



UBUHLEBEZWE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	The municipality's operations are governed by the Local Government :Municipal Structures Act, Act 117 of 1998, the Local Government :Municipal Systems Act ,Act 32 of 2000 ,the Local Government :Municipal Fianace management Act ,Act 56 of 2003 and various other Acts and regulations.
Nature of business and principal activities	The Activities of the Municipality include Planning , Land ,Economic and Environmental development ,Levying of rates and provision of general service to the community, The municipality is also involved in demarcation and grading of Land.
Mayoral committee	
Mayor	Cllr EB Ngubo Cllr ZL Miya (Deputy Mayor) Cllr SMN Chiya (Speaker)
Councillors	Cllr CN Ntabeni Cllr BP Mpunguse (Deceased - 01 December 2022) Cllr GJ Ngcongco Cllr MC Nkontwana (Council Whip) Cllr BR Zulu Cllr NC Ngcongco Cllr LSN Mbele Cllr TJ Mzolweni Cllr S Mbatha Cllr TL Mahlaba Cllr TA Ngcongco Cllr BP Nzimande Cllr LW Nyala Cllr ZP Shange Cllr MS Ngubo Cllr HV Msomi Cllr NH Zaca Cllr SC Jali Cllr SBM Chiya Cllr LA Zondi Cllr ZM Ngidi Cllr ME Mkhize Cllr FZ Mhlongo Cllr B.P.Zuma (Appointed on the 5 April 2023)
Grading of local authority	Grade 3 KZN 434
Accounting Officer	Mlungisi Eluetheruis Mkhize
Chief Finance Officer (CFO)	Siyasanga Yolani Sityata
Business address	29 Margaret Street Ixopo 3276
Postal address	P.O. Box 132 Ixopo 3276

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Bankers

NEDBANK

Auditors

Auditor General (S.A)
Registered Auditors

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the Municipal Council.:

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	12 - 27
Notes to the Annual Financial Statements	27 - 61

Abbreviations used:

MIG	Municipali Infrastructure Grant
CLLR	Councilor
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
INEP	Integrated National Electrification Programme
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
SDL	Skills Development Levy
MPRA	Municipal Property Rates Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
STATS SA	Statistics South Africa
LED	Local Economic Development
SALGA	South African Local Government Association

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 will be 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 years to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by:

ME Mkhize
Municipal Manager

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	5 713 234	5 437 013
Receivables from exchange transactions	5	8 791 094	5 917 511
VAT receivable	4	4 972 225	5 061 597
Receivables from non-exchange transactions	6	20 766 380	20 754 186
Cash and cash equivalents	7	181 055 976	165 151 676
		221 298 909	202 321 983
Non-Current Assets			
Investment property	8	23 722 794	22 905 262
Property, Plant and Equipment	9	333 622 179	335 734 361
Intangible assets	10	3 414 816	3 903 471
Heritage assets	11	4 808 819	4 808 819
		365 568 608	367 351 913
Total Assets		586 867 517	569 673 896
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	20 405 646	21 084 292
Payables from non-exchange transactions	13	-	5 000 000
Unspent conditional grants and receipts	14	5 258 921	607 555
		25 664 567	26 691 847
Non-Current Liabilities			
Employee benefit obligation - Medical Aid	15	5 315 000	11 306 498
Provisions for Long Service	35	3 311 000	2 846 011
		8 626 000	14 152 509
Total Liabilities		34 290 567	40 844 356
Net Assets		552 576 950	528 829 540
Reserves			
Housing Development Fund	18	373 787	373 787
Accumulated surplus		552 203 163	528 455 753
Total Net Assets		552 576 950	528 829 540

* See Note 46

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	3 236 591	3 088 142
Rental of facilities and equipment	19	2 896 809	1 151 394
Licence Commission	37	1 252 580	1 336 919
Licences and permits	38	2 662 856	2 600 772
Other income	20	1 304 879	504 218
Interest received - investment	21	14 673 136	8 555 154
Total revenue from exchange transactions		26 026 851	17 236 599
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	23 611 101	24 389 460
Transfer revenue			
Government grants & subsidies	23	191 424 087	209 412 288
Donation Received	24	1 500	4 017 521
Fines, Penalties and Forfeits	25	820 600	427 339
Property Transfer - STATS SA		4 119 640	-
LGSETA		183 133	560 684
Lollipop - Receipts		229 970	1 412 139
Total revenue from non-exchange transactions		220 390 031	240 219 431
Total revenue	16	246 416 882	257 456 030
Expenditure			
Employee related costs	26	(81 518 751)	(86 661 681)
Remuneration of councillors	27	(11 233 077)	(10 372 452)
Depreciation and amortisation	28	(29 271 922)	(27 945 859)
VAT Impairment / Reversal	30	-	9 010 351
Debt Impairment	31	(10 082 274)	(13 945 457)
Interest Paid	32	(6 405)	(1 142)
Contracted services	33	(42 603 762)	(68 389 917)
Impairment loss / Reversal of Impairment		(12 145 245)	(83 920)
Operating Expenses	34	(35 186 697)	(30 565 627)
Total expenditure		(222 048 133)	(228 955 704)
Operating surplus		24 368 749	28 500 326
Loss on disposal of assets and liabilities		(879 408)	(625 148)
Surplus for the year		23 489 341	27 875 178

* See Note 46

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	373 787	500 580 575	500 954 362
Changes in net assets			
Net income (losses) recognised directly in net assets	-	-	-
Surplus for 30 June 2022	-	27 875 178	27 875 178
Total recognised income and expenses for the year	-	27 875 178	27 875 178
Total changes	-	27 875 178	27 875 178
Restated* Balance at 01 July 2022	373 787	528 455 754	528 829 541
Changes in net assets			
Prior Year Adjustments	-	258 068	258 068
Net income (losses) recognised directly in net assets	-	258 068	258 068
Surplus for 31 June 2023	-	23 489 341	23 489 341
Total recognised income and expenses for the year	-	23 747 409	23 747 409
Total changes	-	23 747 409	23 747 409
Balance at 30 June 2023	373 787	552 203 163	552 576 950
Note(s)	18		

* See Note 46

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and rendering of services		24 192 467	34 605 654
Transfers and Subsidies - Operational		191 424 087	161 746 999
Interest income		13 388 906	8 553 524
		<u>229 005 460</u>	<u>204 906 177</u>
Payments			
Employee costs		(98 278 337)	(95 653 526)
Suppliers		(78 334 619)	(56 650 482)
Finance Cost		(6 405)	(1 141)
		<u>(176 619 361)</u>	<u>(152 305 149)</u>
Net cash flows from operating activities	40	<u>52 386 099</u>	<u>52 601 028</u>
Cash flows from investing activities			
Purchase of property ,plant and equipment	9	(36 387 194)	(44 752 830)
Proceeds from sale of property ,plant and equipment	9	278 254	(625 148)
Purchase of other intangible assets	10	(372 859)	(1 279 400)
		<u>(36 481 799)</u>	<u>(46 657 378)</u>
Net increase/(decrease) in cash and cash equivalents		15 904 300	5 943 650
Cash and cash equivalents at the beginning of the year		165 151 676	159 208 027
Cash and cash equivalents at the end of the year	7	<u>181 055 976</u>	<u>165 151 677</u>

