

2022
2023



ANNUAL REPORT



BLUE CRANE ROUTE MUNICIPALITY

Blue Crane Route Municipality Overview

Blue Crane Route Local Municipality is a Category B Municipality in the Sarah Baartman District Municipality in the Eastern Cape Province. Blue Crane Route Municipality is named after the South African national bird, the Blue Crane.

Blue Crane Route is the second largest municipality of seven in the Sarah Baartman District, accounting 19% of the geographical area. The municipality covers an area of approximately 11,068 square kilometres with a population of nearly 40 000 people in the three (3) towns of Cookhouse, Pearston and Somerset East. Somerset East is the administrative centre of the Blue Crane Route Municipal Area and it is situated at the foot of the Boschberg Mountains.

The area is characterized by a small population, low populations density, concentration of employment in agriculture, disinvestment in rural areas, the dominance of one urban centre in the region and the resultant disparity between rural and urban areas. In addition to this, the Blue Crane Route Local Municipality has a high prevalence of poverty and declining employment levels.



The Blue Crane,

a bird very special to the amaXhosa, who call it indwe. When a man distinguished himself by deeds of valour, or any form of meritorious conduct, he was often decorated by a chief by being presented with the feathers of this bird.



Welcome to the Blue Crane Route Municipality
- Siya namkela nonke - Welkom

VISION

"A municipality that provides a better life for all its citizens."

MISSION

Through public participation, accountable governance, sound financial management, promotion of socio-economic development and provision of safe and healthy environment that will yield sustainable basic services

VALUES

Good governance.
Good ethics
Accountability.
Transparency
Public Participation and Inclusivity
People Development
Teamwork.
Integrity.
Tolerance.
Honesty.
Responsibility; and trust
Equality
Ubuntu
Services excellence
Responsiveness
Accessibility



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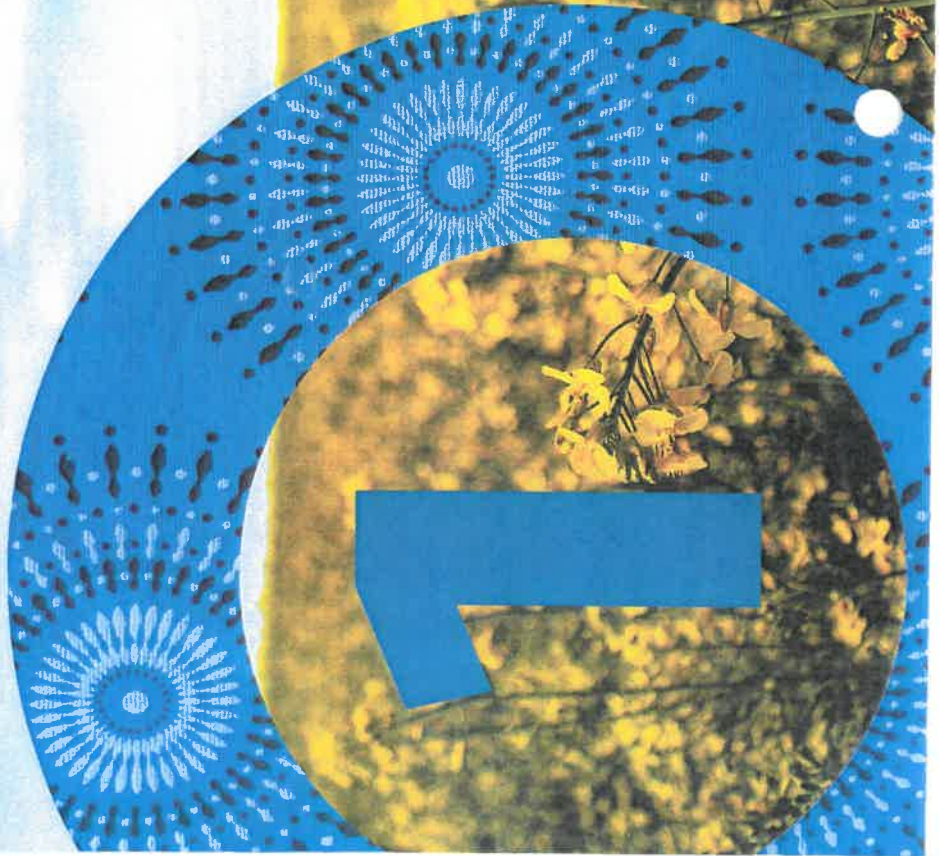
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VOLUME 1

EXECUTIVE MAYOR'S
FOREWORD
AND EXECUTIVE
SUMMARY





CHAPTER 1

EXECUTIVE MAYOR'S FOREWORD AND EXECUTIVE SUMMARY



COMPONENT A: MAYOR'S FOREWORD

Section 127(2) of the Municipal Finance Management Act (MFMA) 56 of 2003 enjoins the Mayor to table to the municipal Council the Annual Report for a financial year under review. It is for this purpose that the Annual Report for 2022/23 financial year is prepared for the Council and the community of Blue Crane Route Municipality. The purpose of such a report is to provide a record of the activities of the municipality during the financial year in which it relates. This report is prepared in recognition of our obligation as an accountable and transparent government. It reflects how we fared in the implementation of our Integrated Development Plan (IDP) and Budget for 2022/2023 financial year.

During the year under review, collective efforts of both Political and Administration strived to

achieve the outcomes of service delivery for all residents of Blue Crane Route Municipality. Although there were many impediments in providing service delivery such as aging infrastructure, theft and vandalism, service delivery protests and heavy rains, the municipality strove to ensure its objectives were achieved.

BCRM has consistently received Unqualified Audit Opinions over the past 8 years. Despite the huge financial constraints, the municipality managed to keep afloat and was able to meet the third-party obligations.

It is therefore a pleasure to present the Annual Report for 2022/2023 financial year.

CLLR B.A. MANXOWENI
MAYOR





COMPONENT B: EXECUTIVE SUMMARY



1.1. MUNICIPAL MANAGER'S OVERVIEW

This 2022/23 Annual Report is prepared in terms of Section 121 of the MFMA of 2003, Section 46 of the Municipal Systems Act No. 32 of 2000 and National Treasury Circular No. 63, which seeks to give effect to BCRM legislative and constitutional mandate.

Blue Crane Route Municipality is a Category B- municipality entrusted with discharging Section 155 and 156 of the Constitution of RSA (Act 108 of 1996) and Section 83 and 84 of the Municipal Systems Act.

The following services are performed on a shared basis: Fire and Disaster Management, Land Use, Environmental Health (SBDM), Housing Development (DHS), Rural Roads (Dept. Of Roads & Transport), Library Services (DSRAC) and Local Economic Development (Cacadu Development Agency).

From a governance and institutional Arrangement perspective the municipality is functional. All Senior Management positions have been filled. The Audit and Performance Audit Committee and the Internal Audit Unit are fully effective as they continue to discharge their respective statutory obligations. The municipality obtained an Unqualified Audit opinion for 2022/23 financial year with reduction of matters of emphasis.

The following are the top 5 strategic risks the municipality has identified during the year under review:

TOP 5 STRATEGIC RISKS	ACTION PLAN
Low revenue base	Facilitate approval of revenue enhancement strategy
Inaccuracies in the systems generated reports	Ensure that relevant versions of the latest SAMRRAS are implemented by engaging System vendors with a proven-on implementation;
Ineffective Asset Management	Asset Management Policy
Ineffective Records Management	Records Management Policy
Slow spending of grant money received	SCM Policy

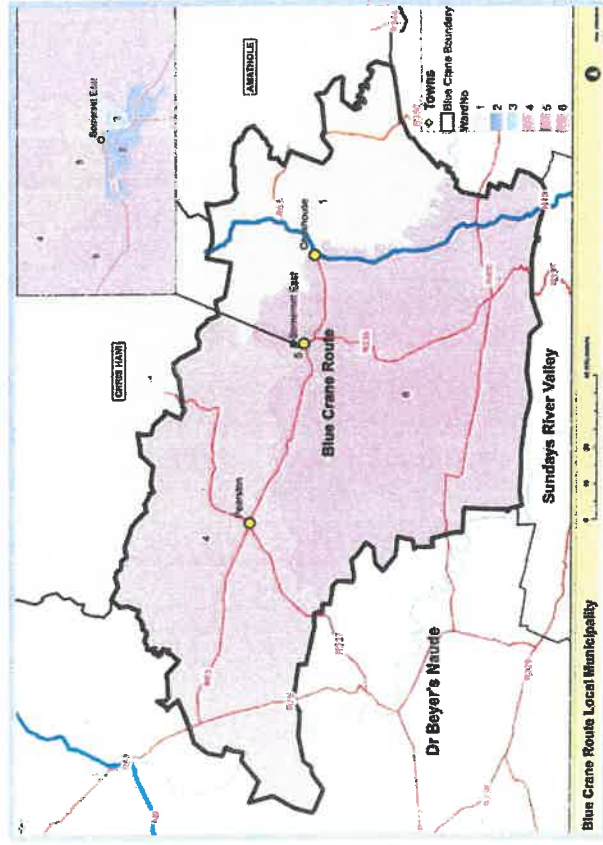
MR M. P. NINI
MUNICIPAL MANAGER



1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 INTRODUCTION TO BACKGROUND DATA

This section includes an analysis of the insight 2021. The district perspective is presented to provide a better understanding of the context demographic, socio-economic and infrastructure development dimensions. The statistical information was sourced from Stats SA 2001 to 2011, Community survey 2016 and IHS global within which the BCR municipality operates.



1.2.2 POPULATION AND ENVIRONMENTAL OVERVIEW

The Blue Crane Route Municipality falls within the jurisdiction of the Sarah Baartman District Municipality. The Municipality's area is bordered on the North-east of Raymond Mhlaba Municipality (Amathole DM), North-west of Inxuba Yethemba municipality (Chris Hani DM), South of Makana Municipality and the South-west of Sundays River Valley municipality. The Blue Crane Route Municipality is located at 67 Nojoli Street, Somerset East.

Cookhouse (Wards 1 and 6 = 10 898)

- Bhongweni and Newtown
- Golden Valley and Middleton rural nodes
- Town area and Cradock place

Pearston (Ward 4 = 5 933)

- Town Area, Millenium Park, Nelsig and Khanyiso

Somerset East is the administrative seat of the municipality and situated at the foot of the Boschberg Mountain. Blue Crane Route Municipality has 6 Wards and the total of eleven (11) Councillors who constitute Council. The map below reflects farms that are within the Blue Crane Route Municipality.

The Blue Crane Route area comprises of the primary node of Somerset East, which is the main commercial hub, two secondary service centres i.e Pearston and Cookhouse, and vast rural commercial farmlands. Per the Community survey that was conducted 2016, the municipality's population has moved from 36 002 to 36 063, 1.7% growth rate. The figures below reflect the findings per Census 2011, the community survey 2016 reflects the overall growth of the area not at ward level:

Somerset East (Wards 2, 3 and 5 = 19172)

- Town Area, Vosloodal, Chris Hani, Francisvale, Aeroville, Clevedon, Mmandi, Old Location, New Brighton, Westview and Uitkeer.



DEMOGRAPHIC PROFILE

Table 1: Population and extent of Area km² - EC, CDM and BLM

STATS SA 2011	PROVINCE OF THE EASTERN CAPE	SARAH BAARTMAN DISTRICT	BLUE CRANE ROUTE LOCAL
Total Population	6 562 053	450 584	36 002
Total Population (Community Survey 2016)	6 996 976	479923	6063
Area km ²	168 966 km ²	58 243,3 km ²	11 068,56 km ²

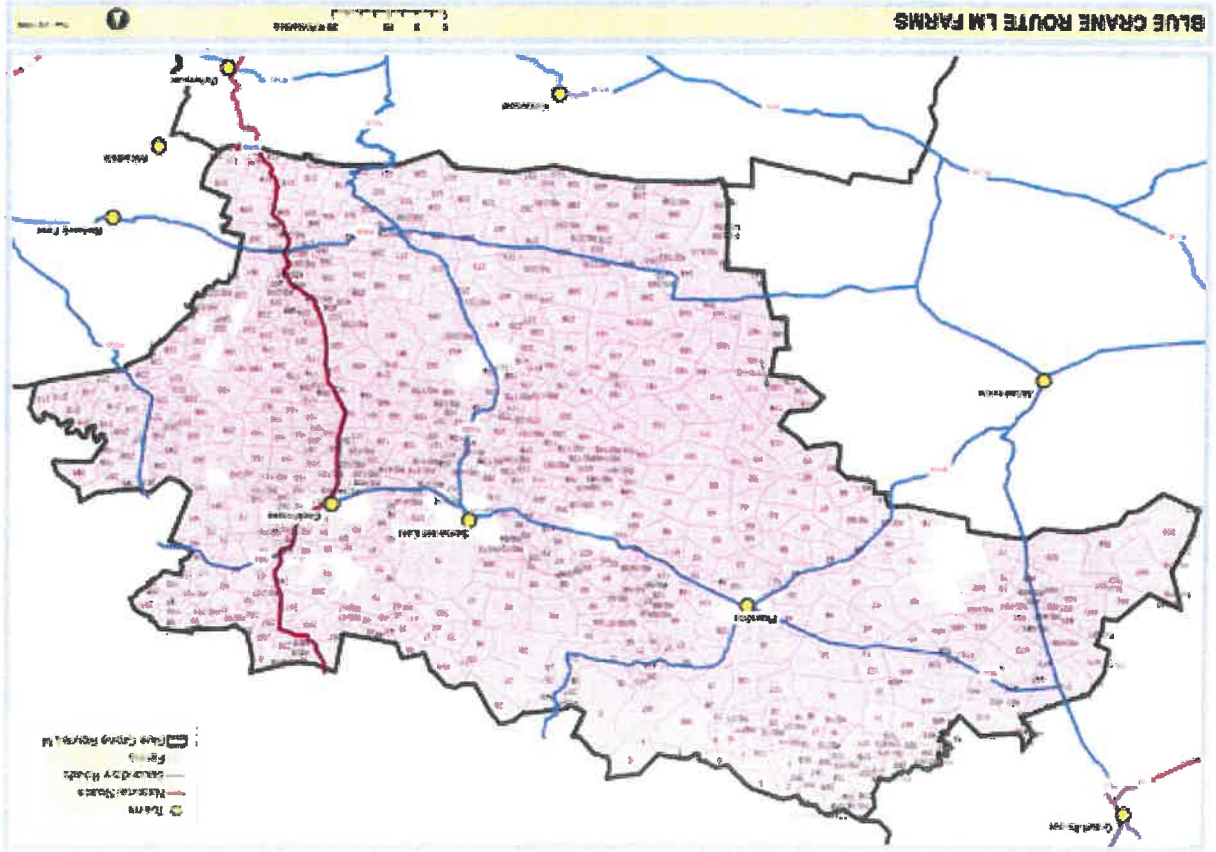
Source: StatsSA 2011

As indicated by the statistical information above, Blue Crane Route accounts for 8% of the Sarah Baartman District and 0.5% of the Provincial population. Geographically Blue Crane Route makes up 19% of the District municipality's landmass with a population density of 3.25 per km².

flowing from migration above, death and birth rate. The most significant roads passing through the area are the: N10, R61, R63, and R390, The approximate distance between the towns is:

- Somerset East to Pearston: 50 Km.
- Somerset East to Cookhouse: 25 Km.
- Cookhouse to Pearston: 75km.

According to StatsSA -Census 2011, the total population of Blue Crane Route is 36 002, however as per the Community Survey conducted 2016, the population figures have increased from 36002 to 36063. This then therefore indicates that the growth rate of the population is very slow due to number of issues



1.2.3 DEMOGRAPHICS PER WARD

Table 2: Age Distribution, Gender, Population Grouping and Head of Household

DEMOGRAPHICS									
Age distribution	00 - 04	05 - 09	10 - 14	15 - 34	35 - 64	65 - 85+	Ward Total	%	
Ward 1	549	454	422	1555	1566	203	4749	13.2	
Ward 2	814	583	591	1882	2265	611	6747	18.7	
Ward 3	705	671	601	2185	2320	498	6979	19.4	
Ward 4	661	668	570	1788	1817	428	5933	16.5	
Ward 5	542	526	475	1628	1804	470	5446	15.1	
Ward 6	686	550	449	2068	2083	313	6148	17.1	
Grand Total BCRM	3956	3453	3108	11106	11856	2523	36002	100	
Gender	Male	%	Female	%	Total				
Ward 1	2390	50.3	2359	49.7	4749				
Ward 2	3289	48.7	3458	51.3	6747				
Ward 3	3311	47.4	3668	52.6	6979				
Ward 4	2938	49.5	2995	50.5	5933				
Ward 5	2547	46.8	2899	53.2	5446				
Ward 6	3206	52.1	2943	47.9	6149				
Grand Total BCR	17680	49.1	18322	50.9	36002				

Population Group	Black	Coloured	White	Indian/Asian	Other	Ward Total
Ward 1	3278	1143	289	10	28	4749
Ward 2	3169	2370	1128	37	44	6747
Ward 3	6493	378	68	19	21	6979
Ward 4	2211	3365	287	26	43	5933
Ward 5	1813	3387	203	15	28	5446
Ward 6	4283	1246	479	10	131	6148
Grand Total BCR	21247	11888	2453	118	295	36002
Head Household: Gender	Male	%	Female	%	Total Ward	
Ward 1	823	70.1	351	29.9	1174	
Ward 2	1048	56.8	797	43.2	1845	
Ward 3	1161	57.5	859	42.5	2019	
Ward 4	914	57.6	671	42.3	1586	
Ward 5	769	51.7	719	48.3	1488	
Ward 6	1212	73.5	436	26.4	1649	
Grand Total BCR	5927	60.7	3834	39.3	9761	

Source: StatsSA 2011



1.2.4 DEMOGRAPHIC TRENDS

Table 3: Age distribution, Gender, Population Grouping and Head of Household

DEMOGRAPHICS	STATSSA 2001	STATSSA 2011	%	GROWTH % P.A.	COMSURVEY 2016	GROWTH %
BCRM Total Population	35407	36002		0.17	36063	1.7%
Age distribution	35 003	36 003				
0-14	10 293	10517	29.2	0.2	11825	2.34
15-64	22 485	22962	63.8	0.2	21892	-0.96
65+	2 227	2524	7.0	1.3	2347	-1.45
Gender	35 003	36 002			36 063	
Male	16806	17680	49.1	0.5	-	-
Female	18197	18322	50.9	0.1	-	-
Population Grouping	35 003	36 001				
Black	20861	21247	59.0	0.19	-	-
Coloured	11515	11888	33.0	0.32	-	-
White	2606	2453	6.8	-0.6	-	-
Indian/Asian	21	118	0.3	46.2	-	-
Other	0	295	0.8	-	-	-
Head of Household: Gender	9 595	9 761				
Male	6 486	5 927	60.7	-0.9	-	-
Female	3 109	3 834	39.3	2.3	-	-

Source: StatsSA 2011

StatsSA 2011 reflects that 29% of the population are young and under 15 year of age, which requires intergovernmental planning efforts to jointly focus on improved education and providing sport and recreation facilities. Sport plays an important part in youth development and relevant role-players should form partnerships to promote sport initiatives and youth programmes in Blue Crane Route. The high number of children could also be an indication of a dependency on child support grants.

According to StatsSA 2011 a 7% increase has occurred, from 32% to 39%, in respect of female headed households between 2001 and 2011. The increase is relatively high considering that the population growth rate has been very low over a 10-year period and the male to female

sex ratio has only risen marginally. This could be reflective of males migrating in search of employment opportunities outside of the municipal area or the occurrence of single mothers deciding to create a basis for their young with the option of marriage later in life.

A large segment (50.1% -StatsSA 2011) of the population speaks IsiXhosa, followed by 42.2% communicating in Afrikaans. Black South Africans account for 59% of the population, followed by 33% Coloured South Africans. Stats 2011 also indicates that 95.5% of the population were born in South Africa.



1.2.5 WATER AND SANITATION PROVISION

Table 4: Water and Sanitation Provision

BASIC SERVICE/ INFRASTRUCTURE	BLUE CRANE ROUTE AREA (STATSSA 2007)	BLUE CRANE ROUTE AREA (STATSSA 2011)	%	GROWTH % p.a.	BLUE CRANE ROUTE AREA (CS 2016) %
Total number of households	9 595	9 761		1.7%	
Sanitation	9 470	9 760		3.06%	
Flush toilets	4439	7836	80.5	7.7	88.4
Flush septic tank	390	395	4.0	0.1	-
Chemical	244	25	0.3	-9.0	0.1
VIP	127	83	0.9	-3.5	-
Pit latrines without ventilation	752	327	3.4	-5.7	4.1
Bucket latrine	1921	277	2.8	-8.6	2.9
None	1597	617	6.3	-6.1	3.5
Other		180	1.8	-	-
Water – Access to piped water	8 530	9 740		12.4%	91.2
Household	2289	5022	51.5	11.94	-
In yard	5027	3903	40.0	-2.24	-
Community stand <200 m	526	323	3.3	-3.86	-
Community Stand >200m	688	172	1.7	-7.50	-
No access to piped (tap) water		340	3.5		8.8



BASIC SERVICE/ INFRASTRUCTURE	BLUE CRANE ROUTE AREA (STATSSA 2007)	BLUE CRANE ROUTE AREA (STATSSA 2011)	%	GROWTH % p.a.	BLUE CRANE ROUTE AREA (CS 2016) %
Water – Source of water		9 760			
Water scheme operated by municipality or other WSP		7830	80.2		-
Borehole	128	955	9.8	64.6	-
Spring	5	30	0.3	50.0	-
Rain tank	196	275	2.8	4.0	-
Dam/stagnant water	207	317	3.2	5.3	-
River/stream	201	53	0.5	-7.4	-
Water vendor	17	31	0.3	8.2	-
Water tanker		132	1.4	-2.7	-
Other	180	137	1.4		-
Source: StatsSA 2011 and CS 2016					

Sources: StatsSA 2011 and CS 2016

The level of waterborne system/connection to drinking water and basic level of sanitation shows a growth of 7.7% p.a. over a period of 10 years (2001 to 2011). Three hundred and fifty (350) households which make (4%) of the households are people living in the informal settlements, their access to latrines reflects a negative growth of -8.6% p.a. over the same period which in effect means that sanitation is in a form of bucket system and have bucket toilets have been reduced by 85.6% from access to drinking water in a form of community 20.3% in 2001 to 2.8% in 2011. The standard stand pipes which are within 200m walking and provision of sanitation and water shows a significant improvement from 2001 to 2011. The BCRAM has a total of 8929 houses which has access



1.2.6 ELECTRICITY

Table 5: Energy for Lighting

BASIC SERVICE/ INFRASTRUCTURE	BLUE CRANE ROUTE AREA (STATSSA 2001)	BLUE CRANE ROUTE AREA (STATSSA 2011)	%	GROWTH % P.A.	BLUE CRANE ROUTE AREA (CS 2016) %
Total number of households	9 595	9 761			
Energy (Access)	9 470	9 760		3.06%	
Electricity	6 161	8 486	86.9	3.8	88.9
Gas	23	17	0.2	-2.6	-
Paraffin	2 135	306	3.1	-8.6	-
Candles	1 057	876	9.0	-1.7	-
Solar	34	36	0.4	0.6	-
Other	60	0	0.0	-10.0	11.1
None		39	0.4		-

Source: StatsSA 2011: Community Survey 2016

Access to electricity has improved from 65.1% done but due financial constraint this exercise in 2001 to 86.9% in 2011. Community survey is not improving in most areas but in some conducted in 2016 also shows a slight change areas, it is improving. There are constant power from 86.9% to 88.9%. The dependency on paraffin failures occurring in those lines. Electricity is and candles were reduced from 22.5% and supplied to all schools, hospital (Andre Vosloo) 11.2% in 2001 to 3.1% and 9.0% in 2011. BCRM and Somerset East correction services. also supply's farm areas that are >100km radius. The current backlogs in those different lines are the rotten / old network, with falling poles due to its life span. Regular routine maintenance is

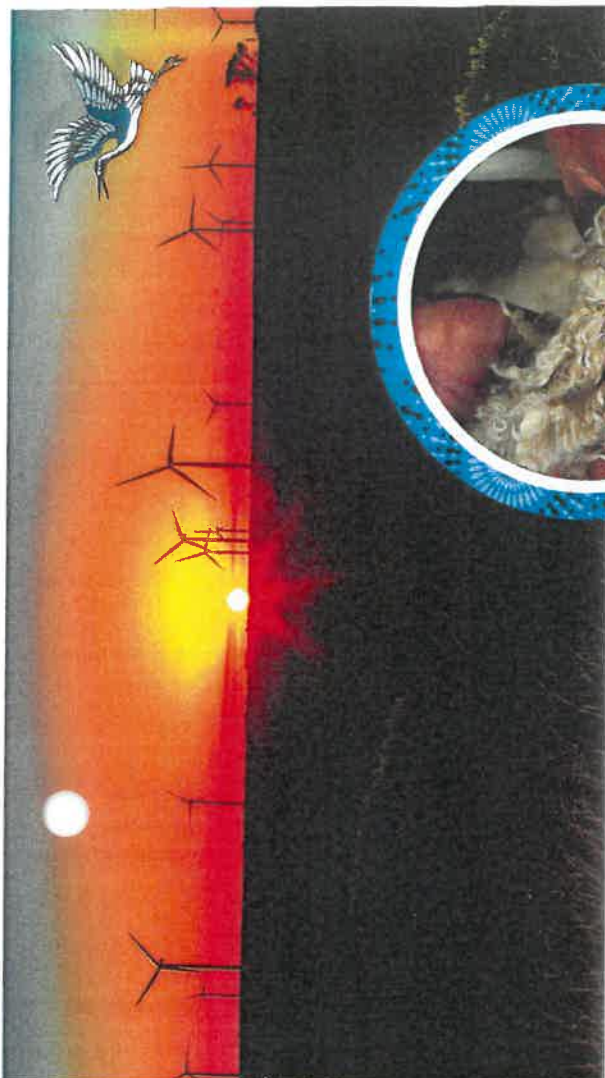


1.2.7 SOLID WASTE MANAGEMENT

Table 6: Refuse Removal Services

BASIC SERVICE/ INFRASTRUCTURE	BLUE CRANE ROUTE AREA (STATSSA 2001)	BLUE CRANE ROUTE AREA (STATSSA 2011)	%	GROWTH % P.A.	BLUE CRANE ROUTE AREA (CS 2016) %
Total number of households	9 595	9 761			
Refuse Removal	9 467	9 761		3.10%	
How often by municipality?					
a) At least once a week	6351	7842	80.3	2.35	86.1
b) Less often	28	51	0.5	8.21	0.4
How often is refuse bags provided	Once in 3 months	Once in 3 months			
Mode Disposal					
a) Communal dumping	59	78	0.8	3.22	4.3
b) Own dump	2440	1444	14.8	-4.08	6.4
c) No disposal	589	195	2.0	-6.69	2.6
Other	0	151	1.5		0.1
No of Licensed Landfill sites		3			
No of un-licensed landfill sites		0			

Source: StatsSA 2011: Community Survey 2016



In 2011, 80.3% of households in the BCRM had access to a weekly refuse removal service as compared to 67.1% in 2007. In 2016 it has increased to 86.1. All residential areas, excluding farm areas, have access to refuse removal services. There is a fixed schedule for household and business refuse collection. Both household and business refuse are collected once a week. The municipality does not have a schedule for garden refuse. Waste Collection Strategies include skip bins and kerb side collections on a weekly basis. The illegal dumping sites are cleared monthly. This is not without challenges due to availability of equipment as well as fleet.

