtors - Service charges	7 075 301	6 272 496
Consumer debtors – Refuse	62 384 107	53 908 106
Consumer debtors – Other	5 077 653	6 292 545
	460 248 650	**397 336 255**

Less: Allowance for impairment		
Consumer debtors – Rates	(114 430 391)	(94 684 258)
Consumer debtors – Electricity	(7 416 115)	(5 007 826)
Consumer debtors - Service charges	(3 044 776)	(3 026 102)
Consumer debtors – Refuse	(25 749 535)	(20 977 346)
Consumer debtors – Other	(1 366 104)	(2 421 485)
	(152 006 921)	**(126 117 017)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors – Rates	230 577 618	201 423 319
Consumer debtors – Electricity	33 287 465	29 747 705
Consumer debtors - Service charges	4 030 525	3 246 394
Consumer debtors – Refuse	36 634 572	32 930 760
Consumer debtors – Other	3 711 549	3 871 060
	308 241 729	**271 219 238**
Statutory receivables included in consumer debtors above are as follows:		
Rates	230 577 618	201 423 319
Financial asset receivables included in consumer debtors above	**77 664 111**	**69 795 919**
Total consumer debtors	308 241 729	271 219 238
Included in above is receivables from exchange transactions		
Electricity	33 287 465	29 747 705
Service charges	4 030 525	3 442 912
Refuse	36 634 572	32 930 760
Other	3 711 549	3 871 060
	77 664 111	**69 992 437**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	230 577 618	201 423 319
Net balance	**308 241 729**	**271 415 756**
Rates		
Current (0 -30 days)	1 705 670	1 710 151
31 - 60 days	1 574 940	1 425 496
61 - 90 days	8 852 011	8 341 857
91 - 120 days	7 832 108	7 145 882
121 - 365 days	48 433 361	51 233 001
> 365 days	162 179 528	131 566 932
	230 577 618	**201 423 319**
Electricity		
Current (0 -30 days)	12 277 670	12 336 833
31 - 60 days	4 519 409	4 829 509
61 - 90 days	1 332 499	1 265 574
91 - 120 days	1 080 035	1 083 387
121 - 365 days	4 587 418	4 502 592
> 365 days	9 490 434	5 729 810
	33 287 465	**29 747 705**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Consumer debtors disclosure (continued)

Service charges		
Current (0 -30 days)	485 805	376 600
31 - 60 days	39 359	37 336
61 - 90 days	37 773	4 387
91 - 120 days	36 243	59 658
121 - 365 days	227 298	148 387
> 365 days	3 204 047	2 620 026
	4 030 525	**3 246 394**

Refuse		
Current (0 -30 days)	235 375	226 313
31 - 60 days	217 485	203 505
61 - 90 days	1 335 165	1 298 509
91 - 120 days	1 168 520	1 113 540
121 - 365 days	7 586 752	7 276 034
> 365 days	26 091 275	22 812 859
	36 634 572	**32 930 760**

Other		
Current (0 -30 days)	845 484	115 855
31 - 60 days	71 957	93 076
61 - 90 days	58 493	44 342
91 - 120 days	58 491	32 147
121 - 365 days	298 817	237 054
> 365 days	2 378 307	3 348 586
	3 711 549	**3 871 060**

Figures in Rand	2022	2021

10. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Households		
Current (0 -30 days)	7 709 824	7 133 608
31 - 60 days	3 900 243	3 496 473
61 - 90 days	12 752 620	11 695 287
91 - 120 days	10 948 139	10 027 818
121 - 365 days	63 020 489	58 277 670
> 365 days	222 099 914	190 078 222
	320 431 229	280 709 078
Less: Allowance for impairment	(125 623 880)	(104 313 740)
	194 807 349	**176 395 338**

Business/ commercial		
Current (0 -30 days)	10 284 188	9 747 746
31 - 60 days	3 778 817	4 534 309
61 - 90 days	4 081 924	3 910 022
91 - 120 days	3 780 063	3 408 231
121 - 365 days	20 004 869	18 594 316
> 365 days	61 560 290	46 096 715
	103 490 151	86 291 339
Less: Allowance for impairment	(19 569 998)	(12 790 398)
	83 920 153	**73 500 941**

National and provincial government		
Current (0 -30 days)	2 039 230	1 332 817
31 - 60 days	742 164	263 939
61 - 90 days	460 325	342 169
91 - 120 days	445 421	325 116
121 - 365 days	8 783 884	9 542 847
> 365 days	23 907 184	18 528 952
	36 378 208	30 335 840
Less: Allowance for impairment	(6 813 043)	(5 310 658)
	29 565 165	**25 025 182**

11. VAT receivable

VAT	32 704 991	22 548 521

12. Loan Receivable

At amortised cost: Ugu District Municipality

The loan receivable represents a portion of a loan from the Development Bank of South Africa (DBSA) that was by erstwhile Hibiscus Coast Municipality on behalf of the Ugu District Municipality. The loan arose due to the transfer of powers and functions. Installments on the loan are payable in December and June each year.

Loan Receivable		
Current portion	-	143 469

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2022	2021

13. Cash and cash equivalents (continued)

	2022	2021
Cash on hand	18 260	1 362
Bank balances	10 369 059	20 760 899
Short-term deposits	121 202 589	122 050 950
	131 589 908	**142 813 211**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
FNB-Primary account-62723734134	6 076 211	13 245 450	6 076 211	13 245 450
First National Bank-Salaries-62730321007	1 089	5 512 532	(28 022)	5 512 532
ABSA Bank-Lousiana HSG-9102815623	-	9 083 529	-	9 083 529
ABSA Bank-Nzimakwe 1 HSG-9149474529	-	585 370	-	585 370
ABSA Bank-Nzimakwe 2 HSG-9149474927	-	971 209	-	971 209
ABSA Bank-Bhobhoyi SUB-HSG-9149475509	-	308 394	-	308 394
ABSA Bank-Bhobhoyi EST-HSG-9149475753	-	11 969	-	11 969
ABSA Bank- Damaged houses-9149475208	-	75 500	-	75 500
ABSA Bank- Uplands HSG-9149401627	-	75 424	-	75 424
ABSA Bank-Mkholombe HSG-9149401164	-	1 375 369	-	1 375 369
ABSA Bank-AIDS Project-9152775491	-	136 742	-	136 742
Standard Bank-Masinenge HSG-89140/356988	32 296 086	31 146 364	32 183 664	31 146 364
Standard Bank-KwaMavundla HSG-89139/356986	240 665	232 098	239 828	232 098
Standard Bank-KwaXolo Housing-89139/356989	11 428 975	11 022 110	11 389 191	11 022 110
Standard Bank- KwaDwalane Housing- 90439/364623	517 832	499 397	516 029	499 397
Standard Bank- RNM Unspent conditional grants-89111/56985	48 695	46 961	48 525	46 961
Standard Bank -RNM Accreditation Funds-89111/357732	10 769	10 386	10 732	10 386
Investec Bank-MHOA (Housing Development Fund)-1100/190309	16 114 889	15 540 718	16 114 889	15 540 718
First National Bank-Primary investment account-62726614151	47 140 858	50 354 243	47 140 858	50 354 243
FNB- TRAFFIC FINES ACCOUNT- 6230321669	601 324	294 431	601 324	294 431
FNB- 48 HOUR CASH ACCELERATOR- 74873852518	3 376 882	2 952 258	3 376 882	2 952 258
Standard Bank - Louisiana HSG -378692984011	9 388 401	-	9 388 401	-
Standard Bank - Nzimakwe 1 HSG -378692984003	604 653	-	604 653	-
Standard Bank - Nzimakwe 2 HSG -378692984004	1 003 202	-	1 003 202	-
Standard Bank - Bhoboyi SUB-HSG-378692984005	318 553	-	318 553	-
Standard Bank - Bhoboyi EST-HSG -378692984006	12 261	-	12 261	-
Standard Bank - Damaged HSES-378692984007	77 792	-	77 792	-
Standard Bank - Uplands HSG -378692984008	77 713	-	77 713	-
Standard Bank - Mkholombe HSG -378692984009	1 420 676	-	1 420 676	-
Standard Bank - AIDS PROJECT -378692984010	141 247	-	141 247	-
Total	**130 898 773**	**143 480 454**	**130 714 609**	**143 480 454**

14. Other financial liabilities

	2022	2021
At amortised cost		
Other financial liability	3 221 710	3 576 726
Terms and conditions		

During the 2020 financial year the municipality entered into a loan agreement with DBSA to the value of R41,4 million over a 10 year period at a variable interest rate that determined with reference to the Government bond rate plus the DBSA's cost of funding and the DBSA net margin. The first draw dwon on the loan was made during the 2021 financial year.

