KZN216 Ray Nkonyeni Municipality
Annual Financial Statements
for the year ended 30 June 2021

* See Note 51

General Information

Mayoral committee	
Executive Mayor	Cllr NCP Mqwebu
Grading of local authority	4
Accounting Officer	Mr SM Mbili
Chief Finance Officer (CFO)	Mr N Mavundla (Acting)
Registered office	10 Connor Street Port Shepstone 4240
Business address	10 Connor Street Port Shepstone 4240
Bankers	Nedbank;ABSA;Investec;First National Bank;Standard Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Snikiwe Qwabe CA(SA) Manager: Budget and Reporting

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
IUDG	Integrated Urban Development Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2022 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 municipalitys' own revenue and grants 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.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

Accounting Officer
Designation

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 5 number of meetings were held.

Name of member	Number of meetings attended
Ms. B. Jojo (Chairperson)	5
Mr. Z. Zulu	5
Ms. C. Elliott 4 (Contract Expired in December 2020)	3
Ms. L. Khumalo	5
Mr. A. Gonzalves (Appointed in March 2021)	2

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 audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting 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 changes in accounting policies and practices;
- 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 2021.

1. Incorporation

The municipality was incorporated on 10 August 2016 as an amalgamation of two municipalities (Former Hibiscus Coast and Ezingolweni 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 municipality activities and operates in South Africa.

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 2021, the municipality had an accumulated surplus (deficit) of R 1 825 804 387 and that the municipality's total assets exceed its liabilities by R 1 825 804 387.

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 accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. 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

7. Auditors

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

Accounting Officer
Designation

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	2 908 262	3 141 554
Receivables from exchange transactions	3&5	92 965 260	76 107 669
Receivables from non-exchange transactions	4&5	185 208 518	142 298 720
VAT receivable	6	22 501 849	17 587 171
Loan receivable	59	143 469	143 469
Cash and cash equivalents	7	143 480 454	101 203 795
		447 207 812	**340 482 378**
Non-Current Assets			
Investment property	8	205 741 000	200 147 000
Property, plant and equipment	9	1 591 529 784	1 574 471 069
Intangible assets	10	245 630	370 182
Heritage assets	11	2 071 122	1 819 522
		1 799 587 536	**1 776 807 773**
Total Assets		**2 246 795 348**	**2 117 290 151**
Liabilities			
Current Liabilities			
Long-term loan	12	467 516	4 678 185
Finance lease obligation	13	4 693 533	4 259 358
Payables from exchange transactions	42	131 634 351	129 289 976
Consumer deposits	14	32 039 075	30 691 286
Employee benefit obligation	15	4 372 922	4 678 159
Unspent conditional grants and receipts	16	48 335 579	39 579 243
Provisions	17	31 604 085	29 534 487
		253 147 061	**242 710 694**
Non-Current Liabilities			
Long-term loan	12	3 109 210	112 390
Finance lease obligation	13	38 992 810	29 430 431
Employee benefit obligation	15	90 994 041	82 720 616
Provisions	17	36 162 003	32 647 713
		169 258 064	**144 911 150**
Total Liabilities		**422 405 125**	**387 621 844**
Net Assets		**1 824 390 223**	**1 729 668 307**
Accumulated surplus		1 825 804 387	1 721 501 607
Total Net Assets		**1 825 804 387**	**1 721 501 607**

* See Note 51

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		391 169	1 051 310
Service charges	18	195 944 866	187 076 591
Rendering of services		6 824 505	5 089 095
Construction contracts	41	55 402 699	33 993 197
Rental of facilities and equipment	19	3 785 050	5 541 526
Interest received (trading)		4 825 324	4 050 833
Agency services	20	5 400 353	3 101 029
Licences and permits	21	472 868	444 858
Recoveries		456 951	602 125
Operational revenue		347 655	88 132
Debt Impairment reversal		-	159 008 935
Other income		2 679 935	-
Interest received - investment	22	3 513 272	4 670 283
Fair value adjustments	23	5 594 000	2 396 000
Total revenue from exchange transactions		**285 638 647**	**407 113 914**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	447 331 316	428 308 316
Licences and Permits (Non-exchange)	25	5 093 916	5 703 314
Surcharges and Taxes	26	9 848	-
Interest, Dividends and Rent on Land	27	23 400 805	18 927 898
Transfer revenue			
Government grants & subsidies	28	376 284 638	315 209 992
Public contributions and donations	44	2 465 770	15 681 994
Fines, Penalties and Forfeits	29	16 546 112	8 972 795
Total revenue from non-exchange transactions		**871 132 405**	**792 804 309**
Total revenue		**1 156 771 052**	**1 199 918 223**
Expenditure			
Employee related costs	30	(428 524 182)	(393 829 420)
Remuneration of councillors	31	(28 365 863)	(29 909 119)
Depreciation and amortisation	32	(96 214 255)	(92 517 066)
Impairment loss/Reversal of impairments	33	(5 972 925)	(208 351)
Finance costs	34	(11 087 894)	(5 606 269)
Lease rentals on operating lease	35	(20 996 751)	(27 789 011)
Debt Impairment	36	(17 614 617)	(40 213 883)
Bad debts written off		(6 915 501)	(189 051 337)
Bulk purchases	37	(108 129 488)	(101 930 108)
Contracted services	38	(190 476 493)	(182 898 213)
Transfers and Subsidies	39	(6 635 338)	(8 325 590)
Loss on disposal of assets and liabilities		(2 663 484)	(204 215)
Sale of goods/Inventory		(37 575)	-
General Expenses	40	(121 145 848)	(119 857 537)
Total expenditure		**(1 044 780 214)**	**(1 192 340 119)**
Surplus for the year		**111 990 838**	**7 578 104**

* See Note 51

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**1 713 923 503**	**1 713 923 503**
Changes in net assets		
Surplus for the year	7 578 104	7 578 104
Total changes	7 578 104	7 578 104
Opening balance as previously reported	1 721 888 607	1 721 888 607
Adjustments		
Correction of errors	(387 000)	(387 000)
Restated* Balance at 01 July 2020 as restated*	**1 721 501 607**	**1 721 501 607**
Changes in net assets		
AFS adjustments	(7 688 058)	(7 688 058)
Net income (losses) recognised directly in net assets	(7 688 058)	(7 688 058)
Surplus for the year	111 990 838	111 990 838
Total recognised income and expenses for the year	104 302 780	104 302 780
Total changes	104 302 780	104 302 780
Balance at 30 June 2021	**1 825 804 387**	**1 825 804 387**

Note(s)

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxation		426 061 546	438 003 511
Sale of goods and services		245 937 298	212 297 647
Grants		385 040 974	323 506 141
Interest income		31 749 249	27 649 014
Other cash item		3 484 541	690 257
		1 092 273 608	1 002 146 570
Payments			
Employee costs		(478 453 754)	(421 702 639)
Suppliers		(443 729 329)	(446 486 265)
Finance costs		(11 087 894)	(5 606 269)
		(933 270 977)	(873 795 173)
Net cash flows from operating activities	46	**159 002 631**	**128 351 397**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(101 970 333)	(98 780 175)
Proceeds from sale of property, plant and equipment	9	148 960	739 129
Purchase of heritage assets	11	(251 600)	(40 160)
Net cash flows from investing activities		**(102 072 973)**	**(98 081 206)**
Cash flows from financing activities			
Proceeds from long-term loan		3 500 000	-
Movement in employee obligation		-	(3 843 146)
Movement in provision		-	(2 557 384)
Finance lease payments		(12 366 617)	(4 696 251)
Repayment of long term loan		(4 651 611)	(8 549 698)
Net cash flows from financing activities		**(13 518 228)**	**(19 646 479)**
Net increase/(decrease) in cash and cash equivalents		**41 536 846**	**12 103 726**
Cash and cash equivalents at the beginning of the year		101 943 608	89 839 882
Cash and cash equivalents at the end of the year	7	**143 480 454**	**101 943 608**

