



Blue Crane Route Local Municipality (EC 102)
Annual Financial Statements
for the year ended 30 June 2023

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Local Municipality
Grade	2
Nature of business and principal activities	Local Government. Principal activities in-line with the Constitution of South Africa, Schedule 4 B and 5 B
Council Members	
Councillors	BA Manxoweni MK Mali ZS Baskiti P Sonkwala JM Martin ABC Heynse (01 July 2022 - 07 December 2022) & (13 March 2023 - 30 June 2023) FP Brown L Johnson-Smith (13 March 2023 - 30 June 2023) EL Miggels NP Nkonyeni A Dyantyi C Nel (01 July 2022 - 07 Dec 2022)
Accounting Officer	MP Nini (patrickn@bcmr.gov.za)
Chief Finance Officer (CFO)	NB Delo (nigeld@bcmr.gov.za)
Registered office	67 Nojoli Street Somerset East 5850
Postal address	P.O. Box 21 Somerset East 5850
Auditors	Auditor General South Africa
Bankers	ABSA BANK
Attorneys	Smith Tabata Attorneys Pagdens Attorneys Gray Moodliar Attorneys Chris Bakes & Associates

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Index

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

	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
Accounting Policies	10 - 26
Notes to the Annual Financial Statements	30 - 76

**AUDITOR GENERAL
SOUTH AFRICA**
30 NOV 2023

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Index

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
SBDM	Sarah Baartman District Municipality
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Program
INEP	Integrated National Electrification Program
DWS	Department of Water & Sanitation
DoRA	Division of Revenue Act
DME	Department of Minerals and Energy
COGTA	Department of Cooperative Governance and Traditional
VAT	Value Added Tax
SARS	South African Revenue Services

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

Blue Crane Route Local Municipality (EC 102)

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 was given unrestricted access to all financial records and related data.

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the Chief Financial Officer.

The external auditors are responsible for expressing an audit opinion on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed by him.

The accounting officer hereby certify as required by Section 124(1)(a) of the Municipal Finance Management Act (Act 56 of 2003) that the salaries, allowances and benefits of political office-bearers and councillors of the Blue Crane Route Municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.

MP Nini
Accounting Officer

Thursday, 31 August 2023

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1 120 324	1 249 422
Other receivables from exchange transactions	4	1 443 394	1 315 710
Receivables from non-exchange transactions	5	8 646 658	10 692 922
Receivables from exchange transactions	6	31 847 263	25 442 088
VAT receivable		-	1 017 415
Cash and cash equivalents	7	9 985 526	21 425 790
		53 043 165	61 143 347
Non-Current Assets			
Investments	8	734 274	-
Investment property	9	37 826 758	39 868 716
Property, plant and equipment	10	829 629 810	843 078 691
Intangible assets	11	-	1 241
Heritage assets	12	458 067	458 067
		868 648 909	883 406 715
Total Assets		921 692 074	944 550 062
Liabilities			
Current Liabilities			
Employee benefit obligation	13&14	1 842 000	1 721 000
Other financial liabilities	15	1 049 535	957 669
Finance lease obligation	16	380 806	350 091
Unspent conditional grants and receipts	17	8 105 645	22 332 193
Payables from exchange transactions	19	65 018 907	45 960 296
Trade and other payable from non-exchange	20	151 918	1 028 954
VAT payable		1 164 666	-
Consumer deposits	21	2 837 761	2 792 258
		80 551 238	75 142 461
Non-Current Liabilities			
Other financial liabilities	15	3 103 105	4 151 820
Finance lease obligation	16	-	380 807
Employee benefit obligation	13&14	26 456 000	27 240 000
Provisions	18	29 624 458	26 297 727
		59 183 563	58 070 354
Total Liabilities		139 734 801	133 212 815
Net Assets		781 957 273	811 337 247
Accumulated surplus		781 957 273	811 337 247
Total Net Assets		781 957 273	811 337 247

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

* See Note

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Notes	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	142 055 598	144 326 324
Rental of facilities and equipment		648 718	587 118
Interest earned - Outstanding debtors		8 238 977	4 437 608
Interest earned - external investments	26	1 102 484	935 030
Agency services		781 887	724 977
Other income	28	2 928 030	4 187 224
Total revenue from exchange transactions		155 755 694	155 198 281
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	24 315 580	23 487 998
Licences and Permits		478 753	336 813
Transfer revenue			
Fines		188 505	399 186
Government grants & subsidies	27	108 230 791	97 841 494
Total revenue from non-exchange transactions		133 213 629	122 065 491
Total revenue	22	288 969 323	277 263 772
Expenditure			
Employee related costs	29	95 641 244	91 419 228
Remuneration of councillors	30	4 547 206	4 442 577
Inventory Consumed	35	8 209 188	7 118 965
Debt Impairment/ Write off	31	30 231 185	29 613 065
Depreciation and amortisation		51 967 802	55 254 134
Finance costs	32	3 687 228	3 370 546
Bulk purchases	33	102 967 924	108 082 284
Contracted services	34	8 799 471	9 182 814
Transfers and Subsidies	36	1 035 527	926 617
Operational cost	37	12 998 540	12 175 916
Total expenditure		320 085 315	321 586 146
Operating deficit		(31 115 992)	(44 322 374)
Loss on disposal of assets and liabilities		-	(153 424)
Actuarial gains/losses	13	3 238 514	217 357
Fair value adjustment for landfill site provision		-	2 527 994
Impairment loss		(1 447 694)	(1 195 596)
		1 790 820	1 396 331
Deficit for the year		(29 325 172)	(42 926 043)

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

* See Note

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2021	854 263 290	854 263 290
Changes in net assets		
Deficit for the year	(42 926 043)	(42 926 043)
Total changes	(42 926 043)	(42 926 043)
Restated* Balance at 01 July 2022	811 282 445	811 282 445
Changes in net assets		
Deficit for the year	(29 325 172)	(29 325 172)
Total changes	(29 325 172)	(29 325 172)
Balance at 30 June 2023	781 957 273	781 957 273

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

* See Note

Blue Crane Route Local Municipality (EC 102)

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 services		133 924 448	137 282 841
Grants		94 004 243	103 240 752
Interest income		9 341 461	5 372 638
Other receipts		1 243 812	4 034 370
		<u>238 513 964</u>	<u>249 930 601</u>
Payments			
Employee costs		(93 065 730)	(89 151 871)
Suppliers		(8 219 208)	(29 648 648)
Remuneration of Councillors		(4 547 206)	(4 442 577)
Bulk Purchases		(102 967 923)	(106 102 228)
Finance charges		(732 897)	(372 780)
Other Payments		(1 967 369)	(1 345 124)
		<u>(211 500 333)</u>	<u>(231 063 228)</u>
Net cash flows from operating activities	39	<u>27 013 631</u>	<u>18 867 373</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(36 366 878)	(29 068 075)
Net proceeds on disposal of assets & liabilities	10	-	4 306
Purchase of investments		(734 274)	-
Increase in Investments activities		-	613 992
Net cash flows from investing activities		<u>(37 101 152)</u>	<u>(28 449 777)</u>
Cash flows from financing activities			
Proceeds from other financial liabilities		-	5 500 000
Repayment of other financial liabilities		(956 849)	(834 156)
Finance lease payments		(395 894)	(240 980)
Finance lease receipts		-	898 198
Net cash flows from financing activities		<u>(1 352 743)</u>	<u>5 323 062</u>
Net increase/(decrease) in cash and cash equivalents		<u>(11 440 264)</u>	<u>(4 259 342)</u>
Cash and cash equivalents at the beginning of the year		21 425 790	25 685 132
Cash and cash equivalents at the end of the year	7	<u>9 985 526</u>	<u>21 425 790</u>

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

* See Note

Blue Crane Route Local Municipality (EC 102)

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 by source

Property rates	20 669 377	1 893 123	22 562 500	24 315 580	1 753 080
Service charges	188 312 493	(14 616 640)	173 695 853	142 055 598	(31 640 255)
Interest earned - external investments	817 530	132 470	950 000	1 102 484	152 484
Government grants and subsidies	95 812 000	19 211 455	115 023 455	108 230 791	(6 792 664)
Interest earned - outstanding debtors	4 764 000	1 819 293	6 583 293	8 238 977	1 655 684
Other Income	5 110 223	589 752	5 699 975	8 264 407	2 564 432
	315 485 623	9 029 453	324 515 076	292 207 837	(32 307 239)

Expenditure by type

Employee costs	(95 381 192)	164 300	(95 216 892)	(95 641 245)	(424 353)
Remuneration of councillors	(4 851 705)	(253 921)	(5 105 626)	(4 547 206)	558 420
Debt impairment	(21 883 210)	(4 000 000)	(25 883 210)	(30 231 185)	(4 347 975)
Depreciation & amortisation	(58 959 329)	645 620	(58 313 709)	(53 415 496)	4 898 213
Finance charges	(2 147 333)	(1 367 000)	(3 514 333)	(3 687 228)	(172 895)
Materials and bulk purchases	(124 829 123)	5 760 009	(119 069 114)	(111 177 112)	7 892 002
Contracted services	(11 778 039)	(20 869)	(11 798 908)	(8 799 471)	2 999 437
Other expenditure	(22 450 336)	(4 446 313)	(26 896 649)	(14 034 067)	12 862 582
Total expenditure	(342 280 267)	(3 518 174)	(345 798 441)	(321 533 010)	24 265 431
Surplus/(Deficit) for the year	(26 794 644)	5 511 279	(21 283 365)	(29 325 173)	(8 041 808)

Statement of Financial Position

Total Current Assets	44 850 071	8 675 611	53 525 682	53 043 165	(482 517)
Total Non-Current Assets	835 271 935	36 813 718	872 085 653	868 648 909	(3 436 744)
Total Current Liabilities	(44 239 270)	(26 434 260)	(70 673 530)	(80 551 239)	(9 877 709)
Total Non-Current Liabilities	(30 313 390)	(31 771 305)	(62 084 695)	(59 183 563)	2 901 132
Accumulated Surplus	805 569 346	(12 716 236)	792 853 110	781 957 272	(10 895 838)

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Notes	2023	2022
-----------------	-------	------	------

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.

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

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures in the annual financial statement are rounded to the nearest Rand value.