* See Note 46

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3 682 197	-	3 682 197	3 236 591	(445 606)	-12% (a)
Rental of facilities and equipment	800 000	301 633	1 101 633	2 896 809	1 795 176	168 % (b)
Agency services	1 886 400	200 000	2 086 400	1 252 580	(833 820)	-40% (c)
Licences and permits	3 436 612	10 000	3 446 612	2 662 856	(783 756)	-23% (d)
Other income	290 278	678 500	968 778	1 304 879	336 101	35% (e)
Interest received - investment	10 000 000	1 500 000	11 500 000	14 673 136	3 173 136	28% (f)
Total revenue from exchange transactions	20 095 487	2 690 133	22 785 620	26 026 851	3 241 231	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24 602 145	-	24 602 145	23 611 101	(991 044)	-4% (g)
Transfer revenue						
Government grants & subsidies	174 433 000	-	174 433 000	191 424 087	16 991 087	10 % (h)
Donation Received	-	-	-	1 500	1 500	100% (i)
Fines, Penalties and Forfeits	500 000	329 000	829 000	820 600	(8 400)	-1% (j)
Property Transfer - STATS SA	-	-	-	4 119 640	4 119 640	100% (k)
LGSETA	-	150 000	150 000	183 133	33 133	22% (l)
Transport - Lollipop	-	-	-	229 970	229 970	100% (m)
Total revenue from non-exchange transactions	199 535 145	479 000	200 014 145	220 390 031	20 375 886	
Total revenue	219 630 632	3 169 133	222 799 765	246 416 882	23 617 117	
Expenditure						
Employee related cost	(91 434 652)	-	(91 434 652)	(81 518 751)	9 915 901	-11% (n)
Remuneration of councillors	(10 689 137)	(270 384)	(10 959 521)	(11 233 077)	(273 556)	2% (o)
Depreciation and amortisation	(36 000 000)	-	(36 000 000)	(29 271 922)	6 728 078	-19% (p)
Debt Impairment	(2 271 399)	-	(2 271 399)	(10 082 274)	(7 810 875)	344% (q)
Interest Paid	-	-	-	(6 405)	(6 405)	100% (r)
Contracted Services	(26 183 913)	(1 595 570)	(27 779 483)	(42 603 762)	(14 824 279)	53% (s)
Impairment Loss / Reversal of Impairment	-	-	-	(12 145 245)	(12 145 245)	100% (t)
General Expenses	(36 020 481)	(1 386 164)	(37 406 645)	(35 186 697)	2 219 948	5% (u)
Total expenditure	(202 599 582)	(3 252 118)	(205 851 700)	(222 048 133)	(16 196 433)	
Operating surplus	17 031 050	(82 985)	16 948 065	24 368 749	7 420 684	
Loss on disposal of assets and liabilities	-	-	-	(879 408)	(879 408)	
Surplus before taxation	17 031 050	(82 985)	16 948 065	23 489 341	6 541 276	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	17 031 050	(82 985)	16 948 065	23 489 341	6 541 276	

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

(a) Service Charges

Service charges were successfully billed as budgeted, however low collection than anticipated has been noted in the year. The variance is noted and is considered immaterial.

(b) Rental of facilities

Additional offices were filled by tenants during the year (i.e Showdown Building) which resulted in an over collection in comparison to the anticipated budget.

(c) Agency Services

The Collected amount is below the anticipated budget, this emanates from the commission which is still due as the department did not pay all monies due to the municipality.

(d) Licences and permits

Online licence renewals poses a threat to licence and permits as clients prefer online services. Target was not achieved and the municipality has developed a revenue enhancement strategies to improve revenue base. The slow development within the municipality have limited the chance for municipality to receive more money on Business licences.

(e) Other Income

Other income was over collected than anticipated which resulted to positive cashflow for the municipality. A significant amount came from insurance claims settled by the insurance company for accident which were not anticipated in the preparation of the budget.

(f) Interest on investments

Interest income was fully achieved and collection was more than anticipated due to the gradual improvement in the markets and improvements in interest rates subsequent to Covid 19 Pandemic.

(g) Property Rates

Property Rates is on norm.

(h) Government Grants and Subsidies

Discrepancies are caused by revenue recognition of INEP and Housing Development Grant that was not budgeted for due to guidance that was received subsequent to financial year end.

(i) Donation Received

The municipality did not anticipate donation received therefore no budget was provided.

(j) Fines and Penalties and Forfeits.

Fines are on Norm .

(k) Property Transfer - Showdown Investments.

Transfers and subsidies - Allocation in kind - Property was transferred in this financial year from Showdown Investments after the municipality has won th court verdict. The case was disclosed as a possible contingent asset in the 2021 /22 financial year.

(l) LG-Seta

The municipality conducted more trainings than anticipated.

(n) Employee costs

The discrepancies between budget VS actuals on Employee related costs is due initial estimates based on CPI , however the actual increase was then based on the Gazzeted amounts.

(p) Depreciation.

Depreciation is based on an estimate and also based on the condition of assets through conditional assessments and verification, the amount disclosed is as a result of that exercise performed by the experts which was not provided for.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

(q) Debt Impairment

Variance on debt impairment is based on an outstanding debt and payment patterns. Individual assessment was performed for customers, this is a non cash item and it was expected that there will be an improvement in collection which then triggered the under budgeting

(r) Interest Paid

Interest paid on outstanding accounts was incurred due to statements which were received late from Eskom.

(s) Contracted Services

Discrepancies on contracted services are due to recognition of INEP and Housing Development Grant expenditure that was not budgeted for due to guidance that was received subsequent to financial year end.

(t) Impairment Provision.

Impairment provision is based on an estimate based on the condition of assets through conditional assessment and verification, the amount disclosed is as a result of that exercise performed by the experts which was not provided for.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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.

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 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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

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 35 - Provisions.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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.

1.4 Investment property

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

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	25-30 years
Lifts	5 - 10 years
Air-conditioners	5 - 10 years
Other components	5-10 years

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

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

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Investment property (continued)

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

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

1.5 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.

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.

Subsequent Measurement

Property ,Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses except for where specific decision has been taken to revalue the amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property ,Plant and Equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	25-30
Leasehold property	Straight-line	3
Plant and machinery	Straight-line	5-15
Furniture and fixtures	Straight-line	5-10
Motor vehicles	Straight-line	5-10
Office equipment	Straight-line	5-7
IT equipment	Straight-line	5-7
Infrastructure - Cemeteries	Straight-line	15-30
Machinery and Equipment	Straight-line	5-7
Infrastructure - Electricity	Straight-line	15-30
Infrastructure - Roads	Straight-line	10-50
Infrastructure - Solid Waste Disposal	Straight-line	10-55
Specialised Vehicles	Straight-line	7-20

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

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

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

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

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

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

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

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 prior period error.

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

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 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.

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, other	Straight-line	3-5

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are derecognised:

on disposal; or

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

1.7 Heritage assets

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

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

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 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.

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.

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

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

A financial asset is:

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

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

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

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

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

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

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

1.9 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 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.

1.10 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.

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.

1.11 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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Inventories (continued)

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.

1.12 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

1.14 Employee benefits

Short-term employee benefits

The Short term employee benefits such as the following , if expected to be settled wholly before twelve months after the end on the reporting perion in which the employees render the related services (1) Paid Annual leave and paid sick leave (2) Other long term employee benefits ,such as the following : Sabbatical leave.

Recognition and Measurement.

All Short - term employee benefit when an employee has rendered services to an entity during a reporting period, The entity shall recognise the undiscounted amount of short term employee benefit expected to be paid in exchange for that service.

As a liability (Accued expense) after deducting any amount already paid .If the amount already paid exceed the undiscounted amount of the benefits ,an entity shall recognise that excess as an asset (Prepaid Expense) to the extent that the prepayment will lead to ,for example ,a reduction in future paymenta or a cash refund.