	2022	2021
Non-current liabilities		
At amortised cost	2 955 649	3 109 210

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Other financial liabilities (continued)

Current liabilities		
At amortised cost	266 061	467 516

15. Finance lease obligation

Minimum lease payments due		
- within one year	28 161 352	21 534 757
- in second to fifth year inclusive	61 615 666	62 540 984
	89 777 018	84 075 741
less: future finance charges	(29 258 573)	(34 497 237)
Present value of minimum lease payments	**60 518 445**	**49 578 504**

Present value of minimum lease payments due		
- within one year	14 310 029	8 149 138
- in second to fifth year inclusive	46 208 416	41 429 367
	60 518 445	**49 578 505**

Non-current liabilities	46 204 039	41 424 988
Current liabilities	14 314 409	8 153 516
	60 518 448	**49 578 504**

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

16. Payables from exchange transactions

Trade payables	3 929 001	6 441 693
Payments received in advanced	43 693 305	42 606 459
Retentions	37 617 455	29 636 767
Unknown deposits	17 800 165	16 835 404
Accrued bonus	12 643 911	12 227 240
Accrued expense	16 437 407	12 474 864
Other creditors - Third party	564 664	6 473 988
Other creditors - UIP	751 266	886 100
Other Creditors - Insurance	578 802	84 058
	134 015 976	**127 666 573**

17. Consumer deposits

Electricity	8 190 786	7 738 520
Other	787 788	944 799
Building plans	23 860 116	23 349 400
Hall deposits	7 085	6 356
	32 845 775	**32 039 075**

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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations

Defined benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion of the medical aid membership fee. The most recent actuarial valuations were carried out at 30 June 2022 by One Pangae Financial, Fellow of the Faculty of Actuaries and Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

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

	2022	2021
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(105 673 894)	(95 366 963)

	2022	2021
Non-current liabilities	(101 051 966)	(90 994 041)
Current liabilities	(4 621 928)	(4 372 922)
	(105 673 894)	**(95 366 963)**

The fair value of plan assets includes:

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

	2022	2021
Opening balance	(95 366 963)	(87 398 775)
Benefits paid	4 237 441	4 343 429
Net expense recognised in the statement of financial performance	(14 544 373)	(12 311 617)
	(105 673 895)	**(95 366 963)**

Net expense recognised in the statement of financial performance

	2022	2021
Current service cost	(3 885 345)	(3 456 773)
Interest cost	(10 768 354)	(11 440 529)
Actuarial (gains) losses	109 326	2 585 685
	(14 544 373)	**(12 311 617)**

Calculation of actuarial gains and losses

	2022	2021
Actuarial (gains) losses – Obligation	(109 326)	(2 585 685)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.41 %	11.55 %
Consumer price inflation	7.44 %	6.48 %
Health care cost inflation	8.94 %	7.98 %
Net discount rate	3.19 %	3.31 %

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

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

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

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

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

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

The liability in respect of past service has been estimated as follows:		
Active employees	58 488 105	51 674 168
Continuation pensioners	47 185 790	43 692 795
	105 673 895	**95 366 963**

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Neighbourhood Development Grant	797 803	14 584 808
Integrated Urban Development Grant	2 241 546	-
Housing development fund	30 175 634	27 978 141
Small towns rejuvination Grant	7 003 970	-
Integrated National Electrification Programme	-	61 306
Modular libraries Grant	272 452	-
COGTA Electrification Grant	784 811	-
Municipal Disaster Relief Grant	8 100 000	-
	49 376 216	**42 624 255**

20. Provisions

Reconciliation of provisions - 2022

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

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in interest cost	Actuarial (gain)/loss	Total
Environmental rehabilitation	11 919 438	-	-	762 844	-	12 682 282
Legal proceedings	231 250	-	-	-	-	231 250
Long service awards	20 728 275	1 591 980	(3 660 878)	1 496 038	3 324 306	23 479 721
Leave provision	29 303 237	5 927 786	(3 858 188)	-	-	31 372 835
	62 182 200	**7 519 766**	**(7 519 066)**	**2 258 882**	**3 324 306**	**67 766 088**

	2022	2021
Non-current liabilities	37 635 128	36 162 003
Current liabilities	39 324 567	31 604 085
	76 959 695	**67 766 088**

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 calaculated 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 2022.

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

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

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

Legal proceedings provisions

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Provisions (continued)

The municipality constructed low cost housings on a property that was privately owned. The municipality and the owner of the land entered into an agreement for the municipality to pay the owner of the land occupational interest of R231 250 on completion of transfer on the land in the name of the municipality. As at the end of the 2018 financial year the amount to be paid in the future for the use of land was known however the timing could not be ascertained.

Long service awards

The long service awards is granted to municipal employees after the completion of fixed periods of continuation service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality as at 30 June 2022 may become entitled to in the future. The provision is based on an actaurial valuation performed at that date. The most recent actuarial valuation was carried out as at 30 June 2022 by One Pangae Expertise and Solutions, fellow of the faculty of Actuaries and Actuarial Society of South Africa. The present value of the obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:		
Non-current liability	22 855 441	20 431 486
Current liability	2 035 794	3 048 235
	24 891 235	**23 479 721**

Eligible employees		
Number of eligible employees	1 068	1 063

Key assumptions used		
Discount rate	10.22%	7.87%
Consumer price index	6.71%	4.43%
Salary increase rate	7.71%	5.43%
Net discount rate	2.33%	2.31%
	-	-

Age and mortality		
Normal retirement age	65	63
Average retirement age	63	63
Mortality	85-90	85-90
	-	-

Amount recognised in the financial performance under employee costs are as follows:		
Current service cost	1 772 662	1 591 978
Interest cost	1 727 906	1 496 038
Actuarial gain/(loss)	(3 852 030)	(3 324 306)
	(351 462)	**(236 290)**

21. Service charges

Sale of electricity	157 557 830	141 263 297
Solid waste	57 383 793	54 681 569
	214 941 623	**195 944 866**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	3 694 332	3 027 244
Rental of equipment	202 235	757 806
	3 896 567	**3 785 050**

23. Agency services

Driver's Licenses	4 294 770	4 694 993
Management Fees	670 283	705 360
	4 965 053	**5 400 353**

24. Licences and permits

Trading	(255 396)	(117 282)
Road and Transport	523 950	590 150
	268 554	**472 868**

25. Other income

Other income	-	2 679 935

26. Investment revenue

Interest revenue		
Bank	5 181 831	3 513 272

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Property rates

Rates received

Public service infrastructure	67 608	45 537
Commercial	91 787 877	89 565 991
State	20 423 098	19 576 248
Residential	337 161 528	340 050 692
Industrial	15 297 208	14 734 228
Multi-purpose	3 584 696	3 455 760
Agriculture	3 137 004	6 494 707
Public benefit organisations	1 244 641	1 140 583
ST garages/store rooms	736 846	713 258
Mining	186 225	179 235
Special purpose	582 161	546 996
Communal land	86 894	83 603
Vacant land	32 828 295	38 433 040
Less: Income forgone	(42 646 862)	(67 688 562)
	507 124 081	515 019 878
	464 477 219	**447 331 316**

Valuations

Public service infrastructure	3 235 564 000	3 235 494 000
Commercial	4 486 434 000	4 482 726 000
State	968 765 000	962 165 000
Residential	28 499 548 000	28 507 742 000
Industrial	728 248 000	727 655 000
Multi-purpose	220 502 000	220 502 000
Agriculture	2 210 488 000	2 209 482 000
Public benefit organisations	377 592 000	351 462 000
ST garages/store rooms	59 180 000	59 587 000
Mining	7 500 000	7 500 000
Special purpose	110 494 000	110 494 000
Communal land	70 022 000	70 222 000
Procted areas	4 925 000	4 925 000
Vacant land	1 600 776 000	1 602 143 000
Municipal	470 973 000	477 598 000
	43 051 011 000	**43 029 697 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