* See Note 51

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	2 138 383	(935 332)	**1 203 051**	391 169	**(811 882)**	
Service charges	214 052 257	37 760	**214 090 017**	195 944 866	**(18 145 151)**	Note 57
Rendering of services	10 622 562	704 568	**11 327 130**	6 824 505	**(4 502 625)**	
Construction contracts	86 479 816	(6 501 852)	**79 977 964**	55 402 699	**(24 575 265)**	Note 57
Rental of facilities and equipment	4 228 673	(49 000)	**4 179 673**	3 785 050	**(394 623)**	
Interest received (trading)	4 257 362	(1 020 900)	**3 236 462**	4 825 324	**1 588 862**	
Agency services	3 315 420	-	**3 315 420**	5 400 353	**2 084 933**	
Licences and permits	6 871 404	(640 000)	**6 231 404**	472 868	**(5 758 536)**	
Recoveries	405 338	5 000	**410 338**	456 951	**46 613**	
Other income 1	552 001	(300 000)	**252 001**	347 655	**95 654**	
Other income - (rollup)	-	-	**-**	2 679 935	**2 679 935**	
Interest received - investment	2 466 132	-	**2 466 132**	3 513 272	**1 047 140**	
Total revenue from exchange transactions	**335 389 348**	**(8 699 756)**	**326 689 592**	**280 044 647**	**(46 644 945)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	457 943 322	-	**457 943 322**	447 331 316	**(10 612 006)**	
Licences and Permits (Non-exchange)	6 284 596	(2 000)	**6 282 596**	5 093 916	**(1 188 680)**	
Surcharges and Taxes	-	-	**-**	9 848	**9 848**	
Interest, Dividends and Rent on Land	19 567 571	-	**19 567 571**	23 400 805	**3 833 234**	
Transfer revenue						
Government grants & subsidies	351 486 363	50 037 995	**401 524 358**	376 284 638	**(25 239 720)**	Note 57
Public contributions and donations	-	-	**-**	2 465 770	**2 465 770**	
Fines, Penalties and Forfeits	14 611 010	(10 000)	**14 601 010**	16 546 112	**1 945 102**	Note 57
Total revenue from non-exchange transactions	**849 892 862**	**50 025 995**	**899 918 857**	**871 132 405**	**(28 786 452)**	
Total revenue	**1 185 282 210**	**41 326 239**	**1 226 608 449**	**1 151 177 052**	**(75 431 397)**	
Expenditure						
Personnel	(429 291 051)	(4 607 785)	**(433 898 836)**	(428 524 182)	**5 374 654**	Note 57
Remuneration of councillors	(30 368 496)	-	**(30 368 496)**	(28 365 863)	**2 002 633**	Note 57
Depreciation and amortisation	(89 999 998)	-	**(89 999 998)**	(96 214 255)	**(6 214 257)**	Note 57
Impairment loss/ Reversal of impairments	(1 999 998)	-	**(1 999 998)**	(5 972 925)	**(3 972 927)**	
Finance costs	(12 505)	(4 541 440)	**(4 553 945)**	(11 087 894)	**(6 533 949)**	
Lease rentals on operating lease	(42 299 873)	(7 501 999)	**(49 801 872)**	(20 996 751)	**28 805 121**	
Debt Impairment	(10 039 999)	-	**(10 039 999)**	(17 614 617)	**(7 574 618)**	
Bad debts written off	(2 948 660)	(3 000 000)	**(5 948 660)**	(6 915 501)	**(966 841)**	
Bulk purchases	(106 168 766)	-	**(106 168 766)**	(108 129 488)	**(1 960 722)**	
Contracted Services	(293 846 141)	56 149 027	**(237 697 114)**	(190 476 493)	**47 220 621**	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
Transfers and Subsidies	(5 450 029)	(3 000 000)	**(8 450 029)**	(6 635 338)	**1 814 691**	
Sale of goods/Inventory	(6 501)	-	**(6 501)**	(37 575)	**(31 074)**	
General Expenses	(101 537 191)	(40 630 739)	**(142 167 930)**	(121 145 848)	**21 022 082**	Note 57
Total expenditure	**(1 113 969 208)**	**(7 132 936)**	**(1 121 102 144)**	**(1 042 116 730)**	**78 985 414**	
Operating surplus	**71 313 002**	**34 193 303**	**105 506 305**	**109 060 322**	**3 554 017**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 663 484)	**(2 663 484)**	
Fair value adjustments	-	-	**-**	5 594 000	**5 594 000**	
	-	**-**	**-**	**2 930 516**	**2 930 516**	
Surplus before taxation	**71 313 002**	**34 193 303**	**105 506 305**	**111 990 838**	**6 484 533**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**71 313 002**	**34 193 303**	**105 506 305**	**111 990 838**	**6 484 533**	

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. 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 for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 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. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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 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. They are significantly affected by a number of factors. Refer to the impairment methodology of the municipality.

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 17 - 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 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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.

1.5 Investment property (continued)

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

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

Fair value

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

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

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

If the 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.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5-30 years
Infrastructure	Straight-line	-
Plant and machinery	Straight-line	3-80 years
Electricity	Straight-line	6-60 years
Solid waste and disposal	Straight-line	10-30 years
Community	Straight-line	-
Recreational facilities	Straight-line	20-30 years
Buildings and other structures	Straight-line	20-30 years
improvements	Straight-line	20-30 years
Other property, plant and equipment	Straight-line	-
Machinery and equipment	Straight-line	5-10 years
Computer and office equipment	Straight-line	5-7 years
Furniture and fittings	Straight-line	5-10 years
Motor vehicles	Straight-line	5-20 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.

1.6 Property, plant and equipment (continued)

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

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

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

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.

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).

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.

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.

Accounting Policies

1.9 Heritage assets (continued)

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.

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.

1.9 Heritage assets (continued)

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

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.

1.10 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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.

Accounting Policies

1.11 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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.

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.

1.11 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

1.12 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 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 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.

1.14 Construction contracts and receivables (continued)

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.

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.

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

[Specify judgements made]

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.

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

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:
- 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.

Accounting Policies

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.

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.

1.17 Employee benefits (continued)

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.

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.

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 48.

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.

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).

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.

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.

1.21 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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.

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
- 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.

1.26 Unauthorised expenditure (continued)

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 Segment information

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

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

Measurement

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

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

1.30 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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

1.30 Budget information (continued)

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.

1.31 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.

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.

1.32 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	2021	2020

2. Inventories

Consumable stores	2 908 262	3 141 554

Inventory pledged as security

There is no inventory pledged as security

3. Receivables from exchange transactions

Staff recoveries	7 915 671	6 440 442
Prepayments (if immaterial)	6 100 513	2 825 977
Deposits	2 750 635	2 750 635
Operating lease receivables (if immaterial)	52 300	71 355
Housing debtors	-	2 886 022
Sundry debtors	4 612 400	2 130 002
Consumer debtors - Electricity	25 977 747	21 871 154
Consumer debtors - Legal fees	1 566 518	1 983 051
Consumer debtors - Refuse	27 123 205	22 998 570
Consumer debtors - Other	16 866 271	12 150 461
	92 965 260	**76 107 669**

4. Receivables from non-exchange transactions

Fines	30 349 197	13 105 847
Government grants and subsidies	7 038 841	-
Consumer debtors - Rates	147 820 480	129 192 873
	185 208 518	**142 298 720**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Rates	147 820 480	129 192 873
Fines	30 349 197	13 105 847
	178 169 677	**142 298 720**
Financial asset receivables included in receivables from non-exchange transactions above	**7 038 841**	**-**
Total receivables from non-exchange transactions	185 208 518	142 298 720

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. 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 11.5% 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%** was used against the municipality's future cash flows to be derived from gross receivables.

Statutory receivables past due but not impaired

Rates - The municipality has excluded receivables which are less than 1 year past due from the impairment calculation. As at the 30th of June 2021 these receivables amounted to R102 694195 (2020: R96,709,683).

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

Current (0-30 days)	2 514 051	2 063 412
31-60 days	2 095 588	1 893 125
61-90 days	12 263 163	14 819 044
91-120 days	10 504 990	12 388 478
121-365 days	75 316 403	65 545 222

Additional text

Factors the entity 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.

Statutory receivables impaired

As of 30 June 2021, Statutory receivables of R207 079 802 (2020: R143 298 720) were impaired and provided for.

The amount of the provision was R89 574 637 as of 30 June 2021 (2020: R94 030 416).

Figures in Rand	2021	2020

4. Receivables from non-exchange transactions (continued)

The ageing of these statutory receivables is as follows:

>365 days	207 079 802	143 112 846

Factors the entity 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	117 966 046	241 030 720
Unused amounts reversed	(24 019 704)	(149 147 482)
Revisions to impairment losses	2 482 932	26 082 808
	96 429 274	**117 966 046**

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange transactions that were pledged as security.

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	281 907 732	239 260 421
Consumer debtors - Electricity	33 088 829	27 438 453
Consumer debtors - Legal fees	4 242 560	4 210 007
Consumer debtors - Refuse	51 322 941	44 985 994
Consumer debtors - Other	26 562 033	29 973 558
	397 124 095	**345 868 433**

Less: Allowance for impairment		
Consumer debtors - Rates	(134 087 252)	(110 067 548)
Consumer debtors - Electricity	(7 111 082)	(5 567 299)
Consumer debtors - Legal fees	(2 676 042)	(2 226 956)
Consumer debtors - Refuse	(24 199 736)	(21 987 424)
Consumer debtors - Other	(9 695 762)	(17 823 097)
	(177 769 874)	**(157 672 324)**

Net balance		
Consumer debtors - Rates	147 820 480	129 192 873
Consumer debtors - Electricity	25 977 747	21 871 154
Consumer debtors - Legal fees	1 566 518	1 983 051
Consumer debtors - Refuse	27 123 205	22 998 570
Consumer debtors - Other	16 866 271	12 150 461
	219 354 221	**188 196 109**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Rates		
Current (0 -30 days)	1 318 262	1 249 546
31 - 60 days	1 098 838	1 146 425
61 - 90 days	6 430 284	8 974 010
91 - 120 days	5 508 372	7 502 126
121 - 365 days	39 492 733	39 692 649
> 365 days	93 971 991	70 628 117
	147 820 480	**129 192 873**

Electricity		
Current (0 -30 days)	11 316 034	10 722 528
31 - 60 days	4 429 896	3 887 112
61 - 90 days	1 160 855	1 991 535
91 - 120 days	993 744	1 349 956
121 - 365 days	4 130 029	2 721 893
> 365 days	3 947 189	1 198 130
	25 977 747	**21 871 154**

Legal fees		
Current (0 -30 days)	190 879	33 436
31 - 60 days	18 923	-
61 - 90 days	2 224	-
91 - 120 days	30 237	-
121 - 365 days	75 209	138 428
> 365 days	1 249 046	1 811 187
	1 566 518	**1 983 051**