1.2.8 ECONOMIC ANALYSIS

Local economic development is vital to the future development of the BCRM; the economy of this Municipality is based primarily on agriculture and Tourism. In essence the activities that dominate are: Agriculture: Intensive Farming operations (Cash crops/ Lucerne production, dairy's, etc) Extensive farming operations: Cattle & Goat farming, game farming. Agriculture dominates the district's economy, contributing 28% of all value added and amounting to 41% of formal employment.

SUMMARY OF THE ECONOMIC SECTOR:

Municipal Environmental Programme is supported with Community Works Programs (CWP) and Expanded Public Works Programme (EPWP) on an on-going basis. Community awareness programmes are conducted to educate the community about environmental issues; however communities have not fully embraced the concept of keeping the area clean and there are still illegal dumping spots. There is a private company conducting on site recycling.

Renewable energy: Wind Farms and potential Hydro- energy and solar panels

Largest threats: Climate change, localised droughts, cheap imports, changing economic climate in South Africa, Disasters (floods), unemployment and crime rate.

2. Somerset East Aerodrome

The municipality is in the process of capacitating LED unit. The following are the economic infrastructure/projects within the municipal area which are being implemented through the Cacadu Development Agency:

1. Somerset East Industrial Park

This project has the potential to be the ultimate economic driver for the municipal economy. Launch and handover of bulk infrastructure at the Industrial Park was done. Funding for the project is R28m. The municipality in partnership with the CDA are in the process of engaging potential investors to utilise the industrial park in order to create sustainable jobs and change the economic outlook of the municipality.

3. Boschberg Tourism Hub

Currently the Boschberg Tourism Hub is a responsibility of CDA. The current challenge with the Tourism Hub is the lack of security. The building is vandalised and the Lease Agreement between BCRM and the Lessee has lapsed and not renewed. However, CDA is in the process of appointing service provider to do costing for renovations.



OTHER LED PROJECTS

1. R355 Road Project

The R355 road project is underway.

2. Renewable Energy (Wind farms)

There are windfarms within the Province of the Eastern Cape. There are five (5) within Blue Crane Route jurisdiction situated in Cookhouse area. This wind farm has made contribution to social development projects focusing on early childhood development programmes.

3. Revitalisation of the rail

The project was implemented in Cookhouse by Transnet and +- 100 job opportunities were created.

1.2.9 SOCIO ECONOMIC DIMENSION

Table 7: Socio Economic

SOCIO ECONOMIC ANALYSIS	BLUE CRANE ROUTE AREA (STATISSA 2007)	BLUE CRANE ROUTE AREA (STATISSA 2011)	Δ%	GROWTH % P.A.
Total Population				
No disability/Unspecified	32292	28152	87.85	-1.28
Sight	571	2294	7.16	30.18
Hearing	221	350	1.09	5.84
Communication	78	82	0.26	0.51
Physical / Walking	1118	465	1.45	-5.84
Intellectual / Remembering	133	265	0.83	9.92
Emotional / Self Care	298	438	1.37	4.70
Multiple disability	300	0	0.00	-10.00
Not applicable		3956		

Source: StatsSA 2011

StatsSA indicates that there has been an overall decline of -1.28% p.a. in the number of population with disabilities. People with a sight disability have increased drastically by 5.6% from 1.6% in 2001 to 7.2 in 2011.

Table 8: Income Category

SOCIO ECONOMIC ANALYSIS	BLUE CRANE ROUTE AREA (STATSSA 2001)	BLUE CRANE ROUTE AREA (STATSSA 2011)	%	GROWTH % P.A.
Total Population				
Income 15 to 65				
No Income	180	10 504	46.09	573.6
R1 – R400	3 454	1 254	5.50	-6.4
R401 – R800	1 557	1 198	5.26	-2.3
R801 – R1600	929	4 924	21.61	43.0
R1601 – R3200	794	1 582	6.94	9.9
R 3 201 - R 6 400	566	933	4.09	6.5
R 6 401 - R 12 800	239	763	3.35	21.9
R 12 801 - R 25 600	58	489	2.15	74.3
R 25 601 - R 51 200	27	101	0.44	27.4
R 51 201 - R 102 400	32	30	0.13	-0.6
R 102 401 - R 204 800	7	28	0.12	30.0
R 204 801 or more	3	12	0.05	30.0
Unspecified	0	973	4.27	
	7 846	22 791		

Source: StatsSA

Table 9: Labour Status

BLUE CRANE ROUTE AREA (STATSSA 2011)		%	GROWTH % P.A.
Employed	7839	7434	34.3
Unemployed	5355	3300	15.2
Non-economically active	9471	10935	50.5
	22665	21669	

StatsSA indicates that 15.2% of the potential workforce is unemployed and a further 50.5% are not economically active in 2011. The remaining 34.3% of the labour force is employed. The overall dependency ratio is 56.8 persons per hundred population of working age. StatsSA 2011 also concludes that 1 953 of the youth in Blue Crane Route are unemployed.



StatsSA 2011 reflects that poverty levels are high with 46.1% of the population not receiving any income, and a further 10.8% earn less than R801 per month, therefore technically falling under the poverty line. This is exacerbated by the fact that 65.7% of the potential labour force are not working. The population lack buying power which makes it difficult to exploit local economic development opportunities and the situation implies a high dependency on social grants. Interventions must be created and expedited to support poor communities.

Source: StatsSA

The potential economic active labour force accounts for 60.2% of the total population which reinforces the need to boost the economy and stimulate job growth.



Table 10: Education Levels 20 year +

SOCIO ECONOMIC ANALYSIS	BLUE CRANE ROUTE AREA (STATSSA 2001)	BLUE CRANE ROUTE AREA (STATSSA 2011)	%	GROWTH % P.A.	BLUE CRANE ROUTE AREA (COMMUNITY SURVEY 2016)
Total Population					
Level of education 20 +					
No schooling	4 088	2 592	8.24	-3.7	6.3
Some primary	5 956	10 895	34.65	8.3	21.7
Complete primary	1 977	2 516	8.00	2.7	9.9
Some secondary	5 361	9 577	30.46	7.9	38.9
Std 10/Grade 12	2 437	4 420	14.06	8.1	20.7
Higher	1 075	1 392	4.43	2.9	2.5
Unspecified	0	49	0.16		0

Source: StatsSA and CS 2016

Stats SA 2011 shows that 8.24% of the population over 20 years of age have not received any schooling. The figure is moderate and furthermore shows a decline or negative growth of -36.6% for the past decade (since 2001), when 4 088 or 19.6% of the population over 20 years had not undergone any schooling.



1.2.10 POWERS AND FUNCTIONS OF THE MUNICIPALITY

The municipal mandate stems from the section 155 and 156 of the Constitutions (Act 108 of 1996) which assigns powers and functions drawing from the schedules 4b & 5b. In terms of the Part B of schedule 4 and 5 of the Constitution, Blue Crane Route Municipality has the following powers & functions:

SCHEDULE 4 PART B	SCHEDULE 5 PART B
<p>Powers exercised by the BCRM</p> <ul style="list-style-type: none"> • Air pollution • Building regulations • Electricity and gas reticulation • Firefighting services • Local tourism • Municipal planning • Municipal public works • Stormwater management systems in built-up area • Trading regulations • Water and sanitation services 	<p>Powers exercised by the BCRM</p> <ul style="list-style-type: none"> • Amusement facilities • Billboards and the display of advertisements in public places • Cemeteries • Cleansing • Control of public nuisances • Control of undertakings that sell liquor to the public • Facilities for the accommodation, care and burial of animals • Fencing and fences • Licensing and control of undertakings that sell food to the public • Local amenities • Local sport facilities • Municipal abattoirs • Municipal parks and recreation • Municipal roads • Noise pollution • Pounds • Public places • Refuse removal, refuse dumps and solid waste disposal • Street trading • Street lighting • Traffic and parking



1.3. ORGANISATIONAL DEVELOPMENT OVERVIEW

During the year under review, the organisational structure undergone a review process which was subjected to intense engagements with all internal stakeholders. This culminated into an organogram being adopted by Council. The municipality has a workforce of 261 permanent employees and 115 temporary employees. All the senior management positions are filled. Organisational policies and bylaws were developed, some reviewed and approved by Council. Performance Management Framework and Individual Performance Management Policy were also reviewed; performance management has not cascaded to other levels of management except for Senior Management.

COMMENT ON THE ANNUAL REPORT PROCESS

The annual report is a product of inputs by various departments and relevant stakeholders on the activities and programmes that were implemented and those that were not achieved against the annual plan of the municipality. The year under review has been a relatively successful but challenging year in ensuring that the municipality complies with good governance principles, laws and regulations and adherence to the annual report processes and deadlines.

1.4 FINANCIAL OVERVIEW

The Municipality is still largely dependent on the Equitable Share and other grant funding. In addition the Municipality has a fair consumer base, however shows signs of deterioration with Services Charges are evident. An under collection of Service Charges have been experienced in the 2022/2023 Financial Year. In line with the under collection of Services rendered, Debt Impairment increased as a result of debtors not being able to pay their Municipal accounts. It should be noted that the Municipality has an indigent rate of 48% and this by itself is a major contributing factor to the Financial sustainability of the Municipality and remains a challenge in the current year. Management have embarked on approaches to implement the revenue enhancement approaches that were developed to address the challenges faced by the Municipality in this regard.

FINANCIAL OVERVIEW: YEAR 2022/2023			
Details	Original budget	Adjustment Budget	R' 000
Income:			
Grants	95 812	115 023	108 231
Taxes, Levies and tariffs	208 982	196 258	166 371
Other	10 692	13 233	17 606
Sub Total	315 486	324 515	292 208
Less: Expenditure	342 280	345 798	321 533
Net Total*	(26 795)	(21 283)	(29 325)
<i>* Note: surplus/defect</i>			
			71.42

OPERATING RATIOS: 2022/2023	
Detail	%
Employee Cost	30%
Repairs & Maintenance (Inventory consumed)	3%
Finance Charges	1%
Depreciation and Impairment charges	26%
Bulk Purchases	35%
Other	6%
	100%





OPERATING RATIOS: 2022/2023	
Detail	%
Employee Cost	30%
Repairs & Maintenance (Inventory consumed)	3%
Finance Charges	1%
Depreciation and impairment charges	26%
Bulk Purchases	35%
Other	6%
	100%

Employee Related costs are within the norm with 30%. Repairs and Maintenance are below norm at 3% as the Municipality's budget is severely under constraint and not being able to fund the repairs and maintenance of assets in the vicinity of R1 billion. This filters through to the fact that Depreciation and Impairment is at 26%.

TOTAL CAPITAL EXPENDITURE: YEAR 2020/2021 TO 2022/2023			
Detail	2020/2021	2021/2022	R'000 2022/2023
Original Budget	37 580	43 411	22 276
Adjustment Budget	45 448	54 380	45 613
Actual	29 575	31 719	37 923

The Capital budget increased from R22 million to R46 million from the Original Budget to the latest Adjustment Budget done in June 2023. The Municipality received a roll over approval for Conditional Grants to the value of R9.5 million and additional funds allocated the Municipality in the last month of the financial year of R3.2 million. Own funds were also allocated to the capital budget to increase the efficiency of operations.

GOVERNANCE





CHAPTER 2 GOVERNANCE

INTRODUCTION TO GOVERNANCE

In terms of the Municipal Structures Act, Blue Crane Route Municipality is a Collective type, which means it has an Executive Committee (EXCO) led by the Honorable Mayor. EXCO has a role of processing all items for consideration by the Council which is led by the Honorable Speaker.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Section 151(3) of the Constitution of RSA allows the Municipal Council to govern on its own initiative and local government affairs of the local community. The municipality has four standing committees aligned to the four (4) Directorates of the municipality. The committees sit once per quarter and special meetings when there is a need. The committee meetings are attended by all Councillors, Management and staff members of their respective directorates. Council meetings sit once per quarter and special Council meetings when there is a need for a Council resolution. The Council meetings are chaired by the Speaker and attended by all Councillors, Management and members of the community.

Blue Crane Route Municipality is comprised of eleven (11) Councillors; six (6) of which are

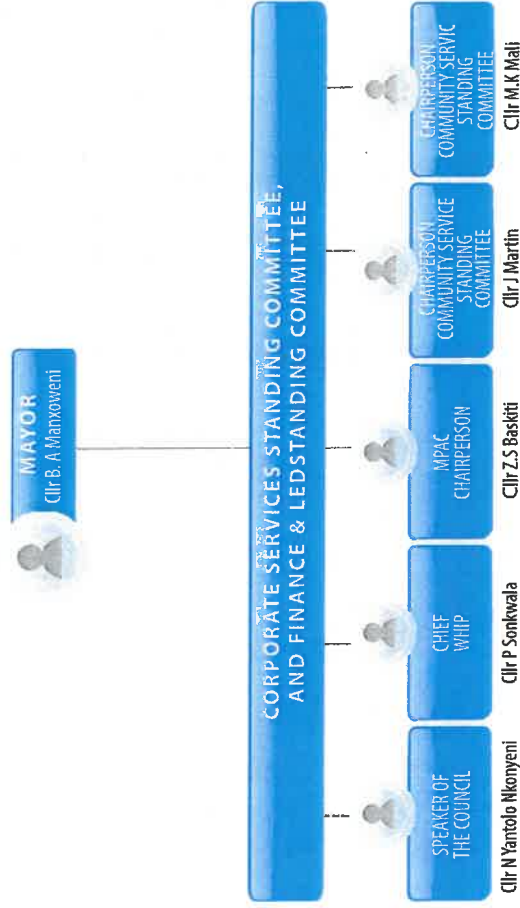
ward Councillors, and five (5) proportional representative Councillors. The Speaker is a proportional representative (PR) Councillor. The ward Councillors are responsible for the wards they are representing, and PR Councillors provide support to wards. The structure of Council constituted as follows:

- 1 Cllr B.A Manxoweni – Mayor : ANC
- 2 Cllr N. Nkonyeni-Yantolo – Speaker : ANC
- 3 Cllr Z. S Baskiti- Ward 1 (ANC)
- 4 Cllr A. Heynse- Ward 2 (DA)
- 5 Cllr A. Dyantyi- Ward 3(ANC)
- 6 Cllr M.K Mali- Ward 4(ANC)
- 7 Cllr Smith Johnson - Ward 5 (DA)
- 8 Cllr P. Sonkwala- Ward 6 (ANC)
- 9 Cllr E. Miggels – EFF :PR
- 10 Cllr J. Martin – DA :PR
- 11 Cllr F. Brown – DA: PR

Blue Crane Route Municipality has established a Municipal Public Account Committee (MPAC) which is an Oversight Committee. MPAC is comprised of both ward and PR Councillors, with Councillor Z.S Baskiti as the Chairperson. It provides Council with comments and recommendations on the Annual Report. During the year under review the MPAC convened at least 2 meetings as part of its oversight responsibilities. During the financial year, the municipality had a functional Audit & Performance Committee. Four (4) ordinary and 2 special meetings were held during the year. The Audit & Performance committee is currently serving its first year of its 3-year contract. Audit & Performance Audit Committee charter was reviewed and submitted to Council for consideration and approval.

2.1 POLITICAL GOVERNANCE

POLITICAL STRUCTURE





POLITICAL DECISION-TAKING

The process of Council decision commences at the Standing Committee level through recommendations, which are later tabled at the EXCO and passed for adoption/Approval by Council. All Council resolutions become final and binding. Political decisions and resolutions are taken at the Council meeting. Decisions are taken through consensus, or a majority vote of the Councillors present in the meeting. A resolution register developed from decisions taken by Council is maintained, monitored and tabled for tracking / oversight in all ordinary Council meetings.

2.2 ADMINISTRATIVE GOVERNANCE

The BCRM has the following Directorates in its organizational structure. These are, Office of the Municipal Manager, Corporate Services, Community Services, Financial and Technical Services

TOP ADMINISTRATIVE STRUCTURE	FUNCTION
MUNICIPAL MANAGER (Mr M.P Nimi)	<ul style="list-style-type: none"> Oversee the functioning and performance of the following Directorates, i.e: <ul style="list-style-type: none"> Corporate Services Finance Community Services Technical and Infrastructure Services Office of the Municipal Manager
DIRECTOR CORPORATE SERVICES: (Mrs Novuko Kubone)	<ul style="list-style-type: none"> Administration Human Resources ICT Customer Care
DIRECTOR: FINANCIAL SERVICES (Mr Nigel Delo)	<ul style="list-style-type: none"> Income and Expenditure Budget and Financial Reporting Assets and Supply Chain Management
DIRECTOR: COMMUNITY SERVICES (Mrs Yolisa Mniki)	<ul style="list-style-type: none"> Parks and Recreation Environmental Health and cleansing Fire and Rescue Services Traffic Services Environmental Management Library Services
DIRECTOR: TECHNICAL SERVICES (Mr Ayanda Gaji)	<ul style="list-style-type: none"> Roads and Stormwater Projects Management Unit Electro-Mechanic Water Services Human Settlement





COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The concept of Integrated Development Planning (IDP) is embedded on the principle of co-operation amongst various spheres of government for the purpose of providing better co-ordination and services to the community. It is in this context that co-operative governance and inter-governmental relations becomes of utmost importance. Blue Crane Route Municipality has no functional Inter-Governmental Relations Forum (IGR) due to poor attendance by other stakeholders.

2.3 INTERGOVERNMENTAL RELATIONS

The municipality continues to have good working relations with the following stakeholders and associations; however, IGR forum needs to be strengthened.

- South African Local Government Association (SALGA)
- Dept of Co-operative and Traditional Affairs (COGTA)
- National and Provincial Treasury
- Sarah Baartman District Municipality (SBDM)
- Dept of Rural Development and Land Reform
- Dept of Energy
- Dept of Water and Sanitation
- Department of Human Settlements
- Dept of Social Development
- South African Police Service

- Independent Electoral Commission
- Auditor General
- Cadadu Development Agency (CDA)
- Dr Beyers Naude Local Municipality and
- Ndlambe Local municipality

2.3.2 RELATIONSHIP WITH THE DISTRICT MUNICIPAL ENTITY

The BCMR has good relations with the Cadadu Development Agency (CDA). These relations were strengthened by the decision of the BCMR Council to dis-establish its previous entity, the BCDA. Currently the CDA oversees the co-ordination and implementation of BCMR Local Economic Developments programmes. This is managed through a Service Level Agreement (SLA) signed between the two parties.

2.3.3 DISTRICT INTERGOVERNMENTAL STRUCTURES

The municipality enjoys good relations with the Sarah Baartman District Municipality. Councillor Phandulwazi Sonkwala is the BCMR Representative in the District Municipality. The municipality also participates in the following district structures:

- District Mayor's Forum
- District Speakers' Forum
- District Women Commission
- District MM's Forum
- District Wide Infrastructure Forum
- District PMS Forum
- District IDP Rep Forum
- District-wide Disaster Management Forum
- District Legal Advisors Forum
- Internal Audit & Risk Management Forum
- District HR Forum

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Public accountability and participation play an important role in the promotion of democracy in local government. The municipality uses the Ward Based Planning model to engage the community on matters relating to Performance Management, IDP and Budget. This places public accountability and participation at the basic level of community engagements.

• IDP/BUDGET/PMS REPRESENTATIVE FORUM

IDP/Budget/PMS Representative Forum sits once a quarter. The forum is chaired by the Mayor, Cllr B Manxweni and is attended by Councillors, Government departments, organized structures in the community, Community Development Workers (CDW's) and BCMR Management. The IDP/PMS/Budget Representative Forum is the structure which facilitates and co-ordinates participation in the IDP/Budget/PMS Process.

• WARD COMMITTEES

Ward Committees are meant to deepen public participation in the governance of the municipality and to encourage participation by communities. The main task of the ward committee members is to be a channel between

the municipality and its communities and to ensure that the communities are informed of pending activities of Council. On the other hand, they bring genuine community interests to the attention of the municipality. The ward committee meetings are not sitting as they are supposed to.

• PUBLIC/COMMUNITY MEETINGS

Public meetings are held in two ways, at times they are requested by community through petition to the Office of the Speaker to address issues that affect service delivery such as water and electricity crisis. At times they are requested by the municipality to address any communal issues. Information about petitions and sitting of ward meetings was received from Ward 4 and Ward 1.

• WARD BASED PLANNING MEETINGS

Mayoral outreach /imbizo and ward-based planning meetings are conducted twice a year to give feedback to the community on the municipal performance against ward-based plans which were implemented in the previous financial year and to get inputs for the review/planning process for the next financial. These platforms allow communities to participate in the drafting and finalization of IDP and Budget.

2.4 IDP PARTICIPATION AND ALIGNMENT

IDP PARTICIPATION AND ALIGNMENT CRITERIA	YES/NO
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 56 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

* Section 26 Municipal Systems Act 2000

COMPONENT D: CORPORATE GOVERNANCE

2.5 RISK MANAGEMENT

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial control, risk management and internal control...: "The purpose of the Risk Management is to:

- Advance the development and implementation of modern management practices and to support innovation throughout the municipality.
- Contribute to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring legitimate precautions are taken to protect the public interest, maintain public trust, and ensure due diligence.

BCRM has an Enterprise Risk Management Framework policy in place that guided Council and management in identifying, rating, responding, monitoring and evaluating as well communicating risks within the municipality. A strategic risk assessment workshop was held during the beginning of the financial year with the assistance of Internal Audit Unit. High risks, medium and low risks were identified within the risk appetite of the municipality and actions to mitigate risks were identified and captured on a risk register.

- Mitigation plans were developed to curb the level and impact of risks on achieving municipal objectives. The plans were regularly reviewed on a quarterly basis. Reports on the quarterly reviewed were regularly tabled to Audit Committee. Departments are also appraised of the status of their risks quarterly.

2.6 ANTI-CORRUPTION AND FRAUD

All actual or suspected incidents should be reported without delay to immediate line manager. Should an employee be concerned that the immediate line manager is involved; the report can be made to any other member of management, the Municipal Manager and/or the Chairperson of the Audit Committee. The Municipal Manager will initiate an investigation into the matter.

A whistle-blowing facility is one of the most effective tools in identifying fraud occurring within an organization. The fraud prevention plan indicates that employees and other parties are encouraged to report their suspicions of fraud without fear of reprisal.