Accumulating paid absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Accumulating paid absences may be either vesting (In order words ,employees are entitled to a cashbpayment for unused entitlement on leaving the entity) or non vesting (employees are not entitled to a cash payment for unused entitlement on leaving). An obligation arises as employees render services that increases their entitlement to future paid absences. The obligation exists and is recognised ,even if the paid absences are non vesting , although the possibility that employees may leave before they use an accumulated non vesting entitlement affects the measurement of that obligation.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Provisions and contingencies (continued)

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.

1.16 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.

1.17 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).

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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 .

1.18 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.

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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

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.

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.

1.19 Comparative figures

All municipalities were required to comply mSCOA as from the 1st July 2017. uBuhlebezwe Local Municipality have implemented the mSCOA and comparative figures have been reclassified to conform to changes in the presentation.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 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).

1.22 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).

1.23 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.

1.24 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 2022/07/01 to 2023/06/30.

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

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

1.25 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.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Related parties (continued)

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.

1.26 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).

1.27 Unspent Conditional Grants and Receipts

Unspent portion of the conditional grants are accounted as current liabilities.

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the financial year

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

Standards / interpretation	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised 2021) Employee Benefits	01 April 2023	Expected impact: is not material
GRAP 21 (Amendments) - Impairment of cash generated assets.	01 April 2023	Expected impact: is not material
GRAP 20 (Amendments) – Related Parties	01 April 2023	Expected impact: is not material
GRAP 24 (Amendments) – Statement of comparison of budget and actual	01 April 2023	Expected impact: is not material
GRAP 31 (Amendments) – Intangible assets	01 April 2023	Expected impact: is not material
GRAP 26 (Amendments)- Impairment of cash Generated assets	01 April 2023	Expected impact: is not material

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations Issued, but not yet effective

The municipality has applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

GRAP 103 - Heritage Assets	August 2022	Impact is currently being assessed
GRAP 104 - Financial Instruments	April 2022	Expected impact is not material
GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

3. Inventories

Consumable stores	293 813	17 592
Land Held for sale	5 419 421	5 960 123
	<hr/>	<hr/>
	5 713 234	5 977 715
Disposals	-	(540 702)
	<hr/>	<hr/>
	5 713 234	5 437 013
Carrying value of inventories carried at fair value less costs to sell	5 713 234	5 437 013
Inventories recognised as an expense during the year.	-	540 701

4. VAT receivable

VAT	4 972 225	5 061 597
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5. Receivables from exchange transactions

Housing debtors	101 775	103 275
Accrued Interest	1 631 053	346 823
Licence commission	884 591	747 064
Inventory Debtor	258 509	258 509
Prepaid Expenses	1 037 120	984 125
Less: Allowance for Impairment - Refuse	(7 876 754)	(5 340 280)
Less: Allowance for Impairment- Rental	(2 502 164)	(1 162 124)
Consumer debtors - Waste Management	11 578 794	8 203 324
Consumer debtors - Rental	3 678 170	1 776 795
	<hr/>	<hr/>
	8 791 094	5 917 511

Agency Services

Drivers Licences	1 252 580	1 336 919
INEP - Electrification	6 994 000	8 000 000
	<hr/>	<hr/>
	8 246 580	9 336 919

Total receivables from exchange transactions	8 791 094	5 917 511
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No receivables from exchange were pledged as security for liabilities.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions (continued)		
None of the receivables from exchange have been renegotiated.		
6. Receivables from non-exchange transactions		
Gross balances		
Rates	64 934 953	59 459 746
Fines	4 994 625	4 251 878
	69 929 578	63 711 624
Less: Allowance for impairment		
Rates	(44 173 567)	(38 707 691)
Fines	(4 989 631)	(4 249 747)
	(49 163 198)	(42 957 438)
Net balance		
Rates	20 761 386	20 752 055
Fines	4 994	2 131
	20 766 380	20 754 186
Included in above is receivable from non- exchange transactions		
Current (0-30 days)	1 262 649	2 809 416
31-60 days	1 893 974	4 252 713
61-90 days	6 313 247	3 377 525
91-120 days	3 156 623	3 295 781
121-365 days	52 308 460	45 724 311
	64 934 953	59 459 746
Statutory receivables - Rates past due and impaired:		
Current (0-30 days)	946 987	2 276 730
31-60 days	1 420 481	1 541 324
61-90 days	4 734 935	3 046 197
91-120 days	2 367 467	1 085 119
121-365 days	48 321 948	39 062 423
	57 791 818	47 011 793
Statutory Receivables - Rates past due and not impaired:		
Current 0-30 days	315 772	673 105
31-60 days	473 393	339 572
61-90 days	1 578 312	261 742
91-120 days	789 156	334 491
121-365 days	3 986 502	10 839 043
	7 143 135	12 447 953
Statutory receivable - Fines		
Current (120 - 365 days)	4 994 625	4 251 878
Total Receivables from non - exchange transactions	20 766 380	20 754 186
Reconciliation of allowance for impairment		
Rates	(44 173 567)	(38 707 691)
Fines	(4 989 631)	(4 249 747)
	(49 163 198)	(42 957 438)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 696	507
Bank balances	10 907 534	18 860 963
Short-term deposits	170 146 746	146 290 206
	181 055 976	165 151 676

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
1214909418 - Nedbank	6 750 471	17 786 668	-	6 759 780	17 811 928	-
52552416194 - FNB	-	1 054 227	2 387 020	-	1 054 220	2 431 826
9356939209 - ABSA	-	-	49 471 668	-	-	49 471 668
62143895988 - FNB	311 031	295 638	18 274 947	311 031	295 638	18 274 947
62248166218 - FNB	787 991	750 264	733 918	787 991	750 264	733 918
62895356113 - FNB	107 982	102 718	100 401	107 982	102 718	100 401
62833993060 - FNB	31 483	29 563	28 482	31 483	29 563	28 482
7881076763/118 - Nedbank	10 072 600	2 742 309	-	10 072 600	2 742 306	-
7881076763/167 - Nedbank	-	26 000 000	-	-	26 000 000	-
7881076763/166 - Nedbank	-	20 697 152	-	-	20 697 152	-
7881076763/162 - Nedbank	-	1 023 229	-	-	1 023 229	-
7881076763/154 - Nedbank	-	-	20 000 000	-	-	20 000 000
068730276 -001 - STD Bank	135 483	130 312	128 316	135 483	130 311	128 316
068730276 -004 - STD Bank	-	-	31 229 207	-	-	31 229 207
068730276 - 008 - STD Bank	17 257	16 443	16 071	17 257	16 442	16 070
068730276 -018 - STD Bank	-	-	10 035 945	-	-	10 035 945
068730276 -019 - STD Bank	-	-	15 000 000	-	-	15 000 000
068730276 -034 - STD Bank	-	25 689 641	-	-	25 689 641	-
068730276 -035 - STD Bank	-	20 256 795	-	-	20 256 795	-
068730276 -036 - STD Bank	-	27 235 526	-	-	27 235 526	-
2080309987 - ABSA	22 312 674	21 319 574	-	22 312 674	21 319 574	-
2080845799 - ABSA	20 545 753	-	-	20 545 753	-	-
74879892154 - FNB	-	-	11 755 726	-	-	11 755 726
76200672890 - FNB	26 526 706	-	-	26 526 706	-	-
7881076763/174 - Nedbank	18 363 501	-	-	18 363 501	-	-
7881076763/175 - Nedbank	22 420 243	-	-	22 420 243	-	-
068730276 -047 - STD Bank	20 886 116	-	-	20 886 116	-	-
068730276 -050 - STD Bank	27 626 882	-	-	27 626 882	-	-
Total	176 896 173	165 130 059	159 161 701	176 905 482	165 155 307	159 206 506