Refuse		
Current (0 -30 days)	195 791	186 442
31 - 60 days	176 059	176 844
61 - 90 days	1 123 380	1 353 934
91 - 120 days	963 358	1 174 572
121 - 365 days	6 294 721	6 662 534
> 365 days	18 369 896	13 444 244
	27 123 205	**22 998 570**

Other debtors		
Current (0 -30 days)	206 659	229 718
31 - 60 days	142 845	145 678
61 - 90 days	68 052	117 981
91 - 120 days	49 329	229 487
121 - 365 days	449 438	1 120 521
> 365 days	15 949 948	10 307 076
	16 866 271	**12 150 461**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Households		
Current (0 -30 days)	7 133 608	6 314 166
31 - 60 days	3 496 473	3 623 675
61 - 90 days	11 695 287	12 844 654
91 - 120 days	10 027 818	11 182 439
121 - 365 days	58 277 670	56 766 296
> 365 days	190 078 222	162 690 402
	280 709 078	253 421 632
Less: Allowance for impairment	(104 313 740)	(125 686 336)
	176 395 338	**127 735 296**

Business/ Commercial		
Current (0 -30 days)	9 747 746	7 850 925
31 - 60 days	4 534 309	3 261 644
61 - 90 days	3 910 022	5 959 554
91 - 120 days	3 408 231	5 005 534
121 - 365 days	18 594 316	18 980 875
> 365 days	46 096 715	30 510 360
	86 291 339	71 568 892
Less: Allowance for impairment	(12 790 398)	(27 096 599)
	73 500 941	**44 472 293**

Government		
Current (0 -30 days)	1 332 817	1 161 204
31 - 60 days	263 939	214 095
61 - 90 days	342 169	935 390
91 - 120 days	325 116	301 486
121 - 365 days	9 542 847	7 255 321
> 365 days	18 528 952	11 662 196
	30 335 840	21 529 692
Less: Allowance for impairment	(5 310 658)	(5 085 906)
	25 025 182	**16 443 786**

6. VAT receivable

VAT	22 501 849	17 587 171

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 362	-
Bank balances	21 428 142	13 953 180
Short-term deposits	122 050 950	87 250 615
	143 480 454	**101 203 795**

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2021	Bank statement balances 30 June 2020	Cash book balances 30 June 2021	Cash book balances 30 June 2020
FNB-Primary account-62723734134	13 245 450	14 734 579	13 245 450	14 734 579
First National Bank-Salaries-62730321007	5 512 532	834	5 512 532	834
ABSA Bank-Lousiana HSG-9102815623	9 083 529	8 822 085	9 083 529	8 822 085
ABSA Bank-Nzimakwe 1 HSG-9149474529	585 370	568 440	585 370	568 440
ABSA Bank-Nzimakwe 2 HSG-9149474927	971 209	943 255	971 209	943 255
ABSA Bank-Bhobhoyi SUB-HSG-9149475509	308 394	299 518	308 394	299 518
ABSA Bank-Bhobhoyi EST-HSG-9149475753	11 969	12 247	11 969	12 247
ABSA Bank- Damaged houses-9149475208	75 500	73 352	75 500	73 352
ABSA Bank- Uplands HSG-9149401627	75 424	73 284	75 424	73 284
ABSA Bank-Mkholombe HSG-9149401164	1 375 369	1 335 783	1 375 369	1 335 783
ABSA Bank-AIDS Project-9152775491	136 742	132 791	136 742	132 791
Standard Bank-Masinenge HSG-89140/356988	31 146 364	30 216 065	31 146 364	30 216 065
Standard Bank-KwaMavundla HSG-89139/356986	232 098	225 165	232 098	225 165
Standard Bank-KwaXolo Housing-89139/356989	11 022 110	10 692 895	11 022 110	10 692 895
Standard Bank-KwaDwalane Housing-90439/364623	499 397	484 481	499 397	484 481
Standard Bank- RNM Unspent conditional grants-89111/56985	46 961	45 559	46 961	45 559
Standard Bank -RNM Accreditation Funds-89111/357732	10 386	10 076	10 386	10 076
Investec Bank-MHOA (Housing Development Fund)-1100/190309	15 540 718	15 042 062	15 540 718	15 042 062
First National Bank-Primary investment account-62726614151	50 354 243	18 231 137	50 354 243	18 231 137
FNB- TRAFFIC FINES ACCOUNT- 6230321669	294 431	-	294 431	-
FNB- 48 HOUR CASH ACCELERATOR- 74873852518	2 952 258	-	2 952 258	-
Total	**143 480 454**	**101 943 608**	**143 480 454**	**101 943 608**

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	205 741 000	-	205 741 000	200 147 000	-	200 147 000

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	200 147 000	5 594 000	205 741 000

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	197 751 000	2 396 000	200 147 000

Pledged as security

There is no Investment Property that is pledged as security.:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Investment property (continued)

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

Investment Properties		
Business and Commercial	5 536 000	2 164 000
Institutional	18 088 000	17 990 000
Recreational Facilities	58 404 000	57 393 000
Vacant Land	123 713 000	122 600 000
	205 741 000	**200 147 000**

Details of valuation

During the 2021 financial year, Ray Nkonyeni Municipality conducted a valuation of its investment properties. The effective date of the valuations was Tuesday, 30 June 2021. 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.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

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

Fair Value adjustments	5 594 000	2 396 000
Rental revenue from Investment property	3 027 244	3 076 373

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	72 185 042	-	72 185 042	72 185 042	-	72 185 042
Plant and machinery	17 903 581	(15 304 854)	2 598 727	18 555 048	(16 217 575)	2 337 473
Furniture and fixtures	24 637 441	(19 653 885)	4 983 556	23 506 428	(19 009 865)	4 496 563
Motor vehicles	101 444 965	(48 963 594)	52 481 371	81 087 530	(42 351 922)	38 735 608
IT equipment	17 752 584	(13 262 572)	4 490 012	17 338 932	(12 839 729)	4 499 203
Infrastructure	2 041 845 955	(1 202 308 251)	839 537 704	1 996 520 906	(1 144 116 445)	852 404 461
Community	1 099 990 843	(484 737 471)	615 253 372	1 058 157 260	(458 344 541)	599 812 719
Total	**3 375 760 411**	**(1 784 230 627)**	**1 591 529 784**	**3 267 351 146**	**(1 692 880 077)**	**1 574 471 069**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	72 185 042	-	-	-	-	72 185 042
Plant and machinery	2 337 473	1 149 186	(51 397)	(836 158)	(377)	2 598 727
Furniture and fixtures	4 496 563	1 415 832	(51 644)	(875 547)	(1 648)	4 983 556
Motor vehicles	38 735 608	22 151 814	(286 482)	(8 103 706)	(15 863)	52 481 371
IT equipment	4 499 203	1 325 545	(109 442)	(1 221 022)	(4 272)	4 490 012
Infrastructure	852 404 461	45 325 049	-	(58 115 528)	(76 278)	839 537 704
Community	599 812 719	50 417 401	(2 164 519)	(26 937 742)	(5 874 487)	615 253 372
	1 574 471 069	**121 784 827**	**(2 663 484)**	**(96 089 703)**	**(5 972 925)**	**1 591 529 784**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	69 785 042	-	-	2 400 000	-	-	72 185 042
Plant and machinery	3 465 621	467 783	(44 266)	-	(1 551 665)	-	2 337 473
Furniture and fixtures	5 311 378	366 157	(157 012)	-	(1 023 960)	-	4 496 563
Motor vehicles	11 547 325	31 468 049	-	-	(4 279 766)	-	38 735 608
IT equipment	5 044 352	933 495	(79 298)	-	(1 399 346)	-	4 499 203
Infrastructure	864 785 527	44 674 116	-	-	(57 055 182)	-	852 404 461
Community	588 951 987	25 515 809	(662 768)	13 213 099	(26 997 057)	(208 351)	599 812 719
	1 548 891 232	**103 425 409**	**(943 344)**	**15 613 099**	**(92 306 976)**	**(208 351)**	**1 574 471 069**

Pledged as security

There are no items of PPE of the municipality that are pledged as security:

Depreciation rates

Item	**Depreciation method**	**Average useful life**
Land	Straight-line	Indefinite
Buildings	Straight-line	5-30 years
Infrastructure		
Road and Paving	Straight-line	3-80 years
Electricity	Straight-line	6-60 years
Solid waste and disposal	Straight-line	10-30 years
Community		
Recreatational facilities	Straight-line	20-30 years
Buildings and other structures	Straight-line	20-30 years
Improvements	Straight-line	20-30 years
Other property, plant and equipment	Straight-line	
Machinery and equipment	Straight-line	5-10 years
Computer and office equipment	Straight-line	5-7 years
Furniture and fittings	Straight-line	5-10 years
Motor vehicles	Straight-line	5-20 years

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2021	2020
Motor vehicles	51 282 543	31 468 049

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment	2021	2020
Infrastructure	38 478 842	57 170 921
Community	38 933 663	18 365 702
	77 412 505	**75 536 623**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected	2021	2020
Nkulu Community Hall	590 188	590 188
The cost incurred relate to planning and design.		
Bhobhoyi Organic storage facility	157 220	157 220
The project is still in the planning and design stage.		
Freedom Heritage at KwaXaba	857 482	857 482
The project is still at planning and design stage.		
	1 604 890	**1 604 890**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	57 170 921	18 365 702	75 536 623
Additions/capital expenditure	45 325 049	50 417 401	95 742 450
Other movements	-	(96)	(96)
Transferred to completed items	(64 017 128)	(29 849 344)	(93 866 472)
	38 478 842	**38 933 663**	**77 412 505**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	37 890 609	18 689 255	56 579 864
Additions/capital expenditure	44 923 542	25 515 812	70 439 354
Transferred to completed items	(25 643 230)	(25 839 365)	(51 482 595)
	57 170 921	**18 365 702**	**75 536 623**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2021	2020
Contracted services	44 190 477	45 024 927

Expenditure inccured to repair and maintatin PPE was disclosed per class of PPE in the prior year. In the current financial year the disclosure is in acocrdance with with statement of financial performance classification.