1.2 Going concern

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 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts. The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 45 to the financial statements.

1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.6 Interests in other entities

1.7 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairment of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised.

This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 16 - Provisions.

Pension and other post-employment 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, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provisions for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life.

In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.8 Property, plant and equipment

Initial recognition

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 are 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. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated

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

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.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Property, plant and equipment (continued)

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component

Depreciation

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land (PPE)	Indefinite
Buildings	30 - 60 years
Plant	5 - 15 years
Furniture and fixtures	5 - 15 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Other equipment	3 - 10 years
Infrastructure	5 - 80 years
Landfill site	15 - 30 years
Community Assets	10 -30 years

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

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	30 years

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance:

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance:

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position 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.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Intangible assets (continued)

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale .
- it is technically feasible to complete the intangible asset .
- the entity has the resources to complete the project.
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction; the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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. 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.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
-------------------	---------

Impairments.

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.11 Heritage assets

Heritage assets, which are culturally significant resources, and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Heritage assets (continued)

Initial 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. 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.

Impairments.

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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.

1.12 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs

that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) financial instruments at fair value:
- derivatives.
 - combined instruments that are designated at fair value.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instrument costs.

b) Financial instruments at amortised cost

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.

(c) Financial Instrument at cost

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

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

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Policies relating to specific financial instruments

Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Financial instruments (continued)

trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance accounts.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost. Trade payables are recognised VAT included.

Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

1.13 Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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

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

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished.

The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

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

An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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.

1.14 Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

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

Derecognition

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

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

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.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cashgenerating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

Cash generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash generating unit is determined on a basis consistent with the way the recoverable amount of the cash generating unit is determined.

An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable)
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cashgenerating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.16 Employee benefits

Short-term employee benefits

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

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Employee benefits (continued)

Post-retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.17 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.

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.18 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- (a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (b) The amount of revenue can be measured reliably; and
- (c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

Measurement

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

1.19 Revenue from non-exchange transactions

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.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor

1.20 Borrowing costs

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

1.21 Expenditure - Operation Cost

An operating expense is a day-to-day expense such as sales and administration, or research & development, accounting expenses, licence fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

1.22 Expenditure - Bulk Purchases

Bulk purchases of Electricity and Water from Eskom (Including alternative service providers) and Water sources such as Water Boards and other providers.

1.23 Expenditure - Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special services.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.24 Expenditure - Inventory Consumed

The amount of inventories recognised as an expense during the period. GRAP 12.45(d). The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consist of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (Grap 12.47).

1.25 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 Housing development fund

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

1.31 Capital Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in-line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.33 Post-reporting reporting date

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

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

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

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

1.34 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.

1.35 Accounting by principals and agents

Identification

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

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

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.36 Internal reserves

1.37 Revaluation reserve

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. New standards and interpretations

2.1 Standards of General Recognised accounting Practice (GRAP) and Interpretations (GRAP) issued and effective

- GRAP 1 Presentation of Financial Statements (as revised in 2010)
- GRAP 2 Cash Flow Statements (as revised in 2010)
- GRAP 3 Accounting Policies, Changes in accounting Estimates and Errors (as revised in 2010)
- GRAP 5 Borrowing Costs (as revised in 2013)
- GRAP 9 Revenue from exchange Transactions (as revised in 2010)
- GRAP 10 Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 Construction Contracts (as revised in 2010)
- GRAP 12 Inventories (as revised in 2010)
- GRAP 13 Leases (as revised in 2010)
- GRAP 14 Events After the Reporting Date (as revised in 2010)
- GRAP 16 Investment Property (as revised in 2010)
- GRAP 17 Property, Plant and Equipment (as revised in 2010)
- GRAP 18 Segment Reporting (issued in 2011)
- GRAP 19 Provisions Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 20 Related party Disclosures
- GRAP 21 Impairment of Non-cash -generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in Other Entities
- GRAP 100 Discontinued Operations (as revised in 2013)
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entries Not Under Common Control
- GRAP 107 Mergers
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-living Resources

Replaced GRAP 6
Replaced GRAP 6
Replaced GRAP 7
Replaced GRAP 8
Replaced GRAP 8

2.2 Standards and Interpretations effected and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Expected impact has not been assessed.
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Expected impact has not been assessed.
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Expected impact has not been assessed.

2.3 Standards and interpretations issued, but not yet effective

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet effective	Expected impact has not been assessed.
• GRAP 104 (as revised): Financial Instruments	01 April 2023	Expected impact has not been assessed.
• GRAP 2020: Improvements to the standards of GRAP 2020	1 April 2023	Expected impact has not been assessed.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Expected impact has not been assessed.

3. Inventories

Housing in process	55 080	55 080
Consumable stores	912 379	1 033 902
Water	152 865	160 440
	1 120 324	1 249 422

Stores issues amounted to R1 127 899 and R1 249 728 (2022).

No Inventory write downs were required for the year.

No inventory were pledged as security.

No amount included in inventory is carried at current replacement cost or NRV.

4. Other receivables from exchange transactions

Deposits (Eskom)	897 972	859 304
Government Grants and Subsidies: Department of Human Settlement	158 842	158 842
Accumulated interest on investments	108 492	106 133
Other receivables	308 021	221 364
Provision for bad debts: Other Receivables	(29 933)	(29 933)
	1 443 394	1 315 710

The ageing of other receivables from exchange transactions and not impaired is as follows:

3 to 6 months	38 668	106 133
>121 days	1 130 904	1 209 577

Trade and other receivables pledged as security

Other receivables were not pledged as security.

Other receivables is a financial assets at amortised cost.

Credit quality of trade and other receivables

The credit quality of trade and other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.

Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions		
Property Rates	8 460 683	10 456 233
Other receivables	185 975	236 689
	8 646 658	10 692 922
Total receivables from non-exchange transactions	8 646 658	11 994 688
Property Rates		
Property Rates: Statutory	8 286 756	7 885 550
Property Rates: All Other Categories	39 138 246	32 407 284
Provision for bad debts: Property rates	(38 964 319)	(28 534 836)
	8 460 683	11 757 998
Property rates age analysis: Statutory		
Current rates (0 - 30 days)	85 495	10 056
31 - 60 days	11 018	6 570
61 - 90 days	10 589	6 585
91 - 120 days	9 889	6 633
> 121 days	8 169 765	7 855 706
	8 286 756	7 885 550
Property Rates age analysis : All other Categories		
Current rates (0 - 30 days)	275 308	289 694
31 - 60 days	166 648	120 598
61 - 90 days	121 114	95 328
91 - 120 days	105 650	100 997
> 121 days	38 469 526	31 800 667
	39 138 246	32 407 284
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to the credit quality.		
Allowance for impairment: Property rates		
Impairment balance prior year	(28 534 836)	(20 140 556)
Contributions to provision	(10 429 483)	(8 394 280)
	(38 964 319)	(28 534 836)
Property rates : Statutory		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009.		
No debt impairment is calculated on Statutory rates receivables.		
Interest is charged at prime plus 1 percent which was 12.25% at 30 June 2023.		
Receivables from non-exchange transactions		
Employees overpayment on back pay	231 831	231 831
Provision for bad debts: Employees overpayment	(231 831)	(231 831)
Insurance claims	17 121	17 121
Provision for bad debts: Insurance claims	(17 121)	(17 121)
Employee overpayments	-	50 714
SARS UIF and SDL	185 975	185 975
	185 975	236 689

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions (continued)		
The amount of impairment for Property Rates was R 38 964 319 as at 30 June 2023 (2022: R28 301 44).		
The amount of impairment for other receivables was R 248 952 as at 30 June 2023 (2022: R 248 952).		
Other receivables from non-exchange transactions is a financial assets at amortised cost.		
Other receivables from non-exchange transactions were not pledged as security.		
Other receivables from non-exchange past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	88 833	322 197
2 months past due	10 589	109 403
3 months past due	9 889	83 875
Older than 3 months	8 169 763	11 496 120
Other receivables from non-exchange transactions past due but not impaired		
Older than 3 months	185 975	236 689
6. Trade receivables from exchange transactions		
Gross balances		
Electricity	36 318 337	29 856 969
Water	34 386 069	30 107 426
Sanitation	4 066 053	3 542 697
Sewerage	13 313 945	11 362 689
Refuse	25 408 889	21 392 646
Other	7 413 020	6 272 077
	120 906 313	102 534 504
Trade receivables pledged as security		
Trade receivables were not pledged as security.		
Trade receivables is a financial assets at amortised cost.		
Less: Allowance for impairment		
Electricity	(18 854 584)	(12 338 384)
Water	(27 766 021)	(26 112 802)
Sanitation	(3 591 088)	(3 487 789)
Sewerage	(10 940 935)	(10 118 846)
Refuse	(21 328 539)	(19 670 647)
Other	(6 577 883)	(5 363 948)
	(89 059 050)	(77 092 416)
Net balance		
Electricity	17 463 753	17 518 585
Water	6 620 048	3 994 624
Sanitation	474 965	54 908
Sewerage	2 373 010	1 243 843
Refuse	4 080 350	1 721 999
Other	835 137	908 129
	31 847 263	25 442 088
Electricity		
Current (0 -30 days)	12 746 155	10 128 855

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Trade receivables from exchange transactions (continued)		
31 - 60 days	1 722 402	1 781 519
61 - 90 days	1 418 624	1 029 165
91 - 120 days	1 413 837	914 347
121 - 365 days	19 017 319	16 003 084
Less: Impairment	(18 854 584)	(12 338 385)
	17 463 753	17 518 585
Water		
Current (0 -30 days)	2 822 332	2 344 418
31 - 60 days	853 055	1 226 418
61 - 90 days	572 647	1 017 852
91 - 120 days	600 547	517 820
121 - 365 days	29 537 488	25 000 918
Less: Impairment	(27 766 021)	(26 112 802)
	6 620 048	3 994 624
Waste water		
Current (0 -30 days)	43 309	40 531
31 - 60 days	31 239	28 754
61 - 90 days	31 027	29 492
91 - 120 days	31 166	29 230
121 - 365 days	3 929 312	3 414 700
Less: Impairment	(3 591 088)	(3 487 799)
	474 965	54 908
Sewerage		
Current (0 -30 days)	731 422	617 757
31 - 60 days	363 179	285 809
61 - 90 days	309 645	267 091
91 - 120 days	297 999	245 459
121 - 365 days	11 611 700	9 946 573
Less: Impairment	(10 940 935)	(10 118 846)
	2 373 010	1 243 843
Refuse		
Current (0 -30 days)	1 178 048	963 075
31 - 60 days	604 495	448 383
61 - 90 days	520 972	423 099
91 - 120 days	500 219	390 955
121 - 365 days	22 605 154	19 167 133
Less: Impairment	(21 328 538)	(19 670 646)
	4 080 350	1 721 999
Other		
Current (0 -30 days)	36 867	811 252
31 - 60 days	31 691	298 845
61 - 90 days	31 848	324 150
91 - 120 days	31 975	193 220
121 - 365 days	7 280 639	4 644 610
Less: Impairment	(6 577 883)	(5 363 948)
	835 137	908 129