28. Surcharges and Taxes

Taxes	-	9 848

29. Interest, dividends and Rent on Land

Interest - Receivables	25 601 971	23 400 805

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Government grants & subsidies

Operating grants		
Equitable share	233 153 000	266 948 000
Energy Efficiency Demand Side Managemnt	4 000 000	-
Small towns rejuvination Grant	996 030	-
Provincialisation of libraries Grant	12 017 000	11 759 000
Expanded Public Works Programme (EPWP)	5 535 500	3 949 000
Community Libraries Grant	1 758 000	1 644 000
Financial Management Grant	1 950 000	2 000 000
Museum subsidies Grant	429 000	-
Modular libraries Grant	409 548	637 000
Land use management Grant	-	269 442
Local Government SETA	734 593	483 155
European Union Grant	12 015 131	9 668 501
Museum subsidies Grant	-	407 000
Economic Developmemnt and Environmental Affairs	817 000	-
Municipal Disaster Recovery Grant	-	327 945
	273 814 802	**298 093 043**
Capital grants		
Integrated Urban Development Grant	96 889 454	64 509 000
Margate Airport Grant	-	7 268 334
Intermodal facility grant	-	5 383 380
Neighbourhood Development Grant	45 044 005	5 415 192
	141 933 459	**82 575 906**
	415 748 261	**380 668 949**

Neighbourhood Development Grant

Balance unspent at beginning of year	14 584 808	-
Current-year receipts	31 257 000	20 000 000
Conditions met - transferred to revenue	(45 044 005)	(5 415 192)
	797 803	**14 584 808**

Conditions still to be met - remain liabilities (see note 19).

Integrated Urban Development Grant

Current-year receipts	99 131 000	64 509 000
Conditions met - transferred to revenue	(96 889 454)	(64 509 000)
	2 241 546	**-**

Conditions still to be met - remain liabilities (see note 19).

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	-	327 945
Conditions met - transferred to revenue	-	(327 945)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

Margate Airport Grant

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Government grants & subsidies (continued)

Balance unspent at beginning of year	-	3 268 334
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(7 268 334)
	-	**-**

Small towns rejuvination Grant

Current-year receipts	8 000 000	-
Conditions met - transferred to revenue	(996 030)	-
	7 003 970	**-**

Conditions still to be met - remain liabilities (see note 19).

Energy Efficiency Demand Side Management

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	-	**-**

Provincialisation of libraries Grant

Current-year receipts	12 017 000	11 759 000
Conditions met - transferred to revenue	(12 017 000)	(11 759 000)
	-	**-**

Integrated National Electrification Programme

Balance unspent at beginning of year	61 306	4 516 669
Current-year receipts	8 040 000	4 000 000
Conditions met - transferred to revenue	(8 101 306)	(8 455 363)
	-	**61 306**

Conditions still to be met - remain liabilities (see note 19).

European Union Grant

Financial Management Grant

Current-year receipts	1 950 000	2 000 000
Conditions met - transferred to revenue	(1 950 000)	(2 000 000)
	-	**-**

Modular libraries Grant

Current-year receipts	682 000	637 000
Conditions met - transferred to revenue	(409 548)	(637 000)
	272 452	**-**

Conditions still to be met - remain liabilities (see note 19).

Land use management Grant

Balance unspent at beginning of year	-	269 442

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Government grants & subsidies (continued)

Conditions met - transferred to revenue	-	(269 442)
	-	**-**

Intermodal Facility Grant

Balance unspent at beginning of year	-	5 383 380
Conditions met - transferred to revenue	-	(5 383 380)
	-	**-**

Economic Development and Environmental Affairs

Current-year receipts	817 000	-
Conditions met - transferred to revenue	(817 000)	-
	-	**-**

COGTA Electrification Grant

Current-year receipts	6 000 000	-
Conditions met - transferred to revenue	(5 215 189)	-
	784 811	**-**

Conditions still to be met - remain liabilities (see note 19).

Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	38 842
Current-year receipts	8 100 000	-
Conditions met - transferred to revenue	-	(38 842)
	8 100 000	**-**

Conditions still to be met - remain liabilities (see note 19).

Expanded Public Works Programme (EPWP)

Current-year receipts	5 558 000	3 949 000
Conditions met - transferred to revenue	(5 558 000)	(3 949 000)
	-	**-**

Community Libraries Grant

Current-year receipts	1 758 000	1 644 000
Conditions met - transferred to revenue	(1 758 000)	(1 644 000)
	-	**-**

Museum Grant

Current-year receipts	429 000	407 000
Conditions met - transferred to revenue	(429 000)	(407 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Public contributions and donations

Public contributions and donations	6 596 917	2 465 770

32. Fines, Penalties and Forfeits

Building Fines	141 569	138 458
Illegal Connections Fines	197 594	116 131
Law Enforcement Fines	-	2 712 700
Overdue Books Fines	95 867	21 978
Municipal Traffic Fines	29 667 922	12 594 966
Property Rates Penalties	87 150	118 764
Unclaimed Money Forfeits	-	843 115
	30 190 102	**16 546 112**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Employee related costs

Basic	274 958 418	262 827 321
Bonus	21 372 478	20 948 927
Medical aid - company contributions	18 869 290	18 778 926
UIF	2 198 647	1 977 252
Leave pay provision charge	4 040 812	4 452 557
Defined contribution plans	14 544 373	12 311 617
Overtime payments	17 500 036	16 520 166
Long-service awards	5 263 542	6 412 322
Acting allowances	609 368	679 717
Car allowance	17 849 794	16 999 009
Housing benefits and allowances	3 771 395	3 964 390
Night shift allowance	1 459 061	1 491 035
Standby allowance	4 772 716	4 518 169
Bargaining council levy	129 934	126 825
Telephone allowance	992 613	1 114 518
Pension fund	46 984 127	46 203 379
Life insurance	198 801	212 648
	435 515 405	**419 538 778**

Remuneration of Municipal Manager

Annual Remuneration	1 514 045	1 513 728
Performance Bonuses	196 535	166 298
Cellphone Allowance	30 000	30 000
	1 740 580	**1 710 026**

Remuneration of Chief Financial Officer

Annual Remuneration	1 310 312	-
Performance Bonuses	-	54 491
Cellphone Allowance	11 000	-
	1 321 312	**54 491**

Remuneration of Head of Department Corporate Services

Annual Remuneration	1 075 524	1 055 983
Performance Bonuses	126 610	105 508
Cellphone Allowance	8 000	12 000
	1 210 134	**1 173 491**

Head of Department Strategic Planning and Governance

Annual Remuneration	1 060 877	1 059 488
Cellphone Allowance	12 000	12 000
Performance Bonuses	116 059	102 679
Subsistence and Travel	6 959	-
	1 195 895	**1 174 167**

Head of Department Technical Services

Annual Remuneration	1 041 174	1 093 636
Cellphone Allowance	12 000	12 000
Performance Bonuses	75 013	77 791

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

33. Employee related costs (continued)

	1 128 187	**1 183 427**

Head of Department Public Safety

Annual Remuneration	1 057 272	1 033 126
Cellphone Allowance	12 000	12 000
Performance Bonuses	116 059	105 508
	1 185 331	**1 150 634**

Head of Department Development Planning Services

Annual Remuneration	1 293 804	1 283 518
Cellphone Allowance	12 000	12 000
Performance Bonuses	141 183	102 679
	1 446 987	**1 398 197**

Head of Department of Community Services

Annual Remuneration	1 040 288	1 023 463
Cellphone allowance	12 000	12 000
Performance Bonuses	94 958	105 508
	1 147 246	**1 140 971**

34. Remuneration of councillors

Executive Major	732 005	932 931
Deputy Executive Mayor	592 020	754 503
Mayoral Committee Members	3 572 553	7 160 132
Speaker	748 839	754 503
Councillors	20 603 335	18 763 794
	26 248 752	**28 365 863**

In-kind benefits

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

The Mayor, Deputy Mayor and Speaker each have use of separate Council owned vehicle for official duties.