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.

10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 816 800	(2 571 170)	245 630	2 946 080	(2 575 898)	370 182

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	370 182	(124 552)	245 630

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	518 588	(148 406)	370 182

Pledged as security

There are no intangible assets that are pledged as security:

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	2 293 787	(222 665)	2 071 122	2 042 187	(222 665)	1 819 522

Reconciliation of heritage assets 2021

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

Reconciliation of heritage assets 2020

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	1 725 572	93 950	1 819 522

Heritage assets borrowed from other entities

1.ARTIFACTS

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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Heritage assets (continued)

Pledged as security

There are no Heritage assets that are pledged as security.

12. Long-term loan

At amortised cost		
Bank loan	3 576 726	4 790 575
Terms and conditions		

The municiplaity currently has two loans with the Development bank of South Africa(DBSA)

Loan 1 was obtained by the municipality on 01 Janauary 2020, with a period of 20 years, at an interest rate of JIBAR+MARG the loan is redeemable on 30 December 2021 and has a balance of R112 500 as at year end. There has not been defaults on this loan by the municipality.

Loan 2 was ontained by the municipality on 05 May 2021, witha a period of 9.55 years, at an interest rate of 9.36%. the loan is redeemable on 31 March 2031 and has a balance of R3 464 336 as at year end. there has been no defaults on this loan by the municipality.

Non-current liabilities		
At amortised cost	3 109 210	112 390
Current liabilities		
At amortised cost	467 516	4 678 185

13. Finance lease obligation

Minimum lease payments due		
- within one year	15 620 490	12 800 796
- in second to fifth year inclusive	50 939 706	46 506 932
	66 560 196	59 307 728
less: future finance charges	(29 516 050)	(25 617 939)
Present value of minimum lease payments	**37 044 146**	**33 689 789**
Present value of minimum lease payments due		
- within one year	5 206 830	4 259 358
- in second to fifth year inclusive	31 837 316	29 430 431
	37 044 146	**33 689 789**
Non-current liabilities	38 992 810	29 430 431
Current liabilities	4 693 533	4 259 358
	43 686 343	**33 689 789**

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Consumer deposits

Electricity	7 738 520	7 165 467
Other	944 799	915 027
Building plans	23 349 400	22 571 841
Hall deposits	6 356	38 951
	32 039 075	**30 691 286**

15. 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 2021 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 plan is a final salary pension / flat plan or a post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(95 366 963)	(87 398 775)

Non-current liabilities	(90 994 041)	(82 720 616)
Current liabilities	(4 372 922)	(4 678 159)
	(95 366 963)	**(87 398 775)**

The fair value of plan assets includes:

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

Opening balance	(87 398 775)	(103 504 000)
Benefits paid	4 343 429	3 843 146
Net expense recognised in the statement of financial performance	(12 311 617)	12 262 079
	(95 366 963)	**(87 398 775)**

Net expense recognised in the statement of financial performance

Current service cost	(3 456 773)	(4 071 000)
Interest cost	(11 440 529)	(10 700 000)
Actuarial gains/ (losses)	2 585 685	27 033 079
	(12 311 617)	**12 262 079**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2 585 685)	(27 033 079)

Figures in Rand	2021	2020

15. **Employee benefit obligations (continued)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.55 %	13.45 %
Consumer price inflation	6.48 %	7.66 %
Health care cost inflation	7.98 %	9.16 %
Net discount rate	3.31 %	3.93 %

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

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

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2020 the duration of liabilities, based on the combined weighted average of accrued liabilities of Ezinqoleni and Hibiscus Coast Municipalities, was 12.86 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 11.55% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.29% per annum, implying an underlying expectation of inflation of 6.48% per annum
([1 + 11.55% - 0.5%] / [1 + 4.29%] - 1).

The healthcare cost inflation rate of 7.98% was assumed. It is 1.50% above the expected inflation over the expected term of the liability.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.31% per annum ([1 + 11.55%] / [1 + 7.98%] - 1). This year’s valuation basis is therefore stronger than previous year’s basis from a discount rate perspective.

Heading		
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	51 674 168	41 368 602
Continuation pensioners	43 692 795	46 030 173
	95 366 963	**87 398 775**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Intermodal facility Grant	5 383 380	5 383 380
Land use management grant (LUMS)	-	269 442
Integrated National Electrification Programme Grant	61 306	4 516 669
Municipal Disaster Relief Grant	-	38 842
Margate Airport Grant	-	3 268 334
Municipal Disaster Recovery Grant	327 945	327 945
Housing Development Fund	27 978 140	25 774 631
Neighbourhood Development Partnership Grant	14 584 808	-
	48 335 579	**39 579 243**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Provisions

Reconciliation of provisions - 2021

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

Reconciliation of provisions - 2020

	Opening Balance	Additions	Paid during the year	Change in Interest cost	Actuarial (gain)/loss	Total
Environmental rehabilitation	11 202 479	-	-	716 959	-	11 919 438
Legal proceedings	231 250	-	-	-	-	231 250
Leave provision	24 520 940	8 768 025	(3 985 728)	-	-	29 303 237
Long service awards	20 205 806	1 605 379	(2 557 384)	(37 680)	1 512 154	20 728 275
	56 160 475	**10 373 404**	**(6 543 112)**	**679 279**	**1 512 154**	**62 182 200**

	2021	2020
Non-current liabilities	36 162 003	32 647 713
Current liabilities	31 604 085	29 534 487
	67 766 088	**62 182 200**

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 paymant 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 2021.

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

The municipality constructed low cost housings on a property that was privately owned. The municipality and the owner of

Figures in Rand	2021	2020

17. Provisions (continued)

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 know however the timing could not be ascertained. A provison by in accordance with Grap 19 was incurred in 2018 however the provision was not raised in the financial statement of the municipality. therefore a correction of error has been processed in the current financial year.

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 2020 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 2020 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 asfollows:

Non-current liability	20 431 486	17 533 564
Current liability	3 048 235	3 194 711
	23 479 721	**20 728 275**

Eligible employees

Number of eligible employees	1 063	1 102

Key assumptions used

Discount rate	7.87	7.82%
Consumer price index	4.43	2.86%
Salary increase rate	5.43	3.86%
Net discount rate	2.31	3.81%

Age and mortality

Normal retirement age	63	65
Average retirement age	63	63
Mortality	85-90	85-90
	-	-

Amount recognised in the financial performance under employee costs areas follows:

Current service cost	1 591 978	1 605 379
interest cost	1 496 038	1 512 154
Actuarial gain(loss)	(3 324 306)	(37 680)
	(236 290)	**3 079 853**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Service charges

Sale of electricity	141 263 297	134 601 855
Solid waste	54 681 569	52 474 736
	195 944 866	**187 076 591**

19. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	3 027 244	4 724 811
Rental of equipment	757 806	816 715
	3 785 050	**5 541 526**

20. Agency services

Driver's Licenses	4 694 993	3 101 029
Management Fees	705 360	-
	5 400 353	**3 101 029**

21. Licences and permits (exchange)

Trading	(117 282)	9 408
Road and Transport	590 150	435 450
	472 868	**444 858**

22. Investment revenue

Interest revenue		
Bank	3 513 272	4 670 283

23. Fair value adjustments

Investment property (Fair value model)	5 594 000	2 396 000

Figures in Rand	2021	2020

24. Property rates

Rates received

Residential	340 050 692	324 906 460
Commercial	89 565 991	84 333 908
State	19 576 248	19 255 905
Industrial	14 734 228	14 100 337
Mining	179 235	190 772
Communal land	83 603	75 232
Multi-purpose	3 455 760	3 216 851
Public Benefit Organisation	1 140 583	1 104 408
Public Service Infrastructure	45 537	12 967 765
Special purpose	546 996	511 703
Agriculture	6 494 707	6 238 959
Vacant land	38 433 040	36 952 133
ST garages/store rooms	713 258	675 402
Less: Adjustments	-	1 018 922
Less: Income forgone	(67 683 220)	(76 187 009)
	515 019 878	505 548 757
	447 336 658	**429 361 748**

Valuations

Residential	28 507 742 000	28 435 321 000
Commercial	4 482 726 000	4 531 009 000
State	962 165 000	962 165 000
Municipal	477 598 000	478 285 000
Public service infrastructure	3 235 494 000	3 235 344 000
Industrial	727 655 000	729 384 000
Multi-purpose	220 502 000	220 502 000
Public benefit organisation	351 462 000	351 402 000
Special purpose	110 494 000	110 494 000
Mining	7 500 000	7 500 000
Agriculture	2 209 482 000	2 191 263 000
Vacant land	1 602 143 000	1 609 161 000
ST Grage/Storage	59 587 000	58 995 000
Communial	70 022 000	70 022 000
Protected Areas	4 925 000	4 925 000
	43 029 497 000	**42 995 772 000**

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.