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

6. Trade receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	17 558 132	14 916 079
31 - 60 days	3 606 061	4 069 728
61 - 90 days	2 884 763	3 090 849
91 - 120 days	2 875 743	2 291 031
> 121 days	93 981 612	78 695 229
	<u>120 906 311</u>	<u>103 062 916</u>
Less: Allowance for impairment	(89 059 049)	(77 092 416)
	<u>31 847 262</u>	<u>25 970 500</u>

Reconciliation of debt impairment provision

Opening balance	(77 092 416)	(59 274 133)
Net movement of the provision for the year	(11 966 634)	(17 818 283)
	<u>(89 059 050)</u>	<u>(77 092 416)</u>

Fair value of trade receivables from exchange transactions

Trade and other receivables	31 847 262	25 970 500
-----------------------------	------------	------------

Trade receivables impaired

As of 30 June 2023, consumer debtors of R - (2022: R 6 172 082) were impaired and provided for.

The amount of the provision was R (89 059 050) as of 30 June 2023 (2022: R 71 800 117).

Trade receivables past due but not impaired

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

1 month past due	17 917 234	10 741 743
2 months past due	1 803 031	3 573 692
3 months past due	-	2 683 204
Older than 3 months	-	1 781 701

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Blue Crane Route Local Municipality (EC 102)

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	1 732	2 748
Bank balances	4 169 444	901 131
Short-term deposits	5 814 350	20 521 911
	9 985 526	21 425 790

Prior Period adjustment

Balance as previously reported

No restrictions exist with regard to the use of cash.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities

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
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
Nedbank - Money market - 1263036023	-	1 932	2 442	-	1 932	2 442
Nedbank - Fixed deposit - 18312491	-	4 600	4 600	-	4 600	4 600
Nedbank - Money market - 1263034756	-	86 164	85 382	-	86 164	85 382
ABSA - Cheque account - 2200000008	4 140 157	840 461	3 164 122	4 169 446	901 131	3 164 122
FNB - Cheque account - 62541421046	-	-	2 288 821	-	-	2 288 821
ABSA - Call Account - 4099838357	5 120 396	19 807 724	20 130 532	5 120 396	19 807 724	20 130 532
ABSA Fixed deposit - 2079809548	-	613 992	-	-	613 992	-
ABSA Liquidity Plus - 9379793662	686 455	-	-	686 455	-	-
Total	9 954 508	21 362 373	25 683 399	9 983 797	21 423 043	25 683 399

The municipality has a guarantee at ABSA bank to the value of R6 000 (2022:R6 000) relating to the personal bonds of one municipal employee.

8. Investments

The full investment of R734 274 was pledged as security pending a labour court case, (See Contingent liabilities for more details). The expiry date for this investment is 4 November 2024.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property at cost	66 430 888	(28 604 130)	37 826 758	66 430 888	(26 562 172)	39 868 716

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Land	12 085 655	-	12 085 655
Farms	9 046 000	-	9 046 000
Buildings	18 737 066	(2 041 962)	16 695 104
	39 868 721	(2 041 962)	37 826 759

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Land	12 085 655	-	12 085 655
Farms	9 046 000	-	9 046 000
Buildings	20 779 028	(2 041 962)	18 737 066
	41 910 683	(2 041 962)	39 868 721

Direct operating expenses arising from investment property that generated rental revenue: Rnil (2022: Rnil)

Pledged as security

No investment property have been pledged as security for loans.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. 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	34 826 057	-	34 826 057	34 826 059	-	34 826 059
Buildings	45 833 910	(18 047 352)	27 786 558	45 833 910	(15 471 003)	30 362 907
Community assets	63 265 187	(24 118 380)	39 146 807	60 675 895	(20 929 801)	39 746 094
Plant and equipment	5 051 698	(2 513 126)	2 538 572	3 869 300	(2 029 353)	1 839 947
Furniture and fixtures	3 548 485	(3 215 906)	332 579	3 548 485	(3 171 136)	377 349
Motor vehicles	17 522 440	(11 926 959)	5 595 481	16 026 308	(12 970 676)	3 055 632
Office equipment	6 274 189	(4 992 268)	1 281 921	5 943 142	(4 533 513)	1 409 629
Infrastructure	947 293 553	(268 647 970)	678 645 583	946 146 702	(265 997 942)	680 148 760
WIP	39 110 325	-	39 110 325	51 312 314	-	51 312 314
Landfill sites	18 412 502	(18 046 575)	365 927	10 596 819	(10 596 819)	-
Total	1 181 138 346	(351 508 536)	829 629 810	1 178 778 934	(335 700 243)	843 078 691

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	34 826 057	-	-	-	-	-	34 826 057
Buildings	30 362 907	-	-	-	(2 576 349)	-	27 786 558
Community Assets	39 746 094	-	2 589 293	-	(3 024 355)	(164 225)	39 146 807
Plant and machinery	1 839 947	1 182 399	-	-	(483 774)	-	2 538 572
Furniture and fixtures	377 349	-	-	-	(44 770)	-	332 579
Motor vehicles	3 055 632	3 599 850	-	-	(954 401)	(105 600)	5 595 481
Office equipment	1 409 629	325 462	-	-	(453 170)	-	1 281 921
Infrastructure	680 148 760	106 865	41 903 342	-	(42 335 505)	(1 177 879)	678 645 583
WIP	51 312 314	32 290 597	-	(44 492 586)	-	-	39 110 325
Landfill sites	-	418 202	-	-	(52 275)	-	365 927
Total	843 078 689	37 923 375	44 492 635	(44 492 586)	(49 924 599)	(1 447 704)	829 629 810

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	34 826 059	-	-	-	-	-	34 826 059
Buildings	32 939 256	-	-	-	(2 576 349)	-	30 362 907
Community Assets	37 968 738	2 900 000	-	1 791 420	(2 904 106)	(9 958)	39 746 094
Plant	2 291 472	56 929	-	-	(504 025)	(4 429)	1 839 947
Furniture and fixtures	441 401	-	-	-	(64 052)	-	377 349
Motor vehicles	4 200 210	-	(157 730)	-	(1 007 629)	20 781	3 055 632
Office equipment	776 915	1 086 394	-	-	(451 902)	(1 778)	1 409 629
Infrastructure	709 416 472	1 339 800	-	16 248 642	(45 655 941)	(1 200 213)	680 148 760
WIP	42 646 205	26 706 171	-	(18 040 062)	-	-	51 312 314
Landfill Sites	416 783	(370 476)	-	-	(46 307)	-	-
	865 923 511	31 718 818	(157 730)	-	(53 210 311)	(1 195 597)	843 078 691

Pledged as security

No assets pledged as security.

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

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

The Pounds – (Work in Progress) 678 832 245 121

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

10. Property, plant and equipment (continued)

2022

Reasons: Initially the halting of the construction was as a result of budget constraints (no funding available). The seeding of money on votes and SCM process challenges also contributed.

The construction was then further delayed after funding became available by reason that communication received from National Treasury regarding the Preferential Procurement Regulations 2017 that no tenders must be advertised after 16 February 2022.

2023

Funding has been secured for the completion of the project. Material have been procured and construction will be finalised in the next financial period.

No impairment loss has been recognised in relation to this asset.

Pearston Water Treatment Works – (Work In Progress)

- 33 148 013

2022

The SCADA, the electrical management system of the plant is not fully functional hence delaying the commissioning and issuing of the takeover certificate.

It is a highly sensitive WTW to the extent where it was being constructed the DPW had a lot of challenges. The WTW was designed without proper consultation hence the facility is currently unusable.

2023

The challenges that were causing delays in the 2022 financial period have been resolved, and subsequently completion certificates have been issued.

No impairment loss has been recognised in relation to this asset.

678 832 33 393 134

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	46 652 055	4 415 138	245 121	51 312 314
Additions/capital expenditure	29 052 362	1 715 472	1 522 811	32 290 645
Transferred to completed items	(41 903 342)	(2 589 292)	-	(44 492 634)
	33 801 075	3 541 318	1 767 932	39 110 325

Reconciliation of Work-in-Progress 2022

	Infrastructure Assets	Community Assets	Included within Other PPE	Total
Opening balance	38 969 499	3 431 584	245 121	42 646 204
Additions/capital expenditure	23 418 962	3 287 209	-	26 706 171
Transferred to completed items	(16 248 642)	(1 791 420)	-	(18 040 062)
	46 139 819	4 927 373	245 121	51 312 313

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

Maintenance of assets

2 250 570 5 866 151

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7 446	(7 446)	-	7 446	(6 205)	1 241

Reconciliation of intangible assets - 2023

Computer software	Opening balance	Amortisation	Total
	1 241	(1 241)	-

Reconciliation of intangible assets - 2022

Computer software	Opening balance	Amortisation	Total
	3 102	(1 861)	1 241

Other information

Fully amortised intangible assets still in use.

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	458 067	-	458 067	458 067	-	458 067

Reconciliation of heritage assets 2023

	Opening balance	Total
Heritage assets	458 067	458 067

Reconciliation of heritage assets 2022

	Opening balance	Total
Heritage Assets	458 067	458 067

13. Employee benefit obligations

Post employment medical aid

Define benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme

All continuation members and their eligible dependents receive a subsidy of either 60% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

All subsidies are suspended to remain to a maximum of R5 277 for the year ending 30 June 2023. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Principal assumptions

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 12,09% per annum has been used. The corresponding index-linked yield at this term is 5,06%.