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 124 173	(5 401 379)	23 722 794	25 004 533	(2 099 271)	22 905 262

Reconciliation of investment property - 30 June 2023

	Opening balance	Additions	Impairments	Depreciation	Total
Investment property	22 905 262	4 119 640	(2 681 050)	(621 058)	23 722 794

Reconciliation of investment property - 30 June 2022

	Opening balance	Depreciation	Total
Investment property	23 128 228	(222 966)	22 905 262

Fair values for Investment Property 23 722 794 22 905 262

Amounts recognised in surplus or deficit

Rental revenue from Investment property 2 896 809 1 151 394

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property ,Plant and Equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 961 193	-	5 961 193	4 461 193	-	4 461 193
Buildings	78 407 509	(19 333 827)	59 073 682	78 092 057	(17 490 607)	60 601 450
Plant and machinery	22 966 774	(7 913 692)	15 053 082	23 564 216	(7 637 073)	15 927 143
Furniture and fixtures	6 516 544	(3 657 564)	2 858 980	5 524 871	(3 511 751)	2 013 120
Motor vehicles	16 315 118	(13 193 533)	3 121 585	18 133 778	(13 436 747)	4 697 031
IT equipment	7 692 316	(4 113 886)	3 578 430	6 002 916	(4 111 174)	1 891 742
Infrastructure	311 670 105	(198 076 551)	113 593 554	314 822 453	(195 234 065)	119 588 388
Community	230 097 778	(99 716 105)	130 381 673	209 174 579	(82 620 285)	126 554 294
Total	679 627 337	(346 005 158)	333 622 179	659 776 063	(324 041 702)	335 734 361

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment -30 June 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	4 461 193	1 500 000	-	-	-	5 961 193
Buildings	60 601 450	398 489	(7 430)	(1 914 045)	(4 782)	59 073 682
Plant and machinery	15 927 143	945 230	(74 870)	(1 744 421)	-	15 053 082
Furniture and fixtures	2 013 120	1 364 437	(36 398)	(482 179)	-	2 858 980
Motor vehicles	4 697 031	-	(230 306)	(1 345 140)	-	3 121 585
IT equipment	1 891 742	2 337 678	(62 534)	(588 456)	-	3 578 430
Infrastructure	119 588 388	7 651 808	(356 115)	(13 290 451)	(76)	113 593 554
Community	126 554 294	22 188 488	(390 008)	(8 511 689)	(9 459 412)	130 381 673
	335 734 361	36 386 130	(1 157 661)	(27 876 381)	(9 464 270)	333 622 179

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	4 179 000	-	-	282 193	-	-	4 461 193
Buildings	49 546 969	12 377 451	-	-	(1 322 970)	-	60 601 450
Plant and machinery	17 355 321	445 817	(38 784)	-	(1 835 211)	-	15 927 143
Furniture and fixtures	1 288 345	1 217 795	(21 109)	-	(471 911)	-	2 013 120
Motor vehicles	6 657 661	25 378	(26 713)	-	(1 959 295)	-	4 697 031
IT equipment	2 246 918	800 319	(35 014)	(617 479)	(503 002)	-	1 891 742
Infrastructure	121 441 092	13 105 718	(497 907)	-	(14 460 515)	-	119 588 388
Community	112 772 786	20 418 038	-	-	(6 552 610)	(83 920)	126 554 294
	315 488 092	48 390 516	(619 527)	(335 286)	(27 105 514)	(83 920)	335 734 361

Reconciliation of Work-in-Progress 30 June 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	8 867 322	3 602 419	33 363 045	45 832 786
Additions/capital expenditure	7 651 679	22 188 487	771 347	30 611 513
Transferred to completed items	(7 224 568)	(13 049 358)	(34 134 392)	(54 408 318)
	9 294 433	12 741 548	-	22 035 981

Reconciliation of Work-in-Progress 30 June 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	14 907 979	6 144 601	21 740 588	42 793 168
Additions/capital expenditure	10 788 747	18 911 801	12 377 452	42 078 000
Transferred to completed items	(16 829 404)	(21 453 983)	(754 995)	(39 038 382)
	8 867 322	3 602 419	33 363 045	45 832 786

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Property ,Plant and Equipment (continued)		
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		
Community Assets	236 376	34 020
Infrastructure Assets	326 738	356 964
Buildings	617 059	311 160
Motor Vehicle	998 638	1 373 910
Plant & Equipment	893 372	401 160
	3 072 183	2 477 214

There are no indication that projects in Work in Progress are Impaired.

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.

No Property Plant and Equipment are Pledge as security.

Refer to Note 34 for the amount of contractual commitments for the acquisition of Property Plant and Equipment.

No contractual commitments for the acquisition,maintenance and restoration of heritage assets are in place at the moment.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 314 341	(2 899 525)	3 414 816	5 941 482	(2 038 011)	3 903 471

Reconciliation of intangible assets - 30 June 2023

	Opening balance	Additions	Amortisation	Total
Computer software	3 903 471	372 859	(861 514)	3 414 816

Reconciliation of intangible assets - 30 June 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4 372 164	1 279 400	(900 000)	(848 093)	3 903 471

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 808 819	-	4 808 819	4 808 819	-	4 808 819

Reconciliation of heritage assets 30 June 2023

Historical monuments	Opening balance	Total
	4 808 819	4 808 819

Reconciliation of heritage assets 30 June 2022

Historical monuments	Opening balance	Total
	4 808 819	4 808 819

12. Payables from exchange transactions

Trade payables	3 527 493	5 016 147
Unallocated Deposits	1 950	62 817
Retention	7 215 871	6 168 863
Advance Payments	2 383 940	2 604 345
Leave Pay Accrual	7 276 392	7 232 120
	20 405 646	21 084 292

13. Payables from non-exchange transactions

Advance Receipts - Transfers and Grants	-	5 000 000
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uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Small Town Rehabilitation Grant	2 796 255	-
Sangcwaba Grant	507 555	507 555
Tittle Deeds Restoration Grant	100 000	100 000
LED Grant	1 855 111	-
	5 258 921	607 555

Movement during the year

Balance at the beginning of the year	607 555	607 555
Income recognition during the year	4 651 366	-
	5 258 921	607 555

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

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

15. Employee benefit obligations

Long service awards

Independent valuers, Zaq Finance Made Simple, carried out a statutory valuation as at 30 June 2023. The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement benefit plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Post retirement medical aid plan

The Municipality offers employees and continuation members (Pensioners) the opportunity of belonging to on of several medical aid schemes ,the most of which offers a range of options pertaining to levels of cover. Upon retirement,an employee may continue membership of the medical aid scheme.

The Municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement provided they are the members of the municipality accredited medical aid schemes.All existing continuation members (pensioners) a will continue to recieve Company contribution of 60 % and 40 % from the pension Fund depending on when they retire. The subsidy is subject to the muximum amount of R 5 277.38 as regulated by SALGA (per month per member for the period 1 July 2022 to June 2023.)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
15. Employee benefit obligations (continued)		
Post Medical Aid benefits: The amounts recognised in the Statement of Financial Position are as follows:		
Carrying value		
Opening Balance	(11 306 498)	(8 708 710)
Current Service Cost	(955 944)	(867 263)
Current Interest Cost	(1 355 335)	(1 061 521)
Benefits Paid	41 000	156 917
Actuaries Gains or losses over the financial year	8 261 777	(825 921)
	(5 315 000)	(11 306 498)
Age		
20 -24	16.00 %	24.00 %
25 - 29	12.00 %	18.00 %
30 -34	10.00 %	15.00 %
35 -39	8.00 %	10.00 %
40 - 44	6.00 %	6.00 %
45 - 49	4.00 %	4.00 %
50 -54	2.00 %	2.00 %
	-	-
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	11 306 498	-
Net expense recognised in the statement of financial performance	-	11 306 498
	11 306 498	11 306 498
Post Medical Aid Benefits: The amounts recognised in the Statement of Financial Performance were as follows:		
Opening Balance	11 306 498	8 708 710
Current Interest Cost	1 355 335	-
Current Interest cost	955 944	-
Actuarial (gains) losses	(8 261 777)	825 921
Benefits paid	(41 000)	-
Assets distributed on settlement	-	1 771 867
	5 315 000	11 306 498
16. Revenue		
Service charges	3 236 591	3 088 142
Rental of facilities and equipment	2 896 809	1 151 394
Agency services	1 252 580	1 336 919
Licences and permits	2 662 856	2 600 772
Other Income - Miscellaneous	1 304 879	504 218
Interest received - investment	14 673 136	8 555 154
Property rates	23 611 101	24 389 460
Government grants & subsidies	191 424 087	209 412 288
Donation Recieved	1 500	4 017 521
Fines, Penalties and Forfeits	820 600	427 339
LGSETA	183 133	560 684
Lollipop - Receipts	229 970	1 412 139
	242 297 242	257 456 030

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
16. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3 236 591	3 088 142
Rental of facilities and equipment	2 896 809	1 151 394
Agency services	1 252 580	1 336 919
Licences and permits	2 662 856	2 600 772
Other income - Miscellaneous	1 304 879	504 218
Interest received - investment	14 673 136	8 555 154
	26 026 851	17 236 599
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	23 611 101	24 389 460
Transfer revenue		
Government grants & subsidies	191 424 087	209 412 288
Donation Received	1 500	4 017 521
Fines, Penalties and Forfeits	820 600	427 339
LGSETA	183 133	560 684
Lollipop - Receipts	229 970	1 412 139
	216 270 391	240 219 431
17. Service charges		
Refuse removal	3 175 173	3 031 721
Service Charge - Fire Service	61 418	56 421
	3 236 591	3 088 142
18. Housing Development Fund		
Loans extinguished by Government 1 April 1998	373 787	373 787
19. Rental of facilities and equipment		
Premises		
Hall hire	212 190	176 363
Rental of buildings	2 684 619	975 031
	2 896 809	1 151 394
20. Other income		
Rates Clearance	6 436	16 463
Insurance Refund	942 480	-
Tender Document	101 845	64 579
Other Revenue	144 556	221 187
Breakages and losses recovered	11 548	1 182
Photocopies and faxes	17 942	491
Revenue from sale of land	43 391	115 955
Building plans approval	10 547	44 938
Cemetery and burial fees	26 134	39 423
	1 304 879	504 218

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
21. Investment revenue		
Interest revenue		
Short term Investments	14 673 136	8 555 154
22. Property rates		
Statutory Revenue		
Residential	10 626 229	9 899 620
Commercial	3 536 645	5 456 218
State owned properties	9 094 444	4 984 790
Agricultural	48 510	3 794 394
Industrial	305 272	254 438
	23 611 100	24 389 460
Valuations		
Residential	618 364 390	613 574 390
Commercial	227 462 503	216 205 503
State Owned	440 602 000	440 602 000
Municipal Properties	66 376 003	65 955 003
Agricultural	1 543 931 964	1 557 832 964
Communal Land	83 252 701	83 037 700
Industrial	13 916 000	13 916 000
Public Service Infrastructure	220 000	220 000
Special Purpose/Place of Worship	14 785 000	14 785 000
Vacand Land	18 663 003	14 833 002
Servitude	-	358 744 000
	3 027 573 564	3 379 705 562

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied in 12 months equal instalments with the first being due at the end of July and the last instalment in June.

The Municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below :

Residential
Agriculture
Small Holdings (Agriculture)
Commercial
Industrial and
Communal

The new general valuation will be implemented on 01 July 2023.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
23. Government grants & subsidies		
Operating grants		
Equitable share	131 712 000	121 143 064
FMG Grant	1 950 001	1 920 000
Housing Grant	15 560 737	42 821 509
Library Grant	1 235 000	1 177 000
Building Plan Information System Grant	-	1 193
EPWP Grant	2 245 000	2 131 000
LED Grant	-	1 000 000
Integrated National Electrification Programme	6 081 715	6 956 522
	158 784 453	177 150 288
Capital grants		
MIG Grant	30 291 000	32 262 000
Small Town Rehabilitation Grant	2 203 745	-
LED Grant	144 889	-
	32 639 634	32 262 000
	191 424 087	209 412 288
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	59 712 087	88 269 224
Unconditional grants received	131 712 000	121 143 064
	191 424 087	209 412 288
Equitable Share		
Current-year receipts	131 712 000	121 143 064
Conditions met - transferred to revenue	(131 712 000)	(121 143 064)
	-	-
FMG Grant		
Current-year receipts	1 950 000	1 920 000
Conditions met - transferred to revenue	(1 950 000)	(1 920 000)
	-	-
Electrification Grant (INEP)		
Balance unspent at beginning of the yer	-	2 886 064
Current-year receipts	6 994 000	8 000 000
Conditions met - transferred to revenue	-	(8 000 000)
Surrendered	(6 994 000)	(2 886 064)
	-	-
Library Grant		
Current-year receipts	1 235 000	1 177 000
Conditions met - transferred to revenue	(1 235 000)	(1 177 000)
	-	-

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
23. Government grants & subsidies (continued)		
Small Town Rehabilitation Grant		
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(2 203 745)	-
	2 796 255	-
Conditions still to be met - remain liabilities (see note 14).		
Municipal Infrastructure Grant		
Current-year receipts	30 291 000	32 262 000
Conditions met - transferred to revenue	(30 291 000)	(32 262 000)
	-	-
Sangcwaba Grant		
Balance unspent at beginning of year	507 555	507 555
Conditions still to be met - remain liabilities (see note 14).		
EPWP Grant		
Current-year receipts	2 245 000	2 131 000
Conditions met - transferred to revenue	(2 245 000)	(2 131 000)
	-	-
Housing Grant		
Current-year receipts	17 894 847	49 244 735
Conditions met - transferred to revenue	(17 894 847)	(49 244 735)
	-	-
Building Plan Information Systems Grant		
Balance unspent at beginning of year	-	1 198
Conditions met - transferred to revenue	-	(1 198)
	-	-
Title Deeds Restoration Grant		
Balance unspent at beginning of year	100 000	100 000
Conditions still to be met - remain liabilities (see note 14).		
LED Grant		
Current-year receipts	2 000 000	1 000 000
Conditions met - transferred to revenue	(144 889)	(1 000 000)
	1 855 111	-
Conditions still to be met - remain liabilities (see note 14).		