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

35. Depreciation and amortization

Property, plant and equipment	88 021 212	94 137 157
Intangible assets	468 583	213 471
	88 489 795	**94 350 628**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Impairment loss

Impairments		
Property, plant and equipment	5 369 393	5 917 102
Trade and other receivables	30 032 695	(28 875 857)
	35 402 088	**(22 958 755)**

Impairment loss/ reversal on PPE and Trade receivables has been consolidated on the face of the 2022 statement of financial performance and broken down in this note. Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed.

37. Finance costs

Non-current borrowings	490 308	500 341
Finance leases	19 440 317	11 979 117
	19 930 625	**12 479 458**

38. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	8 467 171	12 934 132
Equipment		
Contractual amounts	2 043 794	1 580 248
Plant and equipment		
Contractual amounts	328 674	492 442
Lease rentals on operating lease - Other		
Contractual amounts	2 563 749	3 946 025
	13 403 388	**18 952 847**

39. Bulk purchases

Electricity – Eskom	122 719 656	108 129 488

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Bulk purchases (continued)

Electricity losses

	Number 2022	Number 2021		
Units purchased	85 614 146	89 019 900	-	-
Units sold	(70 815 940)	(79 547 599)	-	-
Total loss	**14 798 206**	**9 472 301**	**-**	**-**

Comprising of:		
Technical losses	5 160 544	4 573 405
Non-technical losses	10 763 421	4 116 064
Total	**15 923 965**	**8 689 469**

Percentage Loss:		
Technical losses	6 %	6 %
Non-technical losses	12 %	5 %
Total	**18 %**	**11 %**

The electricity losses units and amounts for 2021 financial year has been adjusted in the comparative due to a typo, however the percentange losses did not change.

40. Contracted services

	2022	2021
Presented previously		
Information Technology Services	71 360	22 500
Outsourced Services		
Administrative and Support Staff	5 453 151	6 017 197
Business and Advisory	3 070 947	1 172 947
Catering Services	996 669	303 849
Cleaning Services	7 840 213	7 113 785
Clearing and Grass Cutting Services	13 430 156	16 616 293
Hygiene Services	1 485 229	618 274
Personnel and Labour	-	1 500
Connection/Dis-connection	428 320	217 177
Refuse Removal	-	1 650 315
Security Services	37 872 450	32 779 901
Swimming Supervision	15 661 703	9 573 818
Transport Services	436 272	3 913
Consultants and Professional Services		
Business and Advisory	8 660 363	3 537 180
Infrastructure and Planning	1 774 238	863 530
Laboratory Services	523 278	449 236
Legal Cost	4 998 865	4 425 176

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Contracted services (continued)

Contractors		
Catering Services	673 524	5 280
Electrical	7 292 989	2 673 813
Employee Wellness	109 522	47 308
Maintenance of Buildings and Facilities	5 744 046	6 196 823
Maintenance of Equipment	4 122 420	3 323 924
Maintenance of Unspecified Assets	38 688 915	35 020 220
Management of Informal Settlements	45 734 337	52 323 819
Pest Control and Fumigation	126 556	-
Prepaid Electricity Vendors	-	660
Tracing Agents and Debt Collectors	78 725	25 875
Shark Nets	8 635 544	6 281 918
Removal of Hazardous Waste	-	(19 065)
	213 909 792	**191 247 166**

41. Transfer and subsidies

Other subsidies		
Transfers and Subsidies	9 890 135	6 635 338

42. General expenses

Advertising	4 184 753	3 174 824
Auditors remuneration	4 683 824	4 322 256
Bank charges	1 345 741	1 745 608
Commission paid	1 401 124	1 022 923
Discount allowed	456 635	345 250
Entertainment	1 275	490
Fines and penalties	155 400	446 507
Hire	11 375 366	7 777 014
Insurance	7 896 573	6 609 667
IT expenses	9 456 408	10 962 285
Levies	3 738 061	2 777 444
Fuel and oil	16 402 445	12 275 946
Postage and courier	1 574 636	1 094 338
Printing and stationery	516 358	588 380
Protective clothing	4 981 295	4 975 852
Subscriptions and membership fees	5 115 279	5 005 160
Telephone and fax	3 219 871	1 857 733
Travel - local	2 153 132	892 914
Travel - overseas	37 940	292 102
Title deed search fees	158 562	182 694
Assets expensed	-	12 265
Utilities - Other	25 371 466	23 437 950
Management fee	8 009 349	7 309 880
Other expenses	18 093 566	19 566 112
	130 329 059	**116 675 594**

43. Other revenue

Staff Recoveries	437	456 951
Operational revenue	1 946 210	347 655
Other income - (rollup)	-	2 679 935
	1 946 647	**3 484 541**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Auditors' remuneration

Fees	4 683 824	4 322 256

45. Cash generated from operations

Surplus	123 494 177	162 330 134
Adjustments for:		
Depreciation and amortisation	88 489 795	94 350 628
Gain/loss on sale of assets and liabilities	490 446	2 289 489
Fair value adjustments	(7 587 194)	(9 029 000)
Impairment loss (reversal)	35 402 088	(22 958 755)
Bad debts written off	4 423 719	6 915 501
Movements in provisions	3 244 172	4 821 044
Non-cash movement in employee benefit obligations	10 306 932	16 655 037
Public contributions and donations	(6 596 917)	(2 465 770)
Changes in working capital:		
Inventories	(4 150 045)	233 292
Receivables from exchange transactions	(6 494 911)	(15 119 769)
Other receivables from non-exchange transactions	(59 529 522)	(91 546 773)
Payables from exchange transactions	6 349 403	(1 623 403)
VAT	(10 156 470)	(4 961 350)
Unspent conditional grants and receipts	6 751 961	3 045 012
Consumer deposits	806 700	1 347 789
	185 244 334	**144 283 106**

46. Operating surplus

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

Operating lease charges		
Motor vehicles		
• Contractual amounts	8 467 171	12 934 132
Equipment		
• Contractual amounts	2 043 794	1 580 248
Plant and equipment		
• Contractual amounts	328 674	492 442
Lease rentals on operating lease - Other		
• Contractual amounts	2 563 749	3 946 025
	13 403 388	**18 952 847**

Loss on sale of property, plant and equipment	(455 509)	(2 289 489)
Loss on sale of intangible assets	(9 237)	-
Compensation from third parties - Heritage assets	(25 700)	-
Impairment on property, plant and equipment	5 369 393	5 917 102
Impairment on trade and other receivables	30 032 695	(28 875 857)
Amortisation on intangible assets	468 583	213 471
Depreciation on property, plant and equipment	88 021 212	94 137 157
Employee costs	472 139 829	456 890 045

47. Fair value adjustments

Investment property (Fair value model)	7 587 194	9 029 000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	117 911 869	82 935 144
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	4 597 506
Total capital commitments		
Already contracted for but not provided for	117 911 869	82 935 144
Not yet contracted for and authorised by accounting officer	-	4 597 506
	117 911 869	**87 532 650**

Authorised operational expenditure

Already contracted		
• Operating Commitments	150 232 744	97 784 130
Total operational commitments		
Already contracted for but not provided for	150 232 744	97 784 130
Total Commitments		
Authorised Capital Expenditure	117 911 869	87 532 650
Authorised Operational Expenditure	150 232 744	97 784 130
	268 144 613	**185 316 780**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5 995 997	9 351 996
- in second to fifth year inclusive	515 880	4 899 732
	6 511 877	**14 251 728**

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	2022	2021

49. Contingencies

Claimant	**Nature of contingen tliability**	**Summary ofmatter and uncertainty**		
Siboniso Hlophe	Pothole claim	There is a dispute of pothole damages, it is however not certain that the plaintiff has a case against the municipality as not all the ligation requirements have not been met.	5 996	5 996
Gerhardus Van Der Merwe	Pothole claim	There is a dispute of pothole damages, it is however not certain that the plaintiff has a case againstthe municipality as not all the ligation requirements have not beenmet.	60 307	60 307
JD Chetty	Pothole claim	There is a dispute of pothole damages as Ray Nkonyeni Municipalityawaits the inspection of the plaintiff works in Durban.	15 208	15 208
E Meier	Pothole claim	There is a dispute of pothole damages as there is no visible pothole on this road.	17 060	17 060
A Sewlal	Pothole claim	There is a dispute of pothole damages due to the speed limit on this road.	-	11 879