A new category of property rates Protected areas was omitted in the prior year disclosure. the disclosure has been updated for the 2020 financial year in the current fianncial year.

25. Licences and permits (non-exchange)

Trading	215 137	193 368
Road and Transport	4 873 030	5 509 946
Other	5 749	-
	5 093 916	**5 703 314**

26. Surcharges and Taxes

Taxes	9 848	-

Figures in Rand	2021	2020

27. Interest, dividends and Rent on Land

Interest - Receivables	23 400 805	18 927 898

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Government grants and subsidies

	2021	2020
Operating grants		
Equitable share	266 947 842	205 608 000
Land use management grant (LUMS)	269 442	-
Local Government SETA	483 155	-
Expanded Public Works Programme	3 949 000	4 405 000
Finance Management Grant	2 000 000	2 500 000
Provincialisation of Libraries Grant	11 759 000	11 439 000
Community Modular Libraries Grant	637 000	-
Community Library Services Grant	1 644 000	1 434 000
Museum Subsidies Grant	407 000	386 000
European Union grant	9 668 501	-
Energy Effeciency Demand-Side Management	-	8 000 000
Municipal Disaster Recovery Grant	-	5 112 631
Municipal Disaster relief Grant	-	1 069 158
State Information technology Agency Grant (SITA)	-	118 674
Municipal Systems Improvement Grant	-	310 863
TETA Grant	-	1 050 000
Accredited Municipality Grant	1 327 172	-
	299 092 112	**241 433 326**
Capital grants		
Integrated Urban Development Grant	64 509 000	70 795 000
Neighbourhood Development Grant	5 415 192	-
Margate Airport Grant	7 268 334	2 981 666
	77 192 526	**73 776 666**
	376 284 638	**315 209 992**

Integrated Urban Development Grant

	2021	2020
Current-year receipts	64 509 000	70 795 000
Conditions met - transferred to revenue	(64 509 000)	(70 795 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Provincialisation of Libraries Grant

	2021	2020
Current-year receipts	11 759 000	11 439 000
Conditions met - transferred to revenue	(11 759 000)	(11 439 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Intermodal facility Grant

	2021	2020
Balance unspent at beginning of year	5 383 380	5 383 380

Conditions still to be met - remain liabilities (see note 16).

Land Use Management Grant

	2021	2020
Balance unspent at beginning of year	269 442	269 442
Conditions met - transferred to revenue	(269 442)	-
	-	**269 442**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

Expanded Public Works Programme

Current-year receipts	3 949 000	4 405 000
Conditions met - transferred to revenue	(3 949 000)	(4 405 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Integrated National Electrification Programme

Balance unspent at beginning of year	4 516 669	-
Current-year receipts	4 000 000	9 000 000
Conditions met - transferred to revenue	(8 455 363)	(4 483 331)
	61 306	**4 516 669**

Conditions still to be met - remain liabilities (see note 16).

Energy Effeciency Demand-Side Management

Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	-	(8 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Financial Management Grant

Current-year receipts	2 000 000	2 500 000
Conditions met - transferred to revenue	(2 000 000)	(2 500 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	310 863
Conditions met - transferred to revenue	-	(310 863)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Municipal Disaster Relief Grant

Balance unspent at beginning of year	38 842	-
Current-year receipts	-	1 108 000
Conditions met - transferred to revenue	(38 842)	(1 069 158)
	-	**38 842**

Conditions still to be met - remain liabilities (see note 16).

Margate Airport Grant

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Government grants and subsidies (continued)

Balance unspent at beginning of year	3 268 334	3 250 000
Current-year receipts	4 000 000	3 000 000
Conditions met - transferred to revenue	(7 268 334)	(2 981 666)
	-	**3 268 334**

Conditions still to be met - remain liabilities (see note 16).

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	327 945	-
Current-year receipts	-	5 440 576
Conditions met - transferred to revenue	-	(5 112 631)
	327 945	**327 945**

Conditions still to be met - remain liabilities (see note 16).

Neighbourhood Development Grant

Current-year receipts	20 000 000	-
Conditions met - transferred to revenue	(5 415 192)	-
	14 584 808	**-**

Conditions still to be met - remain liabilities (see note 16).

Operational Costs- Accredited Municipality

Current-year receipts	912 811	-
Conditions met - transferred to revenue	(912 811)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

29. Fines, Penalties and Forfeits

Building Fines	138 458	83 823
Illegal Connections Fines	116 131	274 654
Law Enforcement Fines	2 712 700	5 000
Overdue Books Fines	21 978	166 207
Municipal Traffic Fines	12 594 966	8 443 111
Property Rates Penalties	118 764	-
Unclaimed Money Forfeits	843 115	-
	16 546 112	**8 972 795**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Employee related costs

Basic	262 827 321	252 033 250
Bonus	20 948 927	20 478 039
Medical aid - company contributions	18 778 926	18 151 148
UIF	1 977 252	1 960 711
Leave pay provision charge	4 452 557	12 753 754
Defined contribution plans	12 311 617	(12 262 079)
Overtime payments	16 520 166	13 341 340
Long-service awards	6 412 322	3 079 853
Acting allowances	679 717	326 117
Car allowance	16 999 009	15 832 656
Housing benefits and allowances	3 964 390	3 836 770
Bargaining council levy	126 825	123 527
Standby allowance	4 518 169	7 232 537
Pension fund	46 203 379	44 882 600
Night Shift allowance	1 491 035	1 142 621
Telephone allowance	1 114 518	670 991
Life insurance	212 648	202 780
	419 538 778	**383 786 615**

Remuneration of Municipal Manager

Annual Remuneration	1 513 728	1 511 959
Performance Bonuses	166 298	176 475
Cellphone Allowance	30 000	30 000
	1 710 026	**1 718 434**

Remuneration of Chief Finance Officer

Annual Remuneration	-	810 523
Cellphone Allowance	-	7 500
Performance Bonuses	54 491	129 811
Subsistance and Travel	-	8 515
	54 491	**956 349**

The bonus relates to the former CFO Ms Nolubabalo Gqola who left the municiaplity in February 2020.

Mr Nkazimulo Mavundla was appointed as the Acting CFO effective 15 February 2020 and employee cost relating to his acting position amounted to R138 040 for the current fiancial year.

Remuneration of Head of Department Corporate Services

Annual Remuneration	1 055 983	1 057 726
Cellphone Allowance	12 000	12 000
Performance Bonuses	105 508	112 898
Subsistance and Travel	-	6 455
	1 173 491	**1 189 079**

Remuneration of Head of Department Straregic Planning and Governance

Annual Remuneration	1 059 488	1 052 556
Cellphone Allowance	12 000	12 000
Performance Bonuses	102 679	112 898
Subsistance and Travel	-	15 840
	1 174 167	**1 193 294**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Employee related costs (continued)

Remuneration of Head of Department Technical Services

Annual Remuneration	1 093 636	1 111 303
Cellphone Allowance	12 000	12 000
Performance Bonuses	77 791	86 483
Subsistance and Travel	-	2 238
	1 183 427	**1 212 024**

Remuneration of Head of Department Public safety

Annual Remuneration	1 033 126	1 059 475
Cellphone Allowance	12 000	12 000
Performance Bonuses	105 508	112 898
	1 150 634	**1 184 373**

Remuneration of Head of Department Development Planning Services

Annual Remuneration	1 283 518	1 283 481
Cellphone Allowance	12 000	12 000
Performance Bonuses	102 679	112 367
Subsistance and Travel	-	34 684
	1 398 197	**1 442 532**

Remuneration of Head of Department Community Services

Annual Remuneration	1 023 463	1 021 822
Cellphone Allowance	12 000	12 000
Performance Bonuses	105 508	112 898
	1 140 971	**1 146 720**

31. Remuneration of councillors

Executive Mayor	932 931	1 008 497
Deputy Executive Mayor	754 503	816 161
Mayoral Committee Members	7 160 132	7 998 136
Speaker	754 503	815 201
Councillors	18 763 794	19 271 124
	28 365 863	**29 909 119**

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 the use of separate Council owned vehicles for official duties.

The Mayor, Deputy mayor and Speaker have full-time bodyguards.