The following general provisions apply to whistle-blowing facilities:

- All employees and suppliers can contact the hotline to voice any concern that they have relating to fraudulent behavior that has a bearing on Blue Crane Route Municipality;
- Trained operators will respond to calls in most of the official languages in South Africa;



- Operators will probe callers for specific facts to record as much information and understand the incident as clearly as possible; and
- Although callers may choose to tell the whistleblowing consultants who they are, the call report will never reveal their identity unless the caller specifically allows this, thereby protecting the caller's anonymity.
- If employees or the community wish to report allegations of fraud and corruption anonymously, they can contact the whistleblowing hotline operated by the Public Services Commission on 0800 701 701, all calls to this number are through a secured answering service and are treated with utmost confidence. Employees or the community can also make use of the presidential hotline 17737.

Duties of Internal and external auditor

The MFMA stipulates that a Municipality must maintain a system of internal audit under the control and direction of an audit committee. Furthermore, the internal audit function of Blue Crane is required to report on matters relating to:

- o Internal Control;
- o Accounting procedures and practices.
- o Risk and risk management thereof;
- o Loss control; and
- o Compliance with applicable legislation.

2.7 SUPPLY CHAIN MANAGEMENT

The Municipality has a Supply Chain Management Policy, SCM Policy for Infrastructure Procurement and Delivery Management as per the requirements of the National Treasury Standard for Procurement Delivery/Infrastructure Management. The objective of these policies is to provide a policy framework within which the Municipal Manager, Chief Financial Officer and other Senior Managers must institute and maintain a Supply Chain Management System which is transparent, efficient, equitable, and competitive. The policies also ensure the principles of best value for money for the municipality are outlined; applies the highest possible ethical standards; and promotes local economic development. By adopting the policies, the Council further pledged itself and the municipal administration to the full support of the Proudly South African campaign and to the observance of all applicable national legislation, including specifically the:

- Preferential Procurement Policy Framework Act No. 5 of 2000 and its regulations;
- Broad Based Black Economic Empowerment Act No. 53 of 2003 and any applicable code of practice promulgated in terms of that Act; and
- Where applicable, the Council also pledges itself to observe the requirements of the Construction Industry Development Board (CIDB) Act No. 38 of 2000 and its regulations.

Reports on the implementation of the SCM policy are submitted quarterly to the Accounting



Officer; the Mayor; and Council. The SCM Annual report on the implementation of the SCM policy for the 2022/2023 financial year was submitted to the Accounting Officer; Mayor and the Council. The unit has a full staff compliment, and the staff are aware of the SCM Code of Conduct. Service Provider Performance is regularly monitored with the help of Project Managers / End Users. Tax matters for all transactions above R15 000 were confirmed to be in order through the Central Supplier Database.

Declarations of interest are checked for all transactions; a register of Related Parties is kept and forms part of the AFS Notes. The municipality has a functional Bid Committee system.

Challenges were experienced during the year leading to delays in the procurement of some service delivery projects. There were tenders that had to be re-advertised due to non-responsiveness of bidders and contract management is also one of the issues that have been highlighted by the Office of the Auditor General. Transformation to pro-activeness of the unit is one of the improvements that the municipality is working on.

2.8 BY-LAWS

Section 11 (3) of the Municipal Systems Act, 2000 empowers Municipal Council to exercise executive and legislative authority to pass and implement by-laws and policies. By-laws were reviewed in the year under review. The workshop for Councillors, Senior Management and Middle management was conducted.



BY-LAWS INTRODUCED DURING YEAR 2022/23

Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Standard by-laws for development of electronic communication facilities		No		Yes	03-02-2023
	Commonage By-Law	No		Yes	
	Impoundment of animals By-Law	No		Yes	
	Liquor Trading Hours By-Law	Yes		Yes	11-Mar-22

2.9 WEBSITES

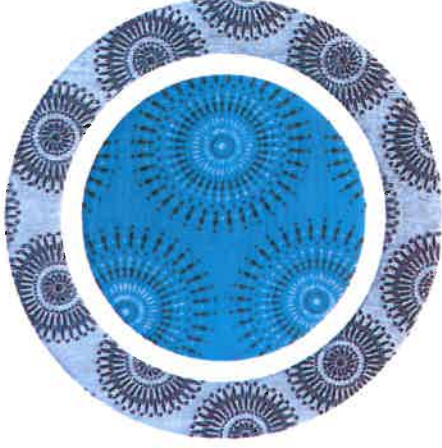
MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	YES	07-07-2023
All current budget-related policies	YES	11-08-2023
The previous annual report (Year -1)	YES	14-04-2023
The annual report (Year 0) published/to be published		
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	YES	22-08-2022
All service delivery agreements (Year 0)	YES	11-08-2023
All long-term borrowing contracts (Year 0)	YES	11-08-2023
All supply chain management contracts above a prescribed value (give value) for Year 0	YES	11-08-2023
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	NO (no assets have been disposed of)	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	YES	11-08-2023
Public-private partnership agreements referred to in section 120 made in Year 0		
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	YES	11-08-2023



COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipal website serves as a key communication tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. All the required information is regularly updated on the municipal website and its official address is <https://www.bcrn.gov.za>. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the:

- IDP,
- Annual budget,
- Adjustments budgets and
- Budget related documents
- Policies.
- Performance Management Reports
- Strategic documents
- Contracts Agreements

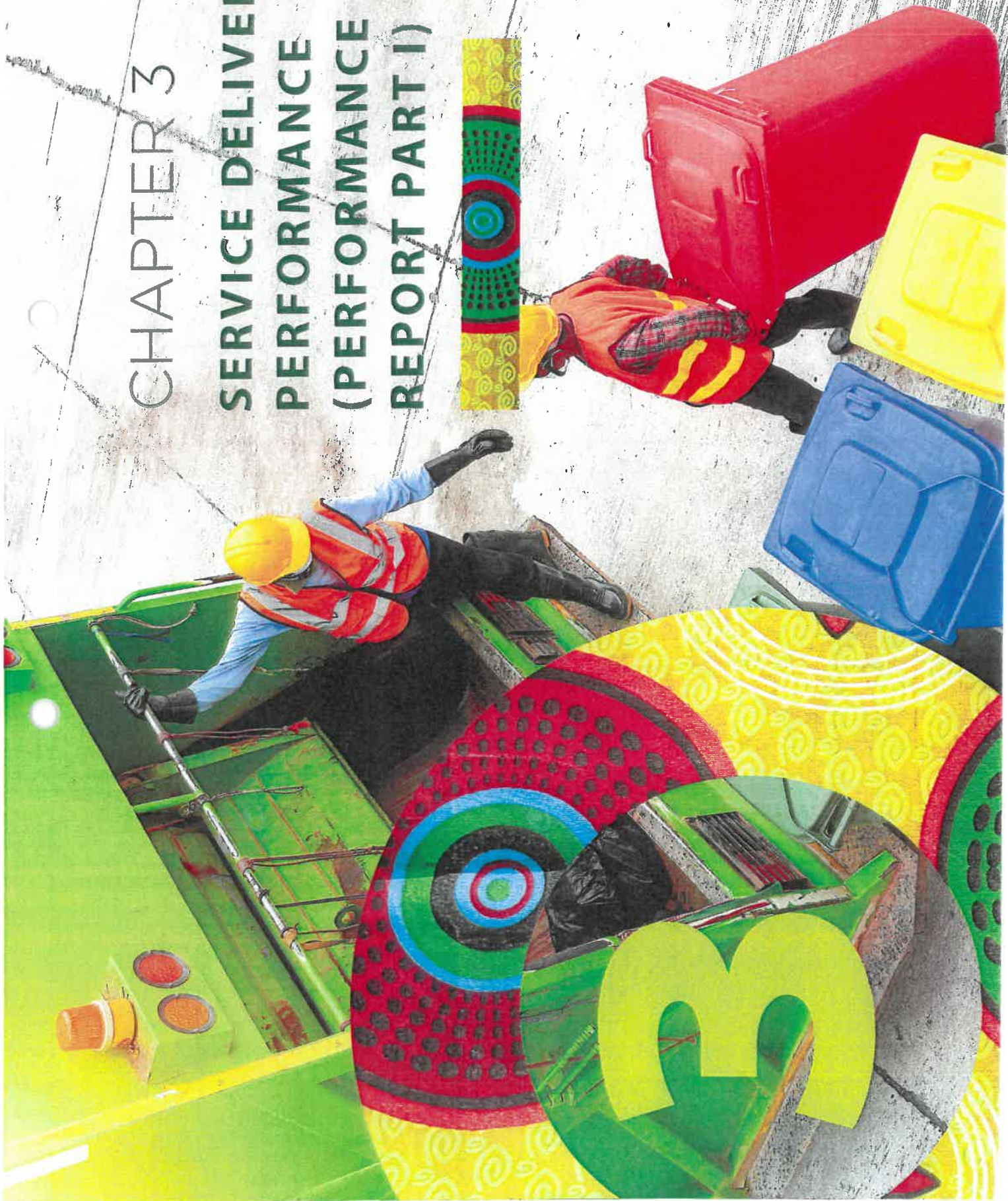


Shweshwe,

also known as, shoeshoe or isishweshwe is a printed cotton fabric that is manufactured in South Africa. The formal name for shweshwe is indigo-dyed discharge printed fabric. It is a trademarked fabric and the largest producer of shweshwe is the Three Cats brand, produced by Da Gama Textiles in the Zwelitsha township outside King Williams Town in the Eastern Cape of South Africa. It is printed onto cotton, which is grown locally, also in the Eastern Cape.

CHAPTER 3

SERVICE DELIVERY PERFORMANCE (PERFORM PART I)





CHAPTER 3

SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

3.1 WATER AND WASTE WATER SERVICES

This section includes – water reticulation, sewer reticulation, and water regulation

BCRM is composed of 3 towns: Somerset East, Pearston & Cookhouse. The BCRM covers an area of 11 068 square kilometers which makes up 19% of SBDM geographical area. Based on the Statistical overview, the population of this WSA grew by an annual average of 0.72% - 38 800 residents in 2020. There are 10 604 households in Blue Crane Route Local Municipality. The average number of people per household is 3,7. BCRM has an estimated water availability of ± 6000 kl/day = 180 ML/Month.

- In terms of water sources in the towns it is found that:
 - Cookhouse is dependent on water from Great Fish River Water User Association Water Canal and has no surface or borehole sources.
 - Pearston obtains its water solely from boreholes there is no surface water available.

Somerset East water is obtained from surface water, which is seasonal and dependent on rainfall, as well as water from the Orange Fish River irrigation scheme which is the only reliable source in town. The town extracts water from:

- Wellfields and Kalela Fountain
- The canal
- Bestershhoek dam

BOREHOLES

Pearston Area: The town of Pearston heavily relies on ground water for the purpose of potable and irrigation use. Currently the town has 5 x existing production boreholes of which only 3 x borehole is in operation. The existing 5 x production boreholes has a potential of supplying 1,27ML/day.

The current 3 x production borehole delivers a safe sustainable yield of 0,84ML per day. The municipality is currently in the process of drilling additional two boreholes. Somerset East Area: Somerset East has 7



production boreholes, 3 in operation. The town of SE current yield is 2,8 ML/day. Cookhouse Area: No boreholes.

WATER RETICULATION, SEWER RETICULATION & WATER REGULATION OPERATIONAL MATTERS:

- 187km water pipelines.
- 2 of 4 Water Treatment Works operating beyond design capacity (Bestershhoek & Cookhouse).
- 3x Waste Water Treatment Works partially functional for all three towns (some have Operational and Maintenance issues).
- 5x Sewer pumpstation need to be upgraded in Somerset East.
- 5x Raw water storage dams are available (Cookhouse, Bestershhoek, Van de Walt, Lake Bertie, Mountain (Bosberg).
- 14x Raw Water Reservoirs in all three towns.
- Draft Water By-Law in place.
- 92% of sewer and water complaints attended to in the second & third quarter.
- The municipality water and sanitation budget for Operations & Maintenance is less than 2% for this current 2022/2023 FY. This is less than the norm of 10%. This adversely affects the Operational and Maintenance plans implementation.
- 11 process controllers managing 4x WTW and 3x Waste/Water Treatment Works
- Chemical (quarterly) and Biological (monthly) sample collection and testing.

3.2 ELECTRICITY SERVICES

This section includes planning, distribution, protection, and projects.

INTRODUCTION TO ELECTRICITY

Blue Crane Route Municipality is the electricity distribution licence holder with licence number NER/DEC102, and supplies electricity to Somerset East, Cookhouse and Pearston. It has one bulk supply point with an installed capacity of 18 MVA and a maximum demand of 17,2 MVA. The network consists of 28 km of medium voltage (MV) underground cable, 928 km of low voltage (LV) underground cable, 2 600 km of MV overhead lines and 128 km of LV overhead lines.

The Municipality has 8 411 customers, which are categorised as follows: 6 696 prepaid domestic; 768 domestic credit meters; 354 commercials; 572 agricultural and 21 industrial customers.

OVERHEAD LINES

In general, the overhead network of the Blue Crane Route Local Municipality is old and most of it has been in service for more than 50 years. However, certain 22 kV distribution lines, particularly the ones transmitting from the Main Substation to farmers at Zuurberg, were installed in 1965 and an urgent replacement programme was needed to ensure continuous supply of power. The Swartzhoek and Pearston were also needed maintenance.

PLANNING, DISTRIBUTION, PROTECTION, AND PROJECTS OPERATIONAL MATTERS

- Dilapidated infrastructure.
- Prolonged lead time on fault findings due to geographical and extent of the areas.
- Ineffective customer care system.
- Two-way radio system not in place.
- 8 x vehicles in our possession: 80% is not in good condition.
- Substation capacity: 2 x 10MVA transformers = 20MVA.
- 2nd largest overhead lines after ESKOM.
- Approx. 1400km electrical network.
- Outdated lifespan of the electrical lines +/- 45 years.



3.3 HUMAN SETTLEMENT

This section includes – Housing projects monitoring and evaluation; needs register; registration of unregistered properties; issuing of title deeds; administration of housing subsidies; agreement of sales; upgrading of informal settlements.

INTRODUCTION TO HOUSING

The Blue Crane Route Municipality (BCRM) is in the Eastern Cape Province and forms part of the Sarah Baartman District Municipality. The followings towns and areas forms part of the Blue Crane Route Municipality:

- Somerset East
- Pearston
- Cookhouse

Since 1997, Housing Implementation has been a success within the Blue Crane Route Municipal area. The Municipality has done well as the Developer and projects have been monitored and evaluated according to the funding agreements between the Provincial Department of Housing, Local Government & Traditional Affairs (currently known as Dept of Human Settlements).

HOUSING OPERATIONAL MATTERS

- (a) Registration of unregistered properties:

The registration of unregistered properties within the BCRM it's an on-going project that is funded by the DHS to restore the dignity of all beneficiaries that benefited in the olden days and were never given ownership of their benefited properties. The programme includes only those pre 1994 housing projects (Old Mmandi, Aeroville, West View,

Francisvale, Old Location, New Brighton, Khanyiso in Pearston, Bongweni Location in Cookhouse.) The Unit encourages all the above-mentioned location to visit the office if their said properties are still unregistered for their application or registration for title/ ownership.

HOUSING PROJECTS

1. SUPPORT OF DEPARTMENT OF HOUSING TO BLUE CRANE ROUTE LM

The Department of Housing has appointed one (1) Senior Regional Manager (M. Ndoni), two (2) Chief Construction Project Managers (Mr. V. Nana and Ms. A. Lwana) and two (2) Construction Project Managers (Ms. T. Pango, Ms. T. Zozi and Mr. S. Siguba) to assist the Blue Crane Route Municipality to manage their projects. The Administrative Staff of the Department of Human Settlements is also involved on all the projects on an ongoing basis.

The Department of Housing & Local Government has also allocated 3 Control Works Inspector (Mr. L. Sigudla & Ms. S. Mguzulwa) to assist the Blue Crane Route LM to monitor progress and quality on site.

The department has an institutional arrangement of working together through Housing Delivery by monitoring and tripartite accountability in certification of work done (Value created).

2. PROJECT STATUS

Effective communication and cooperative support between the Municipality and the Department has led to housing delivery of more than 3178 houses and 2407 transfers. The current status of all the projects in the Blue Crane Route Municipality is summarised as follows:

- a) Projects Completed
- some of these projects are completed in terms of the above there are still some administrative issues (beneficiaries, transfers, etc) to be dealt with in order for these projects to be closed off.
- The following projects have been completed to date:

MANAGEMENT AREA	TOTAL NO OF PROJECTS	PROJECTS COMPLETED	PROJECTS CANCELLED	PROJECTS RUNNING	PROJECTS ON PROCESSION	PROJECTS BLOCKED
Blue Crane Route LM	19	15	0	3	1	1
TOTAL	19	15	0	3	1	1

PROJECTS	UNITS	COMPLETED UNITS	UNITS REGISTERED	BUDGET	EXPENDITURE
Cookhouse Bhongweni	360	360	356	R 6,015,554.00	R 6,015,554.00
Cookhouse Phase 2	313	313	255	R 7,455,622.00	R 7,455,622.00
Pearston Nelsig 132 A	69	69	69	R 877,930.00	R 877,930.00
Pearston Khanyiso 132 B	92	92	89	R 1,386,406.00	R 1,386,406.00
Pearston Central 132 C	10	10	0	R 177,500.00	R 177,500.00
Pearston 300	300	300	296	R 7,111,770.00	R 7,111,770.00
Somerset East 102	102	102	102	R 1,612,212.00	R 1,612,212.00
Somerset East Aeroville	261	261	260	R 2,619,617.28	R 2,619,617.28
Somerset East KwaNojoli	140	140	140	R 2,397,750.00	R 2,397,750.00
KwaNojoli Hostel	221	221	221	R 2,687,360.00	R 2,687,360.00
Somerset East Phase 2	681	681	681	R 11,663,781.00	R 11,663,781.00
Old Location 200	200	200	169	R 13,141,411.65	R 13,011,422.57
Chris Hani 400	400	396	385	R 30,950,283.28	R 30,101,139.28
Aeroville 33	33	33	33	R 2,592,298.00	R 2,592,298.00
Cookhouse Bhongweni 150	150	150	150	R 20,700,000.00	R 20,700,000.00
Somerset East: Old Mmandi 93	93	14	14	R 12,834,000.00	R 1,932,000.00
Pearston 50 (34 units) phase 1	50	34	34	R 3,800,000.00	R 2,584,000.00
Pearston 50 (11 units) phase 2	50	11	11	R 1,680,000.00	R 1,680,000.00
Blue Crane Route Municipality – 10 destitute cases	10	10	10	R 1,560,000.00	R 1,560,000.00





b) Projects on Procurement

PROJECTS	COMMENT ON THE PROJECT READINESS STATUS
Kwanjoli 140 & Aeroville 261	The confirmation of the actual size of the Project is yet to concluded since some beneficiaries are refusing to be part of the Project. The Social Facilitation team of the Department and Municipality is yet to finalize this task. The procurement stage will only be completed upon the conclusion of the above task.
Blue Crane Destitute (55 units)	The Department appointed Coega Development Corporation (CDC) to be an Implementing Agent (IA) of this Project. The CDC is busy finalizing appointment of a Professional Service Provider (PSP) to render professional services on the Project.

3. CHALLENGES IN THE BLUE CRANE ROUTE MUNICIPALITY

General challenges in the BCR Municipality:

- Old Projects not yet closed out.
- The municipality has insufficient official dealing with the implementation of housing projects i.e. no inspectorate.
- Delays with registration of individual transfers and signing up of beneficiaries.
- Upgrading of Bulk Infrastructure is a BIG challenge for new development.

4. INTERVENTIONS IN MEETING CHALLENGES

- Departmental inspector involved in the construction stage to do quality monitoring of houses but also planning to have recently appointed graduates to assist directly in the municipal area projects.
- Planning to have monthly meetings where we shall discuss the following items:
 - o Project Management Plans and Project Implementation Plans
 - o Registrations and Beneficiary Administration
 - o Quality Monitoring and Evaluation
 - o Processing of claims timeously

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

Refuse collection services are provided as per the collection schedule to all the household and businesses of Blue Crane Route Municipality in Somerset East, Cookhouse and Pearston. Household and Business waste is collected at least once per week on different days in residential areas of Somerset East. Household and business refuse is collected in Cookhouse on a Tuesday and Pearston on a Monday.

Illegal dumping sites is a challenge within the municipality. There is no fixed collection schedule for the collection of garden waste due to a lack of resources.

There are three landfill sites within the municipality of which all three landfill sites are licensed but none is compliant with the license conditions.

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL

MIG funded the municipality R3.6 million and the municipality procured a Front-End Loader and the municipality is in the process of procuring a refuse vehicle. Funding was received from DEDEA and the municipality implemented the following projects:

1. Fencing of the Somerset East Landfill Site (R1 200 000.00).
2. Construction of a Guardhouse at the Cookhouse Landfill Site (R 190 000.00)
3. Implementation of landfill site remediation plan (R650 000.00).

The Somerset East Landfill site have reached its useful life, a new site needs to be established and the old site must be closed.

3.5 ROADS & STORMWATER SERVICES: (POTHOLE PATCHING, AND STORMWATER MAINTENANCE)

BCRM road network is above 147km road in length (municipal roads), ± 30% of the municipal road is in poor state. Different categories of roads needs various maintenance options such as Routine Maintenance, Event Driven Maintenance, Responsive Maintenance, Condition Responsive Maintenance etc.

The road network within BCMR is composed as follows:

CATEGORY	ROAD LENGTH (KM)	PERCENTAGE
National (SANRAL)	278.9	10.0%
Provincial	2 367.6	84.7%
Sub-Total	2 646.5	94.7%
MUNICIPAL (BLUE CRANE ROUTE LM)		
Cookhouse	19.6	0.7%
Pearston	28.6	1.0%
Somerset East	97.5	3.5%
Other	2.2	0.1%
Sub-Total	147.8	5.3%
Total	2794.3	100.0%

INTRODUCTION TO ROADS & STORMWATER SERVICES

The road network within the Blue Crane Route Local Municipal Area falls under the jurisdiction of three (3) authorities, namely:

- South African National Roads Agency Limited (SANRAL), who is responsible for National Route R63 and R67, which traverses the area.
- Eastern Cape Department of Transport, who is responsible for provincial trunk, main, district and minor roads within the area; and
- The BCMRLM, who is responsible for all municipal roads.





The total road network within the Blue Crane Route Local Municipal Area and under the jurisdiction of the municipality consists of 147.8km, of which 66.2km (or 44.8%) are Paved roads.

It be noted that: Paved roads comprise flexible (tar),

block and concrete roads. Unpaved roads comprise gravel and earth (in-situ) roads as well as tracks.

The below table shows different town road category and their length:

TOWN	MUNICIPAL ROAD LENGTH (KM)		TOTAL
	PAVED	UNPAVED	
Cookhouse	8.9	10.7	19.6
Pearston	7.6	21.0	28.6
Somersset East	49.6	48.0	97.5
Other	0.1	2.0	2.2
Total	66.2	81.7	147.8
Percentage	44.8%	55.2%	100.0%

MAINTENANCE PLANS

Every five years, the municipality requests five streets per ward and do proper planning for construction. Depending on the available budget (M/G), some streets are not implemented due to

limited budget, length, width and other factors. Stormwater management plan in place for Somersset East, it is still pending for other two Towns/areas (Pearston & Cookhouse). The municipality has roads maintenance plan for all the three towns. The condition of each town is depicted as follows:

TOWN	PAVED ROAD CONDITION: ROAD LENGTH (KM)					TOTAL LENGTH
	VERY GOOD	GOOD	FAIR	POOR	VERY POOR	
Cookhouse	0.0	4.4	4.1	0.4	0.0	8.9
Pearston	0.1	1.6	5.9	0.0	0.0	7.6
Somersset East	4.7	24.1	16.2	4.2	0.1	49.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	4.8	30.1	26.1	4.5	0.1	65.7
Percentage	7.3%	45.9%	39.8%	6.9%	0.2%	100.0%

3.6 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

Overview: Include Traffic Law Enforcement, Motor Vehicle Licensing, Driver's License testing and renewals, Roadworthy Test & Technical Services (Street Painting), Pound and Commonage services.

Roadworthy Testing: This service includes all vehicles testing functions. The Municipality has a responsibility to:

- Test motor vehicles for roadworthiness
- Issue roadworthy certificates
- The VTS was upgraded with new software

The key objective of this function is to ensure safety on our roads by ensuring roadworthy vehicles

STAFF COMPLEMENT

1. 1 x Chief Traffic Officer and 1 x Examiner Driver License Traffic Officers. 2 x Traffic Officer appointed in August 2023.
2. 1 x E-natis Supervisor & 1 X E-natis Clerk (Registering Authority).
3. VTS – Examiner Motor Vehicles - Position Vacant (Roadworthy Centre).
4. DLTC – Three examiners that also do law enforcement.
5. Commonage & Pound – 1 x Pound Master & 1 x Assistances.

CHALLENGES

1. Lack of equipment and resources (vehicles are old and resaling of K53 test yard) hamper services delivery.
2. Vacant positions could not be filled due to financial constraints.
3. Superintendent Traffic Officer (No Management Representative)
4. Lack of co-operation from live-stock owners, contributing to an increase of stray animals.