These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 30 June 2023,

Financial assumptions

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Employee benefit obligations (continued)		
Discount rates used	12.09 %	11.50 %
Expected rate of return on assets	7.72 %	8.15 %
Expected rate of return on reimbursement rights	4.06 %	3.10 %
Actual return on reimbursement rights	5.42 %	5.74 %
Medical cost trend rates	6.33 %	5.45 %
The next contribution rate increase is assumed to occur at 1 January 2024,		
Demographic assumptions		
Average retirement age 62 (males)/ 59 (Females)		
Continuation of membership at retirement	75 %	75 %
Proportion with a spouse dependant at retirement	60 %	60 %
Accrued liability values		
Carrying value		
Opening Accrued Liability	24 691 000	22 799 000
Service cost	666 000	661 000
Interest cost	2 777 000	2 249 000
Benefits paid	(1 060 841)	(936 484)
Actuarial (gain)/loss recognised in the year	(3 088 159)	(81 516)
	23 985 000	24 691 000
Non-current liabilities	(22 810 000)	23 583 000
Current liabilities (Estimate of benefits payments expected in the next annual period)	(1 175 000)	1 108 000
	23 985 000	(24 691 000)
The total liability has decreased by 4% (or R706 000) since the last valuation		
Calculation of actuarial gains and losses		
The extent of The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:		
Basic changes: nett effect of changes in nett discounts rates	(2 791 000)	(192 000)
Change in in in-service non-member assumed medical aid option	544 000	-
Subsidy increases lower than assumed	(342 000)	(457 000)
Changes to membership profile different from assumed	(452 000)	640 000
Actual benefits vesting ,lower than expected	(47 159)	(72 516)
Actuarial (Gain)/Loss for the period	(3 088 159)	(81 516)
Net expense recognised in the statement of financial performance		
Current service cost	666 000	661 000
Interest	2 777 000	2 249 000
Benefits paid	(1 060 841)	(936 484)
Total included in employee related costs	2 382 159	1 973 516
Actuarial (Gain)/Loss recognised in statement of financial performance	(3 088 159)	(81 516)
	(706 000)	1 892 000
Estimate of contributions expected to be paid to the plan in the next financial year	(607 000)	(666 000)

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

13. Employee benefit obligations (continued)

Sensitivity analysis on the accrued liability for the year ending 30/06/2023 (R millions)

Assumptions

	Change	Eligible employees	Continuation members	Total	% change against Central Assumptions
Central Assumptions	-	10.716	13.269	23.985	-
Health Care inflation	1 %	11.664	14.100	25.764	7 %
	-1 %	9.603	12.371	21.974	-8 %
Discount rate	1 %	9.363	12.228	21.591	-10 %
	-1 %	12.382	14.484	26.866	12 %
Post-retirement mortality	1yr	10.482	12.897	23.379	-3 %
	1yr	10.944	13.637	24.581	2 %
Average retirement age	1yr	11.570	13.269	24.839	4 %
Membership contribution	-10 %	9.317	13.269	22.586	-6 %

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2023

Assumptions

	Change	Current-Service Cost	Interest	Total	% change against Central Assumptions
Central Assumptions	-	666 000	2 777 000	3 443 000	-
Health Care Inflation	1 %	734 000	2 988 000	3 722 000	8 %
	-1 %	581 000	2 535 000	3 116 000	-9 %
Discount rate	1 %	564 000	2 691 000	3 255 000	-5 %
	-1 %	794 000	2 870 000	3 664 000	6 %
Post-retirement mortality	1yr	651 000	2 702 000	3 353 000	-3 %
	1yr	681 000	2 852 000	3 533 000	3 %
Average retirement age	1yr	691 000	2 866 000	3 557 000	3 %
Membership contribution	-10 %	583 000	2 617 000	3 200 000	-7 %

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History

	20/06/2019	20/06/2020	20/06/2021	20/06/2022	20/06/2023
Accrued liability	21.942	20.317	22.799	24.691	23.985
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus/ (Deficit)	(21.942)	(20.317)	(20.799)	(24.691)	(23.985)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments

	20/06/2019	20/06/2020	20/06/2021	20/06/2022	20/06/2023
Liabilities: (Gain)/Loss	(0.053)	0.102	(1.262)	0.110	(0.841)
Assets: Gain/Loss	0.000	0.000	0.000	0.000	0.000

14. Long Service Awards (LSA)

Defined benefit plan

The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA.

At 30 June 2022, the Municipality had 250 employees that are entitled to LSA.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

14. Long Service Awards (LSA) (continued)

Principal assumptions

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.92% per annum has been used. The corresponding liability-weighted index linked yield is 4.78%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2023.

The duration of the total liability was estimated to be 7.25 years.

Financial assumptions

Discount rates used	10.92 %	10.67 %
General salary inflation	6.39 %	7.31 %
Nett-effective discount rate	4.26 %	3.13 %

The salaries used in this valuation include an assumed increase on 1 July 2023 by 5.40%.

The next contribution rate increase is assumed to occur at 1 July 2024.

Accrued liability values

Carrying value

Opening Accrued Liability	4 270 000	4 112 000
Service cost	440 000	465 000
Interest cost	424 000	341 000
Benefits paid	(670 645)	(512 159)
Actuarial (gain)/loss recognised in the year	(150 355)	(135 841)
	4 313 000	4 270 000

Non-current liabilities	(3 646 000)	3 657 000
Current liabilities (Estimate of benefits payments expected in the next annual period)	(667 000)	613 000
	4 313 000	(4 270 000)

The total liability has increased by 4% (or R 158 000) since the last valuation

Calculation of actuarial gains and losses

The extent of The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:

Basis changes: Increase in net discount rate	(235 000)	(74 000)
Salary increases higher than assumed	(38 000)	(2 000)
Changes to employee profile different from assumed	65 000	(84 000)
Actual benefits vesting ,lower than expected	57 645	24 159
Actuarial (Gain)/Loss for the period	(150 355)	(135 841)

Net expense recognised in the statement of financial performance

Consumers

Current service cost	440 000	465 000
Interest	424 000	341 000
Benefits vesting	(670 645)	(512 159)

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. Long Service Awards (LSA) (continued)		
Total included in employee related costs	193 355	293 841
Actuarial (Gain)/Loss recognised in statement of financial performance	(150 355)	(135 841)
	43 000	158 000
Estimate of benefits vesting in the next financial year	(667 000)	(613 000)

Sensitivity analysis on the accrued liability (R millions)

Assumptions

	Change	Liability	% change against Central Assumptions
Central Assumptions	-	4.313	- %
General salary inflation	1 %	4.510	5 %
	-1 %	4.131	-4 %
Discount rate	1 %	4.121	-4 %
	-1 %	4.524	5 %
Average retirement age	2yr	4.887	13 %
	-2yr	3.717	-14 %
Withdrawal rates	x2,0	3.657	-15 %
	x0,5	4.739	10 %

Other assumptions

Assumptions

	Change	Current-service cost	Interest cost	Total	% change against Central Assumptions
Central Assumptions	-	440 000	424 000	864 000	-
General salary inflation	1 %	466 000	446 000	912 000	6 %
	-1 %	415 000	403 000	818 000	-5 %
Discount rate	1 %	418 000	440 000	858 000	-1 %
	-1 %	464 000	406 000	870 000	1 %
Average retirement age	2yr	485 000	482 000	967 000	12 %
	-2yr	392 000	365 000	757 000	-12 %
Withdrawal rates	x2,0	344 000	349 000	693 000	-20 %
	x0,5	506 000	473 000	979 000	13 %

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History

	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Accrued liability	4.352	4.244	4.112	4.270	4.313
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus/ (Deficit)	(4.352)	(4.244)	(4.244)	(4.270)	(4.313)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments

	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Liabilities: (Gain)/Loss	(75 007)	116 205	(72 633)	(61 841)	84 645
Assets: Gain/Loss	0	0	0	0	0

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. Long Service Awards (LSA) (continued)		
Total employment benefit obligation		
Carrying value		
Post-Employment Medical Aid	23 985 000	24 691 000
Long Service Awards	4 313 000	4 270 000
	28 298 000	28 961 000
Non-current liabilities	26 456 000	27 240 000
Current liabilities	1 842 000	1 721 000
	28 298 000	28 961 000
15. Other financial liabilities		
At amortised cost		
Nedbank	4 152 640	5 109 489
A loan of R5 500 000 was taken up from Nedbank on 19 November 2021 for financing of vehicles and other assets. Fixed instalments are payable semi-annually at R712 565.00 at a fixed interest rate of 9.58% p.a. The final instalment is payable on 31 December 2026.		
	4 152 640	5 109 489
Total other financial liabilities	4 152 640	5 109 489
Insert terms and conditions here where terms and conditions are the same]		
Non-current liabilities		
At amortised cost	3 103 105	4 151 820
Current liabilities		
At amortised cost	1 049 535	957 669
16. Finance lease obligation		
Minimum lease payments due		
- within one year	395 895	395 895
- in second to fifth year inclusive	-	395 895
	395 895	791 790
less: future finance charges	(15 088)	(60 892)
Present value of minimum lease payments	380 807	730 898
Present value of minimum lease payments due		
- within one year	380 807	350 091
- in second to fifth year inclusive	-	380 807
	380 807	730 898
Non-current liabilities	-	380 807
Current liabilities	380 806	350 091
	380 806	730 898

It is municipality policy to lease certain plant and equipment under finance leases.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

16. Finance lease obligation (continued)

The lease term was 3 years and the average effective borrowing rate was fixed at 9.70% (2022: 9.70%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note , Property, plant and equipment for the carrying value of assets subject to finance lease.

At 30 June 2023 there was only a current liability for finance leases outstanding. The final instalment will be payable on 30 June 2024.

There are no subleases

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption or redemption terms of loans payable.

17. Unspent conditional grants and receipts

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totaling R8 105 646 (2022: R22 332 190).

Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table.

The municipality complied with all the conditions attached to the grants / allocations.