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

49. Contingencies (continued)

NT James	Damag esclaim	There is a dispute between NTJames and Ray Nkonyeni Municipality where NT James is claiming damages for losing business as his business property is not cleaned. The municipal attorney believes there is no case as NT James is owingthe municipality forrates and electricity	546 000	546 000
J Smith	Stormwat er damages Claim	There is a dispute on theclaim for damages sustained to Plaintiff's vehicle as a result of colliding with an exposed stormwater drain due to insufficient information is available fromthe Plaintiff in order to makethe determination	-	15 930
Vox Telecommunications	Service s rendere d	There is a contractual dispute between RNM and Vox Telecommunications who was a service provider who is claiming feesfor unauthorized services		395 381

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

Tauris Garden Trading (Pty) L td(Masinenge Slums ClearanceProject)	Contractu alDispute	This contractual dispute is due to Tauris Garden Trading (Pty) Ltd claiming that the RNM owes the man amount of R34 878075.03 for work they perform ed whereas themunicipality is disputing this matter due to the fact that Tauris Garden Trading (Pty) Ltd owes Ray Nkonyeni Municipality forsnags.	34 878 075	34 878 075
Y Mashalaba &Associates	Contractual Dispute	This contractual dispute is dueto the plaintiff claiming Ray Nkonyeni Municipality owes them for work performed while the municipality is disputing on the grounds that there is no evidence that the work was performed.	198 400	198 400

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

49. Contingencies (continued)

A Reddy	Improvement claim	Summons received on 08th September 2020 for an improvement claim. AReddy claimsthat the access road to his home was damaged due to a storm and that the requested the Municipality to repair the damages as the damages apparently wasa threat to life or limb and after officials allegedly failedto cause the repairs, he hired a private contractor to repair the access road. He now claims compensationfrom the Municipality.	40 294	40 294
NS Govender	Pothole claim	Summons received in October 2020for Pothole Damages incurred at or near Knoxgore Road, Uvongo.	9 089	9 089
Ngcolosi Consulting Engineers	Contractual claim	Letter of Demand received dated3 November 2020 For services rendered for the MasinengeSlums Clearance Project	-	1 892 012

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

Price trust	Contractu alclaim	Letter of Demand forapparent damages tothe building noted upon vacation of the building situated on Price Street, Port Shepstone thatwas used as an office block that housed the Municipalities IT & Community Services Sections.	420 000	420 000
Price trust	Contractu alclaim	Letter of Demand received for costs paid by the claimant during the lease of the premises at Price Street, Port Shepstone by the Municipality in respect of water and electricity usedby the Municipality. It would appear that the claimant failed to claim and had after the lease was terminated, compiled the costs thereof and is demanding remuneration from the Municipa lity.	-	245 822

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

M Van Der Merwe	Damages claim	Letter of Demand received for damages to a boundary fence as a resultof the Municipalities contractors having apparently cut down atree without taking the necessary precautions.	-	15 347

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

R Pretorius	Damages claim	Summons received on the21st January202 1. T he plaintiffclaims that, theMunicipality has stopped supply of the electricity to itspremises based on the reasoning that the electricity meter was missing and the underground cabling being damaged. Plaintiff avers that it had attended to the replacement and repairs at its own cost since the Municipality refused to do so and it now claims the cost thereof from the Municipality. Plaintiff previously applied for an order compelling the Municipality to provide a meter and repair the cable however, it did not believe that itshould do so since It averred inter alia, illegal tampering bythe Plaintiff. The Municipality, throughSeethal Attorneys opposed	62 555	62 555

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

		The matter after extensiveinterviews withthe Electricity team and last reported that the matter wasbeing settled out of court.		
H Cockcroft	Pothole claim	Letter of Demand received for damages to a vehicle as a result of a pothole.	-	7 775
M Voster	Damages claim	Claim receivedfor damages toa boundary fence as a result of damage by a fallen tree on the Municipality’s verge, due to the Municipality not taking the necessary precautions.	-	14 700
A Bellato	Pothole claim	Letter of Demand received for damages to a vehicle asa result of a pothole.	-	3 856
T Jumna	Damages claim	Letter of Demand received on 30th January 2021	-	6 391
T Booyse	Damage claim	Letter of demand received for damages to a vehicle radiator, whichis claimed dueto the terrible state of the gravel road near Bauhinia Road Southport	6 291	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

NATAL SHARKS BOARD	Professional Services claim	Claim stemming fromunpaid professional services rendered	5 546 666	-
MRS. P GOVENDER	Pothole Damag esClaim	Claim stemming fromcollision with apothole	19 541	-
D GOVENDER	Damag es (alleged Unlawfu l Arrest)	Govender avers that arresting officer arrested him without just cause to do so. Arresting Officers statedthat arrest wasbased on reckless and negligent driving and was accordingly handed over to SAPS as such.	200 000	-
S & NP ZINDELA	Damages (alleged unlawful arrest)	Claimants averthat arresting officers arrested them without just cause as they were passengers in a vehicle that was stopped. Arresting officers submit that arrest was because vehicle was onrecord as a stolen vehicle and upon questioning driver and occupants, no answer was forthcoming in terms of ownership of vehicle. Matterwas handed toSAPS as such.	400 000	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

EM SAYED & OTHERS	Damages (alleged unlawful arrest)	Three Claimants instituted joint action against the Minister of Police jointly and severally against RNM inrespect of alleged unlawful arrest that took place on or about 27th April 2018during the Annual Biker Festival held at Margate. Summons wasserved on Public Safety Department on14th March 2022 and then transmitted to Legal	975 000	-
S RADBONE	Damages (Personal Injury/Loss of Income	S Radbone appointed Mcleod & Associates to claim from the Municipality damages in the amount of R14,729,750.0 0, pertaining toinjuries and loss of amenities having allegedly falleninto an unsecured storm water drain that was also concealedby overgrown grass and vegetation.	14 729 750	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

NB MAKHAMBI	Damages	Letter of demand served on 25thMarch 2022. Claimant's Attorneys (subrogation) alleged that claimant's vehicle was damaged due to tree branch having fallen on the claimant's vehicle on or about the 08thFebruary 2022in the Southbroom area.	45 952	-
S Sewlall	Damages	Pothole Damages Claim Instituted bythe Plaintiff.	194 050	-
Ayanda N Khwela	Damages	Letter of Demand received inlieue of Pothole Damages	85 140	-
NM Harilal vs Ray Nkonyeni Municipality	Damages	Letter of Demand received in lieuof Pothole Damages	11 378	-
MA Mngomeni	Damages	Letter of demand received in lieuof Pothole Damages	49 021	-
John Beardsmore	Damages	Letter of Demand received forPothole Damages Claim	5 200	-
Keegan Pillay	Accident Claim	Letter of Demand received for MVA damages after colliding with a vehicle from DComms.	159 916	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

Natsure Aviation	Damages	Letter of Demand received -mvadamages 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 injuryclaim-bridge collapsed on claimant at Mvutshini Location, Margate	5 000 000	-
S Naicker	Damages	Letter of Demand received forpothole damages	5 150	-
Alison Cwele	Damages	Letter of Demand received for pothole damages onValley RoadUmbango.	15 658	-
Beyers Joubert	Damages	Letter of Demand received for pothole damages at Marine DriveMargate	7 306	-
Henk J Van Rensburg	Damages	Letter of demand received forpothole damages inOwen Ellis Drive Port Edward	22 935	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Contingencies (continued)

Maria Magdalena Erasmus	Damages	Letter of Demand received – personal injury claim-fell into pothole on Manaba BeachRoad	300 000	-
MTN	Contractual claim	Letter of Demand received pertaining to claims for usage of cellular phone contracts by staff stemmingfrom as far back at the time of Hibiscus CoastMunicipality.	361 360	-
Appileh Nandie Trading and projects	Contractu alDispute	Litigation (Non-Contingent portion and Contingent Portion) Their CounterClaim (Contingent Liability)R This is a contractual dispute with a Contractor whois appointed to provided Beach Cleaning Services to theMunicipality. DComms had drafted theSLA to reflect the appointed amount as per annum as opposed to for the three-year period, and had raised an order and honored invoices for 14 months before discovering theerror.	6 105 542	-
			70 722 290	**38 862 077**

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk is managed on a group basis.