3.7 LIBRARIES; AND COMMUNITY FACILITIES; OTHER

Blue Crane Route Municipal Libraries provide





computers. The Library Service aims to provide information resources in various formats to the entire BCRM population and to foster a life-long reading culture.

- Functions provided by the libraries: Provide updated information to scholars and the community.
- Computers in the libraries are outdated and need to be upgraded, but no internet. Colour printers and competitive prices for printing help to give good service. Some of the libraries have tablets to provide clients with further information.
- Outreach programmes are conducted for adults and children.
- Educational programmes for pre-scholars and scholars.
- Holiday programmes for children.
- 3 Libraries have Jungle gyms
- 3 Libraries have a hall for meetings and other activities

These programmes ensure that every interested member of the community is reached and supplied with relevant information. Different programmes were held during the year under review and it reached different sections of the community.

During December 2022, all the libraries had Christmas programmes and they made Christmas decorations and cards. World Read Aloud day was held during February 2023. The librarians held programmes that suited them. One hundred and twenty children participated. The National Library week was held in March 2023. The theme was "Libraries telling powerful stories". The libraries had different activities, and these include Maths 24, Reading in 3 languages and book review. In June 2023, youth day celebrated, and the libraries had displays depicting this very important day.

3.7.1 SERVICE STATISTICS FOR LIBRARIES

- 4 Qualified librarians
- 2 Assistant librarians
- 3 librarians seconded by DSRAC
- 6 Cleaners
- TOTAL of 15 staff members
- Small libraries have approximately 15 000 and larger libraries have approximately 20 000 books. Total of approximately 95 000 books. These include DVD's and books of CD.

CIRCULATION FOR 2022/23 =	
Adults	14625
Children	14779
Total	29404

Construction of the Cookhouse Library is complete and will be handed over in 2024. Extension for the Pearston Library is planned for 2024.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

3.8 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES & CREMATORIUMS

Blue Crane Route Municipality has nine cemeteries. The municipality residents are still utilising method of burial which is digging of graves. Other methods of burial have not been fully explored especially amongst the black communities. With the increased number of funerals taking place weekly, the cemeteries are reaching full capacity. It will be important for the communities to consider other methods of burial to ensure that cemeteries do

not fill quickly. Land must be identified for a new cemetery in Cookhouse and all cemeteries need to be fenced.

The new Aeroville cemetery in Somerset East has been established as per the Record of Decision from the Department of Environmental Affairs and approval for burials was granted by the Department of Environmental Affairs. The maintenance of cemeteries is performed by a group of employees who are also responsible for the parks and open spaces. It is difficult to separate expenditure for cemeteries as there is no separate budget for them. This is for both general expenditure and employee expenses. The municipality is assisted mostly by the CWP participants to clean cemeteries due to shortage of staff and resources. The function is not performed effectively as there is currently lack of resources and the staff allocated to do the function are poorly coordinated. The department plans to coordinate the three programs assisting with cemetery cleansing function.

3.9 ENVIRONMENTAL PROTECTION

Environmental protection is a function that is performed by an Environmental Management. The municipality does not have an Environmental Management Unit yet. A provision for the appointment of the Environmental Management Officer has been made in the organogram. There is no funding for this position as a result some of the functions of this unit are performed by Environmental Health Practitioners.

Health inspections are integral part of the function of Municipal Health Services. The function of Municipal Health Services was absorbed by the Sarah Baartman District as of 1 January 2022. Abattoir licencing is a function of the Department of Agriculture who also have their own inspectors to conduct inspections at the abattoir.

COMMENT ON THE PERFORMANCE OF HEALTH INSPECTIONS, ETC OVERALL

The Environmental Health Practitioners (EHP) are responsible for Health inspections as part of their scope of practice. The scope of work includes.

- Water quality monitoring
- Food control
- Health surveillance of premises
- Surveillance and prevention of communicable diseases
- Waste Management

The EHP's perform their functions within the BCRM area of jurisdiction, and their reports are submitted to Council after being discussed in a Council standing committee on monthly basis. The same reports are submitted to the district on a quarterly basis.

Water quality monitoring is done monthly in terms of SANS 241 and all deviations are attended to and reported to the Technical Services for further intervention. Food control is done through health inspections on food handling premises in terms of Food, Cosmetic and Disinfectant Act Regulations (i.e. R638). Those food handling premises that are not compliant with the Regulations are given notices to rectify the conditions with a specified timeframe. Health surveillance of premises is also conducted in the same manner.

Waste management is a function of the municipality and EHP's are required to ensure compliance with the Waste Management Act and also to prevent occurrence of diseases that could be as a result of waste not being properly managed. The municipality has teams that do the actual collection, transportation and disposal of waste. The two units work together to ensure waste is managed in an acceptable manner.



3.10 POLLUTION CONTROL

INTRODUCTION TO ENVIRONMENTAL PROTECTION

This component includes pollution control; biodiversity and landscape; and coastal protection.

Since BCMR does not have a unit performing environmental protection, the functions that overlap with those of Environmental Health are performed by the Environmental Health Practitioners (EHP). Urban areas in the BCMR are primary centres of activity that generate air quality impacts. This includes particulate and other emissions. They are a result of either concentrated traffic volumes, industrial activities including household fires. Old infrastructure with insufficient capacity results in sewerage spillages and thus health risks. This also has a potential of water pollution which can lead to a spread of diseases.

SERVICE STATISTICS FOR POLLUTION CONTROL

Currently, the municipality does not have own Air Quality Management Plan. Ordinarily such plans are prepared by the District municipality. Old infrastructure with insufficient capacity results in sewerage spillages and thus health risks. This also has a potential of water pollution which can lead to a spread of diseases. For the year under review no complaints were received regarding noise pollution.

COMMENT ON THE PERFORMANCE OF POLLUTION CONTROL OVERALL

Pollution control in the form of prevention of nuisances such as illegal dumps is done by the Environmental Services Department. Air pollution is the function of the district municipality and

Sarah Baartman District Municipality involved all municipalities in its district to develop an Air Quality Management Plan to deal with issues of air pollution. Pollution control due to nuisance is dealt with in terms of the Health Act, National Norms and Standards for Environmental Health and local Municipal Bylaws.

3.11 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

The Blue Crane Route Municipality is a home to a wide variety of vegetation including Albany Thicket, Azonal vegetation, Fynbos and Grassland. The condition of these habitats varies considerably throughout the municipal area. The municipality continues to experience a challenge of stray animals. Although BCMR does have commonage, not all animals are kept in the commonage. Again, the municipality does not have a pound facility yet, it is still under construction, to be completed in the 2023/24 financial year.

SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

There are a number of formally protected biodiversity conservation areas within and surrounding BCMR. Within the municipal area, there is Bosberg Nature reserve near Somerset East and a portion of the Addo Elephant National Park in the South. In total 4% of the municipal area falls within formally protected areas.

COMMENT ON THE PERFORMANCE OF BIO-DIVERSITY; LANDSCAPE AND OTHER OVERALL

The municipality form part of the District Coastal and Environmental Committee. A climate risk profile and climate change adaptation plan was drafted for the Sarah Baartman District. This component includes, police; fire; disaster management; licensing and control of animals, and control of public nuisances, etc.

3.12 FIRE

INTRODUCTION TO FIRE SERVICES

A year under review generally had a significant decrease in fires mainly informal dwelling and an increase in formal dwellings, landfill site and vegetation fires. The Fires Services also continued with Community Awareness education and commercial entity inspections were there was an implemented. The municipality is considering tariff implementation levy for services rendered as well as bylaw enforcement.

Santam Insurance sponsored the municipality with one 5000L tank and two 10000L tanks. Golden Valley windfarm sponsored ten 9kg DCP fire extinguishers. Ablution facilities were constructed at the Cookhouse Satellite Station. One fully equipped Local Response Vehicle was sponsored by SBDM for rescue services. PPE for fire services was procured.

127 Fire Safety and prevention inspections were conducted in commercial entities and public amenities. 24 Disaster and fire awareness campaigns were conducted. Below is a list of some key objectives:

- Prompt reporting of emergencies and disaster call centre number
- Classes of fire
- Fire behaviour
- Extinguishing methods
- Safe evacuation methods and procedures

- Stop drop and roll method
- Fire safety tips at home
- What to do in the event of fire and disaster.
- Disaster preplanning and resilience
- Risk and hazard mitigation methods
- Proper use of portable fire equipment

ANNUAL INCIDENT AND AWARENESS INFORMATION

CATEGORY	GRAND TOTAL 2022/2023
NUMBER OF FIRES AS FOLLOWS	
BUILDINGS	1
DWELLINGS (formal - brick & mortar)	9
INFORMAL DWELLINGS (Shacks/mud/hut etc.)	19
ELECTRICAL	7
RUBBISH	29
VEGETATION	40
TRANSPORT (Cars/busses/trains/aircraft/ship)	7
OTHER (not specified above)	3
NUMBER OF FATALITIES	
Fires	1
Accidents	0
NUMBER OF INJURIES	
Fires	3
Accidents	13

- Staff Complement
 1 x Chief Fire Officer
 4x Fire Fighters
 9x Retainer fire fighters





INTRODUCTION TO SPORT AND RECREATION

Blue Crane Route Municipality has three children parks one for each town. The only park that is complete and fully equipped is the one in Pearston. The other two are incomplete and Technical Services is responsible for their completion. In Somerset East there are three parks utilised by adults. These are Victoria Park, Rest-a-While and Besterhoeek Picnic and Caravan Park. Pearston has one park as well as Cookhouse.

3.13 SPORT AND RECREATION

SERVICE STATISTICS FOR SPORT AND RECREATION

Due to financial constraints of the council, none of these parks is well maintained. There is no equipment to maintain the parks. With regards to the sport fields, the same financial situation is affecting sport fields. Very little maintenance is done due to lack of equipment.

COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

With regards to the sport fields, the same financial situation is affecting sport fields. Very little maintenance is done due to lack of equipment. Technical Services through MIG grant is busy upgrading the Aeroville Sportsfield.

BCRM has a multi-purpose Centre located at Aeroville and a Youth Center located at Old location in Somerset East. Unfortunately, both centres are not well equipped. The municipality has also 10 camp sites located at Besterhoeek. Because of economic downturn, occupancy rate has been very low for the period under review.

3.14 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information and communication technology section is the internal ICT service provider to the municipality. ICT section under the Directorate of corporate services has a task of providing ICT services for all BRCM employees through efficient and effective support, to ensure stability of IT systems and associated infrastructure.

ICT section is tasked with the support of core ICT systems and infrastructure within the municipality. This support for all ICT services is provisioned through incident and service request management processes.

SUMMARY OF ICT SERVICES

- IT Systems support – Both Hardware and Software
- Network and System Infrastructure
- Management of printing services
- ICT security and Risk management
- Business Continuity and Disaster Recovery
- Communication services; Phones, email, Internet access and mobile phones and mobile data access
- ICT governance

KEY ACHIEVEMENTS

Implementation of ICT Governance

In support of the ICT governance Framework and ICT policy framework the following policies and the ICT Strategy were reviewed and adopted by council:

- Telephone Management Policy
- IT Network Security Policy
- ICT Disaster Recovery Plan
- ICT Strategy

IMPLEMENTATION OF BUSINESS CONTINUITY

Two standby generators were procured to address loadshedding challenges at Corporate services and Townhall offices.

KEY CHALLENGES

CHALLENGES

EQUIPMENT FAILURES AND INSTABILITY

IT infrastructure (Servers, network, computer equipment) has reached the end of life. Insufficient funding is the major challenge which has resulted to equipment failures.

SCARCE SKILLS

A need to upskill IT staff in hardware platforms increases as new technologies become available. To meet these increasing demands becomes a challenge due to limited skills and budgets.

FUNDING

Funding to maintain and provide required server infrastructure and storage remains a challenge due to high costs of implementing cloud infrastructure.

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL

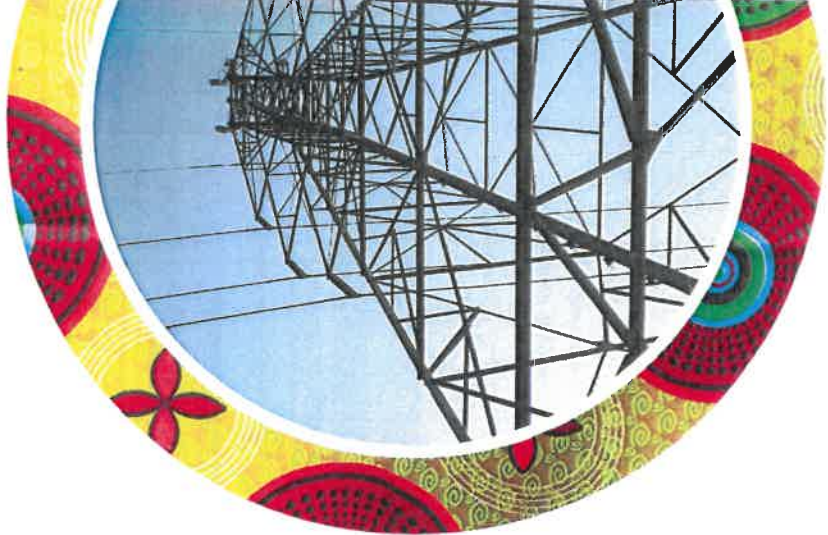
ICT had a limited budget for Capital projects for the year under review. R200 000.00 for end-user computer equipment and R1.2 million for standby generators. Six (6) laptops were procured out of the R200k equipment budget for the for the new councillors. Two (2) Standby Generators and UPSs were installed at corporate Services and Townhall

as part of Capital Projects.

Effective ICT governance was ensured by reviewing four (4) ICT policies and Information and communication Technology Strategy.

ORGANISATIONAL PERFORMANCE SCORECARD

This component includes Annual Performance Report for the year under review. The annexure is attached with the detailed performance information of the municipality.



CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORM PART IV) (REPORT PART IV)

4



CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)



COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Blue Crane Route Municipality has a total number of 261 permanent employees and a total number of 115 temporary employees. The turnover rate is 2%, 2 employees dismissed, 1 resigned, 1 medical boarded and 1 deceased. reasons. The municipality prides itself in the low-turnover rate as it is indicative of reasonable levels of staff morale.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

In accordance with the requirements of s67 of the MSA 2000 that necessitates municipalities to develop and adopt appropriate systems and procedures to ensure fair, efficient; effective; and transparent personnel administration. During the year under review the municipal council developed, reviewed, and adopted the following policies.

19. OHS Policy

- 20. Employment equity & affirmative action policy
- 21. Training and development policy
- 22. Individual performance management policy

OTHER POLICIES IN PLACE

- Leave management policy – not reviewed
- Retention strategy – not reviewed

4.3 INJURIES, SICKNESS AND SUSPENSIONS

TYPE OF INJURY	Injury Leave Taken		Employees using injury leave		Proportion employees using sick leave		Average Injury Leave per employee		Total Estimated Cost
	Days	No.	No.	%	Days	Cost			
Required basic medical attention only	4	2		50%	1	R5 547			
Temporary total disablement	73	3		4%	15	R107 526			
Permanent disablement									
Fatal									

COMMENT ON INJURY AND SICK LEAVE

measures are discussed, and recommendations made are forwarded to Management for decision taking.

In cases of temporal disablement injuries and similar injuries or injuries that happen in the same place more often, investigative inspections are conducted by the OHS Officer and the Department/Business Unit SHE Representative. If the injuries happened due to faulty equipment/tools the use of such is immediately prohibited and Departments are made aware of such actions, as these are some of the measurements taken to minimise injuries at work. SHE Committee Meetings are also held regularly / as mandated and safety precautionary

BCRM does not have their own doctors and injured employees are referred to our local hospitals and clinics for immediate attention and some are referred to Specialists that are outside the BCRM jurisdiction but are transported there by the Municipality. Sick leave due to an injury on duty is not treated the same as the normal sick leave, we use leave books that clearly indicate the IOD Sick Leave and the normal Sick Leave.

4.2 WORKFORCE POLICY DEVELOPMENT

1. Acting policy
2. Dress code, uniform & protective clothing policy
3. Municipal night shift allowance
4. Overtime policy
5. Standby policy
6. Employment policy
7. Municipal bereavement policy
8. Remuneration policy
9. Leave encashment policy
10. Employee relations policy
11. Termination of services policy
12. Employee Assistance policy
13. HIV & AIDS Policy
14. Smoking policy
15. Substance abuse policy
16. Sexual harassment policy
17. Indement weather policy
18. Labour relations policy



NUMBER AND PERIOD OF SUSPENSIONS			
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action Taken or Status of Case and Reasons why not Finalised
Watercare Superintendent	Gross Insubordination	22-Jun-23	The employee is subject to a disciplinary hearing - the municipality is facilitating the hearing sitting date. Disciplinary Hearing date still to be finalised

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Cashier	Theft of Money	Theft of money, the municipality lost R8095,20, but the money will be recouped from the employee since she still has monies that are in the possession of the municipality.	Currently HR Department is in the process of money deductions for all the amount that was lost.

4.3 PERFORMANCE REWARDS

No Performance bonuses were awarded during the year under review.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

The position of Skills Development Facilitator is vacant, and the duties were assigned to another official. This is aimed at ensuring continuous

identification, introduction and implementation of programs that will give access to employment opportunities and further personal empowerment towards improved service delivery. These objectives are well documented in a workplace skills plan which inter alia seeks to redress employment inequalities.

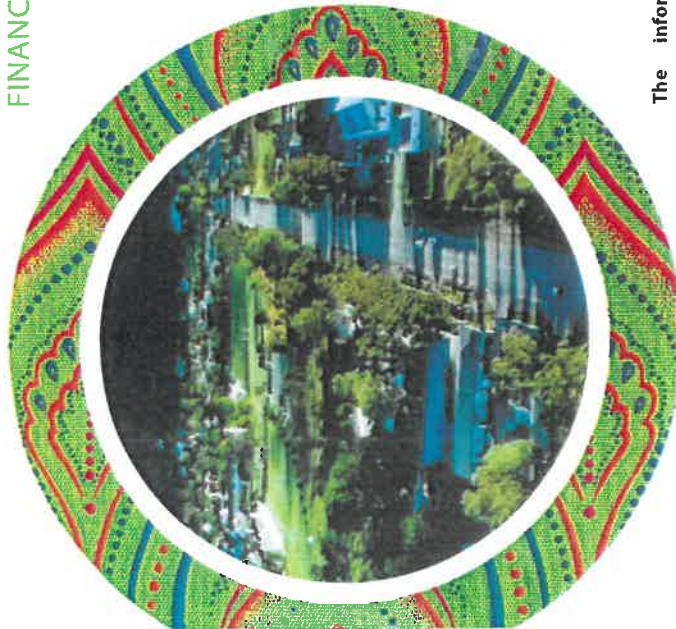


CHAPTER 5

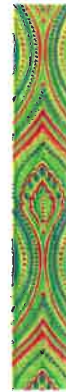
FINANCIAL
PERFORMANCE



CHAPTER 5 FINANCIAL PERFORMANCE



The information of the financial performance is contained on the attached Audited Annual Financial Statement.



EC102 BLUE CRANE ROUTE - RECONCILIATION OF TABLE A1 BUDGET SUMMARY

Description	2022/2022		2021/2022	
	Original Budget	Adjusted Budget (MFA 225)	Actual Outcome	Authorized Expenditure
Financial Performance	20 589	1 830	22 933	24 316
Property rates	160 312	(14 817)	173 056	142 056
Service charges	818	157	975	1 122
Transfers received - external services	71 721	(730)	70 991	71 257
Transfers received (Operations)	9 974	12 258	16 525	16 525
Other own revenue	281 385	(10 972)	289 423	295 234
contribution)				
Employee related costs	95 381	(194)	95 217	95 611
Remuneration of councillors	4 352	254	5 106	4 487
Debt repayment	21 883	4 000	25 883	30 231
Depreciation & asset impairment	58 959	(460)	58 314	53 415
Finance charges	2 147	1 367	3 514	3 687
Maintenance and bulk purchases	124 829	(5 780)	119 058	111 177
Transfers and subsidies	1 002	34	1 036	1 036
Other expenditure	33 227	4 433	37 660	21 798
Loss on disposal of PPE	342 280	3 618	345 798	337 533
Surplus/(Deficit)	(50 880)	(14 880)	(66 289)	(66 289)
Transfers received - capital & contributed assets	24 091	20 011	44 092	36 914
Surplus/(Deficit) after capital transfers & contributions	(26 789)	5 931	(22 297)	(29 375)
State of surplus/ (deficit) of associated contributions				
Surplus/(Deficit) for the year	(26 789)	5 931	(22 297)	(29 375)
Capital expenditure & funds sources				
Transfers received - capital	20 945	17 811	38 759	32 281
Public contributions & donations	--	--	--	--
Borrowing	4 327	4 327	4 228	4 228
Ministry generated funds	1 328	1 328	2 117	1 416
Total sources of capital funds	22 278	23 337	45 813	37 923
Net cash from (used) operating	25 904	(3 239)	22 666	27 014
Net cash from (used) financing	(22 278)	(23 337)	(45 613)	(37 923)
Net cash from (used) investing	(157)	(1)	(137 101)	(1 353)
Net cash from (used) financing	2 712	(5 191)	9 948	9 948
Capital expenditure & funds sources				
Transfers received - capital	154 111	154 111	154 111	154 111
Public contributions & donations	--	--	--	--
Borrowing	106 631	106 631	106 631	106 631
Ministry generated funds	179 211	179 211	179 211	179 211
Total sources of capital funds	439 953	439 953	439 953	439 953
Net cash from (used) operating	104 336	104 336	104 336	104 336
Net cash from (used) financing	(141 431)	(141 431)	(141 431)	(141 431)
Net cash from (used) investing	(21 426)	(21 426)	(21 426)	(21 426)
Net cash from (used) financing	21 426	21 426	21 426	21 426





5.2 GRANTS

Description	Grant Performance				R' 000	
	2021/2022 Actual	2022/2023		Year 2022/2023 Variance		
		Budget	Adjustments Budget			Actual
				Original Budget (%)	Adjustments Budget (%)	
Operating Transfers and Grants	65 255	63 385	63 385	69 506	7,48%	7,48%
National Government:	58 179	63 385	63 385	63 385	0,00%	0,00%
Equitable share	642	-	-	2 450	0,00%	0,00%
Audit Support	2 450	1 302	1 302	2 671	51,28%	51,28%
Finance Management Grant	3 994	2 300	2 300	2 300	0,00%	0,00%
EPWP	2 300	2 300	2 300	2 300	0,00%	0,00%
Provincial Government:	2 300	2 300	2 300	2 300	0,00%	0,00%
Sports and Recreation	300	-	-	3 082	100,00%	100,00%
District Municipality:	300	-	-	3 082	100,00%	100,00%
Sarah Baardman District Municipality	-	-	-	-	-	-
Other grant providers: (Insert description)	-	-	-	-	-	-
Total Operating Transfers and Grants	67 855	65 685	65 685	73 888	11,10%	11,10%

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Full list of provincial and national grants available from published gazettes.

7.5.2.1

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The asset base of the Municipality is integral to the Municipality's ability to provide services to the community in terms of its constitutional Mandate such as the provision of water, electricity, sanitation and maintenance of roads. It is the duty of the Municipality in terms of its asset management policy to ensure that assets are safeguarded and maintained so that they are operating in the manner intended for its use and are not unproductive or idle. Assets that are unproductive, idle or not operating in the manner intended or to sufficient capacity are assessed on an ongoing basis for impairment and written off and replaced if where applicable.

COMMENT ON ASSET MANAGEMENT

The Municipality assets are managed through an asset register for infrastructure, land and buildings, investment properties and moveable assets. All moveable assets are verified during the year and the life spans adjusted if it is found that the assets are not properly maintained or not in good working condition. Assets are also insured on an annual basis and the value of all assets are adjusted in the insurance renewal policy each year to match the replacement values. The value of the assets in the Annual Financial statements is according to their original cost less accumulated depreciation.

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2022/2023			
Asset 1			
Name	Paving of gravel roads in the three towns - Pearson, Somerset East and Cooxhhouse		
Description	MIG Funds utilised to pave gravel roads		
Asset Type	Roads		
Key Staff Involved	Job Creation		
Staff Responsibilities	External		
Asset Value			Year 2022/2023 9 292 639
Capital Implications	Depreciation and Maintenance		
Future Purpose of Asset	Roads		
Describe Key Issues			
Policies in Place to Manage Asset			
Asset 2			
Name	Upgrade of Orange Fish WTW in Somerset East		
Description	Boiler water treatment in Somerset East		
Asset Type	Water Infrastructure		
Key Staff Involved	Management		
Staff Responsibilities	Control		
Asset Value			Year 2022/2023 13 152 732
Capital Implications	Depreciation and Maintenance		
Future Purpose of Asset	Boiler water quality		
Describe Key Issues			
Policies in Place to Manage Asset			
Asset 3			
Name	Replace Transport vehicles in Technical services department		
Description	Purchase bakkies from External Loan for Electricity and water services		
Asset Type	Transport assets		
Key Staff Involved	Supervisors/drivers		
Staff Responsibilities	Transport staff		
Asset Value			Year 2022/2023 2 103 716
Capital Implications	Depreciation and Maintenance		
Future Purpose of Asset	Transport staff		
Describe Key Issues			
Policies in Place to Manage Asset			
T.6.3.2			
Repair and Maintenance Expenditure: Year 2022/2023			
R' 000			
	Original Budget	Adjustment Budget	Actual
Inventory Consumed	9 570	9 069	8 209
			14%
			T 5.3.4

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and Municipal own funds/surpluses. Component B deals with capital spending indicating where the funding comes from and whether the municipality is able to spend the available funding as planned.