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

17. Unspent conditional grants and receipts (continued)

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	2 267 541
Water Services Infrastructure Grant (WSIG)	1 517 374	13 241 079
District Municipality - Various Projects	440 644	638 209
Dr WH Craib Trust	13 015	13 015
District Municipality - Fire and Disaster	1 055 822	1 772 151
Expanded Public Works Programme (EPWP)	1 796 812	3 165 915
Integrated National Electrification Grant (INEP)	81 979	-
Disaster Grant	3 200 000	-
Energy efficiency and demand management	-	1 234 282
	8 105 646	22 332 192

Grant description	Unspent balance 2022	Receipts	Adjustments /written off	Transfer operational expenditure	Transfer capital expenditure	Unspent balance 2023
Municipal Infrastructure Grant (MIG)	2 267 541	15 755 000	(1 700 000)	(787 750)	(15 534 791)	-
Water Service Infrastructure Grant (WSIG)	13 241 079	10 000 000	(2 065 718)	-	(19 657 987)	1 517 374
District Municipality: Infrastructure Grant	9 772	-	-	-	-	9 772
Finance Management Grant (FMG)	-	2 450 000	-	(2 450 000)	-	-
District Municipality: Youth and other tourism upgrades	262 838	-	-	-	-	262 838
Dr WH Craib Trust	13 015	-	-	-	-	13 015
District Municipality: Fire and Disaster	1 772 150	656 688	-	(129 545)	(1 243 472)	1 055 822
Depart Sport : Library admin cost	-	2 300 000	-	(2 300 000)	-	-
Expanded Public Works Programme (EPWP)	-	1 302 000	-	(1 302 000)	-	-
Expanded Public Works Programme (EPWP - Community Services)	3 165 915	-	-	(1 369 103)	-	1 796 812
ACIP Water conservation	42 520	-	-	-	-	42 520
Integrated National Electrification Program (INEP)	-	620 000	-	-	(538 021)	81 979
Abafazi Rural Project (LED)	66 208	-	-	(41 817)	-	24 393
Resourcing Youth Centre (LED)	91 571	-	-	-	-	91 571
Water Tanks: District Municipality	157 299	-	-	(155 749)	-	1 550
Moral Regeneration Movement Programme	8 000	-	-	-	-	8 000
Energy Efficiency and Demand Side Management Grant (EEDM)	1 234 282	-	(1 234 282)	-	-	-
Disaster Grant	-	3 200 000	-	-	-	3 200 000
Equitable Share	-	63 385 000	-	(63 385 000)	-	-
	22 332 190	99 668 688	(5 000 000)	(71 920 964)	(36 974 271)	8 105 646

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	22 332 190	18 362 858
Additions during the year	99 668 688	104 048 727
Income recognition during the year	(113 895 233)	(100 079 392)
	8 105 645	22 332 193

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG, & FMG):	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG)
Sarah Baardman District municipality:	Fire fighting, LED Projects and Infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries
EEDM	Energy Efficiency and Demand Side Management for electricity network
INEP	Electricity upgrading

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Environmental rehabilitation	26 297 727	3 326 731	29 624 458

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	26 272 112	2 924 085	(2 898 470)	26 297 727

Non-current liabilities

29 624 458 **26 297 727**

Environmental rehabilitation provision

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act no. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

18. Provisions (continued)

The effective date of all valuations was 30 June 2023 and was done and certified by Mr. T. Duvenhage, Professional Engineer, from Zutari (Pty) Ltd.

In Calculating the provision for rehabilitation, the following have been included:

- Direct contract costs
- Indirect Professional Fees
- Indirect disbursements
- Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site

Fencing at Cookhouse (316m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs regular replacing

Monetary values for landfill sites

Cookhouse	1 767 001	1 551 635
Pearston	5 031 013	4 455 642
Somerset East	22 826 444	20 290 449
	29 624 458	26 297 726

19. Payables from exchange transactions

Trade payables	50 811 435	34 276 514
Payments received in advanced	1 831 497	1 143 382
Traffic Licence Suspense	-	12 468
Accrued leave pay	7 014 146	6 144 972
Accrued 13th cheque	2 479 886	2 090 784
Retentions on capital projects	1 519 000	1 204 562
Previous employees of Development Agency	813 695	813 695
Unidentified bank deposits	286 266	12 598
Deposits received - (Town Hall)	226 069	221 521
Deposits Recieved - (Chalets)	36 913	39 800
	65 018 907	45 960 296

20. Trade and other payable from non-exchange

Trade and other: Principal-Agency arrangement (Traffic Licences)	77 299	102 569
Trade and other: Principal-Agency arrangement (Housing Project)	74 619	926 385
	151 918	1 028 954

Reconciliation : Reconciliation: Principal-Agency arrangement (Traffic Licences)

Opening balance	102 569	156 366
Total licence and transaction fees received from third parties	2 319 528	2 310 217
Total licence and transaction fees paid over to Principal (Department of Transport)	(2 344 798)	(2 364 014)
	77 299	102 569

These liabilities relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Transport to issue motor vehicle licences to third parties.

The Municipality receive agency fees of 19% of the total income. This revenue is included in note 25 and was an amount of R781 887 (2022: R724 977).

The fees are paid over to the Principal (Department of Transport) on a weekly basis.

The outstanding amount at year end were paid over during the first week in July 2023

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

20. Trade and other payable from non-exchange (continued)

Reconciliation : Principal-Agency arrangement (Housing Project)

Opening balance	926 385	1 429 923
Payments received from Department of Human Resources	434 023	-
Payments paid to contractor appointed for the Housing Project	(1 285 789)	(503 538)
	74 619	926 385

These liabilities relate to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Human Resources in the Eastern Cape to build houses. The Municipality received the cost of the project in advance in 2021

The Municipality received the cost of the project in advance in 2021 and start with the project in 2022. The above balance of R74 619 is still needed to be spent in 2023.

21. Consumer deposits

Electricity	1 479 167	1 450 719
Water	1 358 594	1 341 539
	2 837 761	2 792 258

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Revenue		
Property rates	24 315 580	23 487 998
Service charges	142 055 598	144 326 324
Rental of facilities and equipment	648 718	587 118
Interest earned - outstanding debtors	8 238 977	4 437 608
Interest received - external investment	1 102 484	935 030
Agency services	781 887	724 977
Fines	188 505	399 186
Licences and permits	-	336 813
Transfers & subsidies	108 230 791	97 841 494
Other income	2 928 030	4 187 224
	288 490 570	277 263 772

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	142 055 598	144 326 324
Rental of facilities and equipment	648 718	587 118
Interest earned outstanding debtors	8 238 977	4 437 608
Interest received - External investment	1 102 484	935 030
Agency services	781 887	724 977
Other income	2 928 030	4 187 224
	155 755 694	155 198 281

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	24 315 580	23 487 998
Fines, Penalties and Forfeits	188 505	399 186
Licences or permits	478 753	336 813
Transfers & Subsidies	108 230 791	97 841 494
	133 213 629	122 065 491

Collectibility of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the municipality has an obligation to collect all revenue.

23. Property rates

Revenue

Agricultural	4 147 219	3 923 365
Game Farms	6 482 497	8 518 962
Business & Commercial	3 099 257	2 988 144
Statutory Rates - All other departments	6 124 141	5 865 786
Residential	4 462 466	2 191 741
	24 315 580	23 487 998

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

23. Property rates (continued)

Valuations

Agricultural	7 053 964 030	7 053 964 030
Game Farms	853 471 225	853 471 225
Business & Commercial	325 148 725	325 148 725
Residential	644 648 336	644 648 336
Government - Other	636 340 810	636 340 810
	9 513 573 126	9 513 573 126

Statutory property rates

Rates are charged on Statutory properties according to the Property Rates Act no 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009. The tariffs of all property rates as well as the valuation date are disclosed hereunder.

Valuation and tariffs

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2023.

Rates are levied on an annual basis with the final date for payment being 30 June 2022 (30 June 2021). Interest at prime plus 1% per annum (2021: prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.000551 for agricultural properties, 0.009218 for business properties, 0.007878 for residential properties 0.000 for government infrastructure properties and 0.009218 for government properties is applied to property valuations to determine assessment rates (2021: 0.000525 - agricultural properties, 0.008779 - business properties, 0.007503 - residential properties, 0.008779 - government properties). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2021: R15 000 - residential properties and 30% government infrastructure).

24. Service concession arrangements

25. Service charges

Sale of electricity	111 543 856	116 517 013
Sale of water	14 928 934	13 826 911
Sewerage and sanitation charges	6 025 151	5 550 023
Refuse removal	9 557 657	8 432 377
	142 055 598	144 326 324

Electricity losses

Units (kwh)	14 357 956	15 329 766
Amount	R 13 488 602 R	15 214 682
Percentage	24 %	21 %
	-	-

Electricity losses are due to aging infrastructure, electricity theft and outdated meters. The municipality has developed an action plan, called the Revenue enhancement plan, to deal with the replacement of old infrastructure and meters and also appoint electricians to investigate theft.