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

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

No credit limits were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties.

Market risk

Notes to the Annual Financial Statements

50. Risk management (continued)

Interest rate risk

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

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2022 and 2021, the municipality’s borrowings at variable rate were denominated in the Rand.

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.

51. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of 2 080 780 894 and that the municipality's total assets exceed its liabilities by 2 080 780 894.

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.

52. 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 municpality that generates significant economic benefits or service potential.

Aggregated segments

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

52. Segment information (continued)

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

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Technical Services	Community Services	Total
Revenue			
Revenue from non-exchange transactions	159 062 859	5 558 000	164 620 859
Revenue from exchange transactions	158 575 751	62 523 195	221 098 946
Total segment revenue	**317 638 610**	**68 081 195**	**385 719 805**
Unallocated revenue			862 728 007
Municipality's revenue			**1 248 447 813**
Expenditure			
Salaries and wages	47 188 420	106 623 848	153 812 268
Bulk purchases	122 719 656	-	122 719 656
Contracted services	88 490 639	32 911 892	121 402 531
Operating leases	939 104	4 200 161	5 139 265
Operational cost	18 131 876	8 899 691	27 031 567
Inventory cost	1 130 027	8 109 410	9 239 437
Interest dividends and rent	320 133	-	320 133
Total segment expenditure	**278 919 855**	**160 745 002**	**439 664 857**
Total segmental surplus/(deficit)			**(53 945 052)**
Unallocated expenses			685 288 780
Total Municipality's expenditure			**1 124 953 636**
Municipality's surplus (deficit) for the period			**123 494 177**

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

	Technical Services	Community Services	Total
Assets			
Current assets	59 596 505	(81 594 709)	(21 998 204)
Non-current assets	1 141 658 022	5 605 959	1 147 263 981
Total segment assets	**1 201 254 527**	**(75 988 750)**	**1 125 265 777**
Unallocated assets			1 418 126 819
Total assets as per Statement of financial Position			**2 543 392 596**
Liabilities			
Current liabilities	81 515 284	149 569 780	231 085 064
Non-current liabilities	684 349	-	684 349
Total segment liabilities	**82 199 633**	**149 569 780**	**231 769 413**
Unallocated liabilities			230 842 301
Total liabilities as per Statement of financial Position			**462 611 714**

2021

	Technical Services	**Community Services**	**Total**
Revenue			
Revenue from non-exchange transactions	85 420 149	3 949 000	89 369 149
Revenue from exchange transactions	142 005 598	60 742 107	202 747 705
Total segment revenue	**227 425 747**	**64 691 107**	**292 116 854**
unallocated revenue			873 800 681
Entity's revenue			**1 165 917 535**

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Expenditure			
Salaries and wages	41 912 813	102 168 374	144 081 187
Bulk purchases	108 129 488	-	108 129 488
Contracted services	34 036 765	35 795 902	69 832 667
Operating leases	1 454 305	9 817 697	11 272 002
Operational cost	15 545 589	16 023 136	31 568 725
Inventory cost	224 937	6 755 360	6 980 297
Interest dividends and rent	50 262	-	50 262
Total segment expenditure	**201 354 159**	**170 560 469**	**371 914 628**
Total segmental surplus/(deficit)			**(79 797 774)**
Unallocated expenses			631 672 773
Total Municipality's expenditure			1 003 587 401
Entity's surplus (deficit) for the period			**162 330 134**
Assets			
Current assets	38 082 039	(70 965 354)	(32 883 315)
Non-current assets	997 672 177	8 001 218	1 005 673 395
Total segment assets	**1 035 754 216**	**(62 964 136)**	**972 790 080**
Unallocated assets			1 403 114 808
Total assets as per Statement of financial Position			**2 375 904 888**
Liabilities			
Current liabilities	70 222 402	77 867 317	148 089 719
Non-current liabilities	162 762	-	162 762
Total segment liabilities	**70 385 164**	**131 322**	**148 252 481**
Unallocated liabilities			270 365 703
Total liabilities as per Statement of financial Position			**418 618 184**

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	2022	2021

53. Accounting by principals and agents

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

Details of the arrangment(s) is|are as follows:

Ray Nkonyeni Municipality is party to a principal-agent arrangement with the Department of Energy. The Department of Energy provides the Municipality with a grant in terms of the Intergrated National Electrification Programme (INEP).

The municipality is the agent. Refer to note for significant judgements applied in making this assessment.

The Municipality implements electricity infills in rural areas that are under eskom. The municipality's electricity distrbution licence is limited to the Port Shepstone area of supply an therefore the electricity projects that are doen in the easkom are of supply using the INEP grant are handed over to eskom for energising and future maintenance and do not form part of the municipality's assets.

Entity as agent

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

	2022	2021
Integrated National Electrification Programme (INEP)		
Opening balance	61 306	4 516 669
Expenses incurred on behalf of the principal	(8 101 306)	(8 455 363)
Receipts from principal	8 040 000	4 000 000
	-	**61 306**

	2022	2021
All categories		
Opening balance	61 306	4 516 669
Expenses incurred on behalf of principal	(8 101 306)	(8 455 363)
Receipts from principal	8 040 000	4 000 000
	-	**61 306**

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

Company and Relationship	2022	2021
Mthobonga Enterprise - Works for SAPS	-	120 750
Luyaneli Events (Pty)Ltd - Official at Ray Nkonyeni Municipality	554 244	289 250
Tower 13 Lifeguard services cc - Councillor at Ray Nkonyeni Municipality	273 018	355 314
Auto Junction - Works at Ugu District Municipality	810 166	-
Margate Construction - Works for TVET college in Port Shepstone	30 433 092	-
Andrews Hire - Official at Ray Nkonyeni Municipality	2 950	-
RDC Builders - Works for SAPS	1 711 198	-
	33 784 668	**765 314**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

55. Related parties

Relationships	
Ugu District Municipality	District Municipality
Ugu South Coast Tourism Pty(Ltd)	Controlled by the District
Ugu South Coast Development Agency	Controlled by the District
Councillors	Refer to the Councillors remuneration note
Key management personnel	Refer to the employee cost note

Related party balances

Grants to related parties		
Ugu South Coast Tourism Pty(Ltd)	-	2 074 395
Ugu South Coast Development Agency SOC	1 102 500	1 050 000

56. Change in estimate

Property, plant and equipment

A change in the estimated remaining useful life of various assets of the Municipality based on their condition assessment conducted as at 30 June 2022 and resulted in the following decreases in depreciation for property plant and equipment in the 2022 financial year and future periods:

The impact on the statement of financial performance (Depreciation) in the 2022 financial year and future periods:

Heading		
Machinery and Equioment	(284 859)	-
Furniture and Equipment	(300 758)	-
Motor Vehicles	(37 716)	-
Computer and Office Equipment	(412 173)	-
Infrastructure Assets	(5 924 938)	(525 549)
Community Assets	(35 512)	(40 531)
	(6 995 956)	**(566 080)**

57. Prior-year adjustments

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

Errors

Below are the prior period errors that occured during the year under review. The diclosure has been done retrospectively disclosing the 2021, 2020 and 2019 financial year adjustments respectively.

The following prior period errors adjustments occurred:

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

57. Prior-year adjustments (continued)

Property, plant and equipment and Investment property

Community assets and Investment property

There were municipal-owned properties that were leased out in the prior years for consideration, however, the change of use was not considered in those years to apply the requirements of GRAP 16- Investment Property. This resulted in the fair value not being determined for those years as required by GRAP 16 as the municipality was using the cost model for its Property, Plant, and Equipment as allowed by GRAP 17. Therefore, during the asset verification, the municipality has identified assets that were supposed to be investment property in the prior years. The municipality effected the correction on 30 June 2019 according to GRAP 3 "***the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable").***

Statement of financial position			
Increase/(Decrease) in PPE cost	-	-	(69 731 501)
(Increase)/Decrease in accumulated depreciation and impairment	2 026 433	1 935 403	37 035 758
Increase/(Decrease) in Investment property	3 435 000	2 475 000	78 575 000
(Increase)/Decrease in Equity	-	(4 410 403)	(45 879 257)
	5 461 433	**-**	**-**

Statement of financial performance		
Increase/(Decrease)in Depreciation and amortisation	(1 931 773)	-
Increase/(Decrease) Impairment loss/reversal	(94 660)	-
(Increase)Decrease in fair value adjustments	(3 435 000)	-
	(5 461 433)	**-**

Movable assets

During the asset verification, assets that have reached the end of their useful lives were found to be in a fair condition and still in use. This, therefore, indicated that the municipality should have reassessed the useful lives of these assets in the prior years. Depreciations of other assets were incorrectly calculated. Assets vehicles that were involved in accidents in the prior year but erroneously not derecognised.