5.4 CAPITAL EXPENDITURE

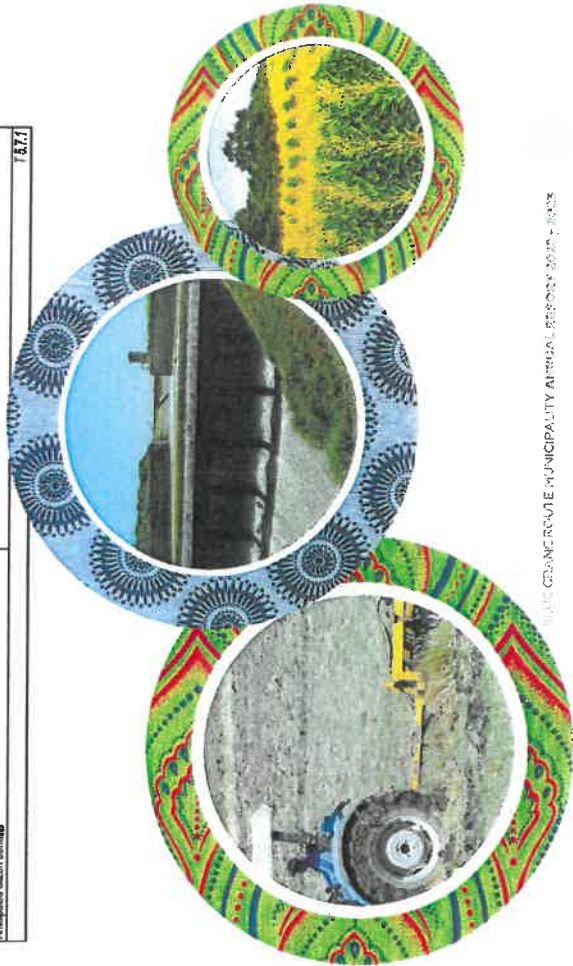
The graph below depicts the ratio between Capital and Operating budgets as percentages of the total expenditure budget. The municipality is severely constrained with its Capital Budget as there are no cash surpluses to fund Capital Expenditure. The municipality is therefore largely dependent on Grant funding.

5.5 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: Year 2021/2022 to Year 2022/2023						R' 000
Details	2021/2022		Year 2022/2023		Actual to OB Variance (%)	Actual to OB Variance (%)
	Actual	Original Budget (OB)	Adjustment Budget	Actual		
Source of finance						
External loans	2 071	0	4 337	4 228	100,00%	100,00%
Public contributions and donations	0	0	0	0	0,00%	0,00%
Grants and subsidies	23 980	20 948	38 759	32 281	85,02%	54,10%
Other	5 663	1 328	2 517	1 416	89,53%	6,53%
Total	31 719	22 276	45 613	37 923	104,70%	76,24%
Percentage of finance						
External loans	6,5%	0,0%	9,5%	11,1%	100,00%	100,00%
Public contributions and donations	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%
Grants and subsidies	75,5%	94,0%	85,0%	85,1%	-9,64%	-9,48%
Other	17,9%	6,0%	5,5%	3,7%	-7,44%	-37,37%
Capital expenditure						
Water and sanitation	19 345	9 406	17 519	16 250	86,25%	73,19%
Electricity	3 550	1 399	2 699	1 103	92,82%	-21,16%
Housing	0	0	0	0	0,00%	0,00%
Roads and storm water	2 755	6 828	15 899	10 275	132,82%	50,53%
Other	6 069	4 645	9 496	10 255	104,43%	120,78%
Total	31 719	22 276	45 613	37 923	104,70%	76,24%
Percentage of expenditure						
Water and sanitation	61,0%	42,2%	38,4%	43,0%	-8,04%	1,73%
Electricity	11,2%	6,3%	5,9%	2,9%	-5,76%	-53,69%
Housing	0,0%	0,0%	0,0%	0,0%	0,00%	0,00%
Roads and storm water	8,7%	30,6%	34,9%	27,1%	13,75%	-11,59%
Other	18,1%	20,9%	20,8%	27,0%	-0,16%	29,68%
						156,1

5.6 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*						R' 000	
Name of Project	2022/2023		Actual Expenditure		Original Variance (%)	Adjustment Variance (%)	
	Original Budget	Adjustment Budget	Actual Expenditure	Actual Expenditure			
Upgrade of Orange Fish WTW in Somerset East	0	11 085	13 153	13 153	100%	14%	
Grading of gravel roads in the three towns - Pearston, Somerset East and Coobooth	7 279	8 163	9 293	9 293	-26%	-22%	
Repairs / Upgrade of 5 Sportsfields	0	2 459	2 104	2 104	100%	-14%	
Pearston bulk water supply Augmentation (Phase 2)	3 813	2 287	1 715	1 715	56%	42%	
	3 478	4 288	1 345	1 345	81%	-23%	
Name of Project - A	Upgrade of Orange Fish WTW in Somerset East						
Objective of Project	Better water quality						
Delays							
Future Challenges							
Anticipated citizen benefits	Cost of maintenance						
Name of Project - B	Grading of gravel roads in the three towns - Pearston, Somerset East and Coobooth						
Objective of Project	Upgrading of streets						
Delays							
Future Challenges	Cost of maintenance						
Anticipated citizen benefits	Replace Transport vehicles in Technical service department						
Name of Project - C	Transport of employees to do maintenance work						
Objective of Project	Transport of employees to do maintenance work						
Delays							
Future Challenges	Cost of maintenance						
Anticipated citizen benefits	Rehab & Upgrading of 5 Sportsfields						
Name of Project - D	Better sport fields for residents						
Objective of Project	Better sport fields for residents						
Delays							
Future Challenges	Lease Agreement to ensure proper accountability						
Anticipated citizen benefits	Pearston bulk water supply Augmentation (Phase 2)						
Name of Project - E	Better water quality						
Objective of Project	Better water quality						
Delays							
Future Challenges	Cost of maintenance						
Anticipated citizen benefits							





COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Description	Year	Current: 2022/2023			R'000
	2021/2022	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	141 317	238 582	206 875	135 168	
Government- operating	65 400	71 721	70 931	69 052	
Government- capital	37 841	24 091	24 091	24 952	
Interest	5 373	800	950	9 341	
Dividends					
Payments					
Suppliers and employees	(229 763)	(307 741)	(278 597)	(209 731)	
Finance charges	(373)	(647)	(647)	(733)	
Transfers and Grants	(927)	(1 002)	(1 036)	(1 036)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	18 868	25 904	22 867	27 013	
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	4				
Decrease (Increase) in non-current debtors					
Decrease (Increase) other non-current receivables					
Decrease (Increase) in non-current investments	614			(734)	
Payments					
Capital assets	(29 068)	(22 276)	(45 613)	(36 367)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(28 450)	(22 276)	(45 613)	(37 101)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans					
Borrowing long term/refinancing	6 398				
Increase (decrease) in consumer deposits					
Payments					
Repayment of borrowing	(1 075)	(957)	(958)	(1 353)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	5 323	(957)	(958)	(1 353)	
NET INCREASE/(DECREASE) IN CASH HELD	(4 259)	2 670	(23 805)	(11 441)	
Cash/cash equivalents at the year begin:	25 685	42	21 426	21 426	
Cash/cash equivalents at the year end:	21 426	2 712	(2 479)	9 985	
					7 59,1

Source: MBRR AT

5.7 BORROWING AND INVESTMENTS

Actual Borrowings: Year 2020/2021 to Year 2022/2023				R' 000
Instrument	2020/2021	2021/2022	2022/2023	
Municipality				
Long-Term Loans (Non-Current)	0	3 103	4 152	
Long-Term Loans (Current)	444	958	1 050	
Local registered stock				
Instalment Credit				
Financial Leases	0			381
PPP liabilities				
Finances Granted By Cap Equipment Supplier				
Marketable Bonds				
Non-Marketable Bonds				
Bankers Acceptances				
Financial derivatives				
Other Securities				
Municipality Total	444	4 061	5 563	

5.8 SUPPLY CHAIN MANAGEMENT

The Blue Crane Route Municipality has a Supply Chain Management Unit as reflected in the Financial Services Organogram. The Supply Chain Management (SCM) is up and running within the BCRM and strict control measures are in place according to the MFMA, SCM Regulations, MFMA Circulars and the BCRM SCM Policy. There are eight (8) posts within the Supply Chain Management section; they have been filled.

The following three (3) Bid Committees have been established and has the relevant meetings when tenders/bids, etc. are placed as per MFMA and Supply Chain Regulations:

- 1) Specification Bid Committee
- 2) Evaluation Bid Committee
- 3) Adjudication Bid Committee

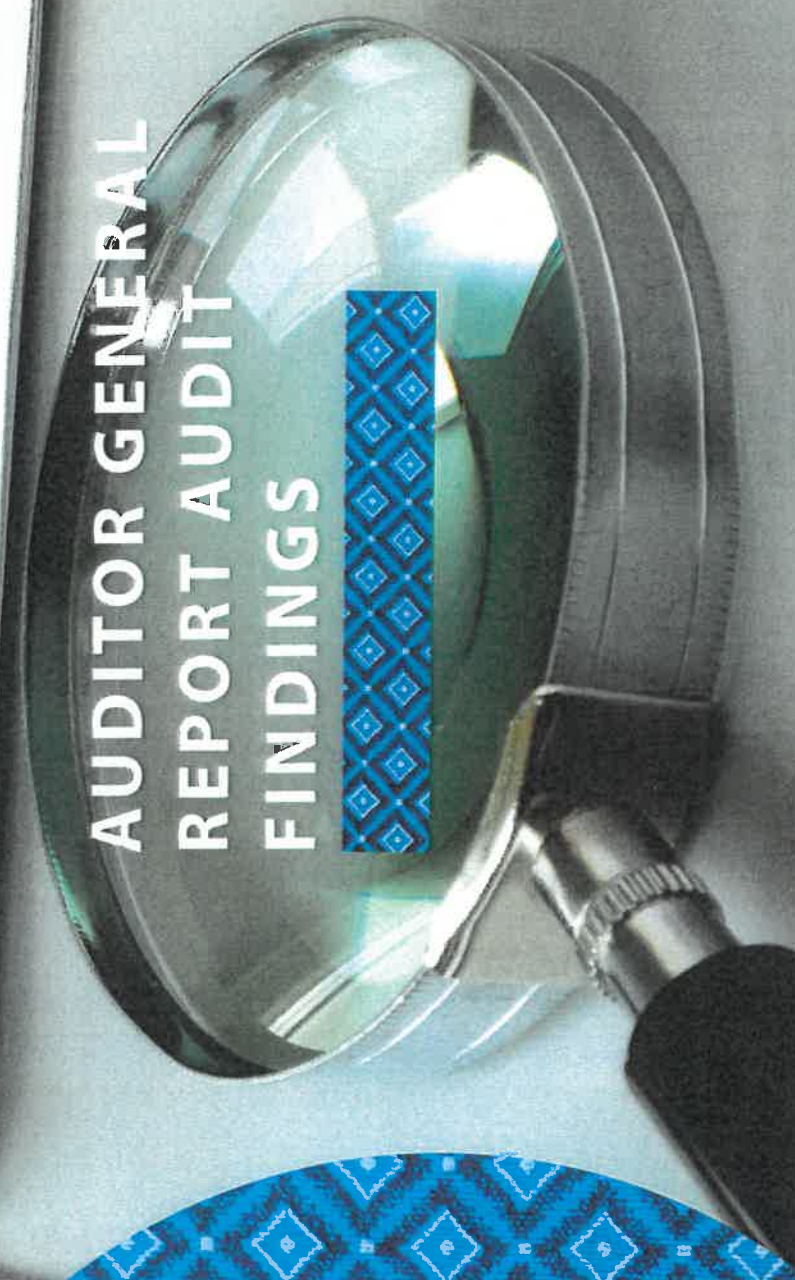
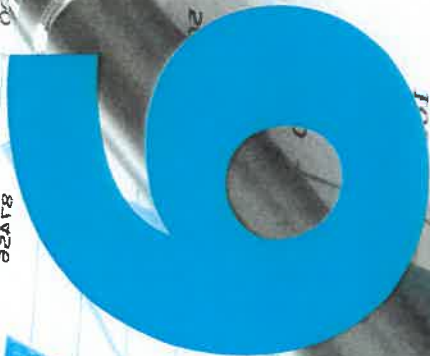
The Supply Chain Management Policy that was adopted and implemented by the Sarah Baartman District Municipality (SBDM) has been adopted by

the Blue Crane Route Municipality (BCRM) after the relevant changes were made to comply with the Blue Crane Route Municipality's requirements, keeping the SCM regulations in mind. The policy has been reviewed in the 2021/22 financial year. Reports on the implementation of the SCM policy are submitted quarterly to the Accounting Officer; the Mayor; and Council. The SCM Annual report on the implementation of the SCM policy for the 2022/2023 financial year was submitted to the Accounting Officer, Mayor and the Council.

Vendor performance is regularly monitored with the help of Project Manager/End Users. Tax matters for all transactions above R15 000 were confirmed to be in order through the Central Supplier Database. There were tenders that had to be re-advertised due to non-responsiveness of bidders and also contract management is also one of the issues that have been highlighted by the Auditor General. Transformation to proactiveness of the unit is one of the improvements that the municipality is working on.

CHAPTER 6

AUDITOR GENERAL REPORT AUDIT FINDINGS





BLUE CRANE ROUTE LOCAL MUNICIPALITY

Audit Report

For the year ended 30 June 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Report of the auditor-general to the Eastern Cape Provincial Legislature and council on the Blue Crane Route Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Blue Crane Route Local Municipality set out on pages... to..., which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Blue Crane Route Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (Including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As disclosed in note 44 to the financial statements which indicates, high levels of electricity losses and the potential risk that contingent liabilities may materialise into actual commitments to pay. These events or conditions, along with other matters as set forth in note 44, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern. Management has also disclosed plans and steps to be taken to address the risk and ensure financial stability in the municipality in note 44.



Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses – electricity

9. As disclosed in note 25 to the financial statements, material electricity losses of R13,49 million (2021-22: R15,21 million) was incurred, which represents 24% (2021-22: 21%) of total electricity purchased.

Material allowance for impairment – receivables

10. As disclosed in note 5 to the financial statements, material allowance for impairment was incurred on receivables from non-exchange transactions to the value of R10,43 million (2021-22: R8,39 million) this was due to non-payment by consumer debtors.

11. As disclosed in 6 to the financial statements, material allowance for impairment was incurred on trade receivables from exchange transactions to the value of R11,97 million (2021-22: R17,82 million) this was due to non-payment by trade debtors.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

17. I selected the following material performance indicators related to basic service delivery presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- % progress on the upgrading of Orange Fish Water Treatment Works (KPI 1)
- % progress on the refurbishment of Khanyiso waterpipe line and booster pump (KPI 5)
- % progress on the paving of gravel roads in Pearston (KPI 11)
- % progress on the paving of gravel roads in Cookhouse (KPI 12)
- % progress on the paving of gravel roads in Somerset East (KPI 13)
- % progress on construction of Aeroville sportsfield phase 2 (KPI 15)
- Number of illegal dumps reduced (KPI 16)
- Distance in km of fence erected in Somerset East Landfill site (KPI 17)

18. I evaluated the reported performance information for the selected key performance area against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets / measures taken to improve



- 20. I performed the procedures for the purpose of reporting material findings only.
- 21. I did not identify any material findings on the performance information of the selected material performance indicators.

Other matter

- 22. I draw attention to the matters below.

Achievement of planned targets

- 23. The annual performance report includes information on reported achievements against planned targets and provides explanations for underachievement/ measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Report on compliance with legislation

- 24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
 - 25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
 - 26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the , clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
 - 27. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:
- Annual financial statements, annual performance report and annual report**
- 28. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

- 29. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).
- 30. The performance of some contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the prior year.
- 31. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Consequence management

- 32. Some irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Expenditure management

- 33. Reasonable steps were not taken to prevent irregular expenditure of R12,63 million, disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. A majority of the irregular expenditure was caused by non-compliance with regulation 36(1)(a) and MFMA 116(2)(c)(ii). Irregular expenditure of R4,801 million was incurred on Construction of the Pearston Water Treatment Works (1,5 ML/Day).
- 34. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R295 000, as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(c) of the MFMA.

Other information in the annual report

- 35. The accounting officer is responsible for the other information included in the annual report, which includes the mayors' foreword, executive summary, governance, environmental protection and organisational development. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
- 36. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
- 37. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.



38. I did not receive any other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract the audit report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

- 39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
- 40. The matters reported below are limited to the significant internal control deficiencies that resulted in the unqualified with findings opinion and the material findings on compliance with legislation included in this report.
- 41. Management did not perform their oversight responsibility of the municipality's internal controls on a regular basis. This is evidenced by the significant errors in the annual financial statements submitted for audit.
- 42. Material non-compliance with key legislation and policies of the municipality was identified. This indicates that the audit action plan was not effective as matters communicated to management in the prior year were not addressed in the current reporting period.

Auditor General

Auditor-General
East London
30 November 2023



Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance area and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

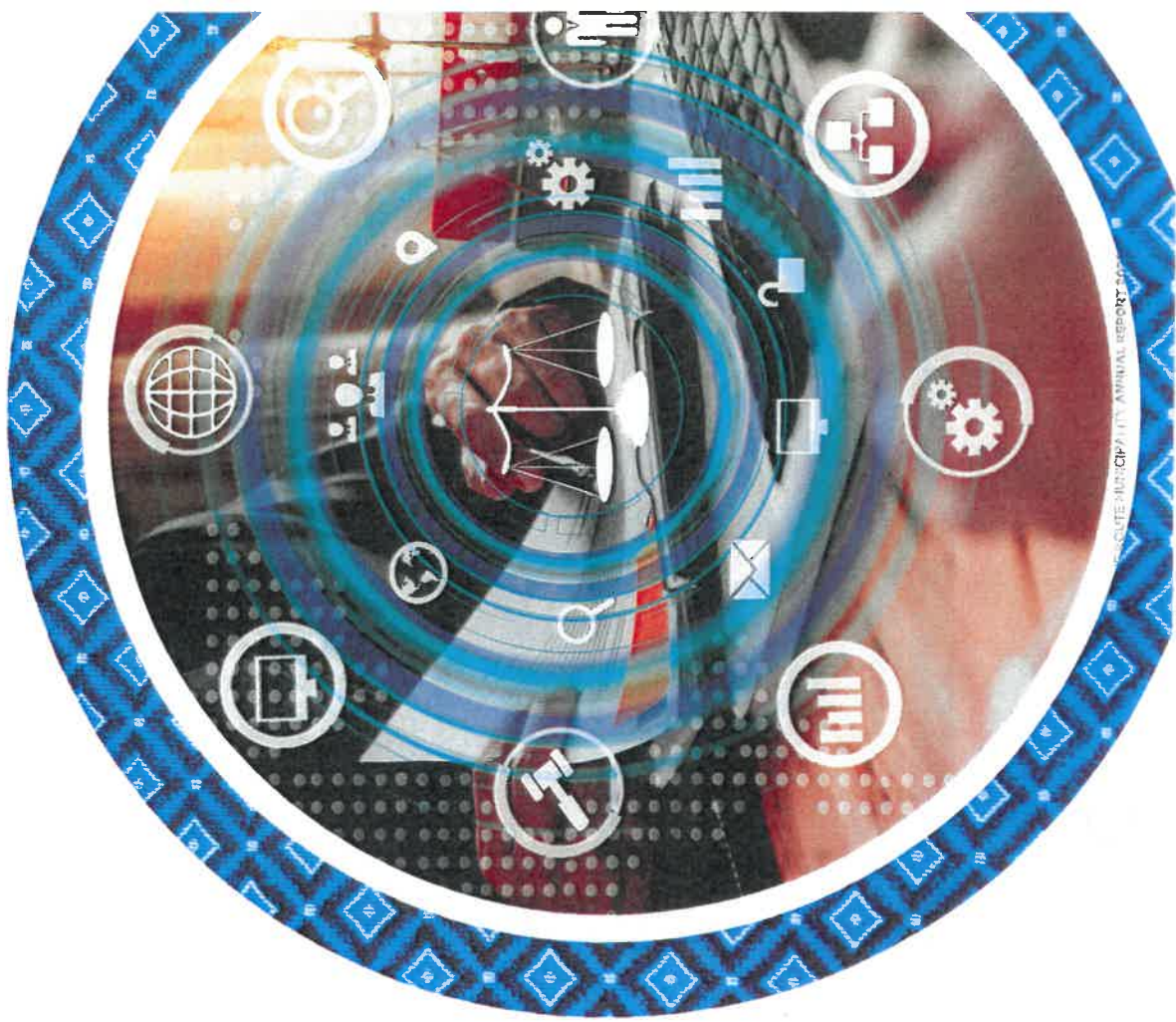
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

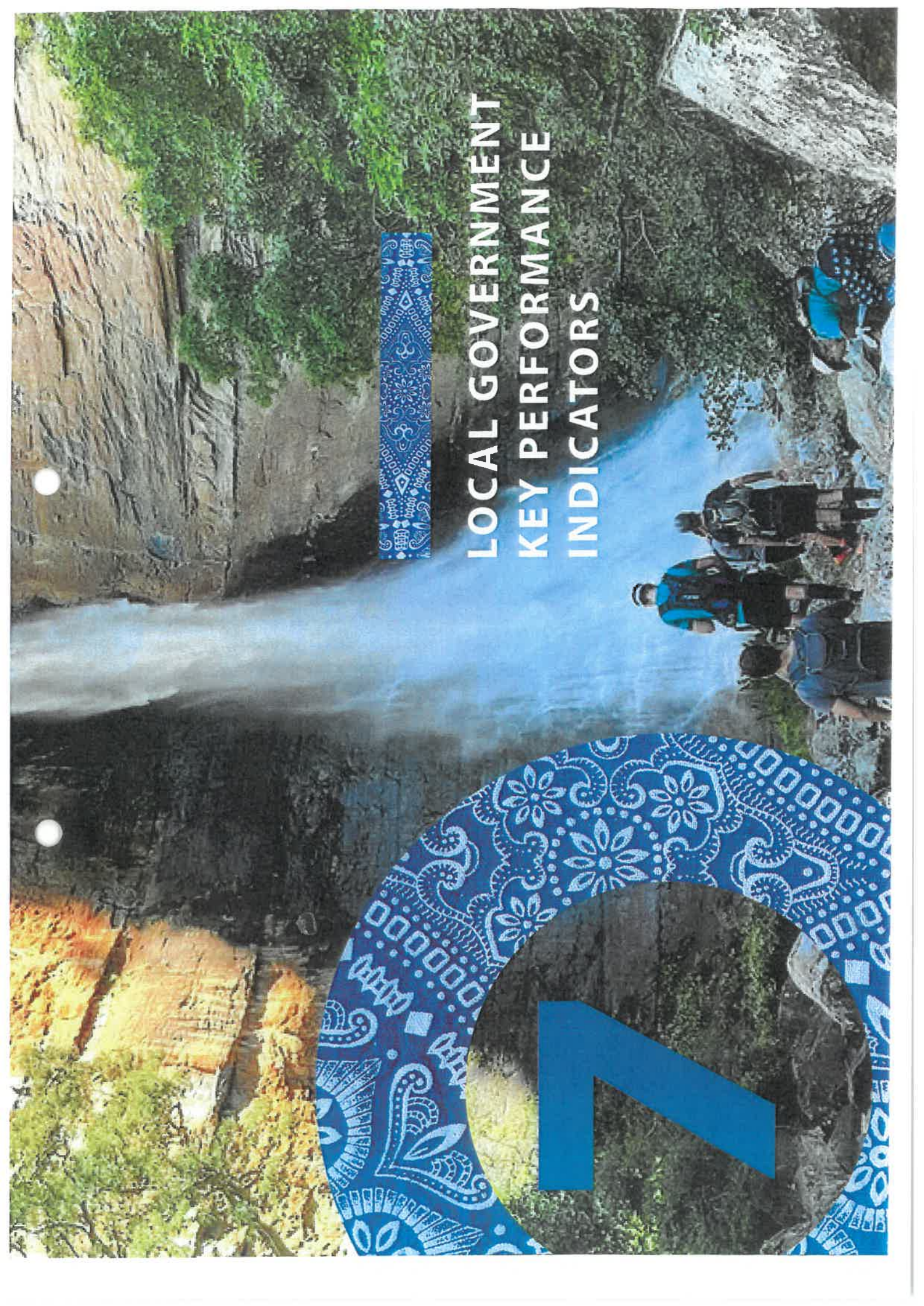


Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.