Water losses

Units (Kl)	356 752	290 220
Amount	R 2 500 832 R	1 921 256
Percentage	22 %	18 %

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. Service charges (continued)		
	-	-
26. Interest earned - external investments		
Interest revenue		
Bank Accounts	1 102 484	935 030
The amount of R935 030 (2021: R591 803) is included under revenue arising from exchange transactions.		
27. Transfers & subsidies		
Operating grants		
Equitable share	63 385 000	58 178 500
National Treasury - Audit support	-	641 990
Finance Management Grant (FMG)	2 450 000	2 450 000
Dept. Sport: Library Grant	2 300 000	2 300 000
Expanded Public Works Programme (EPWP)	2 671 103	3 984 085
Sarah Baartman District Subsidy	3 081 500	300 000
	73 887 603	67 854 575
Capital grants		
Municipal Infrastructure Grant (MIG)	16 322 542	15 063 467
Water Services Infrastructure (WSIG)	17 482 625	10 257 734
Integrated National Electrification Program (INEP)	538 021	-
Energy Efficiency and Demand Side Management Grant	-	1 765 718
Amakhala Emonyeni Cookhouse Community Trust	-	1 900 000
Cacadu Development Agency	-	1 000 000
	34 343 188	29 986 919
	108 230 791	97 841 494
28. Other income		
Incidental cash surpluses	(1 137)	4 545
Commission: Transaction handling fees	186 022	173 968
Insurance refund	343 421	486 659
Skills development levy refund	349 816	-
Bad debts recovered	1 200 619	2 570 463
Sub-divisions and consolidations	9 682	30 024
Building plan approvals	220 162	226 046
Burial fees	81 808	91 459
General/Other	108 997	210 963
Library fees	9 429	10 679
Camping fees	54 899	60 029
Connections and reconnection fees	364 312	322 389
	2 928 030	4 187 224
29. Employee related costs		
Basic salary and wages	61 781 471	64 103 479
Bonuses	5 102 483	4 070 108
Social contributions - Medical	2 169 295	2 733 349
Social contributions - Group life insurance	1 960	2 287
Social Contributions - Unemployment insurance	517 348	539 099
Social contributions - Bargaining council	35 416	34 773

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
29. Employee related costs (continued)		
Social contributions - Pension	10 217 159	9 764 013
Overtime	4 719 638	4 091 709
Other allowances: Non Pensionable	3 971 843	3 700 353
Leave pay	1 993 331	-
Post-retirement benefits - Medical : Nett Service Cost	666 000	661 000
Long Term Service Awards: Nett Service Cost	440 000	465 000
Post-retirement benefits - Medical : Interest Cost	2 777 000	2 249 000
Long Term Service Awards: Interest Cost	424 000	341 000
Less: Recharge to capital works	824 300	(1 335 942)
	95 641 244	91 419 228
Section 56 Senior Managers: Total cost per position		
Municipal Manager - 01/072022 - 31/10/2022	781 567	1 490 895
Municipal Manager - 01/01/2013 - 30/06/2023	743 009	-
Chief Financial Officer	1 205 558	1 184 345
Director: Corporate Services	1 202 820	1 178 133
Director: Community Services - 01/072022 - 31/10/2022	565 124	1 186 308
Director: Community Services - 01/01/2013 - 30/06/2023	598 350	-
Director: Technical Services	1 241 413	1 186 295
	6 337 841	6 225 976
Remuneration of municipal manager : Thabiso Klaas		
Annual Remuneration	414 369	1 243 113
Car Allowance	80 057	170 533
Remote allowance	21 764	51 767
Contributions to UIF, Medical and Pension Funds	885	2 125
Skill levy	5 002	14 313
Subsistence Allowance	7 380	8 920
Bargaining council	43	124
Leave	252 067	-
	781 567	1 490 895
Remuneration of municipal manager : MP Nini		
Annual Remuneration	371 877	-
Car Allowance	298 904	-
Contributions to UIF, Medical and Pension Funds	34 045	-
Remote allowance	25 721	-
Skill levy	6 697	-
Subsistence Allowance	5 700	-
Bargaining council	65	-
	743 009	-
Remuneration of chief finance officer: Nigel Delo		
Annual Remuneration	958 778	998 784
Car Allowance	181 306	127 912
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Remote allowance	47 764	42 504
Skill levy	11 516	11 436
Subsistence Allowance	3 940	1 460
Bargaining council	130	124
	1 205 559	1 184 345

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
29. Employee related costs (continued)		
Remuneration of Director - Corporate services: Novuko Kubone		
Annual Remuneration	998 778	998 784
Car Allowance	140 057	122 920
Remote allowance	47 764	42 504
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Skill levy	11 586	11 396
Subsistence Allowance	2 380	280
Bargaining council	130	124
	1 202 820	1 178 133
Remuneration of Director - Community services: Mandisi Planga		
Annual Remuneration	320 321	960 967
Car Allowance	53 934	167 533
Remote allowance	17 869	42 504
Contributions to UIF, Medical and Pension Funds	708	2 125
Skill levy	3 813	11 375
Subsistence Allowance	280	1 680
Bargaining council	43	124
Leave	168 155	-
	565 123	1 186 308
Remuneration of Director - Community services: YH Mniki		
Annual Remuneration	469 400	-
Car Allowance	98 337	-
Remote allowance	22 421	-
Contributions to UIF, Medical and Pension Funds	1 063	-
Skill levy	5 705	-
Subsistence Allowance	1 360	-
Bargaining council	65	-
	598 351	-
Remuneration of Director - Technical Services: Ayanda Gaji		
Annual Remuneration	795 702	797 887
Car Allowance	174 737	129 827
Remote allowance	47 764	42 504
Contributions to UIF, Medical and Pension Funds	205 436	203 023
Skill levy	11 866	11 451
Subsistence Allowance	5 780	1 480
Bargaining council	130	124
	1 241 415	1 186 296
30. Remuneration of councillors		
Mayor: BA Manxoweni	876 537	853 413
Speaker: NP Nkonyeni	710 211	576 865
Chairperson: Corporate Services - MS Kwatsha	3 387	132 500
Chairperson: Community Services - A Hufkie	3 387	134 337
Chairperson: Infrastructure - TA Grootboom	3 387	132 500
Portfolio Head: Technical Services - MK Mali	392 891	248 599
Portfolio Head: Community Services - JM Martin	392 980	357 926
Chief Whip: P Sonkwala	392 979	357 926
Councillors	1 771 449	1 648 510

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Remuneration of councillors (continued)		
	4 547 208	4 442 576
Mayor: BA Manxoweni		
Councillors Allowance	629 146	596 705
Back Pay Increase	-	20 631
Pensions Fund Contributions	47 064	43 711
Medical Aid Contributions	46 400	44 356
Fixed Travel Allowance	109 526	103 610
Councillors Cellphone Allowance	44 400	44 400
	876 536	853 413
Speaker: NP Nkonyeni		
Councillors Allowance	464 604	365 644
Back Pay Increase	-	13 078
Pensions Fund Contributions	34 755	26 609
Fixed Travel Allowance	166 453	127 134
Councillors Cellphone Allowance	44 400	44 400
	710 212	576 865
Portfolio Head: Technical Services - MK Mali		
Councillors Allowance	261 435	163 252
Back Pay Increase	-	3 055
Fixed Travel Allowance	87 056	53 661
Councillors Cellphone Allowance	44 400	28 632
	392 891	248 600
Portfolio Head: Community Services - JM Martin		
Councillors Allowance	297 709	229 480
Back Pay Increase	-	8 291
Fixed Travel Allowance	50 870	75 756
Councillors Cellphone Allowance	44 400	44 400
	392 979	357 927
Chief Whip: P Sonkwala		
Councillors Allowance	221 781	194 006
Back Pay Increase	-	8 291
Pensions Fund Contributions	39 743	34 921
Fixed Travel Allowance	87 056	76 309
Councillors Cellphone Allowance	44 400	44 400
	392 980	357 927
Councillor: FP Brown		
Councillors Allowance	197 536	191 318
Back Pay Increase	-	7 015
Fixed Travel Allowance	65 845	63 773
Councillors Cellphone Allowance	44 400	44 400
	307 781	306 506

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Remuneration of councillors (continued)		
Councillor: C Nel		
Councillors Allowance	73 722	162 134
Back Pay Increase	-	7 015
Pensions Fund Contributions	13 103	29 184
Fixed Travel Allowance	28 792	63 773
Councillors Cellphone Allowance	19 354	44 400
	134 971	306 506
Councillor: ZS Baskiti		
Councillors Allowance	253 505	150 681
Back Pay Increase	-	4 062
Fixed Travel Allowance	84 502	50 227
Councillors Cellphone Allowance	44 400	28 632
	382 407	233 602
Councillor: ABC Heynse		
Councillors Allowance	136 783	122 262
Back Pay Increase	-	4 062
Pensions Fund Contributions	10 223	1 112
Fixed Travel Allowance	49 002	41 125
Councillors Cellphone Allowance	33 015	28 632
	229 023	197 193
Councillor: A Dyantyi		
Councillors Allowance	197 536	123 374
Back Pay Increase	-	4 062
Fixed Travel Allowance	65 845	41 125
Councillors Cellphone Allowance	44 400	28 632
	307 781	197 193
Councillor: TA Grootboom		
Councillors Allowance	2 512	74 158
Pensions Fund Contributions	-	13 349
Fixed Travel Allowance	875	29 169
Councillors Cellphone Allowance	-	15 824
	3 387	132 500
Councillor: MS Kwatsha		
Councillors Allowance	2 512	81 402
Pensions Fund Contributions	-	6 105
Fixed Travel Allowance	875	29 169
Councillors Cellphone Allowance	-	15 824
	3 387	132 500
Councillor: TC Xakaxa		
Councillors Allowance	1 957	63 430
Pensions Fund Contributions	-	4 757

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Remuneration of councillors (continued)		
Fixed Travel Allowance	682	22 729
Councillors Cellphone Allowance	-	15 824
	2 639	106 740
Councillor: KC Brown		
Councillors Allowance	1 957	57 786
Pensions Fund Contributions	-	10 401
Fixed Travel Allowance	682	22 729
Councillors Cellphone Allowance	-	15 824
	2 639	106 740
Councillors: A Hufikie		
Councillors Allowance	2 512	74 158
Pensions Fund Contributions	-	13 349
Fixed Travel Allowance	875	31 006
Councillors Cellphone Allowance	-	15 824
	3 387	134 337
Councillor: EL Miggels		
Councillors Allowance	193 567	44 394
Back Pay Increase	-	1 670
Pensions Fund Contributions	3 437	-
Fixed Travel Allowance	65 845	14 798
Councillors Cellphone Allowance	44 400	10 303
	307 249	71 165
Councillor: TW Peta		
Councillors Allowance	2 119	78 487
Fixed Travel Allowance	785	26 162
Councillors Cellphone Allowance	-	18 215
	2 904	122 864
Councillor: LE Smith-Johnson		
Councillors Allowance	60 631	-
Fixed Travel Allowance	20 210	-
Councillors Cellphone Allowance	13 661	-
	94 502	-
31. Debt impairment		
Debt impairment	22 366 184	23 440 982
Bad debts written off	7 865 001	6 172 083
	30 231 185	29 613 065
32. Finance charges		
Overdue accounts	264 616	50 866