Statement of financial position		
Increase/(Decrease) in PPE cost	(584 900)	-
(ncrease)/Decrease in accumulated depreciation and impairment	158 324	206 152
(Increase)/Decrease in Equity	-	(206 152)
	(426 576)	**-**

Statement of financial performance		
Increase/(Decrease)in Depreciation and amortisation	(74 117)	-
Increase/(Decrease) in Loss on disposal of assets	500 693	-
	426 576	**-**

Infrastructure Assets

During the asset verification, assets that have reached the end of their useful lives hence there were still in use. This, therefore, indicated that the municipality should have reassessed the useful lives of these assets in the prior years. The depreciation of these assets was incorrectly calculated. Immovable Asset was a reclassification of Community assets to Infrastructure assets.

Statement of financial position		
(Increase)/Decrease in accumulated depreciation and impairment	(92 180)	1 134 428
(Increase)/Decrease in Equity	-	(1 134 428)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

57. Prior-year adjustments (continued)

	(92 180)	**-**
Statement of financial performance		
Increase/(Decrease) in Depreciation and amortisation	53 343	-
Increase/(Decrease) in impairment loss/reversal	38 837	-
	92 180	**-**

Work in progress

Beach facilities refurbishment cost siting in WIP relate to the repairs and maintenance this amount was erroneously capitalised in WIP.

Statement of financial position		
Increase/(Decrease) in PPE cost	(770 673)	(164 775)
(Increase)/Decrease in Equity	-	164 775
	(770 673)	**-**

Statement of financial performance		
Increase/(Decrease) in Contracted services	770 673	-

Land

The municipality has done a process of land verification and has identified land that belong to the municipality that need to be included in the land register in terms of IGRAP 18. The municipality effected the correction on 30 June 2019 according to GRAP 3 “the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable”. The deemed cost was used as a take on values and the deemed cost for the some land is nominal value because it can not be sold at any market value

Statement of financial position			
Increase/(Decrease) in Land assets cost	-	-	27 023 060
(Increase)/Decrease in Equity	-	-	(27 023 060)
	-	**-**	**-**

Intangible assets

The municipality performed a verification and reconciliation of all municipal assets. To ensure completeness of Intangible Assets, a reconciliation was performed. The reconciliation identified an understatement in the cost and accumulated amortization of Intangible assets on the face of the Annual Financial Statements and this was subsequently corrected.

Statement of financial position		
Increase/(Decrease) in Intangible assets cost	-	266 757
(Increase)/Decrease in accumulated Depreciation and amortisation	(88 919)	(7 410)
(Increase)/Decrease in Equity	-	(259 347)
	(88 919)	**-**

Statement of financial performance		
Increase/(Decrease) in Depreciation and amortisation	88 919	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

57. Prior-year adjustments (continued)

Government grants and subsidies and construction contracts

During the year end review it was identified that funds related to the Intermodal facility grant and Municipal disaster recovery grant were spent but the recognition to revenue transfer was ommitted in error. It was also noted that accreditation income was errornously clasisfied as transfers and subsidies instead of construction contracts revenue. Below is the impact of the correction of the error.

Statement of financial position		
(Increase)/Decrease in unspent conditional grants	5 711 325	-
Statement of financial performance		
(Increase)/Decrease in Government grants and subsidies	(4 384 311)	-
(Increase)/Decrease in Construction contract revenue	(1 327 172)	-
	(5 711 483)	**-**

57. Prior-year adjustments (continued)

Finance lease obligation

During the preparation of the Annual Financial Statements the municipality recalculated the amortization schedules for all vehicles under the finance lease agreement and identified adjustments that affect the following periods

Statement of financial position		
(Increase)/Decrease in Current portion of Finance lease obligation	(3 423 199)	(36 784)
(Increase)/Decrease in Non-Current portion of Finance lease obligation	(2 211 391)	(220 787)
(Increase)/Decrease in Equity	-	257 571
	(5 634 590)	**-**

Statement of financial performance		
Increase/(Decrease) Finance Cost	1 391 564	-
Increase/(Decrease)Operating Leases	(2 328 944)	-
Increase/(Decrease) General Expenditure	7 446 659	-
Increase/(Decrease) in Loss on disposal of assets and liabilities	(874 689)	-
	5 634 590	**-**

Receivebales from exchange, Receivables from non-exchange and impairment loss/reversal

Receivables from non-exchange and exchange transactions were impacted by the movement in the impairment being recorded incorrectly, this resulted in the accumulated impairment being overstated and net receivables being understated. There were movements within the receivables categories due to balances that were previously recorded under "other debtors" grouping being apportioned and correctly reallocated to the other categories within the debt book i.e. Property Rates/Waste/Service Charges etc. The correction of error has been correctly processed in the figures reflected for 30 June 2021.

Statement of financial position		
(Increase)/Decrease in accumulated impairment - receivables from exchange transactions	(2 146 502)	-
(Increase)/Decrease in accumulated impairment - receivables from non-exchange transactions	48 636 975	-
	46 490 473	**-**

Statement of financial performance		
Increase/(Decrease) in impairment loss/reversal	(46 490 473)	-

Trade and other payables from exchange transcations

The municipality undertook a data cleansing exercise on accruals in order to address prior year audit findings. This resulted in an identification of accruals that were disclosed as part of take on liabilities from the merger. Due to the uncertainty surrounding these they have been written off accordingly as the municipality believes there is no current obligation that will result in the outflow of economic benefits.

Statement of Financial Position		
(Increase)/Decrease in Trade and other payables from exchange transactions	-	4 067 039
(Increase)/Decrease in Equity	-	(4 067 039)
	-	**-**

Cash and Cash equivalents

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

57. Prior-year adjustments (continued)

During the review of reconciling items between the bank balance and the cashbook/GL, it was noted that there were transactions that should have been processed on the cashbook but had been left as reconciling items as they had gone off the bank via debit order. These transactions relating to the rental of photocopiers from service providers as well as transactions for sheriff fees that was captured on the cashbook. further an amount of R408 679 was incorrectly mapped to cash and cash equivalents instead of receivables from exchange.

Statement of Financial Position		
Increase/(Decrease) in cash and cash equivalents	(667 243)	-
Increase/(Decrease) in Vat receivable	46 673	-
(Increase)/Decrease in trade and other payables from exchange - accrual	(99 261)	-
Increase/(Decrease) in receivables from exchange	408 679	-
	(311 152)	**-**

Statement of financial performance		
Increase/Decrease in lease rentals on operating lease	285 039	-
Increase/Decrease in General expenses	26 114	-
	311 153	**-**

Statement of changes in Net assets

During the prior year audit it was noted that the net asset balance in the statement of changes in equity was different to the statement of financial position. The statement of net asset was overstated by R 1414 164. The correction has been effected in the statement of changes in net assets.