The remuneration of Madam Mayor, deputy Mayor, Speaker and mayoral committee members has been disclosed inclusive of cellphone allowance in the current and comparative financial year.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Depreciation and amortisation

Property, plant and equipment	96 089 703	92 306 976
Intangible assets	124 552	210 090
	96 214 255	**92 517 066**

33. Impairment of assets

Impairments		
Property, plant and equipment	5 972 925	208 351

34. Finance costs

Non-current borrowings	500 341	1 771 748
Finance leases	10 587 553	3 117 562
Available-for-sale debt instruments	-	716 959
	11 087 894	**5 606 269**

35. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	15 263 076	24 496 755
Equipment		
Contractual amounts	1 506 936	925 636
Plant and equipment		
Contractual amounts	280 714	294 497
Lease rentals on operating lease - Other		
Contractual amounts	3 946 025	2 072 123
	20 996 751	**27 789 011**

36. Debt impairment

Debt impairment	17 614 617	40 213 883

37. Bulk purchases

Electricity - Eskom	108 129 488	101 930 108

Figures in Rand	2021	2020

37. Bulk purchases (continued)

Electricity losses

	Number 2021	Number 2020
Units purchased	89 285 900	81 989 640
Units sold	(79 547 599)	(79 786 505)
Total loss	**9 738 301**	**2 203 135**

Comprising of:		
Technical losses	4 550 009	3 277 565
Non-technical losses	4 311 844	1 925 570
Total	**8 861 853**	**5 203 135**

Percentage Loss:		
Technical losses	6 %	4 %
Non-technical losses	5 %	2 %
Total	**11 %**	**6 %**

38. Contracted services

	2021	2020
Presented previously		
Information Technology Services	22 500	-
Outsourced Services		
Administrative and Support Staff	6 017 197	3 981 247
Business and Advisory	1 172 947	2 507 895
Catering Services	303 849	1 287 304
Cleaning Services	7 113 785	9 674 657
Clearing and Grass Cutting Services	16 616 293	11 046 432
Hygiene Services	618 274	339 555
Personnel and Labour	1 500	-
Connection/Dis-connection	217 177	265 258
Refuse Removal	1 650 315	8 064 928
Security Services	32 779 901	29 143 235
Swimming Supervision	9 573 818	10 502 064
Transport Services	3 913	723 204
Consultants and Professional Services		
Business and Advisory	3 537 180	3 089 355
Infrastructure and Planning	863 530	130 916
Laboratory Services	449 236	361 802
Legal Cost	4 425 176	3 044 101

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Contracted services (continued)

Contractors		
Auctioneers	-	34 900
Catering Services	5 280	195 781
Electrical	2 673 813	6 837 940
Employee Wellness	47 308	-
Event Promoters	-	266 500
Maintenance of Buildings and Facilities	5 426 150	2 680 704
Maintenance of Equipment	3 323 924	2 803 970
Maintenance of Unspecified Assets	35 020 220	41 517 628
Management of Informal Settlements	52 323 819	37 728 109
Prepaid Electricity Vendors	660	-
Tracing Agents and Debt Collectors	25 875	105 777
Shark Nets	6 281 918	6 040 306
Removal of Hazardous Waste	(19 065)	524 645
	190 476 493	**182 898 213**

* The housing expenditure line items has been reclassified from general expenses to contracted services as “management of informal settlements” whereas in the prior year it was disclosed as general expenses, due to changes in the Municipal Standard Chart of Accounts (mSCOA).

39. Grants and subsidies paid

Other subsidies		
Grants paid	6 635 338	8 325 590

40. General expenses

Advertising	3 174 824	2 383 228
Auditors remuneration	4 322 256	4 268 187
Bank charges	1 745 608	2 775 466
Commission paid	1 022 923	-
Consumables	11 943 027	5 716 457
Discount allowed	345 250	851 855
Entertainment	490	425
Fines and penalties	446 507	622 381
Gifts	-	160 435
Hire	7 777 014	6 027 558
Insurance	6 609 667	4 914 408
IT expenses	10 962 285	14 147 869
Levies	2 777 444	3 052 905
Fuel and oil	12 275 946	11 743 014
Postage and courier	1 094 338	1 234 410
Printing and stationery	562 266	293 062
Protective clothing	4 975 852	2 980 953
Subscriptions and membership fees	5 005 160	4 057 872
Telephone and fax	1 857 733	6 486 157
Travel - local	892 914	1 373 156
Travel - overseas	292 102	70 857
Title deed search fees	182 694	205 494
Assets expensed	12 265	15 387
Utilities - Other	23 437 950	29 586 767
Management fee	7 309 880	3 715 389
Other expenses	12 119 453	13 173 845
	121 145 848	**119 857 537**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Construction contracts and receivables

Contracts in progress at statement of financial position date

At 30 June 2021, contract debtors of R - (2020: R 2 886 022) are due for settlement.

Agreements that meet all the criteria in paragraph .29 of GRAP9

The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP9 (Revenue from Exchange Transactions), continuously as construction progresses.

The entity determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner:

The amount of revenue arising from such agreements in the period	55 402 699	33 993 197

42. Payables from exchange transactions

Trade payables	6 441 693	8 017 248
Payments received in advanced	42 606 459	34 645 243
Retentions	29 636 767	27 567 674
Accrued bonus	12 227 240	11 822 089
Creditors Accrual	12 474 865	21 808 046
Unknown deposits	16 835 404	13 976 201
Other creditors - UIP	886 100	824 805
Other Creditors - Insurance claims	61 596	22 462
Other Creditors - Third party payment	6 473 988	1 037 072
Other Creditors	3 990 239	9 569 136
	131 634 351	**129 289 976**

43. Other revenue

Staff recoveries	456 951	502 722
Legal fees recovery	-	99 403
Operational revenue	347 655	88 132
Debt impairment reversal	-	159 008 935
Other income - (rollup)	2 679 935	-
	3 484 541	**159 699 192**

44. Public contributions and donations

Public contributions and donations	2 465 770	15 681 994

Conditions still to be met - remain liabilities (see note 16)

45. Auditors' remuneration

Fees	4 322 256	4 268 187

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

46. Cash generated from operations

Surplus	111 990 838	7 578 104
Adjustments for:		
Depreciation and amortisation	96 214 255	92 517 066
Gain on sale of assets and liabilities	2 663 484	204 215
Impairment reversal	-	(159 008 935)
Fair value adjustments	(5 594 000)	(2 396 000)
Public contributions and donations	(2 465 770)	(15 681 994)
Impairment deficit	5 972 925	208 351
Debt impairment	17 614 617	40 213 883
Bad debts written off	6 915 501	189 051 337
Movements in retirement benefit assets and liabilities	(3 456 773)	(4 071 000)
Movements in provisions	(6 673 021)	(10 373 404)
Finance cost	(11 440 529)	(10 700 000)
Acturial (Gains)/loss	(738 621)	25 220 925
Changes in working capital:		
Inventories	233 292	1 561 449
Receivables from exchange transactions	(16 857 591)	(16 302 282)
Other receivables from non-exchange transactions	(42 909 798)	(4 980 914)
Payables from exchange transactions	2 344 374	(6 860 505)
VAT	(4 914 678)	(7 299 747)
Unspent conditional grants and receipts	8 756 337	8 296 149
Consumer deposits	1 347 789	1 174 699
	159 002 631	**128 351 397**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	82 935 144	53 606 306
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	4 597 506	1 544 258
Total capital commitments		
Already contracted for but not provided for	82 935 144	53 606 306
Not yet contracted for and authorised by accounting officer	4 597 506	1 544 258
	87 532 650	**55 150 564**

Authorised operational expenditure

Approved and Contracted for		
• Operating Commitments	97 784 130	35 487 046
Total operational commitments		
Already contracted for but not provided for	97 784 130	35 487 046

Total commitments

Total commitments		
Authorised capital expenditure	87 532 650	55 150 564
Authorised operational expenditure	97 784 130	35 487 046
	185 316 780	**90 637 610**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	9 351 996	15 371 409
- in second to fifth year inclusive	4 899 732	10 629 186
	14 251 728	**26 000 595**

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

48. Contingencies

Claimant	**Nature of contingent liability**	**Summary of matter 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 against the municipality as not all the ligation requirements have not been met		60 307	60 307
JD Chetty	Pothole claim	There is a dispute of pothole damages as Ray Nkonyeni Municipality awaits the inspection of the plaintiff works in Durban		15 208	15 208
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	11 879
NT James	Damages claim	There is a dispute between NT James 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 owing the municipality for rates and electricity.		546 000	546 000
J Smith	Stormwater damages Claim	There is a dispute on the claim for damages sustained to Plaintiff's vehicle as a result of colliding with an exposed storm-water drain due to insufficient information is available from the Plaintiff in order to make the determination		15 930	15 930
Vox Telecommunications	Services rendered	There is a contractual dispute between RNM and Vox Telecommunication who was a service provider who is claiming fees for unauthorized services		395 381	-
Tauris GardenTrading (Pty)Ltd (Masinenge SlumsClearanceProject)	Contractual Dispute	This contractual dispute is due to Tauris Garden Trading (Pty) Ltd claiming that the RNM owes them an amount of R34 878075.03 for work they performed whereas the municipality is disputing this matter due to the fact that Tauris Garden Trading (Pty) Ltd owes Ray Nkonyeni Municipality for snags.		34 878 075	34 878 075
Y Mashalaba& Associates	Contractual Dispute	This contractual dispute is due to the plaintiff claiming Ray Nkonyeni Municipality owes them for work performed while the municipality is disputing on the grounds that there is no evidence that the work was performed.		198 400	198 400
A Reddy	Improvement claim	Summons received on 08th September 2020 for an improvement claim. A Reddy claims that the access road to his home was damaged due to a storm and that he requested the Municipality to repair the damages as the damages apparently was a threat to life or limb and after officials allegedly failed to cause the repairs, he hired a private contractor to repair the access road. He now claims compensation from the Municipality.		40 294	-
NS Govender	Pothole claim	Summons received in October 2020 for Pothole Damages incurred at or near Knoxgore Road, Uvongo.		9 089	-
Ngcolosi Consulting Engineers	Contractual claim	Letter of Demand received dated 3 November 2020 for services rendered for the Masinenge Slums Clearance Project		1 892 012	-