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
32. Finance charges (continued)		
Annual loans	468 281	321 914
Finance leases	45 802	73 680
Interest cost - Landfill sites liability	2 908 529	2 924 086
	3 687 228	3 370 546
Interest expense is calculated using the effective interest rate.		
33. Bulk purchases		
Electricity - Eskom	102 967 924	108 082 284
34. Contracted services		
Outsourced Services		
Burial Services	-	127 005
Catering Services	9 561	-
Debt Collection Costs	1 637 281	2 142 803
Security Services	763 454	1 104 069
Drivers Licence Cards	89 428	85 099
Consultants and Professional Services		
Legal Cost	1 319 043	840 332
Business and Advisory	2 730 134	2 190 223
Contractors		
Distribution of Electricity Commission	723 106	953 911
Electrical	37 050	-
Maintenance of Buildings and Facilities	4 944	(3 732)
Maintenance of Unspecified Assets	1 356 523	1 326 861
Medical Services	-	544
Transportation	128 947	415 699
	8 799 471	9 182 814
35. Inventory Consumed		
Consumables	8 209 188	7 118 965
Consumables - Standard Rated	491 690	4 309 270
Consumables - Zero Rated (Fuel)	7 709 922	2 571 467
	8 201 612	6 880 737
36. Transfer and subsidies		
Other subsidies		
South African Local Government Association	1 035 527	926 617

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
37. Operational costs		
Advertising, Publicity and Marketing and Tenders	87 496	59 679
Assets expensed	22 150	3 315
External Audit Fees	3 127 194	2 936 078
Bank charges, Facility and card fees	220 964	158 626
Entertainment	1 724	30 126
Insurance Underwriting: Premiums	1 483 218	1 047 316
Insurance Underwriting: Excess payments	-	142 212
Registration fees - Seminars, conferences and workshops	14 867	29 000
Road traffic and Other fines	-	8 500
Hire charges	167 489	155 533
Printing, publications and books	582 958	818 883
Uniforms and protective clothing	547 769	700 021
Telephone, Fax, Telegraph and Telex	2 234 944	2 264 872
Courier and delivery services	1 967	1 185
Title deed search fees	17 595	9 036
Motor vehicle licences and registration	258 419	187 100
Resettlement costs	-	9 500
Remuneration to ward committee	699 019	336 343
Workman's compensation fund	607 452	575 133
Professional bodies, memberships and subscriptions	7 718	17 536
Skills development levy	929 886	927 045
Travel and subsistence	1 676 794	1 020 740
External Computer Services - Software Licences	284 905	724 067
Transport provided as part of events	24 012	14 070
	12 998 540	12 175 916
38. Auditors' remuneration		
Audit Fees	3 127 194	2 936 078
An amount of R829 866 was outstanding at 30 June 2023.		
39. Net cash flows from operating activities		
Deficit	(29 325 172)	(42 926 043)
Adjustments for:		
Depreciation and amortisation	51 967 802	55 254 134
Gain on sale of assets and liabilities	-	153 424
Actuarial gain	(3 238 514)	(217 357)
Fair value adjustments	-	(2 527 994)
Finance costs - Finance leases	45 802	73 680
Finance costs - Landfill site	2 908 529	2 924 086
Impairment deficit	1 447 694	1 195 596
Debt impairment	30 231 185	29 613 065
Movement in retirement benefit assets and liabilities	-	2 109 357
Movement in long service awards liability	2 575 514	158 000
Movements in provisions	418 202	(370 477)
Non-cash donations and other in-kind benefits	(1 556 534)	-
Changes in working capital:		
Inventories	129 098	(96 054)
(Increase)/decrease in other receivables from exchange transactions	(22 579 840)	(19 921 035)
(Increase)/decrease in other receivables from non-exchange transactions	(12 010 256)	(12 734 734)
Nett Increase/(decrease) in VAT receivable	1 017 415	(1 017 415)
Payables from exchange transactions	19 003 805	2 687 557
Nett Increase/(decrease) in VAT payable	1 164 666	(237 679)
Increase/(decrease) in trade and other payables from non-exchange	(877 036)	(557 335)
Unspent conditional grants and receipts	(14 226 548)	5 399 258
Consumer deposits	45 503	58 193

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
39. Net cash flows from operating activities (continued)		
Other receivables from exchange transactions	(127 684)	(152 854)
	27 013 631	18 867 373
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure related projects	38 856 958	23 698 488
Total capital commitments		
Already contracted for but not provided for	38 856 958	23 698 488

This committed expenditure relates to Infrastructure projects and will be financed by Government Grants.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

41. Contingencies

Contingent liabilities

Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRF)
2021/22

Appeal was set down for 29 August 2022. The Municipality is waiting for the judgement to be issued.

2022/23

The municipality is in a process to petition the Judge President of the Supreme Court of Appeal, for this matter to be argued again.

Matter: Blue Crane Route Municipality vs FW Lengosa (Former employee)
2021/22

The labour court dismissed the case with no order of cost and will be taken out as a contingent liability.

2022/23

This matter is not applicable to 2022/23

Matter: Blue Crane Route Municipality vs M Gantsho (Former employee)
2021/22

Mr Gantsho was found guilty of multiple counts of serious misconduct in 2020, and referred a dispute to the SALGBC claiming that he had been unfairly dismissed.

The matter proceeded to arbitration and a ruling was issued that he was entitled to retrospective reinstatement and back pay in the amount of R127 915. The Municipality has now referred the matter to the Labour Court requesting that the arbitration award be reviewed and set aside.

Fixed deposit of R613 992 was needed from the Labour Court to proceed with the case. See Note 10.1 It is anticipated that further cost associated with the Labour Court proceedings will amount to approximately R150 000.

2022/23

This matter is still pending in Labour Court and the Municipality has good prospects of success.

Matter: Blue Crane Route Municipality vs Q Plaatjies
2021/22

The Plaintiff claims that his vehicle was damaged after colliding with a pothole as a result of the defendant not maintaining the road. Legal fees estimated at R40 000 plus the claim from the Plaintiff of R18 052.

The matter is ongoing and a Plea had been filed. The Plaintiff has been missing since October 2020 so it is unclear who will be called to testify regarding the alleged.

2022/23

No Further progress in this matter.

Matter: Blue Crane Route Municipality vs DW Lackay
2021/22

Lackay claims R111 440 from the Municipality for breach of duty to maintain water drainage. There are reasonable prospects of defending the claim.

2022/23

No Further progress in this matter.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

41. Contingencies (continued)

Matter: Blue Crane Route Municipality vs C Simonse (Former employee) 2021/22

Unfair dismissal dispute referred by employee, who claims she had reasonable expectation of having her contract renewed for a further 5 years.

Reasonable prospects of opposing referral. Cost around estimated at R458 044.

2022/23

No Further progress in this matter.

Summary of Contingent liabilities

MWRF	-	-	16 940 819	16 940 819
M Gantsho	-	-	613 992	613 992
Q Plaatjies	-	-	58 052	58 052
DW Lackay	-	-	111 440	111 440
C Simonse	-	-	458 044	458 044
	-	-	<u>18 182 347</u>	<u>18 182 347</u>

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

41. Contingencies (continued)

Contingent assets

Matter: Blue Crane Route Municipality vs Autumn Star/Claassen 2021/22

The matter is on going. The Municipality's prospects of success remains strong and should be able to obtain an order for repayment of approximately R1 561 737 (Autumn Star) and R3 602 190 (Claassen). New court dates has been made.

2022/23

The Municipality's legal representatives have advised that due to the age of the matter they do not foresee any chance of recovering the costs through legal processes. The matter will not be pursued further.

Matter: Blue Crane Route Municipality vs A Swanepoel 2021/22

The Municipality appeal was successful, but Bill of costs has not been taxed yet. The total claim amount is R50 000. The file of Mr Swanepoel has been forwarded to the Cost Consultant after which the file will be returned to the Municipality.

2022/23

No further progress. The file of Mr Swanepoel is still outstanding.

Matter: Blue Crane Route Municipality vs Santam Insurance Limited 2021/22

The Municipality received an amount of R1 500 000 for the recovery of the cost paid to the claimants injured in a truck accident. The Municipality won the case with costs. The attorneys must therefore still recover the cost from Santam.

2022/23

The matter has been resolved.

Summary of Contingent assets

Autumn Star/Claassen	-	5 163 927
A Swanepoel	50 000	50 000
	50 000	5 213 927

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

42. Related parties

No transactions were entered into with Section 56 managers and the Councillors, except as per notes 29 and 30.

Key management information

Councillors	Description
BA Manxoweni	Mayor
NP Nkonyeni	Speaker
KC Brown	Councillor
P Sonkwala	Councillor
JM Martin	Councillor
FP Brown	Councillor
A Huffkie	Chairperson: Community Services
TA Grootboom	Chairperson: Infrastructure
MS Kwatsha	Chairperson: Corporate Services
TC Xakaxa	Councillor
C Nel	Councillor
A Dyantyi	Councillor
ABC Heynse	Councillor
ZS Baskiti	Councillor
MK Mali	Councillor
EL Miggels	Councillor
EW Peta	Councillor
Section 56 managers	Description
T Klaas	Municipal Manager
MP Nini	Former Municipal Manager
N Delo	Chief Financial Officer
N Kubone	Director - Corporate Services
M Planga	Director - Community Services
YH Mniki	Former Director - Community Services
A Gaji	Director - Technical Services

43. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

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

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

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

Credit risk

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

43. Risk management (continued)

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.

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

Financial instrument	2023	2022
Assets		
Trade receivables from exchange transactions	31 847 263	25 442 088
Other receivables from non-exchange transactions	8 646 658	10 692 922
Other receivables from exchange transactions	1 443 394	1 315 710
Short term deposits and cash in banks	9 985 526	21 425 790
Financial instrument	2023	2022
Liabilities		
Other financial liabilities	1 049 535	957 669
Payables from exchange transactions	55 524 875	37 724 540
Trade and other payable from non-exchange	151 918	1 028 954

Market risk

Interest rate risk

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

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

44. Going concern

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 for the 12 month period ending 30 June 2024.

The following material uncertainties may cast doubt on the going concern assumption:

National ESKOM electricity loadshedding, that impacted electricity sales severely.