LOCAL GOVERNMENT KEY PERFORMANCE INDICATORS

7



CHAPTER 7

LOCAL GOVERNMENT KEY PERFORMANCE INDICATORS



This chapter reflects on the performance of per each Key Performance Area (KPA) as required by COGTA

BASIC SERVICE DELIVERY (KPA 1)

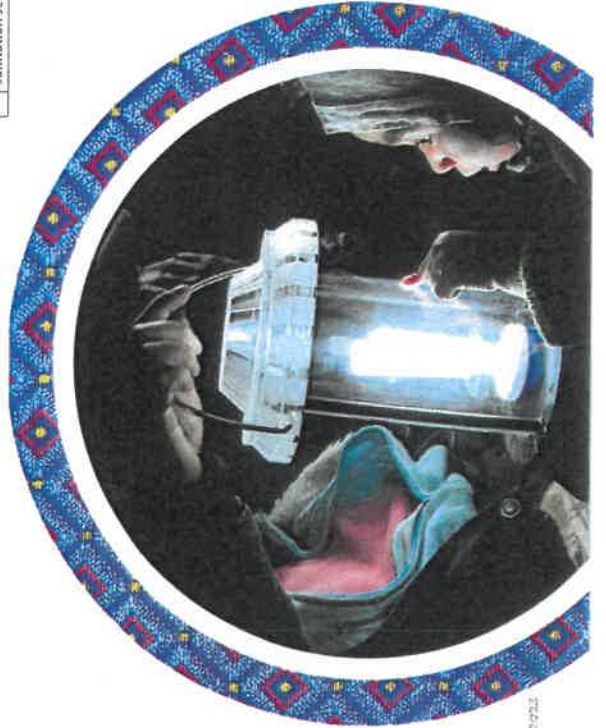
ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN WATER SERVICES

INDICATOR NAME	TOTAL NUMBER OF HOUSEHOLD/CUSTOMER EXPECTED TO BENEFIT	ESTIMATED BACKLOGS (ACTUAL NUMBERS)	TARGET SET FOR THE FY UNDER REVIEW (ACTUAL NUMBERS)	NUMBER OF HH/CUSTOMER REACHED DURING THE FY	PERCENTAGE OF ACHIEVEMENT DURING THE YEAR	COMMENTS
1 Percentage of households with access to potable water	8558	0	0	8558	100%	All household have access to potable water except the rural farms which depend on boreholes.
2 Percentage of indigent households with access to free basic potable water	393	0	0	3932	100%	
3 Percentage of clinics with access to potable water	100%	0	0	100%	100%	
4 Percentage of schools with access to potable water	100%	0	0	100%	100%	
5 Percentage of households in formal settlements using buckets	1%	350	0			The informal settlement need bulk infrastructure for these services which BCRM cannot currently afford.



ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN ELECTRICITY SERVICES

INDICATOR NAME	TOTAL NUMBER OF HOUSEHOLD/CUSTOMER EXPECTED TO BENEFIT	ESTIMATED BACKLOGS (ACTUAL NUMBERS)	TARGET SET FOR THE YEAR UNDER REVIEW (ACTUAL NUMBERS)	NUMBER OF HH/CUSTOMER REACHED DURING THE YEAR	PERCENTAGE OF ACHIEVEMENT DURING THE YEAR	COMMENTS
1 Percentage of households with access to electricity services	8558	1%	0			Backlog is only in the informal settlement.
2 Percentage of indigent households with access to basic electricity services	3932	0	0		100%	
3 Percentage of indigent households with access to free alternative energy sources	0	0	0	0	0	



CLUS CR 1112 ROUTE MUNICIPALITY ANNUAL REPORT 2021 - 2022



ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN SANITATION SERVICES

INDICATOR NAME	TOTAL NUMBER OF HOUSEHOLD/CUSTOMER EXPECTED TO BENEFIT	ESTIMATED BACKLOGS (ACTUAL NUMBERS)	TARGET SET FOR THE YEAR UNDER REVIEW	NUMBER OF HH/CUSTOMER REACHED	PERCENTAGE OF ACHIEVEMENT DURING THE YEAR	COMMENTS
1 Percentage of households with access to sanitation services	8558	350	0		0	
2 Percentage of indigent households with access to free basic sanitation services	3932	4.2%	0		0	
3 Percentage of clinics with access to sanitation services	100%		0		0	
4 Percentage of schools with access to sanitation services	100%		0		0	



CLUS CR 1112 ROUTE MUNICIPALITY ANNUAL REPORT 2021 - 2022



ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN WASTE MANAGEMENT SERVICES

INDICATOR NAME	TOTAL NUMBER OF HOUSEHOLD/CUSTOMER EXPECTED TO BENEFIT	ESTIMATED BACKLOGS (ACTUAL NUMBERS)	TARGET SET FOR THE F. YEAR UNDER REVIEW	NUMBER OF HH/CUSTOMER REACHED	PERCENTAGE OF ACHIEVEMENT DURING THE YEAR
1 Percentage of households with access to refuse removal services	9761	0	9761	9761	100%
2 Existence of waste management plan	There is a plan in place but it is due for reviewal				

ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN HOUSING AND TOWN PLANNING SERVICES

INDICATOR NAME	TOTAL NUMBER OF HOUSEHOLD/CUSTOMER EXPECTED TO BENEFIT	ESTIMATED BACKLOGS (ACTUAL NUMBERS)	TARGET SET FOR THE F. YEAR UNDER REVIEW	NUMBER OF HH/CUSTOMER REACHED	PERCENTAGE OF ACHIEVEMENT DURING THE YEAR
1 Percentage of households living in informal settlements	4000	800	300	0	0
2 Percentage of informal settlements that have been provided with basic services	90%	4000		300	80%
3 Percentage of households in formal housing that conforms to the minimum building standards for residential houses					
4 Existence of an effective indigent policy	The municipality has an existing indigent policy				
5 Existence of an approved SDF	The municipality has an existing approved SDF.				
6 Existence of Land Use Management System (LUMS)	The municipality consults the District for SPLUMA.				

KPA 2: ORGANISATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

NO	INDICATOR NAME	TOTAL NUMBER OF PEOPLE (PLANNED FOR) DURING THE YEAR UNDER REVIEW	ACHIEVEMENT LEVEL DURING THE YEAR UNDER REVIEW	ACHIEVEMENT % DURING THE YEAR	COMMENTS ON THE GAP
1.	Vacancy rate for all approved and budgeted posts	15	7	51%	There was institutional instability.
2.	% of appointments in strategic positions (MM and SS7)	100%	100%	100%	
3.	% of SS6 Managers including MM who attended at least one skills development training course within the FY	0	0	0	Due to budget constraints.
4.	% of Managers in Technical services with a professional qualification	2	100%	100%	100%
5.	Level of PMS Effectiveness in the LM	It is implemented on a higher level (MM and SS7).			
6.	% of staff that have undergone a skills audit (including competency profiles)	4	4	100%	
7.	% of Cllrs who attended a skills development training course within the current 5 year term	11	100%	100%	
8.	% of staff compliance with disability	0	0	0	They don't apply for the jobs.
9.	% of female employees	25%	25%	5%	Due to the nature of our business.
10.	% of employees that are aged 35 or younger	8%	8%	8%	Due to lack of education.
11.	Adoption and implementation of a District wide / local performance management system	0	0	0	0



KPA 3 : LOCAL ECONOMIC DEVELOPMENT

INDICATOR NAME	TARGET SET FOR THE YEAR	ACHIEVEMENT LEVEL DURING THE YEAR (ABSOLUTE FIGURE)	ACHIEVEMENT PERCENTAGE DURING THE YEAR	COMMENTS
1 Existence of LED unit	0	0	0	The unit is not yet established. The municipality does not have a dedicated person to carry the LED Functions
2 Percentage of LED Budget spent on LED related activities.	0	0	0	
3 Existence of LED strategy	There is an existing strategy however the strategy is due for reviewal. The municipality is in the process of reviewing it.			
4 Number of LED stakeholder forum meetings held	0	0	0	
5 Plans to stimulate second economy	0	0	0	
6 Percentage of SMME that have benefited from a SMME support program				12 SMMEs have been supported financially through SBDM and SALGA funding
7 Number of job opportunities created through EPWP	165	165	100%	
8 Number of job opportunities created through PPP	0	0	0	

KPA 4 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

INDICATOR NAME	TARGET SET FOR THE YEAR R(000)	ACHIEVEMENT DURING THE YEAR R(000)	ACHIEVEMENT PERCENTAGE DURING THE YEAR
1 Percentage expenditure of capital budget	R51 638	R43 293	84%



		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2 Salary budget as a percentage of the total operational budget	32%	30%	94%	
3 Trade creditors as a percentage of total actual revenue	20%	29%	-45%	Achievement percentage during the year vs the actual revenue
4 Total municipal own revenue as a percentage of the total actual budget	94%	89%	95%	Achievement percentage during the year
5 Rate of municipal consumer debt reduction	5%	0	0	Achievement percentage during the year
6 Percentage of IMG budget appropriately spent	100%	100%	100%	
7 Percentage of FMG budget appropriately spent	100%	100%	100%	
8 AG Audit opinion	Unqualified Audit Report	Unqualified Audit Report	100%	
9 Functionality of the Audit Committee	100%	100%	100%	
10 Submission of AFS after the end of financial year	Submitted on due date	Submitted on due date	100%	



KPA 5 : GOOD GOVERNANCE AND PUBLIC PARTICIPATION

NO	INDICATOR NAME	TARGET SET FOR THE YEAR	ACHIEVEMENT LEVEL DURING THE YEAR (ABSOLUTE FIGURE)	ACHIEVEMENT PERCENTAGE DURING THE YEAR	COMMENTS
1	% of ward committees established	100%	100%	100%	
2	% of ward committees that are functional	100%	100%	100%	
3	Existence of an effective system to monitor CDWs	The performance of the CDW's is monitored at a provincial level			
4	Existence of an IGR strategy	No strategy in place			
5	Effective of IGR structural meetings	The meetings are combined with IDP Rep Forum, they sit quarterly.			
6	Existence of an effective communication strategy	The strategy was adopted in July 2021			
7	Number of mayoral imbizos conducted	Twice in all wards	Twice in all wards (April/May and September)	75%	
8	Existence of a fraud prevention mechanism	There is a policy in place and reviewed annually			





APPENDIX A COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE



COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

COUNCIL MEMBERS	FULL TIME/ PART TIME	COMMITTEES ALLOCATED	WARD AND/ OR PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE	PERCENTAGE APOLOGIES FOR NON- ATTENDANCE
Cllr B.A. Manxweni (Mayor)	FT	-Executive Committee -Finance & LED Committee	ANC	84.2%	15.8%
Cllr N.P. Yantolo-Nkonyeni (Speaker)	FT	Chairperson: Council	ANC	94.7%	5.3%
Cllr Z. Baskiti	PT	-Finance & LED Committee -Technical Services Committee -MPAC	Ward 1/ ANC	89.47%	10.53%
Cllr P. Sonkwala (Chiefwhip)	PT	-Corporate Services Committee -Community Services Committee -MPAC -LLF	Ward 6/ ANC	94.7%	5.3%
Cllr A. Heynse	PT	-Community Services Committee -MPAC	Ward 2/ DA	87.5%	12.5%
Cllr A. Dyantyi	PT	-Corporate Services Committee -Technical Services Committee -MPAC -LLF	Ward 3/ ANC	100%	0%
Cllr L.A. Smith-Johnson	PT	-Finance & LED Committee -Community Services Committee -LLF	Ward 5/ DA	100%	0%
Cllr M.K. Mali	PT	- Executive Committee -Finance & LED Committee -LLF	Ward 4/ ANC	100%	0%
Cllr J.M. Martin	PT	- Executive Committee -Corporate Services Committee -Community Services Committee	DA	78.95%	21.05%
Cllr F.P. Brown	PT	-Finance & LED -Technical Services Committee -MPAC	DA	89.47%	10.53%
Cllr E. Miggels	PT	-Corporate Services Committee -Technical Services Committee	EFF	52.6%	47.4%



APPENDIX D

FUNCTIONS OF MUNICIPALITY / ENTITY



FUNCTIONS OF MUNICIPALITY / ENTITY

SCHEDULE 4 PART B	SCHEDULE 5 PART B
POWERS EXERCISED BY THE B.C.M.	POWERS EXERCISED BY THE B.C.M.
<ul style="list-style-type: none"> o Air pollution o Building regulations o Electricity and gas reticulation o Firefighting services o Local tourism o Municipal airports o Municipal planning o Municipal public works o Stormwater management systems in built-up area o Trading regulations o Water and sanitation services 	<ul style="list-style-type: none"> o Amusement facilities o Billboards and the display of advertisements in public places o Cemeteries o Cleansing o Control of public nuisances o Control of undertakings that sell liquor to the public o Facilities for the accommodation, care and burial of animals o Fencing and fences o Licensing and control of undertakings that sell food to the public o Local amenities o Local sport facilities o Municipal abattoirs o Municipal parks and recreation o Municipal roads o Noise pollution o Pounds o Public places o Refuse removal, refuse dumps and solid waste disposal o Street trading o Street lighting o Traffic and parking



APPENDIX E

WARD COMMITTEE MEMBERS AND ALLOCATION

WARD 1

1. Kula Nomvume Jeanette : Agriculture Association, Farm Workers and Employment
2. Fani Vuyokazi : Business & Informal Traders
3. Mbenya Khanyisa : Community Based Organization
4. Mali Unathi : Community Safety Forum
5. Kwatsha Busisiwe Zelda : Education
6. Maqenge Xabiso : Environment & Tourism
7. Mtana Noxolo : Health & Welfare and People living with disabilities
8. Dyllill Ngubengwe Armstrong : Religious Groups & Senior Citizens
9. Xhaso Vuyiswa : Sport, Culture and Youth
10. Sixaxa Andiswa : Women

WARD 2

1. Gegesi Abednego : Arts, Sport & Culture
2. Webb Willem : Community Based Organisation and Community Safety Forum
3. Isaacs Gaywin Andrew : Employment
4. Mbunge Vuyiseka : Environment, Health & Welfare
5. Nel Emile Riaan : Farm workers
6. Toni Nelliswa Charmaine : People living with disabilities
7. Jacobs Josef : Rate Payers & Civic Association
8. Jordaan Michelle Zelda : Religions Groups
9. Sekori Kegomoditshwe Simnah : Women & Senior Citizens
10. Brander Mzoxolo Norman : Youth

WARD 3

1. Asisipho Wonderboy Nywebeni : Community Based Organisation & Community Safety Forum
2. Silumko Wiseman Lawrence : Education

3. Mandlakhe Melville Storm : Employment
4. Mandisi Justice Memese : Health & Welfare
5. Nonceba Priscilla Heka : Religious Grouping
6. Nosiphenkosi Mbooya : Sports, Culture and Youth
7. Thuleka Pamela Gcume : People living with disabilities
8. Julia Blouw : Women
9. Ntombizanele Primrose Mahobe : Senior Citizens

** Only 9 members could be elected and not 10 as these were the only sectors nominated.

WARD 4

1. Pumzile Matthews Danster : Agricultural Association & Business
2. Gerald Zongezile Danster : Community Safety Forum
3. Thembakazi Precious Jas : People Living with disabilities
4. Verrynne Piet : Education
5. Anele Andrew Kulati : Senior Citizens
6. Ivan Setlele : Unemployed & Employed
7. Annie Kamin : Health & Welfare
8. Mandlie Afrika : Sport & Art and Culture
9. Mina Malgas : Women
10. Luyanda Ncingolo : Youth

WARD 5

1. Xaluva Sonwabjie Siviwe : Agriculture
2. Hartzenberg Tamarah Reinel : Business
3. Stofile Ntombomzi Cynthia : Community Based Organisation & Community Safety Forum
4. Storm Wellington Vuyo : Education
5. Malambile Phumula Doreen : Employment
6. Zoeloe Deon Martin : Health & Welfare and People Living with Disabilities
7. Memese Thembisa Elsie : Religious Groups & Senior Citizens
8. Arends Rose Mary : Sport & Culture and Youth
9. Faku Nonkonzo Veronica : Traditional Leaders
10. Gogo Noluthando Junior : Women

WARD 6

1. Antoni Trinity Loyiso : Agriculture Association & Farm Workers and Employment
2. Pilliso Norma-Afrika : Environment
3. Mjekula Sindiswa : Business
4. Mbombiya Mandla Xolani : Community Based Organisation & Community Safety Forum
5. Silimni Sinazo : Education
6. Baskiti Anelisa : Health & Welfare and People living with Disabilities
7. Dwane Ntombizanele Ethel : Rate Payers & Civic Association
8. Mtengwana Lungelwa : Religious Groups
9. Fani Melisizwe : Sport & Youth

** Sindiswa Mjekula was also single - nominated under the women sector. She could not be endorsed again under a different sector and so there are 9 members elected instead of 10.



APPENDIX F

RECOMMENDATIONS OF THE MUNICIPAL AUDIT & PERFORMANCE AUDIT COMMITTEE 2022/23

1. OBJECTIVE

The Audit Committee has prepared this report in full accordance with the applicable laws and regulations as supplemented by the Audit Committee Charter. The purpose of this report is to present the Audit Committee's progress to date in carrying out its oversight responsibilities, including oversight for the statutory audit process including the Audit Committee's review meetings to 30 June 2023.

2. TERMS OF REFERENCE

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit Committee to advise the Accounting Officer and Council. The Audit Committee is also required to fulfil the functions of a Performance Management Committee constituted in terms of sections 38 and 41 of the Municipal Systems Act No 32 of 2000 and Regulation 14(2) of the Local Government: Municipal Planning and Performance

Management Regulations, 2001: Review and advise in terms of the provisions of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers.

The advisory expected from the Audit Committee guided by the above stated tenets of legislation includes the following: Internal Financial Control and Internal Audits; Risk Management; Adequacy, Reliability and Accuracy of Financial Reporting and Information; Accounting Policies; Performance Management and Evaluation; Effective Governance; Compliance with the MFMA, the Annual Division of Revenue Act (DORA) and any other applicable legislation and / or policies and any other issues referred to it by the municipality.

The Audit Committee assists Council in fulfilling its oversight responsibilities in helping to ensure high quality financial and performance management reporting as well as effective internal control.



The MFMA also requires the Audit Committee to review the Annual Financial Statements, respond to Council on matters raised by the Auditor General South Africa (AGSA) and carry out investigations into the financial affairs of the Municipality.

3. AUDIT COMMITTEE COMPOSITION AND ATTENDANCE

The Audit Committee is made up of three independent members. The Municipal Manager, Honourable Mayor, MPAC Chairperson, and the Auditor General South Africa have a standing invitation to all Committee meetings. An independent member appointed by Council chairs the committee. Both the Internal and External Auditors have unrestricted access to the Audit Committee. The Audit Committee have held meetings as outlined below from July 2022 to June 2023:

NAME OF MEMBER	APPOINTED	NUMBER OF MEETINGS ATTENDED
Mr. M.K. Mafani	01 July 2021	5
Prof. W. Plaatzjes	01 July 2021	5
Mr. S. Mbewu	01 July 2021	4

I. INTERNAL FINANCIAL CONTROL AND INTERNAL AUDITS

The Internal Audit unit completed and issued final reports in respect of 100% of its original audit plan for the 2022/23 financial year. This is a remarkable performance achieved under trying conditions and as such the Internal Audit Unit was able to provide the Municipality with some assurance required in the institution's environment of acceptable risks.

The continued risk management activities under the Internal Audit Unit stewardship continue to be a concern for an independent assurance in terms of giving a fair assurance on risk activities.

The Internal Audit Unit continues to be a force to be recon with as most reports for review are dispatched to the Audit Committee on time, there is still for improvement though. The Internal Audit sub-directorate reports to the Audit Committee on a quarterly basis in respect of the progress achieved in executing the audit plan. Amendments to the audit plan are approved by the Audit Committee.

INTERNAL AUDIT REVIEW:

- The Audit Committee reviewed the adequacy, reliability and accuracy of financial reporting and information.
- The Audit Committee reviewed and agreed to the Accounting Policies in place when reviewing the Annual Financial Statements (AFS) at the Special Audit Committee meeting to review the AFS prior to submission to the AGSA.
- Internal financial controls were considered in reviewing the findings of internal audits.
- Management draw conclusions on the adequacy and effectiveness of the system of internal controls through the review of Internal Audit assurance reports.
- The Audit Committee note a continued lack of attention by management in effectively addressing reported weaknesses in control, deficiencies in systems and recommendations for improvement. A low response rate to addressing reported weaknesses is evident together with a high failure rate to adequately and effectively address noted control weaknesses by Internal Audit and the Auditor General. This is a repeat noted concern by the Audit Committee where the general





addressing Internal Audit and Auditor General findings result in continued serious control weaknesses and new findings by the Auditor General. The lack of capacity within the MPAC has been raised and communicated to the Council by the Audit Committee for consideration.

- In reviewing whether management encourage ethical and lawful behaviour, financial discipline and accountability for the use of public resources, consideration should be given to greater accountability and consequence management being implemented in cases of mismanagement of resources.
- The Audit Committee note that little / no consequence management is evident in respect of senior managements' non-performance in dealing with high-risk internal Audit and Auditor General findings. There appears to be no mechanism available to the Accounting Officer to deal with continued long term non-performance by management in addressing the reported findings.
- Internal Audit have prepared, in consultation with the Audit Committee and for their approval:
 - An Annual Internal Audit Plan
 - Internal Audit plans indicate the scope of each audit in the annual internal audit plan.
- The Audit Committee have noted that Internal Audit perform an internal self-assessment on an annual basis.
- The Audit Committee reviewed the Internal Audit Charter and the Audit Committee Charter, with amendments having been made thereto and approved.
- In the evaluating of the adequacy of performance of the Internal Audit sub-directorate, including the degree of co-operation with External Auditors, the Audit Committee consider the performance of Internal Audit to be at an acceptable level and

- beneficial to the Blue Crane Route Municipality.
- The assurance reports issued together with recommended remedial action is considered adequate. Effective action by management in addressing high risk findings remains inadequate. The repeat findings, year on year, are the result of management not effectively addressing noted high risk findings.
- Assurance reports are often concerning, indicating 'extreme' findings. Executive Directorship and management should actively work on addressing those agreed upon findings, together with implementing the recommended and agreed-to remedial actions. A close proactive working relationship between Executive Management and Internal Audit is essential. In the absence of such a working relationship, repeat findings are likely to remain the norm.
- The Audit Committee have noted that no restrictions or limitations are placed on the Internal Audit sub-directorate in the execution of their mandate, and we attest on that the Municipal Manager provides the necessary support to the Unit.
- A review of the quarterly performance reports submitted by Internal Audit takes place and amongst other includes:
 - Supply Chain Management, Irregular Expenditure, Financial Management, Compliance with Policies and Regulations, Corporate, compliance with the Division of Revenue Act (DORA), HR effectiveness, Assistance to the Poor programme, and the critically important area of mSCOA implementation.
- Internal Audit conducted guided by its Annual Plan specific reviews of the AG action plan for 2022/23 (Audit Implementation Plan) which show that most directorates achieved limited progress in addressing Auditor General high-risk findings. The Municipality remains exposed to the risk of future qualifications or new



- emphasis of matters. There is limited evidence of action or lack of appetite taken to address high risk/repeat audit findings. No consequence management is evident in the lack of addressing these high-risk findings by management.
- Only high-risk findings are reported on through the Audit Implementation Plan. With the lack of progress noted in addressing Internal Audit and Auditor General high-risk findings, it must be assumed that similarly, limited progress is being achieved in addressing medium / lower risks identified. This is a repeat observation by the Audit Committee.
- The lack of progress in addressing audit findings results in the municipality:
 - Conducting operations in a weak control environment,
 - Being exposed to increased high risks of inaccurate information and errors,
 - Management being unable to detect incidents of possible fraud.
- Ideally both Internal Audit and the Audit Committee should review the Annual Financial Statements prior to submission thereof to the Auditor General, the Audit Committee was not provided an opportunity to review the set of AFS prior to be submitted to AGSA for the year under review.
- The Committee represented by the Chairperson received copies of all Communications of Audit Findings throughout the regularity audit. The final Auditor General Audit Report and Management Report were also considered.

II. AUDITOR GENERAL – EXTERNAL AUDIT

- The Audit Committee met with the Auditor General to review whether the Auditor General felt there were any restrictions placed on the external audit. The Auditor General noted that there were no restrictions.
- The audit plan was provided to the Audit

- Committee for review by the external Auditors, AGSA.
- No significant disagreements between External Auditors and Management were noted.
- No material unsolved accounting and auditing problems were noted.
- The Audit Committee did not have any significant audit matters to disclose that arose from the audit.
- The Audit Committee did not meet with Internal and External Auditors during the year without management being present so as to create an opportunity for views and concerns to be raised that may not be appropriate in an open forum.
- The Audit Committee considers the performance of External Auditors to be adequate.