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
24. Donations Received		
Donations Received	1 500	4 017 521
25. Fines, Penalties and Forfeits		
Law Enforcement Fines	820 600	427 339

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Employee related costs		
Basic	59 453 956	57 184 297
Bonus	5 068 636	4 280 604
Medical aid - company contributions	(2 350 276)	5 843 215
UIF	506 495	496 999
Other payroll levies	32 367	25 782
Leave pay	2 727 071	3 345 897
Pension	8 870 468	8 536 473
Travel, motor car, accommodation, subsistence and other allowances	2 431 650	2 775 777
Overtime payments	3 150 468	2 857 480
Long-service awards	1 141 233	482 356
Housing benefits and allowances	117 365	119 593
Post retirement obligation	195 619	512 412
Other employees related costs	173 699	200 796
	81 518 751	86 661 681
Remuneration of municipal manager		
Annual Remuneration	991 464	850 102
Performance Bonuses	149 076	99 384
Contributions to UIF, Medical and Pension Funds	71 312	262 352
Other	148 486	247 063
	1 360 338	1 458 901
The previous incumbent resigned on the 31 August 2022 and the new Municipal manager was appointed as of the 5 September 2022.		
Remuneration of chief finance officer		
Annual Remuneration	663 988	625 799
Performance Bonuses	65 205	65 205
Contributions to UIF, Medical and Pension Funds	78 893	77 418
Other	198 322	195 160
	1 006 408	963 582
Corporate and human resources (corporate services)		
Annual Remuneration	740 197	714 149
Performance Bonuses	65 205	65 205
Contributions to UIF, Medical and Pension Funds	107 683	103 068
Other	89 551	76 371
	1 002 636	958 793
Social Development		
Annual Remuneration	613 826	626 949
Performance Bonuses	77 272	68 686
Contributions to UIF, Medical and Pension Funds	144 160	113 786
Other	335 970	200 733
	1 171 228	1 010 154
Technical Services		
Annual Remuneration	726 983	405 453
Acting Allowance	-	35 659

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Employee related costs (continued)		
Performance Bonuses	63 903	-
Contributions to UIF, Medical and Pension Funds	2 125	1 240
Backpay	-	128 785
Other	261 953	5 837
	1 054 964	576 974
27. Remuneration of councillors		
Mayor	957 559	902 932
Deputy Mayor	775 642	624 237
EXCO Members	2 424 992	1 979 574
Speaker	773 304	691 711
Councillors	6 301 580	6 173 998
	11 233 077	10 372 452
In-kind benefits		
<p>The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Mayor and Speaker is provided with an office and secretarial support at the cost of the Council.</p>		
<p>The Mayor and the Deputy Mayor and speaker use of separate Council owned vehicles for official duties.</p>		
<p>The Mayor has two full-time bodyguards. The Speaker have one full-time bodyguards.</p>		
<p>The Executive Mayor has two full-time bodyguards.</p>		
Additional information		
<p>The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.</p>		
<p>The Salaries ,allowances and benefits of political office bearers and councillors of the municipality whether financial or in kind , including a statement by the accounting officer whether or not those salaries ,allowances and benefits are within the upper limits of the framework envisaged in section 219 of the constitution.</p>		
28. Depreciation and amortisation		
Property ,Plant and Equipment	27 789 350	26 939 338
Investment property	621 058	158 427
Intangible assets	861 514	848 094
	29 271 922	27 945 859
<p>Included above there is an amount of R87 030.35 for Plant used in the construction of Internal Projects.</p>		
29. Impairment loss		
Impairments		
Property ,Plant and Equipment	12 145 245	83 920
30. Finance Cost		
VAT impairment during the year	-	(9 010 351)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
31. Provision For Bad Debt		
VAT Written-off	-	4 172 254
Provision for Traffic fines	739 884	783 809
Provision for Bad debts Recievables	9 342 390	8 989 395
	10 082 274	13 945 458
32. Finance costs		
Finance cost	6 405	1 142
33. Contracted services		
Security Services	5 333 087	5 876 577
Legal Fees	2 814 661	2 595 372
Valuation Services	724 217	465 063
Repairs and Maintenance	3 038 955	2 479 606
Landfill Site Rental	490 117	737 815
Catering Services	589 890	378 166
Events Promoters	1 001 972	521 633
Consultants and proffessional fees	6 668 513	5 267 316
Pest Control and fumigation	30 296	11 217
Audit Committee Fees	269 602	279 121
Contractors		
Contractors - Electrificity	6 081 715	6 956 522
Contractors - Housing	15 560 737	42 821 509
	42 603 762	68 389 917

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
34. General expenses		
MSCOA Implimentation and System development	1 425 129	982 555
Advertising	1 683 016	1 623 615
Auditors remuneration	3 004 560	1 955 648
Bank charges	422 164	363 499
Compensation fund	429 253	452 089
Consumables	1 368 521	1 231 192
Entertainment	79 113	52 876
Road Traffic Levies	5 493	3 670
Free basic services	1 467 036	2 917 019
Insurance	1 326 045	1 116 868
Operating leases : Furniture and Office Equipment	939 304	968 167
Parking Fees	129 884	121 942
Skills Development Levy	840 231	778 913
Specialised computer equipment	1 236 565	1 217 561
Fuel and oil	4 686 915	3 278 734
Postage and courier	39 836	215 181
Printing and stationery	401 357	528 405
Bursary Youth	738 368	531 692
Trainings	3 427 543	3 064 725
Software expenses	984 128	851 008
Ward Committees	1 495 945	726 913
Subscriptions and membership fees	1 053 923	1 110 760
Travel - local	1 897 074	1 607 132
Water and Electricity	1 708 048	1 496 773
Uniforms / Protective Clothing	1 156 375	792 412
Communication costs	2 191 665	1 717 197
Licences and Permits	414 624	313 660
Community Development Programme	634 582	545 421
	35 186 697	30 565 627

35. Long Service award

Long Service Award - 30 June 2023

	Opening Balance	Additions	Total
Long term service award provision	2 846 011	464 989	3 311 000

Reconciliation of long service award - 30 June 2022

	Opening Balance	Additions	Total
Long term service award provision	2 440 774	405 237	2 846 011

Long services award in the form of monetary value are payable after ten years of continuous service and every five years. The Valuation was performed in line with GRAP 25 Employee benefits by an Independent Actuaries and Consultants as at 30 June 2023.

Provision is an estimate of the long service award base on historic staff turnover, taking into account management estimate of the likelihood that staff may leave before long services become due. No other long services benefit are provided to employees.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

36. Councillors / Employees owing the municipality

Below are the staff members /Councillors who were in arrears for more that 90 days as at 30 June 2023 in terms on Section 214 1 (b) of the MFMA.

The Staff members disclosed below has entered into payment arrangement in terms of section 103 of the Municipal Systems Act.

Account Numbers	180 Days	150 Days	120 Days	Total
1. 116 662	15 257	448	448	16 153
2. 169 763	50 217	1 045	1 045	52 307
3. 103 309	159	159	159	477
4. 136 770	2 761	332	332	3 425
5. 185 926	9 339	534	534	10 407
6. 117 508	31 089	658	658	32 405
7. 185 861	13 541	474	474	14 489
	122 363	3 650	3 650	129 663

37. Agency services

Driver's Licences 1 252 580 1 336 919

38. Licences and permits

Drivers Licences 2 601 445 2 548 422
Market Porters / Hawkers Permits 61 411 52 350
2 662 856 2 600 772

39. Unauthorised Expenditure

Opening balances as previously reported 83 920 -
Add : Unauthorised Expenditure - Current 12 145 245 83 920
12 229 165 83 920

Unauthorised expenditure are derives from impairment of assets.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
40. Cash generated from operations		
Surplus	23 489 341	27 875 178
Adjustments for:		
Depreciation and amortisation	29 271 922	27 945 859
Gain / Loss on sale of assets and liabilities	-	625 148
Donation Recieved	-	(3 987 521)
Donations	(4 119 640)	-
Impairment Loss	12 145 245	83 920
Leave Provisions	-	1 281 503
Long Service Award	464 984	-
Post Retirement Benefits	(5 991 498)	13 945 460
VAT impairment reversal	-	(9 010 351)
Other Non Cash Items	346 223	(8 209)
Loss on sale	879 408	-
Changes in working capital:		
Inventories	(276 221)	(433 849)
Receivables from exchange transactions	(2 873 583)	1 793 953
Receivables from Non exchange Transactions	(12 194)	534 704
Payables from exchange transactions	(678 648)	(7 930 364)
VAT Receivables	89 372	(2 227 145)
Unspent conditional grants and receipts	4 651 388	(2 887 258)
Payables From Non exchange transactions	(5 000 000)	5 000 000
	52 386 099	52 601 028