Debt payment ratio's not in the norm

Credit payment ratio's not in the norm

High level of electricity losses that occur

High level of poverty within the BCRM's municipal area

Contingent liabilities as disclosed in this set of financial statements may impact future cash flows negatively if the court rulings are not in the favour of the municipality.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

44. Going concern (continued)

The following revenue enhancement strategies are currently in place to ensure that the municipality address the above listed concerns:

- Debt collection interventions, including services restrictions if bills are not paid and issuing of summonses
- Implementation of an electronic meter reading system to ensure accurate and timely issuing of accounts
- Meter audits, to establish if all service usages are accounted for
- Installation of bulk electricity and water meters to track and monitor losses
- Replacement of old electricity and water infrastructure to curb electricity and water losses
- Developing of cost covering tariffs to ensure that consumers are paying for the services rendered by the municipality
- Cost containing measures to prevent unnecessary expenditure.
- Implementation of a general valuation roll and interim rolls to ensure that the new market values of property are accounted for.
- Establishing a LED unit to attract business opportunities for local business

The Covid-19 recession was a major ongoing global economic crisis which has caused both a recession in South Africa, and was currently the worst global economic crisis since the Great Depression. Modeling by the World Bank suggests that in some regions of the world a full recovery will not be achieved until 2025 or beyond. It is therefore important that Blue Crane Route Municipality is well geared to absorb the additional pressure.

45. Events after the reporting date

Contingencies

Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRF)

On 04 September 2023, the municipality received communication that the Supreme Court of Appeal has rejected the claim for Special leave to appeal.

Counsel has advised that there is no merit in trying to petition the Constitutional Court, therefore, the municipality must meet with the fund and negotiate to settle the dispute.

46. Fruitless and wasteful expenditure

Opening balance as previously reported	51 409	6 755
Add: Fruitless and wasteful expenditure identified - current	295 000	59 366
Add: Fruitless and wasteful expenditure identified - prior period	(1 500)	(14 712)
Closing balance	344 909	51 409

47. Irregular expenditure

Opening balance as previously reported	8 828 414	8 045 782
Add: Irregular expenditure - current	12 636 784	10 034 161
Less: Amount recovered/written off by council - current	(12 636 784)	(9 251 529)
Closing balance	8 828 414	8 828 414

48. Segment information

REPORTABLE SEGMENTS FOR THE YEAR ENDED AT 30 JUNE 2023

Identification of segments

For management purposes, the Municipality is organised and operates in four key functional segments (or business units). Revenue and expenditure relating to these business units are allocated at a transaction level. Cost relating to the governance and administration of the Municipality are not allocated to these business units.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

48. Segment information (continued)

The four key business units comprise of:

Community and Public safety which includes community and social services, sport and recreation, public safety, health and refuse removal services.

Technical Services which includes Water, electricity, Sewerage/Sanitation and roads services

Corporate services which includes Human resources, Legal services and administration function.

Financial services which includes the Budget and Treasury office, Supply chain management, Assets management, Revenue and Expenditure.

Governance and Administration which includes the Offices of the Accounting Officer, Mayor and Municipal Council.

Management does not have at present reliable separate financial information that monitors geographically the performance.

The cost to implement such a system will be excessive but will be considered in future as a full electronic costing system should be implemented.

Aggregated segments

The municipality's segments were aggregated on the basis of the two main types of services delivered. This is also the two directories of service delivery at the Municipality, which is Technical services and Community Services. All the other administration and financial services are grouped together as "Other services".

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

48. Segment information (continued)

Types of services by segment

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

Reportable segment	Services
Technical services	Water, Electricity, Sewerage and Public Works
Community services	Refuse, Public Safety, Traffic, Library and parks
Other services	Finance, Council and all administration sections

Segment surplus or deficit, assets and liabilities

2023

	Community and Public Safety	Technical services	Other services	Total
Revenue				
External revenue from Non-exchange transactions	2 300 000	21 505 355	109 408 272	133 213 627
External revenue from Exchange transactions	9 711 921	133 675 628	2 949 711	146 337 260
Interest revenue	-	1 588 789	7 829 642	9 418 431
Total segment revenue	12 011 921	156 769 772	120 187 625	288 969 318
Entity's revenue				288 969 318
Expenditure				
Employee related costs	20 391 332	28 755 231	46 494 682	95 641 245
Material and bulk purchases	363 293	105 000 941	191 555	105 555 789
Debt impairment	3 005 880	15 611 821	11 613 485	30 231 186
Depreciation and amortisation	(14 750 525)	71 821 430	(5 103 102)	51 967 803
Interest expense	2 928 821	471 760	286 649	3 687 230
Remuneration of councillors	-	-	4 547 206	4 547 206
Total other segment expenditure	2 893 129	6 120 543	19 441 184	28 454 856
Total segment expenditure	14 831 930	227 781 726	77 471 659	320 085 315
Total segmental surplus/(deficit)				(31 115 997)

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

Actuarial gains (losses)		3 238 514
Impairment Loss		(1 447 694)
Entity's surplus (deficit) for the period		1 790 820

Assets			
Current assets	1 152 910	(9 789 181)	61 919 971
Non-current assets	1 938 362	160 272 957	738 502 224
Total segment assets	3 091 272	150 483 776	800 422 195
Total assets as per Statement of financial Position			953 997 243

Liabilities			
Current liabilities	20 194 179	(54 806 315)	113 617 907
Non-current liabilities	-	-	59 564 369
Total segment liabilities	20 194 179	(54 806 315)	173 182 276
Total liabilities as per Statement of financial Position			138 570 140

2022

	Community and public Safety	Technical services	Other services	Total
Revenue				
External revenue from Non-exchange transactions	9 492 655	58 549 601	54 197 030	122 239 286
External revenue from Exchange transactions	9 390 831	138 425 062	6 620 059	154 435 952
Interest revenue	-	-	935 030	935 030
Total segment revenue	18 883 486	196 974 663	61 752 119	277 610 268
Entity's revenue				277 610 268

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

Expenditure					
Employee related costs	23 722 405	36 539 364	31 157 459	91 419 228	
Bulk Purchases	-	108 082 284	-	108 082 284	
Debt impairment	4 217 403	14 338 640	11 057 022	29 613 065	
Depreciation and amortisation	1 371 357	53 082 503	799 644	55 253 504	
Interest expense	2 962 324	340 567	67 655	3 370 546	
Total other segment expenditure	3 651 152	9 916 080	19 489 042	33 056 274	
Total segment expenditure	35 924 641	222 299 438	62 570 822	320 794 901	
Total segmental surplus/(deficit)				(43 184 633)	
Loss on disposal of assets				(153 424)	
Fair value adjustment of landfill site provision				2 527 994	
Actuarial gains (losses)				217 357	
Impairment Loss				(1 195 596)	
Entity's surplus (deficit) for the period				1 396 331	
Assets					
Current assets	1 721 999	23 730 280	36 954 895	62 407 174	
Non-current assets	39 746 094	731 340 485	112 199 547	883 286 126	
Total segment assets	41 468 093	755 070 765	149 154 442	945 693 300	
Total assets as per Statement of financial Position				945 693 300	
Liabilities					
Current liabilities	-	20 932 553	52 204 230	73 136 783	
Non-current liabilities	26 297 727	-	32 122 718	58 420 445	
Total segment liabilities	26 297 727	20 932 553	84 326 948	131 557 228	
Total liabilities as per Statement of financial Position				131 557 228	

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

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Contribution for the year	1 030 527	926 617
---------------------------	-----------	---------

No contributions were outstanding at year end.

PAYE, UIF and SDL

Opening balance	1 002 071	1 027 695
SARS deductions	14 386 870	12 865 350
Amount paid over	(13 867 431)	(12 890 974)
	1 521 510	1 002 071

The nett outstanding amount of R1 521 510 which includes PAYE, UIF and SDL was paid in July 2023 to SARS.

Pension/provident/annuity fund and Medical Aid

Opening balance	-	2 064
Current year subscription / fee	21 523 600	19 470 012
Amount paid - current year	(20 292 950)	(19 472 076)
	1 230 650	-

Councillors' arrear consumer accounts

No municipal charges for Councillors were outstanding for more than 90 days at 30 June 2023.

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 Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

3 Quotations not obtained	906 354	1 353 586
Emergency	3 068 576	2 832 490
Advertising in local news paper and radio stations	2 053	429 266
Sole provider	181 211	195 904
Covid 19	-	9 858
	4 158 194	4 821 104

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

50. Actual versus Budget: Explanation of material variances greater than 10% versus budget

FINANCIAL PERFORMANCE	Actual amount over/(under) budget	Variance percentage	Explanation
Revenue			
Service charges	(31 640 255)	-18 %	Electricity revenue realised much less than the budget as the bulk purchases was also R8m less than the budget. Furthermore municipal own internal service charges was included in the budget but then reversed as it does not comply to GRAP standards of revenue which was a further R10m
Interest Earned - External Investments	(152 484)	13 %	Grants were not fully spent at year end and lead to bigger cash and investments which earned more interest for the year.
Interest earned - outstanding debtors	1 590 684	24 %	Revenue collection initiatives yielded positive returns with the appointment of a legal firm for the collection of outstanding debt and interest incurred thereon.
Other own revenue	2 654 432	47 %	The Fair value adjustment of the landfill site of R2.5m was not suspected when budget was approved
Expenditure			
Remuneration of councillors	(558 420)	-10 %	Two councillor positions were vacant for 3 months of the Financial year.
Debt impairment	30 231 185	100 %	Revenue collection initiatives yielded positive returns with the appointment of a legal firm for the collection of outstanding debt and interest incurred thereon.
Contracted services	(2 999 437)	(25)%	The municipality used less contractual services during the year as some skills were transferred to the internal staff.
Other expenditure	(12 862 582)	(47)%	The Municipality tries to implement stricter cost containment measures when it comes to miscellaneous expenditure
FINANCIAL POSITION			
Total Current Liabilities	9 877 709	14 %	Grants were not fully spent at year end and lead to higher unspent conditional grants which is part of the current liabilities.

Blue Crane Route Local Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

50. Actual versus Budget: Explanation of material variances greater than 10% versus budget (continued)

CASH FLOWS

Net cash from (used) investing	25 930 693	48 %	Capital Budget was not spent according to plan as the unspent grants needed to be approved as roll overs
Net cash from (used) financing	(2 766 159)	-34 %	Consumer deposits incorrectly anticipated to increase with R2.9m