III. FINANCIAL REPORTING

- The Audit Committee have reviewed the expertise, resources and experience of the municipalities finance function which are considered to be adequate.
- The Audit Committee is of the view that with the recent court outcome favouring the fund for the payment of around R30ml, the financial position of the Municipality would be negatively impacted. As reflected in the audit outcome, the financial position as a going concern is an indication of revising its stance on revenue collection, different revenue streams amongst other strategies to be considered.
- The Annual Financial Statement review process, the Audit Committee consider them to be of high quality, value and effectiveness of financial information produced together with the Accounting Policies.

IV. PERFORMANCE MANAGEMENT AND EVALUATION

- The Audit Committee is responsible to report to Council, the Political Office Bearers, the Accounting Officer and Management on matters relating to Performance Management:
- The Audit Committee reviewed the Performance Management Report for the 2022/2023 financial year. The Performance Management Report was considered accurate by the Audit Committee.
- The Audit Committee reviewed the relevance of noted indicators together with their measurability in relation to services performed.
- Where the performance reviews are not scheduled and conducted during the first quarter of a new year, little / no value is secured through relevant noted non-performance and the appropriate remedial actions being taken.
- The Chairperson of the Audit Committee did chair the required performance reviews, though the statutory timeframe was slightly missed.

V. ICT GOVERNANCE

- ICT governance within the Blue Crane Route Municipality remains a concern, the Audit Committee is of the view that Management has to prioritise this space and allocate sufficient resources to augment what is currently in place.

VI. RISK MANAGEMENT AND GOVERNANCE

- It must be noted that the Blue Crane Route Municipality does not have a stand-alone sub-directorate entrusted with the risk management function, such work is performed by Internal Audit Unit. The Audit Committee has advised on numerous engagements to separate these two units with the view to improve governance.

- The Audit Committee together with the Management considers that the Internal Audit work carried out will assist in improving the effectiveness of risk management, control and governance processes.
- The Audit Committee continues to review those recommendations made by the Internal Audit Unit.
- The Internal Audit Unit continues to contribute effectively to identifying high risk areas. The Internal Audit Unit remains under capacitated where additional resources would contribute to identifying additional risks providing for an improved control environment.
- The lack of commitment by the service provider developing mSCOA has resulted in the absence of an integrated system, and this might lead to future audit findings and thus reverse to good work performed in improving the control environment. This also compromises credibility of reports and thus exposes the Institution to potential system manipulation. The Audit Committee observed that, no evidence of any consequence management in this matter has been noted.
- The Audit Committee express disappointment that previous concerns noted regarding dysfunctional mSCOA implementation have not been rectified and this remains a material matter in respect of on-going non-compliance.

VII. INVESTIGATIONS

- The Audit Committee wishes to register that there has never been any investigation report tabled by both Management and MPAC on our engagements, thus the Committee is of the opinion that, there exist no cases to be considered for further investigation.

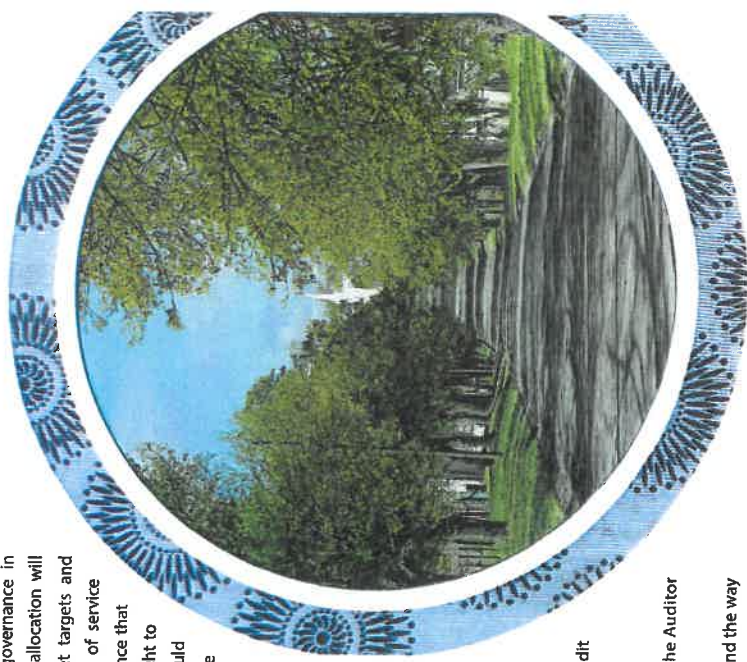
4. CONCLUSION

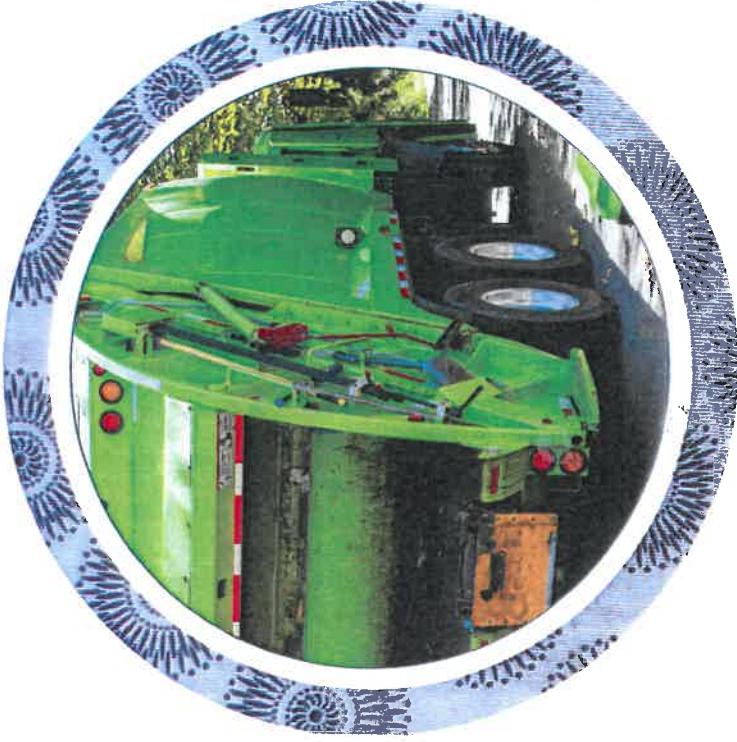
Guided by the reports presented by Internal Audit and deliberations between the Audit Committee, Council and Management there is a high probability of improving on performance and governance in general. It is inevitable that resource allocation will always be the impediment in key set targets and indicators intended to address issues of service delivery, hence it is of utmost importance that the Blue Crane Route Municipality ought to decide on prioritising areas which would portray it as a machinery driving service delivery at a local level.

The Audit Committee note the following areas of concern.

- The continued court cases which might have a negative impact on the finances of the Municipality and thus its financial viability should the outcomes find the Municipality liable.
- The separation of Internal Audit function from the Risk Management function.
- Addressing high risk findings by the Auditor General and Internal Audit.
- Evaluation of mSCOA compliance and the way forward with the existing service provider.
- Matters relating to continue under performance by certain directorates of the Municipality, which risks future reduction on Grant funding.

Chairperson: Audit and Performance Committee
15 February 2023





APPENDIX H

MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

Information not available on the AFS

APPENDIX G

LONG TERM CONTRACTS (20 LARGEST CONTRACTS ENTERED INTO)

LONG TERM CONTRACTS (20 LARGEST CONTRACTS ENTERED INTO)

The municipal contract register is attached as the Annexure C in the Annual Performance Report

The municipality does not have long term contracts and Public Private Partnerships. All contracts do not exceed a maximum of 3-year term/period.

APPENDIX I

DISCLOSURES OF FINANCIAL INTERESTS

DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of financial interests are attached.



APPENDIX N SERVICE BACKLOGS: SCHOOLS AND CLINICS

SERVICE BACKLOGS: SCHOOLS AND CLINICS

The municipality does not have service backlogs in schools and clinics.



APPENDIX O SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

WARD 1 & 6

PROBLEM AREA	PROJECT / ACTION PLAN	PROGRESS TO DATE	CUSTODIAN	TIMEFRAME
Bhongweni Rectification		Rectification is in progress	D Tech S	To be determined by the department
Backlog: Informal Settlement (200 Units)		The matter has been referred to the DHS.	D Tech S	To be determined by the department
Health Services				
Expansion of clinic and 24hr clinic services	The project is implemented	Work is in progress	D. Community Services	To be determined by the department
Rural Development and Agrarian Reform				
Fencing for the main dam	Currently lobbying funds		DTS	To be determined by the department
Education and Training				
Construction of FET College in Cookhouse	To engage with DOE further	A letter of request was written to the Department highlighting the need of the community in this regard. No response was received from the department	MIM	To be determined by the department

Skills Development Programmes For Young People			
Construction of a library	In progress	D Comm Serv	To be determined by the department
Economic and Infrastructure Development: Infrastructure to support Local Economic Growth and Development	Infrastructure plans have been developed and submitted to relevant departments for funding	DTS	To be determined by the department
Upgrading Of Rural Roads (Roads And Transport)	This is a provincial government function. Engagements are on going	Mayor / MM / DTS	To be determined by the department

WARD 2

PROBLEM AREA	PROJECT / ACTION PLAN	PROGRESS TO DATE	CUSTODIAN	TIMEFRAME
Construct a walkway along the R335 road to Aeroville		Both roads are not municipal roads(R63/R335)	DTS	To be determined by the departments involved
Restoration of burnt and abandoned houses		Application has been submitted to DHS	D Tech Serv	To be considered by the department
Installation of streetlights at (R335 Road towards Fire Station, from R335 intersection to the bridge near Clevedon and Njoli Street towards Pearston (R63 road)		The project is in progress	DTS	To be determined by the departments involved
Construction of a Primary School in Aeroville	Proposal submitted to DOE	Awaiting response from the department	Mayor / MM	To be determined by DOE
Access to land for emerging farmers	The matter is receiving attention of DRDAR and the municipality		Mayor / MM	To be determined by DRDAR
Maintenance of rural roads	Matter referred to the Provincial Dpt of Roads and Public Works	Awaiting response from the department		To be determined by DRPW

Dipping tanks	The matter was referred to DRDAR.	A response received was that there is no budget currently.	D Comm	To be determined by DRDAR
Construction of school for the kids with disability	The matter to be referred to the department of Education		MM/Mayor	To be determined by Dept of Education

WARD 3

PROBLEM AREA	PROJECT / ACTION PLAN	PROGRESS TO DATE	CUSTODIAN	TIMEFRAME
Community Hall		Project will be implemented by the Department of Human Settlements.	DTS	To be considered by the DHS

WARD 4

PROBLEM AREA	PROJECT / ACTION PLAN	PROGRESS TO DATE	CUSTODIAN	TIMEFRAME
Renewable energy (solar panels)	Funding application submitted and awaiting response from Department of Energy.	Application for funding is in progress to be made with the Department of Energy for renewable energy projects	DTS	To be determined by DOE
Sustainable Human Settlement		The matter has been referred to DHS	DTS	To be determined by Dept of HS
Libraries		The matter with regards to the extension of the library was referred to DSRAC. An assessment will be done by the department. A follow up was made with the department and the indication is that this will not be done in this financial year as they will be constructing a new library in Cookhouse.	DCS	To be determined by DSRAC



WARD 5

PROBLEM AREA	PROJECT / ACTION PLAN	PROGRESS TO DATE	CUSTODIAN	TIME FRAME
Sustainable Human Settlement - Uninhabited Houses (Old Location)	The matter is being attended by DoHS.	Destitute cases are being attended to and the list has been submitted to the DHS.	D Tech S	To be considered by the department
Extension of previously constructed houses (2 rooms)		Project 300 for demolition and rebuilding is submitted to DHS		To be considered by the Department of Human Settlement
Rectification of Houses	The matter is being attended by DoHS.	Destitute cases are being attended to and the list has been submitted to the DHS.	D Tech S	To be considered by the Department of Human Settlement
Installation of Jojo tanks	The matter has been referred to DRDAR	D Tech S	To be considered by the department	
Solar panels	Funding application submitted and awaiting response from Department of Energy.	Application for funding is in progress to be made with the Department of Energy for renewable energy projects	D Tech S	To be considered by the department



APPENDIX P

DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY: YEAR 0

CAPITAL EXPENDITURE- NEW & UPGRADE/RENEWAL PROGRAMMES

The municipality does not provide loans or grants to community members

APPENDIX Q

DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

All MFMA s71 reports were submitted timeously except for June 2022; due to the financial system glitches.

APPENDIX R

NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

OUTCOME	PROGRESS TO DATE	NUMBER OF PERCENTAGE ACHIEVED
Output improving access to basic services	Communities continue to be provided with services	80%
Output implementation of the Community Work Programme	All wards have CWP's	100%
Output Deepen democracy through a refined Ward Committee model	Ward Committees meet quarterly and some sit monthly	100%
Output Administrative and financial capability	Municipality is not viable and is still grant dependant	95%

FINANCIAL STATEMENTS





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



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



Blue Crane Route 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

BA Manxovereni
MK Mali
ZS Baskili
P Sorkwala
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 Miggella
NP Nkonyeni
A Dyantyi
C Nel (01 July 2022 - 07 Dec 2022)
MP Nini (patrickn@bcm.gov.za)
NB Delo (nigelo@bcm.gov.za)

Councillors

Accounting Officer

Chief Finance Officer (CFO)

Registered office

Postal address

Auditors

Bankers

Attorneys

**AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023**

**AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2023**

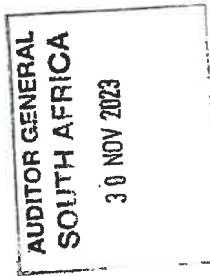


Blue Crane Route Municipality (EC 102)
Annual Financial Statements for the year ended 30 June 2023

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
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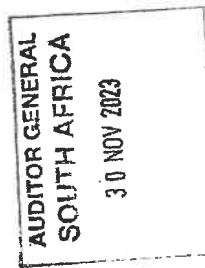


Blue Crane Route Municipality (EC 102)
Annual Financial Statements for the year ended 30 June 2023

Index

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Blue Crane Route Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

COVID	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	Serah 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 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 places 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 certifies 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 Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Assets	Notes	2023	2022
			Restated*
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	8 648 858	10 982 922
Receivables from exchange transactions	8	31 847 263	25 442 068
VAT receivable		-	1 017 415
Cash and cash equivalents	7	9 985 526	21 425 780
		63 043 165	61 143 947
Non-Current Assets			
Investments	8	734 274	-
Investment property	9	37 829 758	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
		869 648 909	883 406 715
Total Assets		921 892 074	944 890 062
Liabilities			
Current Liabilities			
Employee benefit obligation	13&14	1 842 000	1 721 000
Other financial liabilities	15	1 048 535	967 669
Finance lease obligations	16	380 808	350 091
Unspent conditional grants and receipts	17	8 105 645	22 332 183
Payables from exchange transactions	19	65 018 907	45 860 286
Trade and other payable from non-exchange	20	151 918	1 028 854
VAT payable		1 164 866	-
Consumer deposits	21	2 837 761	2 782 258
		80 661 238	76 142 481
Non-Current Liabilities			
Other financial liabilities	16	3 103 105	4 151 820
Finance lease obligation	18	26 456 000	380 807
Employee benefit obligation	13&14	-	27 240 000
Provisions	18	29 624 459	28 287 727
		69 183 663	69 070 354
Total Liabilities		149 844 901	135 212 815
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

Blue Crane Route 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	144 328 324
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
		155 756 694	156 186 281
Revenue from non-exchange transactions			
Taxation revenue	23	24 315 580	23 487 989
Property rates		478 753	356 813
Licences and Permits		-	-
Transfer revenue		-	-
Fines		188 505	369 186
Government grants & subsidies	27	108 230 791	97 841 494
		133 213 629	122 065 481
Total revenue from non-exchange transactions		288 969 323	277 263 772
Total revenue		444 726 017	433 449 053
Expenditure			
Employee related costs	29	96 641 244	91 419 228
Remuneration of councillors	30	4 547 206	4 442 577
Inventory Consumed	35	8 208 188	7 118 965
Debt Impairment/ Write off	31	30 231 185	29 613 085
Depreciation and amortisation		51 867 802	55 254 134
Finance costs	32	3 687 228	3 370 648
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	12 988 540	12 175 916
		320 085 316	321 686 146
Operating deficit		(31 116 992)	(44 322 374)
Loss on disposal of assets and liabilities		-	(153 424)
Actuarial gains/losses	13	3 238 614	217 357
Fair value adjustment for landfill site provision		-	2 527 984
Impairment loss		(1 447 694)	(1 195 986)
		1 790 920	1 366 331
Deficit for the year		(29 326 072)	(42 926 043)

**AUDITOR GENERAL
SOUTH AFRICA**
30 NOV 2023



Blue Crane Route 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	(42 926 043)	(42 926 043)
Deficit for the year	(42 926 043)	(42 926 043)
Total changes	811 282 445	811 282 446
Restated* Balance at 01 July 2022	(29 325 172)	(29 325 172)
Changes in net assets	(29 325 172)	(29 325 172)
Deficit for the year	(29 325 172)	(29 325 172)
Total changes	781 957 273	781 957 273
Balance at 30 June 2023		

AUDITOR GENERAL
SOUTH AFRICA

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Blue Crane Route 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		9 341 481	5 372 838	
Other receipts		1 243 812	4 034 370	
		238 513 984	249 930 801	
Payments				
Employee costs		(93 065 730)	(89 151 871)	
Suppliers		(9 219 208)	(28 648 848)	
Remuneration of Councilors		(4 547 206)	(4 442 577)	
Bulk Purchases		(102 987 923)	(106 102 228)	
Finance charges		(732 897)	(372 780)	
Other Payments		(1 867 366)	(1 345 124)	
		(211 500 333)	(231 063 228)	
Net cash flows from operating activities	39	27 013 651	18 867 573	
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	-	4 308	
Purchase of investments		(734 274)	-	
Increase in investments activities		-	613 992	
Net cash flows from investing activities		(37 101 152)	(28 449 777)	
Cash flows from financing activities				
Proceeds from other financial liabilities		-	5 500 000	
Repayment of other financial liabilities		(856 849)	(834 166)	
Finance lease payments		(395 894)	(240 980)	
Finance lease receipts		-	598 198	
Net cash flows from financing activities		(1 352 743)	5 323 052	
Net increase(decrease) in cash and cash equivalents		(11 440 244)	(4 258 152)	
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	9 985 526	21 425 790	

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Blue Crane Route 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

Figures in Rand Reference

Statement of Financial Performance

Revenue	2022	2023	Difference
Revenue by source			
Property rates	20 669 377	22 682 600	1 763 080
Service charges	188 312 493	173 696 853	(31 640 255)
Interest earned - external investments	817 530	950 000	152 484
Government grants and subsidies	95 812 000	116 023 458	(6 792 864)
Interest earned - outstanding debtors	4 764 000	6 563 293	1 655 684
Other Income	5 110 223	5 689 975	2 664 432
	315 485 623	324 515 076	(29 207 837)

Expenditure by type

Expenditure by type	2022	2023	Difference
Employee costs	(95 381 192)	(95 216 892)	(424 353)
Remuneration of councillors	(4 851 705)	(6 105 628)	(558 420)
Debt impairment	(21 883 210)	(25 883 210)	(4 347 976)
Depreciation & amortisation	(58 869 328)	(58 313 709)	4 898 213
Finance charges	(2 147 333)	(3 514 333)	(1 722 898)
Materials and bulk purchases	(124 828 123)	(119 089 114)	7 892 002
Contracted services	(11 778 039)	(11 798 906)	(2 899 437)
Other expenditure	(22 450 336)	(4 448 313)	12 882 582
Total expenditure	(342 280 297)	(346 798 441)	(24 299 431)
Surplus/(Deficit) for the year	(26 794 644)	(21 283 368)	(29 325 173)

Statement of Financial Position

Statement of Financial Position	2022	2023	Difference
Total Current Assets	44 850 071	63 625 682	58 043 165
Total Non-Current Assets	835 271 935	872 085 853	868 648 909
Total Current Liabilities	(44 239 270)	(70 873 630)	(80 551 239)
Total Non-Current Liabilities	(30 313 390)	(31 771 305)	(59 183 663)
Accumulated Surplus	805 569 346	(12 716 236)	(781 957 272)
	(26 794 644)	(21 283 368)	(29 325 173)

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

Blue Crane Route 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.



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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 disclosures 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 increases, 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.



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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 assets' 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 bringing 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 part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.



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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.



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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.



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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.



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

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.

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.

Accounting Policies

1.12 Financial Instruments (continued)

Derecognition of 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 categories 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



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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.



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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 (F-G), 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 these 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.

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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 these 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.



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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 cash-generating 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 uses 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 cash-generating 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.



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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.



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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.



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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 estimates 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.



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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 surmiseses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of surmiseses is recognised when collected. Due to the various legal processes that can apply to surmiseses 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 give 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 equaling 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, insurances, 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.



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Accounting Policies

1.24 Expenditure - Inventory Consumed

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) expenditure 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 Offices Beersers 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 exercises 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.



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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 balances 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 smart 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).

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.

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards of General Recognised accounting Practices (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 38 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 36 Disclosure of Interest in Other Entities
- GRAP 100 Discontinued Operations (as revised in 2013)
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- GRAP 108 Stability 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:

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:





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	2023	2022
5. Receivables from non-exchange transactions		
Property Rates	8 460 683	10 456 233
Other receivables	185 975	238 688
	8 646 658	10 694 922
Total receivables from non-exchange transactions	8 646 658	11 984 688
Property Rates		
Property Rates: Statutory	8 286 766	7 885 550
Property Rates: All Other Categories	39 138 246	32 407 284
Provision for bad debts: Property rates	(38 964 319)	(28 534 636)
	8 460 683	11 767 998
Property rates age analysis: Statutory		
Current rates (0 - 30 days)	85 495	10 056
31 - 60 days	11 018	6 570
61 - 90 days	10 588	6 585
91 - 120 days	9 889	6 633
> 121 days	8 169 765	7 855 706
	8 286 766	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	31 600 667
	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)	(20 140 566)
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	50 714
SARS UIF and SDL	185 975	185 975
	185 975	238 688



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Insurance claims	17 121	17 121
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Employee overpayments	50 714	50 714
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	185 975	238 688



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6. Trade receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers	2023	2022
Current (0-30 days)	17 558 132	14 916 079
31 - 60 days	3 608 081	4 069 728
61 - 90 days	2 884 765	3 060 849
91 - 120 days	2 875 743	2 291 031
> 121 days	93 891 612	76 695 229
Less: Allowance for impairment	120 908 311	103 082 916
	(88 059 048)	(77 092 416)
	31 847 262	26 970 600

Reconciliation of debt impairment provision

Opening balance	(77 092 416)	(69 274 133)
Net movement of the provision for the year	(11 968 634)	(17 818 283)
	(89 061 050)	(77 092 416)

Fair value of trade receivables from exchange transactions

Trade and other receivables	31 847 262	26 970 600
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	-	1 761 701

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.



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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	901 131
Short-term deposits	5 814 350	20 521 911	
	9 986 526	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 - 16312481	-	4 600	4 600	-	4 600	4 600
Nedbank - Money market - 1263034755	-	86 164	86 382	-	86 164	86 382
ABSA - Cheque account - 2200000008	4 140 157	840 461	3 164 122	4 169 446	901 131	3 164 122
FNB - Cheque account - 62541621046	-	-	2 288 821	-	-	2 288 821
ABSA - Call Account - 4099638357	6 120 396	19 807 724	20 130 632	5 120 396	19 807 724	20 130 632
ABSA Fixed deposit - 2079809548	-	613 992	-	-	613 992	-
ABSA Liquidity Plus - 9378783682	688 455	-	-	688 455	-	-
Total	9 854 508	21 362 379	26 663 398	9 983 797	21 423 043	25 663 399

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.

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	2023		2022	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Accumulated depreciation and accumulated impairment
9. Investment property				
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.