41. Financial instruments disclosure

Categories of financial instruments

30 June 2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 791 094	8 791 094
Trade and other receivables from non-exchange transactions	20 766 380	20 766 380
Cash and cash equivalents	181 055 976	181 055 976
	210 613 450	210 613 450

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 405 644	20 405 644

30 June 2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5 917 511	5 917 511
Other receivables from non-exchange transactions	20 754 185	20 754 185
Cash and cash equivalents	165 151 675	165 151 675
	191 823 371	191 823 371

Financial liabilities

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
41. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other payables from exchange transactions	21 084 292	21 084 292
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Infrastructure	8 852 167	4 216 926
Prior year correction on infrastructure	-	(3 919 463)
Community	3 500 503	1 410 298
	12 352 670	1 707 761
Total capital commitments		
Already contracted for but not provided for	12 352 670	1 707 761
Authorised operational expenditure		
Already contracted for but not provided for		
Operating Expenditure	22 626 888	6 045 522
Electrification	4 041 936	11 722 945
Prior year Adjustment of Electrification Projects	-	16 012
	26 668 824	17 784 479
Total operational commitments		
Already contracted for but not provided for	26 668 824	17 784 479
Total commitments		
Total commitments		
Authorised capital expenditure	12 352 670	1 707 761
Authorised operational expenditure	26 668 824	17 784 479
	39 021 494	19 492 240
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses and grants.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1 016 070	387 117

Operating Leases relates to the rental of photocopying machines which is on a long term contract .

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

43. Contingent Liability

1. The Supreme Court of Appeal dismissed the 04th respondent's application and the municipality was awarded at costs. our bill of was taxed and have demanded payment from the 4th rsepondent. A Contingent liability as at 30 June 2023 is the amount of R465,072.24 which relates to the appeal which was dismissed to court to the agreement of lease with the minister of Public works and Director general Public Works. The case High court case number 3486/2021P.

2. This is a review to application to review and set aside the decision of the South African Bargaining Council that the applicants dismissals where procedurally and substantively fair. The application is opposed and we are awaiting a hearing. It is improbable that the application will succeed. Therefore the municipality has a contingent liability of R500 000 for legal costs as at 30 June 2023.

3. An ill-advised councillor took a resolution to condone the sale of Council propreerty. Shortly thereafter, a newly appointed Council resolved to rescind the sale of the property. An application was issued to declared the sale agreement null and void. A consent order was taken on November 2011, declaring the sale agreement null and void. A contingent liability of R500 000.

4. Case between Ubuhlebezwe Municipality vs The A.H Mansoor Family Trust and others (HighFlats Ratepayers). The rate payers have been resisting making any form of payments towards the municipal property rates. A contingent liability of R2500 000.

Contingent assets

1. A contingent Asset of +/- R11 million, application pending where Mr Ramsunder seeks to amend his pleadings which is being opposed. In the SCA Appeal - Heads of Argument from both sides have been filed and awaiting SCA to allocate date.

2. Case between Ubuhlebezwe Municipality vs The A.H Mansoor Family Trust and others (HighFlats Ratepayers). The rate payers have been resisting making any form of payments towards the municipal property rates. A contingent asset of R9000 000 is due to the municipality.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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44. Related parties

There were Related Party Transactions in the current financial year. The Two related party transactions were the municipalities councillors and S57 Employees as per GRAP 20.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

Remuneration of management

Remuneration to key management

30 June 2023

Name	Basic salary	Performance Bonuses	Contributions to UIF, Medical and Pension funds	Other benefits received	Total
Municipal Manager	991 464	149 076	71 312	148 486	1 360 338
Chief Financial Officer	663 988	65 205	78 893	198 322	1 006 408
Director Infrastructure	726 983	63 903	2 125	261 953	1 054 964
Director Social Development	613 826	77 272	144 160	335 970	1 171 228
Director Corporate Services	740 197	65 205	107 683	89 551	1 002 636
	3 736 458	420 661	404 173	1 034 282	5 595 574

30 June 2022

Name	Basic salary	Acting Allowance	Other benefits received	Total
Municipal Manager	850 102	-	608 799	1 458 901
Chief Financial Officer	625 799	-	337 783	963 582
Corporate Services Manger	714 149	-	244 644	958 793
Social Development Manager	626 949	-	383 205	1 010 154
Technical Manager	405 453	35 659	135 862	576 974
	3 222 452	35 659	1 710 293	4 968 404

Management class: Councillors

30 June 2023

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

Name	Bonuses and performance related payments	Total
Councillors	11 233 077	11 233 077

30 June 2022

Name	Basic salary	Total
Councillors	10 372 451	10 372 451

45. Change of Accounting estimation uncertainties and Adjustments

Property ,Plant and Equipment

In terms of GRAP 17 - Property , Plant and equipment ,the municipality is required to assess the useful lives and depreciation methods at each reporting date. In the current financial year ,the management have revised the useful lives of 68 assets which had a remaining useful lives of less than a year.The revision was accounted for a change in accounting estimates. The remaining useful lives were reviewed based on the condition assessment carried out during physical verification.

Impact on Statement of Financial Position

	Old Basis	Impact due to the change of estimate	New Basis
IT	652 110	(66 184)	585 926
Furniture	558 474	(76 321)	482 153
Machinery	1 836 970	(91 261)	1 745 709
Transport	1 526 877	(181 737)	1 345 140
Infrastructure	14 420 081	(1 499 236)	12 920 845
Investment Property	622 178	(1 120)	621 058
Intangible Assets	1 017 307	(155 793)	861 514
	20 633 997	(2 071 652)	18 562 345

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

46. Prior period errors

1. Payable from exchange transaction of R76 800 which was an accrual was reversed in the previous year.
2. Unbundling of Prior year Depreciation for Investment property.
3. Employee related cost relates to the cost of employee who were building in Mdabu excess road.
4. Correction of Prior Year Depreciation.
5. Correction of Depreciation Incorrectly accounted for.
6. Change in accounting treatment for INEP Grant.
7. Change in accounting treatment for Housing Grant.

The correction of the error(s) results in adjustments as follows:

Prior Period Error

Statement of Financial Performance

	Amount Previously Reported	Adjustment	Total
1. General Expenses	(30 642 427)	76 800	(30 565 627)
2. Accumulated Surplus	528 910 274	(184 421)	528 725 853
3. Depreciation	(27 806 387)	(139 472)	(27 945 859)
4. Accumulated Surplus	528 910 274	(454 521)	528 455 753
5. Employee Related Cost	(86 562 577)	(99 104)	(86 661 681)
6. Government Grant and Subsidies : INEP	(159 634 257)	(6 956 522)	(166 590 779)
6. Contracted Services : INEP	18 611 886	6 956 522	25 568 408
7. Government Grant and Subsidies : Housing	(166 590 779)	(42 821 509)	(209 412 288)
7. Contracted Services : Housing	25 568 408	42 821 509	68 389 917
	630 764 415	(800 718)	629 963 697

Statement of Financial Position

	Amount Previously Reported	Adjustment	Total
1. Payables from exchange transaction	13 928 977	(76 800)	13 852 177
2. Investment Property	23 089 683	(184 421)	22 905 262
3. Property ,Plant and Equipment	336 081 266	(139 472)	335 941 794
3. Property ,Plant and Equipment	335 941 794	(108 328)	335 833 466
3. Property ,Plant and Equipment	335 833 466	(99 104)	335 734 362
4. VAT Input- INEP	5 061 597	1 043 478	6 105 075
4. VAT Output : INEP	6 105 075	(1 043 478)	5 061 597
5. VAT Input : Housing	5 061 597	6 423 226	11 484 823
5. VAT Output : Housing	11 484 823	(6 423 226)	5 061 597
	1 072 588 278	(608 125)	1 071 980 153

47. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities and Trade payables from exchange transaction amounting to R20 405 644.