58. 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	2022	2021

58. Comparative figures (continued)

General expenses		
Audited amount	-	121 145 848
Transferred to Inventory consumed	-	(11 943 027)
Correction of error	-	7 472 773
	-	**116 675 594**
Inventory consumed		
Audited amount	-	37 575
Transferred from General expenses	-	11 943 027
	-	**11 980 602**
Loss on disposal of assets and liabilities		
Audited amount	-	2 663 484
Correction of error	-	(373 995)
	-	**2 289 489**
Debt impairment		
Audited amount	-	17 614 617
Transferred to Impairment loss/reversal	-	(17 614 617)
	-	**-**
Impairment loss/reversal		
Audited amount	-	5 972 925
Transferred from Debt impairment	-	17 614 617
Correction of error	-	(40 573 372)
	-	**(16 985 830)**
Depreciation and Amortisation		
Audited amount	-	96 214 255
Correction of error	-	(1 863 392)
	-	**94 350 863**
Government grants and subsidies		
Audited amount	-	(376 284 638)
Correction of error	-	(4 384 311)
	-	**(380 668 949)**
Construction contracts		
Audited amount	-	(55 402 699)
Correction of error	-	(1 327 172)
	-	**(56 729 871)**
Property, plant and equipment		
Audited amount	-	1 591 529 784
Correction of error	-	(1 824 471)
	-	**1 589 705 313**
Investment property		
Audited amount	-	205 741 000

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
58. Comparative figures (continued)		
Correction of error	-	84 485 000
	-	**290 226 000**
Receivables from exchange transactions		
Audited amount	-	92 965 258
Correction of error	-	(1 737 820)
	-	**91 227 438**
Receivables from non-exchange transactions		
Audited amount	-	185 208 518
Correction of error	-	48 636 975
	-	**233 845 493**
Finance lease obligation		
Audited amount	-	43 686 343
Correction of error	-	5 892 161
	-	**49 578 504**
Unspent conditional grants		
Audited amount	-	48 335 580
Correction of error	-	(5 711 325)
	-	**42 624 255**
Cash and cash equivalents		
Audited amount	-	143 480 454
Correction of error	-	(667 243)
	-	**142 813 211**
Vat receivable		
Audited amount	-	22 501 849
Correction of error	-	46 672
	-	**22 548 521**
Finance cost		
Audited amount	-	11 087 894
Correction of error	-	1 391 564
	-	**12 479 458**
Lease rentals on operating lease		
Audited amount	-	20 996 751
Correction of error	-	(2 043 904)
	-	**18 952 847**
Contracted services		
Audited amount	-	190 476 493
Correction of error	-	770 673
	-	**191 247 166**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

58. Comparative figures (continued)

	2022	2021
Intangible assets		
Audited amount	-	245 630
Correction of error	-	170 428
	-	**416 058**

	2022	2021
Trade and other payables from exchange transactions		
Audited amount	-	131 634 351
Correction of error	-	(3 967 778)
	-	**127 666 573**

59. Events after the reporting date

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

Adjusting events

- The council resolved on 26 July 2022 the approval of indigent support amounting to R100 130.00 relating to June 2022 which affected the revenue as well as receivables.

- The council approved a write off of R20 729 801,80 on 26 July 2022, for irregular expenditure and fruitless and wasteful expenditure incurred totalling R17 001,13 that was incurred in prior years/ current year as well as the investigation that was started before the end of the current financial year.

Non- adjusting events

- The council resolved on 26 July 2022 to donate land for two families affected by disaster to enable them to benefit from the Disaster Housing Project implemented by the KwaZulu Natal Department of Human Settlements. The estimated size of the donation is 100 metre^2 within the Farm no.6362. An estimate of the financial effect cannot be made as these are within a land parcel that has not been subdivided for valuation purposes.

60. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	32 309	201 310
Add: Fruitless and wasteful expenditure identified - current	19 784	171 467
Less: Amount written off - current	(17 001)	(340 468)
Closing balance	**35 092**	**32 309**

Fruitless and wasteful expenditure is presented Exclusive of VAT

Notes to the Annual Financial Statements

60. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Eskom - interest	None	10 052	50 241
Interest - other	None	-	2 051
Interest on Ugu accounts	None	9 732	119 238
		19 784	**171 530**

61. Irregular expenditure

Opening balance as previously reported	55 522 381	53 474 811
Opening balance as restated	**55 522 381**	**53 474 811**
Add: Irregular Expenditure - current	4 392 985	31 850 292
Less: Amount written off - current	(4 392 985)	(29 802 722)
Less: Amount written off - prior period	(16 336 817)	-
Closing balance	**39 185 564**	**55 522 381**

Irregular expenditure is presented Exclusive of VAT

Notes to the Annual Financial Statements

Figures in Rand

61. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Other		4 392 985	19 599 293
Non-compliance with s116 of the MFMA	None	-	2 304 889
Less than 4 senior managers attended BAC		-	9 946 110
		4 392 985	**31 850 292**

Cases under investigation

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

62. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	4 748 288	4 577 130
Amount paid - current year	(4 748 288)	(4 577 130)
	-	**-**

Audit fees

Opening balance	111 718	-
Current year subscription / fee	5 153 281	5 020 133
Amount paid - current year	(4 455 676)	(4 908 415)
	809 323	**111 718**

Notes to the Annual Financial Statements

Figures in Rand

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

PAYE and UIF

Current year subscription / fee	58 553 647	61 454 428
Amount paid - current year	(58 553 647)	(61 454 428)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	102 646 896	101 270 482
Amount paid - current year	(102 646 896)	(101 270 482)
	-	-

VAT

VAT receivable	107 281 357	63 093 740
VAT payable	74 576 366	40 545 219
	181 857 723	**103 638 959**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor S Chetty	4 354	3 865	8 219
Councillor L Garbade	1 406	-	1 406
Councillor R Gumbi	1 516	18 497	20 013
Councillor B Ngalo	787	601	1 388
Councillor L Ntanza	1 977	38 348	40 325
	10 040	**61 311**	**71 351**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

63. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 221 710	3 576 726

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.

64. Deviation from supply chain management regulations

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

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

Section 36 Deviations		
In an emergency - s36(1)(a)(i)	13 720	671 079
Sole supplier - s36(1)(a)(ii)	13 058	111 752
Impractical or impossible to follwow the official procurement process - s36(1)(a)(v)	4 154 026	1 829 554
Special works of art or historical objects where specifications are difficult to compile - s36(1)(a)(iii)	121 095	-
	4 301 899	**2 612 385**

65. Budget differences

Material differences between budget and actual amounts

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

Sale of goods - Avgas and Jet A1 fuel sales which are contigent on the amount of Jet fuel expenditure incurred and there was no expenditure resulting in no revenue from Jet fuel.

Construction contracts - The Department of Human Settlements during the financial year entered into a tripartite agreement and makes certain project payments within the budgeted allocation which has resulted in the variance between the budgted versus actual figures.

Rental of facilities and equipment - A conservative approach was used in budgeting for rental of fixed assets during these uncertain times with restrictions on gatherings, now with the restrictions being eased. The eased of the restrictions resulted in collecting more than the projections were made on the budget.

Interest received (trading) - The increase in our debtors and has yielded more interest charged than anticipated with an average monthly interest receivable on outstanding debtors. This interest is based on the outstanding debtors, this shows that most of our customers are failing to pay their debts on time. Debt collection policy is also implemented to improve the collection rate.

Licences and permits - Licences and permits from exchange transactions collected less than what was anticipated due to the low collection on the parking fees revenue.

Rendering of services - The municipality generated more revenue on the Building plans fees as the restrictions were being eased and more developments started.

Other income - Other income has exceed the projected revenue due to an insurance refund

Licences and Permits (Non-exchange) - Motor vehicle licencing revenue has exceeded projections due to an increase in vehicle registrations over the past financial year as the exemption that was offered during covid was relaxed.

Interest, Dividends and Rent on Land - The increase in our debtors and has yielded more interest charged than anticipated with an average monthly interest receivable on outstanding debtors. This interest is based on the outstanding debtors, this shows that most of our customers are failing to pay their debts on time. Debt collection policy is also implemented to improve the collection rate.

Fines, Penalties and Forfeits - The issued traffic fines were more than what was anticipated in the budget process.

Finance costs - The municipality recalculated the armotisation schedules for all vehicles under the finance lease agreement and there were adjustments that were identified.

65. Budget differences (continued)

Lease rentals on operating lease - The Municipality has entered into another finance lease on vehicles which has reduced the amount of expenditure on vehicles under the operating lease agreement.

Bad debts written off - Debt impairment expenditure is contingent on consumer applications for payment arrangements with the municipality which has resulted in the variance in the budget versus actual

Contracted Services - Housing projects contribute the highest variance in contracted services as the expenditure is directly link to the tripartite agreement the department of human settlement entered into which effects expenditure incurred on the housing projects. Cost saving measures have provided saving in expenditure for verge maintance and street cleaning which makes the actual expenditure to be less the the budget.

General Expenses - The variance in general expenses is due to savings in expenditure line items such as data lines, insurance premium, water consumption and the budget for uniforms