48. Contingencies (continued)

Price trust	Contractual claim	Letter of Demand for apparent damages to the building noted upon vacation of the building situated on Price Street, Port Shepstone that was used as an office block that housed the Municipalities IT & Community Services Sections.		420 000	-
Price trust	Contractual claim	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 used by 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 Municipality.		245 822	-
M Van Der Merwe	Damages claim	Letter of Demand received for damages to a boundary fence as a result of the Municipalities contractors having apparently cut down a tree without taking the necessary precautions.		15 347	-
R Pretorius	Damages claim	Summons received on the 21st January 2021.The plaintiff claims that, the Municipality has stopped supply of the electricity to its premises based on the reasoning that the electricity meter was missing and the underground cabling being damaged.Plaintiff avers that it had attended to the replacement and repairs at its own cost since the Municipality refused to do so and it now claims the the cost thereof from the Municipality. Plaintiff previously applied for an order compelling the Municipality to provide a meter and repair the cable however, it did not believe that it should do so since it averred inter alia, illegal tampering by the Plaintiff. The Municipality, through Seethal Attorneys opposed the matter after extensive interviews with the Electricity team and last reported that the matter was being settled out of court.		62 555	-
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 received for damages to a 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 as a result of a pothole.		3 856	-
T Jumna	Damages claim	Letter of Demand received on 30th January 2021		6 391	-
				38 862 077	**35 748 855**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Related parties

Relationships	
Ugu District Municipality	Inter governmental relations
Ugu South Coast Tourism Pty(Ltd)	Inter governmental relations
Ugu South Coast Development Agency SOC	Inter governmental relations
Key management personnel	Refer to employee related cost note 30
Councillors	Refer to ouncillors remuneration note 30

Grants to related parties		
Ugu South Coast Tourism Pty(Ltd)	2 074 395	2 005 700
Ugu South Coast Development Agency SOC	1 050 000	1 000 000
	3 124 395	**3 005 700**

Secondments to and from related parties		
From Ugu District Municipality	498 516	400 000
To Ugu District Municipality	-	156 202
	498 516	**556 202**

50. 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 assesment conducted as at 30 June 2021 and resulted in the following decreases in depreciation for property plant and equipment in the 2021 financial year and future periods:

The impact on the statement of financial performance (Depreciation) in the 2021 financial year and future periods:

Machinery and Equipment	-	(253 252)
Furniture and Equipment	-	(163 040)
Motor vehicles	-	(8 265)
Computer and Office Equipment	-	(247 951)
Infrastructure Assets	(525 549)	(12 114)
Community Assets	(40 531)	-
	(566 080)	**(684 622)**

51. Prior period errors

1. Intangible asset

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 overstatement in the cost and accumulated amortization of Intangible assets on the face of the Annual Financial Statements and this was subsequently corrected.

The correction of the error results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

51. Prior period errors (continued)

Statement of financial position		
(Increase)/Decrease in Depreciation and amortisation	-	(61 682)
Increase/(Decrease) in Intangible assets	-	61 682
	-	-

2. Property, plant and equipment

During the preparation of financial statement amounts that are expenditure in nature were errornously recognised as Work in progress. Further it was identified that penalties that were charged to a service provider were netted off the invoice resulting in the understatement of Work in progress.

Further to the above, during the asset verification it was 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.

Statement of financial position		
Increase/(Decrease) in PPE	-	2 654 508

Statement of financial performance		
Increase/(Decrease) in Depreciation	-	(1 953 926)
(Increase)/ Decrease in Fines, penalties and forfeit income	-	(249 426)
Increase/(Decrease) in Impairment	-	(502 175)
Increase/(Decrease) in Contracted services	-	51 019
	-	**(2 654 508)**

3. Receivables from exchange and non- exchange transactions

During the financial year it was discovered that certain employees were paid leave/overtime which had not accrued to them. As per the remuneration policies of the municipaity the amounts have been raised as a receivable to the municipality. Further, an amount relating to receivable from the Department of Human Settlements was classified as non-exchange receivables in the prior year, the classification has been changed to exchange transaction in the current financial year, this change in classification has also been done for the revenue recognition relating to the same Human settlements transaction where in the prior year the revenue was classified as non-exchange in the current year the classification is to exchange revenue in accordande with Grap 9.

The correction of the error results in adjustments as follows:

Statement of financial position		
Increase/(Decrease) in receivables from exchange transactions	9 326 464	-
(Increase)/Decrease in equity	(6 440 442)	-
Increase/(Decrease) in receivables from non- exchange transactions	(2 886 022)	-
	-	-

Statement of financial performance		
(Increase)/Decrease in revenue from exchange transaction - construction contracts revenue	(33 993 197)	-
(Increase)/Decrease in revenue from non-exchange transaction - Housing revenue	33 993 197	-
	-	-

4. Unspent conditional grants

Expenditure funded by Municipal systems improvement grant was ommitted in the prior year and therefore not transfered to revenue.

The correction of the error results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

51. Prior period errors (continued)

Statement of financial position		
(Increase)/ Decrease in unspent conditional grants	137 498	-

Statement of financial performance		
(Increase)/ Decrease in revenue from non exchange transctions -Government grants and subsidies	(137 498)	-

5. Leave provision

In the prior year leave provision was classified as a trade and payable transaction under accruals. This has been changed in the current financial year to clasisfy leave provision under provisions as leave payouts are made on termination of employment. As at year end the amount of the provision can be reliably measured however the timing of the payment is uncertain.

Statement of financial position		
(Increase)/ Decrease in payables from exchange transaction	29 303 237	-
(Increase)/ Decrease in provisions	(29 303 237)	-
	-	-

6. Changes in the statement of financial performance due to mapping adjustments and reclassifications

Revenue - During the preparation of financial statements it was noted that there were figures in the statement of financial performance that had to be reallocated to other lines on the face of the financial statements to increase fair presentation and details on the financial statements. These reclassifications were also neccesistated by changes in the mSCOA version from 6.3 to 6.4 make it possible to further breakdown transactions to the lowest level.

Expenditure - expenditure relating to finance cost movements in the employee benefit obligation and long service awards were classified as finance cost in the statement of financial perfomance in the prior year, this has been reclassified to employee cost as permited by Grap 25 and mSCOA. The same was the case for actuarial agains/losses.

Statement of financial performance		
(Increase)/ decrease in property rates	1 053 432	-
(Increase)/ decrease in other income	5 196 184	-
(increase)/decrease in sale of goods and services	(1 051 310)	-
(Increase)/decrease inj interest trading	(109 211)	-
(Increase)/decrease in rendering of services	(5 089 095)	-
Increase/ (decrease) in employee cost	(15 093 892)	-
Increase/(decrease) in finance cost	(12 212 154)	-
(Increase)/decrease in actuarial gain	27 306 046	-
(Increase)/decrease in interest trading (exchange)	18 927 898	-
(Increase)/decrease in interest,dividends and rent on land (Non-exchange)	(18 927 898)	-
	-	-

7. Other creditors - Third party payments

Statement of financial position		
(Increase)/ Decrease in payables from exchange transactions	497 249	-

8. Service charges

During the preparation of the financial statements it was noted that an amount relating to free basic service for electricity was incorrectly classified under service charges (electricity) instead of general expenses.

Statement of financial performance		
(Increase)/Decrease in service charges	(4 209 561)	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

51. Prior period errors (continued)

Increase/ (decrease) in general expenses	4 209 561	-
	-	-

9. Creditors accruals

During the financial year it was noted that a service provider Gezinsila Pty(Ltd) was under billing the municipality for services provided.

Statement of financial performance		
Increase/(decrease) in contracted services	509 339	-
Statement of financial position		
(Increase)/ decrease in creditors accrual	(509 339)	-

52. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 1 825 804 387 and that the municipality's total assets exceed its liabilities by R 1 825 804 387.

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.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	201 310	378 917
Opening balance as restated	**201 310**	**378 917**
Add: Expenditure identified - current	171 467	169 001
Less: Amount written off - current	(340 468)	(346 608)
Closing balance	**32 309**	**201 310**

53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Eskom- Interest	None	50 241	168 332
Interest Other	None	2 051	669
Interest on Ugu accounts		119 238	-
		171 530	**169 001**

54. Irregular expenditure

Opening balance as previously reported	53 474 811	189 525 648
Opening balance as restated	**53 474 811**	**189 525 648**
Add: Irregular Expenditure - current	31 850 292	17 551 723
Less: Amount written off - current	(29 802 722)	(153 602 560)
Closing balance	**55 522 381**	**53 474 811**

54. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non Compliance with S166	None	2 304 889	2 307 398
Less than 4 Senior managers attended BAC regulation 29	None	9 946 110	11 019 313
Non Compliance with local content regulations	None	-	4 028 162
Other	None	19 599 293	196 850
		31 850 292	**17 551 723**

Cases under investigation

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

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	4 577 130	3 894 446
Amount paid - current year	(4 577 130)	(3 894 446)
	-	-

Audit fees

Current year subscription / fee	5 020 133	4 908 415
Amount paid - current year	(4 908 415)	(4 908 415)
	111 718	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

PAYE and UIF

	2021	2020
Current year subscription / fee	61 454 428	59 062 877
Amount paid - current year	(61 454 428)	(59 062 877)
	-	-

Pension and Medical Aid Deductions

	2021	2020
Current year subscription / fee	101 270 482	88 728 647
Amount paid - current year	(101 270 482)	(88 728 647)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
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**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A Damas	1 920	671	2 591
Councillor R Gumbi	1 428	37 767	39 195
Councillor S Chetty	8 713	13 064	21 777
Councillor L Ntanza	2 376	57 575	59 951
Councillor S Nkomo	678	2 811	3 489
Councillor B Ngalo	1 507	5 606	7 113
	16 622	**117 494**	**134 116**

56. 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	2021	2020
In an Emergency - s36(1)(a)(i)	671 079	1 598 670
Sole Supplier- s36(1)(a)(ii)	111 752	19 222
Impractical or impossible to follow the official procurement process- s36(1)(a)(v)	1 829 554	5 282 882
	2 612 385	**6 900 774**

Figures in Rand	2021	2020

57. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Revenue

Construction of contracts: Downward adjustment made to Original Budget figure because some of projects' agreements from Human Settlement Department were received late as a result that delayed the construction process of projects.