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

47. Risk management (continued)

Credit risk

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

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

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

Financial instrument	30 June 2023	30 June 2022
Cash and cash equivalent	181 055 976	165 151 676
Trade and other receivables from exchange transactions	8 791 094	5 917 511
Trade and other receivables from non exchange transactions	20 766 380	20 754 186

48. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 553 422 672 and that the municipality's total Assets exceed its Liabilities by 552 576 950.

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.

49. Events after the reporting date

There was a Case between UBuhlebezwe local municipality and STATS (SA) from the previous financial years where the municipality had disclosed a contingent liability. Subsequently, the Municipality won the case. The municipality raised the debtor as per the court verdict. An agreement that was reached between the municipality, municipal legal representation, and the lessee is that the liability shall pay a monthly charge of R167 016.44 until 31 May 2023. An amount of R2,011,468.17, came through on the 6th July 2023, which was for all rental outstanding from June 2022 - April 2023 as per the agreement with May and June outstanding for the current financial year 2022/23.

50. Fruitless and wasteful expenditure

Opening balance as previously reported	1 142	1 142
Add: Fruitless and wasteful expenditure identified - current	6 404	-
Closing balance	7 546	1 142

Fruitless and wasteful expenditure is presented inclusive of VAT

Fruitless and Wasteful Expenditure emanates from the Interest charged by Eskom, Telkom and UMzimkhulu.

51. Irregular expenditure

Opening balance as previously reported	20 285 543	21 271 046
Add: Irregular expenditure - current	7 129 472	52 019 679
Add: Irregular expenditure - prior period	485 218	1 257 668
Less: Amount written off - current	(24 657 971)	(48 406 362)
Less: Correction of VAT duplicate in prior year.	-	(5 856 488)
Closing balance	3 242 262	20 285 543

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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51. Irregular expenditure (continued)

Analysis of Expenditure awaiting write off per age classification

Current Year	3 242 262	20 285 543
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The Irregular Expenditure is based on all transactions that were incurred whilst the composition of the Bid adjudication was not as per the requirement legislation and any additional findings due to non-compliance with the legislations in terms of SCM processes. Disclose on Irregular Expenditure incurred is at 100 % coverage for 2021/22 ,2022/23 financial years.

The Irregular Expenditure reported is exclusive of Value Added Tax.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 037 120	984 065
Amount paid - current year	(1 037 120)	(984 065)
	-	-

Audit fees

Current year subscription / fee	3 004 560	1 955 648
Amount paid - current year	(3 004 560)	(1 955 648)
	-	-

PAYE, UIF and SDL

Current year subscription / fee	12 591 003	13 208 259
Amount paid - current year	(12 591 003)	(13 208 259)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	20 050 694	16 860 860
Amount paid - current year	(20 050 694)	(16 860 860)
	-	-

VAT

VAT receivable	4 972 225	5 061 597
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the month 12.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and have noted by Council. In the current financial year there were no deviations..

53. Segment information

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2023

	Community and public safety	Economic and environmental services	Governance and administration	Trading Services	Total
Revenue					
Property Rates	-	-	(23 611 102)	-	(23 611 102)
Fines, Penalties and Forfeits	(820 600)	-	-	-	(820 600)
Interest on Investments	-	-	(14 673 136)	-	(14 673 136)
Licences and Permits	(2 597 877)	(64 980)	-	-	(2 662 857)
Operating Revenue	(11 548)	-	(1 313 560)	-	(1 325 108)
Rental	(212 190)	-	(2 684 619)	-	(2 896 809)
Service Charges	(61 418)	-	-	(3 175 173)	(3 236 591)
Transfers and Subsidies	(19 270 707)	(38 721 350)	(137 783 141)	-	(195 775 198)
Agency Services	(1 252 580)	-	-	-	(1 252 580)
Other Income	(44 076)	(10 547)	(108 281)	-	(162 904)
Total segment revenue	(24 270 996)	(38 796 877)	(180 173 839)	(3 175 173)	(246 416 885)
Entity's revenue					(246 416 885)

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Governance and administration	Trading Services	Total
53. Segment information (continued)					
Expenditure					
Employees related Cost	(25 432 580)	(17 938 501)	(27 977 067)	(10 170 603)	(81 518 751)
Remuneration of Councillors	-	-	(11 233 077)	-	(11 233 077)
Depreciation and amortisation	-	-	(29 271 921)	-	(29 271 921)
Operating Lease	-	-	(939 304)	-	(939 304)
Debt Impairment	-	-	(10 082 274)	-	(10 082 274)
Interest Paid	-	-	(6 405)	-	(6 405)
Contracted Services	(16 522 551)	(4 418 666)	(21 036 492)	(626 053)	(42 603 762)
Transfers and Subsidies (Expenditure)	(1 368 237)	(2 953 720)	(627 491)	(92 275)	(5 041 723)
Operating Expenses	(2 640 732)	(5 344 097)	(18 505 506)	(1 345 791)	(27 836 126)
Inventory Consumed	(477 612)	(71 988)	(406 807)	(412 115)	(1 368 522)
Impairment loss	-	-	(12 145 245)	-	(12 145 245)
Total segment expenditure	(46 441 712)	(30 726 972)	(132 231 589)	(12 646 837)	(222 047 110)
Total segmental surplus/(deficit)					(24 369 775)
Loss on disposal of assets					(879 408)
Assets					
Inventory	-	-	5 713 235	-	5 713 235
VAT Recievables	-	-	4 972 225	-	4 972 225
Recievbles from Non Exchange Transaction	-	-	20 766 380	-	20 766 380
Recievbles from Exchange Transaction	-	-	8 791 094	-	8 791 094
Cash and Cash equivalent	3 283 633	-	170 902 129	6 870 214	181 055 976
Property Plant and Equipment	89 666 933	212 085 115	19 462 975	12 407 154	333 622 177
Intangible Assets	-	478 027	2 936 789	-	3 414 816
Investment Property	-	-	23 722 794	-	23 722 794
Heritage Assets	-	-	4 808 819	-	4 808 819
Total segment assets	92 950 566	212 563 142	262 076 440	19 277 368	586 867 516
Total assets as per Statement of financial Position					586 867 516

uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	Community and public safety	Economic and environmental services	Governance and administration	Trading Services	Total
53. Segment information (continued)					
Liabilities					
Trade and other payables from exchange transactions	-	(1 259 874)	(19 147 305)	-	(20 407 179)
Unspent conditional grants and receipts	-	(4 651 366)	-	(607 575)	(5 258 941)
Employee benefit obligation - Medical Aid	-	-	(5 315 000)	-	(5 315 000)
Provision for Long service	-	-	(3 311 000)	-	(3 311 000)
Total segment liabilities	-	(5 911 240)	(27 773 305)	(607 575)	(34 292 120)
Accumulated Surplus					(552 576 950)
Total liabilities as per Statement of financial Position					(34 292 120)

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