Fines, Penalties and Forfeits: Unanticipated collection experienced on the Law enforcement

Property Rates: council passed a resolution providing relief to business and commercial properties revenue billing, decreasing the anticipated billing for the year to account for the change in the billing category

Government grants & subsidies: Neighbourhood development grant was received in the last quarter of the financial year

Expenditure

Personnel: Costs incurred for personnel were less than the budgeted amount due to vacant posts not being filled before year end as well as effective management of overtime by the municipality

Depreciation and amortisation: Depreciation at the year-end was more than the budget due to prior year corrections to assets

Contracted services: the saving was due to cost containment measures put in place by the municipality to monitor and manage expenditure

Remuneration of Councillors: costs incurred for remuneration of councillors were less than the budgeted amount due to that the budget was prepared including the expected increment for the financial year 2020/21

General Expenses: Unanticipated savings on the general expenditure due to less expenditure incurred on the administration cost as the administration staff was rotating

58. New standards and interpretations

58.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

59. 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.

Notes to the Annual Financial Statements

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59. Loan receivable (continued)

The outstanding balance was due to be paid by Ugu District Municipality in the current financial year however as at year the balance was still outstanding.

Loan receivable		
current portion	143 469	143 469

60. 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.

Financial assets exposed to credit risk at year end were as follows:

Market risk

60. 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 2021 and 2020, 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.

61. Segment information

General information

Identification of segments

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

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Technical Services	Provision and maintenance of infrastructure
Community Services	Provision of refuse removal basis service delivery

Notes to the Annual Financial Statements

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61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Technical Services	Community services	Total
Revenue			
Revenue from non-exchange transactions	73 760 919	20 857 681	94 618 600
Revenue from exchange transactions	199 436 247	61 485 609	260 921 856
Total segment revenue	**273 197 166**	**82 343 290**	**355 540 456**
unallocated revenue			790 609 684
Entity's revenue			**1 146 150 140**
Expenditure			
Salaries and wages	64 446 199	131 089 103	195 535 302
Bulk purchases	108 129 488	-	108 129 488
Contracted services	92 065 756	52 936 967	145 002 723
Operating leases	1 507 792	9 916 904	11 424 696
Operational cost	16 014 866	16 576 000	32 590 866
Inventory consumed	457 881	7 089 411	7 547 292
Interest dividends and rent	50 262	-	50 262
Total segment expenditure	**282 672 244**	**217 608 385**	**500 280 629**
Total segmental surplus/(deficit)			**(144 740 173)**
Unallocated expenses + Total segmnet deficit			(685 363 351)
Total revenue reconciling items			790 609 684
Entity's surplus (deficit) for the period			**105 246 333**
Assets			
Receivables from exchange	25 977 747	27 123 205	53 100 952
Property plant and equipment	1 532 503 088	153 916 556	1 686 419 644
Total segment assets	**1 558 480 835**	**181 039 761**	**1 739 520 596**

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	Technical Services	Community services	Total
61. Segment information (continued)			
Unallocated assets			564 578 161
Total assets as per Statement of financial Position			**2 304 098 757**
Liabilities			
Consumer deposits	1 103 519	3 270	1 106 789
Financial liabilities	6 412 545	11 488 574	17 901 119
Payables exchange transaction	12 732 481	-	12 732 481
Payables non-exchange transactions	48 455 684	-	48 455 684
Total segment liabilities	**68 704 229**	**11 491 844**	**80 196 073**
Unallocated liabilities 1			340 520 004
Total liabilities as per Statement of financial Position			**420 716 077**

2020

	Technical Services	Community Services	Total
Revenue			
Revenue from non-exchange transactions	118 176 052	13 420 080	131 596 132
Revenue from exchange transactions	139 140 826	57 967 129	197 107 955
Total segment revenue	**257 316 878**	**71 387 209**	**328 704 087**
unallocated revenue			871 214 136
Entity's revenue			**1 199 918 223**

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Figures in Rand

61. Segment information (continued)

Expenditure			
Salaries and wages	61 477 344	123 763 707	185 241 051
Bulk purchases	101 930 108	-	101 930 108
Contracted services	82 614 315	56 510 941	139 125 256
Operating leases	4 888 033	11 219 507	16 107 540
Inventory consumed	328 230	2 098 340	2 426 570
Operational cost	17 946 358	22 797 537	40 743 895
Total segment expenditure	**269 184 388**	**216 390 032**	**485 574 420**
Total segmental surplus/(deficit)			**(156 870 333)**
Total revenue reconciling items			871 214 136
Unallocated expenses			(863 636 032)
Entity's surplus (deficit) for the period			**7 578 104**
Assets			
Receivables from exchange	21 871 154	22 998 570	44 869 724
Property plant and equipment	1 455 265 141	139 328 020	1 594 593 161
Total segment assets	**1 477 136 295**	**162 326 590**	**1 639 462 885**
Unallocated assets			457 537 620
Total assets as per Statement of financial Position			**2 097 000 505**
Liabilities			
Consumer deposits	-	33 346	33 346
Payables exchange transaction	7 744 660	4 869 638	12 614 298
Payables non-exchange transactions	36 002 625	-	36 002 625
Total segment liabilities	**43 747 285**	**4 902 984**	**48 650 269**
Unallocated liabilities			334 718 115
Total liabilities as per Statement of financial Position			**383 368 384**

Measurement of segment surplus or deficit, assets and liabilities

61. Segment information (continued)

Basis of accounting for transactions between reportable segments

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

The nature of differences between the measurements of the reportable segments’ surplus or deficit and the entity’s surplus or deficit and discontinued operations

There are no differences between the measurements of the reportable segments' surplus or deficit and the Municipalitys' surplus or deficit.

The nature of differences between the measurements of the reportable segments’ assets or liabilities and the entity’s assets or liabilities

There are no differences between the measurements of the reportable segments' assets and liabilities and the Municipalitys' assets and liabilities.

The nature and effect of any changes from prior periods in the measurement methods used to determine reported segment surplus or deficit

There are no chnages from the prior periods in the measurement methods used as GRAP 18 disclosure is applied for the first time in the current financial year.

The nature and effect of any asymmetrical allocations to reportable segments

An municipality allocated depreciation expense to a segment without allocating the related depreciable assets to that segment.

Information about geographical areas

The municipality’s operations are in KwaZulu-Natal within the bounderies of the municipal demarcation. Therefore the municipality does not have geographical areas in which it operates that are relevant for decision making purposes. The netire municipal boundary is considered one geographical area therefore entity - wide disclosure as per paragraph 30 to 32 of Grap 18 is not applicable.

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62. 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 Municiality is party to a principal-agent arrangement with the Department of Energy. The Department of Enegry provides the Municipality with a grant in terms of the Integrated National Electrification Programme (INEP).

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

The municipality implements electricity inflls in rural areas that are under eskom. The municipalitys' electricity distribution license is limited to the Port Shepstone area of supply and therefore the eletricity projects that are doen in the eskom area 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

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municiplaity currently holds an amount of R61 306 that belongs to the Department of Energy that was transfered to the municipality during the current financial year and was not utilised.

The municipality does not will apply for a rollover of the remaining amount so that is it not returned to the principle but utilised for electricity infills projects in the next financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity are R16 306 which is the unspent portion of the Grant during the current financial year.

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 payables

	2021	2020
Integrated National Electrification Programme (INEP)		
Opening balance	4 516 669	-
Expenses incurred on behalf of the principal	(8 455 363)	(4 483 331)
Receipts from the principal	4 000 000	9 000 000
	61 306	**4 516 669**

	2021	2020
All categories		
Opening balance	4 516 669	-
Expenses incurred on behalf of the principal	(8 455 363)	(4 483 331)
Receipts from the principal	4 000 000	9 000 000
	61 306	**4 516 669**

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Figures in Rand	2021	2020

63. 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 in the previous twelve months

Company Name	The capacity in which that person is in service of the state	2021	2020
Auto Junction Fitment Centre	Works at Ugu Municipality	-	1
Margate Contruction	Works for a TVET College in Port Shepstone	-	952 102
Andrews Hire CC	Official at Ray Nkonyeni Municipality	-	135 790
RDC Builders and Plumbers CC	Works for the SAPS and is in service of the state	-	1 101 869
Mthobonga Enterprise	Official at Ray Nkonyeni Municipality	120 750	-
Luyaneli Events (pty) ltd	Official at Ray Nkonyeni Municipality	289 250	138 100
Tower 13 Lifeguard Services cc	Councillor at Ray Nkonyeni Municipality	355 314	879 128
Subtotal	0	765 314	3 206 990
	-	**765 314**	**3 206 990**