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10. Property, plant and equipment

	2023		2022	
	Cost / Accumulated depreciation and impairment	Carrying value	Cost / Accumulated depreciation and impairment	Carrying value
Land	34 828 057	34 828 058	34 828 057	34 828 058
Buildings	45 833 910	27 786 656	45 833 910	27 786 656
Community assets	63 255 187	39 146 807	60 875 895	39 146 807
Plant and fixtures	5 051 888	2 538 672	3 868 300	2 538 672
Furniture and fixtures	3 548 485	332 579	3 548 485	332 579
Motor vehicles	17 622 440	5 585 481	16 028 308	5 585 481
Office equipment	6 274 188	1 281 921	5 943 142	1 281 921
Infrastructure	947 293 553	678 845 583	946 146 702	678 845 583
Landfill sites	39 110 326	39 110 326	51 312 314	39 110 326
Land	18 412 602	18 046 575	10 586 819	10 586 819
Total	1 181 138 346	829 629 810	1 178 778 934	829 629 810

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	34 828 057	-	-	-	-	-	34 828 057
Buildings	30 382 907	-	-	-	(2 576 349)	-	27 806 558
Community assets	39 746 894	2 588 283	-	-	(3 024 355)	(104 225)	39 146 807
Furniture and fixtures	1 839 947	1 182 399	-	-	(443 774)	-	2 538 672
Motor vehicles	3 055 832	3 589 850	-	-	(44 770)	-	6 595 481
Office equipment	325 462	325 462	-	-	(453 170)	-	1 281 921
Infrastructure	680 148 760	106 866	41 903 342	(44 492 636)	-	-	678 845 583
Landfill sites	51 312 314	418 202	-	(44 492 636)	-	(52 275)	39 110 326
Land	18 412 602	-	-	-	-	-	18 046 575
Total	181 138 346	37 923 376	44 492 636	(44 492 636)	(49 924 599)	(1 447 704)	829 629 810

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	2023		2022	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Accumulated depreciation and accumulated impairment
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.



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	2023	2022
11. Intangible assets		
Computer software	7 446	(7 446)
Reconciliation of intangible assets - 2023		
Computer software	1 241	(1 241)
Reconciliation of intangible assets - 2022		
Computer software	3 102	(1 081)
Other information	1 241	

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.

Fully amortised intangible assets still in use.



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	2023	2022
12. Heritage assets		
Heritage Assets	458 067	458 067
Reconciliation of heritage assets 2023		
Heritage assets	458 067	458 067
Reconciliation of heritage assets 2022		
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 dependents may continue membership of the medical scheme.

In-service members will receive a post-employment subsidy of 80% 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 dependents will continue to receive the same subsidy. All subsidies are expected 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.

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 12.05% per annum has been used. The corresponding index-linked yield at this term is 5.05%.

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.

Principals Assumptions

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 12.05% per annum has been used. The corresponding index-linked yield at this term is 5.05%.

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.



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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	3.10 %	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 %
Proportion with a spouse dependent at retirement	60 %

Accrued liability values

Carrying value	24 991 000	22 799 000
Opening Accrued Liability	666 000	661 000
Service cost	2 777 000	2 248 000
Interest cost	(1 060 841)	(938 484)
Benefits paid	(3 088 159)	(81 516)
Actuarial (gain)/loss recognised in the year	23 985 000	24 681 000

Non-current liabilities

Current liabilities (Estimate of benefits payments expected in the next annual period)	(22 610 000)	23 583 000
	(1 175 000)	1 108 000
	23 985 000	(24 681 000)

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: net effect of changes in net discounts rates	(2 791 000)	(182 000)
Change in in-services non-member assumed medical aid option	544 000	-
Subsidy increases lower than assumed	(342 000)	(487 000)
Changes to membership profiles different from assumed	(482 000)	640 000
Actual benefits vesting lower than expected	(47 159)	(72 516)
Actuarial (Gain)/Loss for the period	(3 088 159)	(61 616)

Net expense recognised in the statement of financial performance

Current service cost	666 000	661 000
Interest	2 777 000	2 248 000
Benefits paid	(1 060 841)	(938 484)
Total included in employee related costs	2 382 159	1 973 616
Actuarial (Gain)/Loss recognised in statement of financial performance	(3 088 159)	(61 616)
	(706 000)	1 892 000



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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 %	11,694	14,100	25,794	7 %
Discount rate	-1 %	9,803	12,371	21,974	-8 %
Post-retirement mortality	-1 %	12,362	14,484	26,868	12 %
Average retirement age	1yr	10,462	12,897	23,379	-3 %
Membership contribution	1yr	10,944	13,637	24,581	2 %
	-10 %	11,570	13,269	24,839	4 %
		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 %
Discount rate	-1 %	581 000	2 636 000	3 216 000	-9 %
Post-retirement mortality	-1 %	564 000	2 691 000	3 255 000	-5 %
Average retirement age	1yr	651 000	2 794 000	3 445 000	6 %
Membership contribution	1yr	681 000	2 702 000	3 383 000	-3 %
	1yr	681 000	2 652 000	3 333 000	-3 %
	-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	21,842	20,317	22,789	24,691	23,985
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus/ (Deficit)	(21,842)	(20,317)	(20,789)	(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	(6,053)	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.

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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

Proportion with a spouse dependant at retirement

Accrued liability values

Carrying value	24 691 000	22 799 000
Operating Accrued Liability	666 000	661 000
Service cost	2 777 000	2 249 000
Interest cost	(1 060 841)	(836 484)
Benefits paid	(3 088 159)	(61 616)
Actuarial (gain)/loss recognised in the year	23 965 000	24 691 000

Non-current liabilities

Current liabilities (Estimate of benefits payments expected in the next annual period)

	(2 810 000)	23 583 000
	(1 175 000)	1 108 060
	23 965 000	(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: net effect of changes in net discounts rates	(2 791 000)	(192 000)
Change 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)	(61 616)

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)	(636 484)
Total included in employee related costs	2 382 159	1 873 616
Actuarial (Gain)/Loss recognised in statement of financial performance	(3 088 159)	(61 616)
	(706 000)	1 892 000

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13. Employee benefit obligations (continued)

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

Assumptions	Changes	Eligible employees	Continuation members	Total	% change against Central Assumptions
Central Assumptions	-	10,716	13,268	23,985	7 %
Health Care Inflation	1 %	11,684	14,100	25,784	-8 %
Discount rate	-1 %	9,903	12,371	21,974	-10 %
Post-retirement mortality	-1 %	12,382	14,494	26,866	12 %
Average retirement age	1yr	10,482	12,887	23,379	-3 %
Membership contribution	1yr	10,944	13,659	24,581	2 %
	1yr	11,570	13,268	24,839	4 %
	-10 %	9,317	13,268	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	2 983 000	3 722 000	8 %
Discount rate	-1 %	581 000	2 535 000	3 116 000	-9 %
Post-retirement mortality	1 %	564 000	2 691 000	3 255 000	-5 %
Average retirement age	1yr	651 000	2 702 000	3 353 000	6 %
Membership contribution	1yr	691 000	2 852 000	3 533 000	3 %
	1yr	691 000	2 866 000	3 557 000	3 %
	-10 %	583 000	2 617 000	3 200 000	-7 %

History of liabilities, Assets and Encouraged 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	22,798	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)	(20,798)	(24,691)	(23,985)

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

Experience adjustments

Liabilities: (Gain)/Loss	20/06/2019	20/06/2020	20/06/2021	20/06/2022	20/06/2023
Assets: Gain/Loss	(0,063)	0,102	(1,262)	0,110	(0,841)
	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.



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14. Long Service Awards (LSA) (continued)

Total employment benefit obligation

Carrying value
Post-Employment Medical Aid
Long Service Awards

23 985 000	24 691 000
4 313 000	4 270 000
28 298 000	28 961 000

Non-current liabilities
Current liabilities

26 458 000	27 240 000
1 842 000	1 721 000
28 298 000	28 961 000

15. Other financial liabilities

At amortised cost

Nedbank

A loan of R5 500 000 was taken up from Nedbank on 18 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 9.59% p.a.

The final instalment is payable on 31 December 2026.

4 162 640

5 109 489

Total other financial liabilities

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

- in second to fifth year inclusive

less: future finance charges

Present value of minimum lease payments

385 895

-

385 895

385 895

781 780

(18 086)

380 807

730 888

Present value of minimum lease payments due

- within one year

- in second to fifth year inclusive

380 807

-

380 807

380 807

730 888

Non-current liabilities

Current liabilities

-

380 807

380 806

380 806

730 888

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

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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 totalling 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.

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17. Unspent conditional grants and receipts (continued)

Unspent conditional grants and receipts comprises of:

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)	(15 594 781)	1 517 374
Water Services Infrastructure Grant (WSIG)	13 241 079	10 000 000	(2 065 718)	-	(19 657 987)	1 517 374
District Municipality - Various Projects	440 644	-	-	-	-	440 644
Dr WH Craib Trust	13 015	-	-	-	-	13 015
District Municipality - Fire and Disaster	1 055 822	-	-	-	-	1 055 822
Expanded Public Works Programme (EPWP)	1 772 151	-	-	-	-	1 772 151
Integrated National Electrification Grant (INEP)	81 978	-	-	-	-	81 978
Disaster Grant	-	-	-	-	-	-
Energy efficiency and demand management	3 200 000	-	-	-	-	3 200 000
	1 234 282	-	-	-	-	1 234 282
	8 105 646	-	-	-	-	8 105 646

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)	(15 594 781)	1 517 374
Water Services 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	666 668	-	(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	-	-	(1 368 103)	-	1 798 812
ACIP Water conservation	42 520	-	-	-	-	42 520
Integrated National Electrification Program (INEP)	-	620 000	-	-	(538 021)	81 979
Abafazi Rural Project (LED) Resourcing Youth Centre (LED)	66 208	-	-	(41 817)	-	24 393
Water, Tanks: District Municipality	157 289	-	-	(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	-	63 985 000	-	(63 985 000)	-	-
	22 332 190	99 668 668	(6 000 000)	(71 920 964)	(38 974 271)	8 105 646

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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	99 668 668	104 048 737
Income recognition during the year	(113 885 233)	(100 079 352)
	8 105 646	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 Baerdmán 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

Environmental rehabilitation	Opening Balance	Additions	Total
	26 272 727	3 326 731	29 624 458

Reconciliation of provisions - 2022

Environmental rehabilitation	Opening Balance	Additions	Utilised during the year	Total
	26 272 112	2 924 065	(2 898 470)	26 297 727

Non-current liabilities

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.



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18. Provisions (continued)

The effective date of all valuations was 30 June 2023 and was done and certified by Mr. T. Duverhage, Professional Engineer, from Zuliat (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 (310m) 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	20 280 449
	29 624 458	26 287 726

19. Payables from exchange transactions

Trade payables	60 811 435	34 276 514
Payments received in advanced	1 831 487	1 143 382
Traffic Licence Suspense	-	12 488
Accrued leave pay	7 014 146	6 144 872
Retentions on capital projects	2 479 886	2 050 784
Previous employees of Development Agency	1 519 000	1 204 562
Unidentified bank deposits	813 695	813 695
Deposits received - (Town Hall)	288 266	12 588
Deposits Received - (Chalefs)	228 069	221 521
	38 913	39 800
	86 018 907	45 960 296

20. Trade and other payable from non-exchange

Trade and other: Principal-Agency arrangement (Traffic Licences)
Trade and other: Principal-Agency arrangement (Housing Project)

	77 289	102 569
	74 619	926 385
	151 918	1 028 954

Reconciliation: Principal-Agency arrangement (Traffic Licences)

Opening balance	102 569	166 366
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)	(2 344 795)	(2 364 014)
	77 289	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



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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)	(803 538)
	74 619	926 386

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	1 358 584	1 341 539
	2 837 761	2 792 258

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	2023	2022
22. Revenue		
Property rates	24 315 680	23 487 666
Service charges	142 055 598	144 326 324
Rental of facilities and equipment	648 718	567 118
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	97 841 484
Other income	2 928 030	4 187 224
	288 490 670	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	567 118
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
	185 765 694	155 198 291

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

Taxation revenue	24 315 580	23 487 988
Property rates	188 505	399 186
Fines, Penalties and Forfeits	478 753	336 813
Licences or permits	-	-
Transfers & Subsidies	108 230 791	97 841 484
	133 213 829	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	2023	2022
Agricultural	4 147 219	3 923 385
Game Farms	6 482 497	8 518 992
Business & Commercial	3 059 257	2 898 144
Statutory Rates - All other departments	6 124 141	5 865 786
Residential	4 482 466	2 191 741
	24 315 680	23 487 666

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	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 2008. 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, 0.007876 for residential properties 0.000 for government infrastructure properties and 0.005218 for government properties is applied to property valuations to determine assessment rates (2021: 0.000525 - agricultural properties, 0.008778 - business properties, 0.007603 - residential properties, 0.008778 - 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	111 543 866	116 517 013
Sale of water	14 928 934	13 828 911
Sewerage and sanitation charges	6 025 151	5 550 023
Refuse removal	9 557 657	8 432 377
	142 055 608	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	2023	2022
Units (K)	358 752	290 220
Amount	R 2 500 832 R	1 921 268
Percentage	22 %	18 %



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25. Service charges (continued)

26. Interest earned - external investments

Interest revenue	1 102 484	935 030
Bank Accounts	-	-

The amount of R635 030 (2021: R591 803) is included under revenue arising from exchange transactions.

27. Transfers & subsidies

Operating grants	63 385 000	56 178 500
Equitable share	-	641 980
National Treasury - Audit support	2 450 000	2 450 000
Finance Management Grant (FMG)	2 300 000	2 300 000
Dept. Sport Library Grant	2 871 103	3 984 085
Expanded Public Works Programme (EPWP)	3 051 500	300 000
Sarah Baartman District Subsidy	73 867 603	67 864 676

Capital grants

Municipal Infrastructure Grant (MIG)	16 322 542	15 083 487
Water Services Infrastructure (WSIG)	17 462 625	10 257 734
Integrated National Electrification Program (INEP)	538 021	-
Energy Efficiency and Demand Side Management Grant	-	1 765 718
Amakhala Emomyeni Cookhouse Community Trust	-	1 900 000
Cacadu Development Agency	-	1 000 000
	34 343 188	29 966 919
	108 230 791	97 841 484

28. Other income

Incidental cash surpluses	(1 137)	4 545
Commission: Transaction handling fees	186 022	173 868
Insurance refund	343 421	488 659
Skills development levy refund	349 816	-
Bad debts recovered	1 200 619	2 570 463
Sub-divisions and consolidations	9 982	30 024
Building plan approvals	220 162	228 046
Bural fees	81 808	81 458
General/Other	108 997	210 963
Library fees	8 428	10 678
Camping fees	54 869	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	2 733 348
Social contributions - Group life insurance	1 950	2 287
Social contributions - Unemployment insurance	517 348	538 089
Social contributions - Bargaining council	35 416	34 773



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26. Employee related costs (continued)

Social contributions - Pension	10 217 159	9 784 013
Overtime	4 719 638	4 081 708
Other allowances: Non Pensionable	3 871 843	3 700 353
Leave pay	1 993 331	-
Post-retirement benefits - Medical : Net Service Cost	666 000	661 000
Long Term Service Awards: Net Service Cost	440 000	465 000
Post-retirement benefits - Medical : Interest Cost	2 777 008	2 248 000
Long Term Service Awards: Interest Cost	424 000	341 000
Less: Recharge to capital works	824 300	(1 335 842)
	88 641 244	91 418 228

Section 56 Senior Managers: Total cost per position

Municipal Manager - 01/07/2022 - 31/10/2022	781 567	1 480 885
Municipal Manager - 01/01/2013 - 30/06/2023	743 006	-
Chief Financial Officer	1 205 568	1 184 345
Director: Corporate Services	1 202 820	1 176 133
Director: Community Services - 01/07/2022 - 31/10/2022	585 124	-
Director: Community Services - 01/01/2013 - 30/06/2023	598 350	1 186 308
Director: Technical Services	1 241 413	1 186 286
	6 337 841	6 226 976

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	865	2 125
Skill levy	5 002	14 313
Subsistence Allowance	7 380	8 820
Bargaining council	43	124
Leaves	252 067	-
	781 567	1 480 885

Remuneration of municipal manager: W.P. Ntini

Annual Remuneration	371 877	-
Car Allowance	286 804	-
Contributions to UIF, Medical and Pension Funds	34 045	-
Remote allowance	25 721	-
Skill levy	6 887	-
Subsistence Allowance	5 700	-
Bargaining council	65	-
	743 009	-

Remuneration of chief finance officer: Nigel Dalo

Annual Remuneration	958 778	988 764
Car Allowance	181 308	127 912
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Remote allowance	47 764	42 504
Skill levy	11 518	11 938
Subsistence Allowance	3 840	1 460
Bargaining council	130	124
	1 205 859	1 184 345

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23. Employee related costs (continued)

Remuneration of Director - Corporate services: Novuko Kubona

Annual Remuneration	988 778	988 784
Car Allowance	140 057	122 920
Remote allowances	47 764	42 504
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Skill levy	11 586	11 388
Subsistence Allowance	2 380	280
Bargaining council	130	124
	1 292 820	1 178 133

Remuneration of Director - Community services: Mandisi Planga

Annual Remuneration	320 321	860 867
Car Allowance	53 934	187 533
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	-
	665 123	1 186 306

Remuneration of Director - Community services: YN Minkil

Annual Remuneration	469 400	-
Car Allowance	98 337	-
Remote allowance	22 421	-
Contributions to UIF, Medical and Pension Funds	1 053	-
Skill levy	5 705	-
Subsistence Allowance	1 360	-
Bargaining council	65	-
	598 351	-

Remuneration of Director - Technical Services: Ayanda Gaji

Annual Remuneration	785 702	787 837
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	11 868	11 461
Subsistence Allowance	5 780	1 480
Bargaining council	130	124
	1 241 416	1 186 286

30. Remuneration of councillors

Mayor: BA Mankoweni	876 537	863 413
Speaker: NP Nkonyeni	710 211	576 865
Chairperson: Corporate Services - MS Kwaksha	3 387	132 500
Chairperson: Community Services - A Hufkie	3 387	134 337
Chairperson: Infrastructure - TA Groenboom	3 387	132 500
Portfolio Head: Technical Services - MK Mfali	392 891	248 588
Portfolio Head: Community Services - Jini Mardini	392 880	357 928
Chief Whip: P. Sonkwala	392 879	357 928
Councillors	1 771 449	1 648 510

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30. Remuneration of councillors (continued)

Mayor: BA Mankoweni	629 146	596 705
Councillors Allowance	-	20 631
Back Pay Increase	47 064	43 711
Pensions Fund Contributions	46 400	44 356
Medical/Aid Contributions	109 528	103 610
Fixed Travel Allowance	44 400	44 400
Councillors Cellphone Allowance	876 538	853 413

Speaker: NP Nkonyeni

Councillors Allowance	464 604	385 644
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 Mfali

Councillors Allowance	281 435	163 252
Back Pay Increase	-	3 055
Fixed Travel Allowance	87 058	63 661
Councillors Cellphone Allowance	44 400	28 632
	392 891	248 600

Portfolio Head: Community Services - Jini Mardini

Councillors Allowance	287 709	228 480
Back Pay Increase	-	8 281
Fixed Travel Allowance	50 870	75 766
Councillors Cellphone Allowance	44 400	44 400
	392 879	357 927

Chief Whip: P. Sonkwala

Councillors Allowance	221 781	194 006
Back Pay Increase	-	8 281
Pensions Fund Contributions	38 743	34 821
Fixed Travel Allowance	87 058	76 308
Councillors Cellphone Allowance	44 400	44 400
	392 980	357 927

Councillor: FP Brown

Councillors Allowance	187 536	191 318
Back Pay Increase	-	7 045
Fixed Travel Allowance	65 845	63 773
Councillors Cellphone Allowance	44 400	44 400
	307 781	306 536



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30. Remuneration of councillors (continued)

Councillor: C Nel

Councillors Allowance	73 722	162 134
Back Pay Increase	-	7 015
Pensions Fund Contributions	13 103	29 104
Fixed Travel Allowance	28 792	63 773
Councillors Cellphone Allowance	19 354	44 400
	134 971	306 606

Councillor: ZS Basketh

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	136 763	122 262
Back Pay Increase	-	4 062
Pensions Fund Contributions	10 223	1 112
Fixed Travel Allowance	48 002	41 125
Councillors Cellphone Allowance	33 015	28 632
	229 023	187 183

Councillor: A Dyantyi

Councillors Allowance	187 536	123 374
Back Pay Increase	-	4 062
Fixed Travel Allowance	65 845	41 125
Councillors Cellphone Allowance	44 400	28 632
	307 781	187 183

Councillor: TA Groenboom

Councillors Allowance	2 512	74 168
Pensions Fund Contributions	-	13 349
Fixed Travel Allowance	875	29 169
Councillors Cellphone Allowance	-	15 824
	3 387	132 600

Councillor: MS Kwatsha

Councillors Allowance	2 512	61 402
Pensions Fund Contributions	-	6 105
Fixed Travel Allowance	875	29 169
Councillors Cellphone Allowance	-	15 824
	3 387	132 600

Councillor: TC Xakaxa

Councillors Allowance	2 512	61 402
Pensions Fund Contributions	-	6 105
Fixed Travel Allowance	875	29 169
Councillors Cellphone Allowance	-	15 824
	3 387	132 600



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30. Remuneration of councillors (continued)

Councillors Cellphone Allowance

	662	22 729
	-	15 824
	2 639	106 740

Councillor: KG Brown

Councillors Allowance	1 957	57 766
Pensions Fund Contributions	-	10 401
Fixed Travel Allowance	662	22 729
Councillors Cellphone Allowance	-	15 824
	2 639	106 740

Councillors: A Hufikle

Councillors Allowance	2 512	74 168
Pensions Fund Contributions	-	13 349
Fixed Travel Allowance	875	31 006
Councillors Cellphone Allowance	-	15 824
	3 387	134 337

Councillor: EL Mtshela

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	71 166

Councillor: TW Peta

Councillors Allowance	2 119	78 487
Fixed Travel Allowance	785	26 162
Councillors Cellphone Allowance	-	16 216
	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	264 516	50 866
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Blue Crane Route Municipality (EC 102)

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32. Finance charges (continued)		
Annual loans	468 281	321 814
Finance leases	45 802	73 680
Interest cost - Landfill sites liability	2 908 529	2 924 086
	3 687 228	3 370 846

Interest expense is calculated using the effective interest rate.

33. Bulk purchases		
Electricity - Eskom	102 987 924	108 082 284

34. Contracted services		
Outsourced Services		127 005
Burial Services	9 561	-
Catering Services	1 637 281	2 142 803
Debt Collection Costs	763 454	1 104 089
Security Services	88 426	85 088
Drivers Licence Cards	-	-

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	953 811
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	415 868
	8 796 471	9 182 814

35. Inventory Consumed		
Consumables	8 209 188	7 118 965

Consumables - Standard Rated		
Consumables - Zero Rated (Fuel)	481 680	4 309 270
	7 708 922	2 571 467
	8 201 612	6 880 737

36. Transfer and subsidies		
Other subsidies	1 035 527	928 617
South African Local Government Association		



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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	220 864	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	8 500
Hire charges	167 489	155 533
Printing, publications and books	582 858	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	1 957	1 185
Title deed search fees	17 595	9 038
Motor vehicle licences and registration	258 419	187 100
Reclassification costs	-	9 500
Remuneration to ward committee	698 019	336 343
Workman's compensation fund	807 452	575 133
Professional bodies, memberships and subscriptions	7 718	17 536
Skills development levy	828 885	927 045
Travel and subsistence	1 676 784	1 020 740
External Computer Services - Software Licences	284 805	724 067
Transport provided as part of events	24 012	14 070
	12 888 540	12 176 816

38. Auditors' remuneration		
Audit Fees	3 127 194	2 936 078

An amount of R629 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)	(2 527 984)
Fair value adjustments	-	73 680
Finance costs - Finance leases	45 802	45 802
Finance costs - Landfill site	2 908 529	2 924 086
Impairment deficit	1 447 694	1 195 596
Debt impairment	30 231 185	29 613 865
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	(1 556 634)	-
Changes in working capital:		
Inventories	128 098	(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)
Net increase/(decrease) in VAT receivable	1 017 415	(1 017 415)
Payables from exchange transactions	19 003 805	2 887 657
Net increase/(decrease) in VAT payable	1 184 866	(237 679)
Increase/(decrease) in trade and other payables from non-exchange	(877 036)	(557 335)
Unspent conditional grants and receipts	(14 228 948)	5 399 258
Consumer deposits	45 603	56 189



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39. Net cash flows from operating activities (continued)		
Other receivables from exchange transactions	(127 884)	(152 864)
	27 013 831	18 887 373
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for	38 866 958	23 688 488
• Infrastructure related projects		
Total capital commitments		
Already contracted for but not provided for	38 866 958	23 688 488

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



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41. Contingencies		
Contingent liabilities		
Matter: Blue Crane Route Municipality vs. Municipal Workers Retirement Fund (BMWRF)		
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 952 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 G. Plasties		
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 059		
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.		

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41. Contingencies (continued)

Matter: Blue Crane Route Municipality vs C. Simonsse (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.

	2023	2022
2022/23		
No further progress in this matter.		
Summary of Contingent liabilities		
MWRP	16 940 819	16 940 819
M Gantsho	613 892	613 892
C Pleatlas	58 052	58 052
DW Lackay	111 440	111 440
C Simonsse	458 044	458 044
	18 182 347	18 182 347

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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 602 760 (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 for 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	50 000	5 163 927
A Swanepoel	50 000	50 000
	50 000	5 213 927



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42. Related parties

No transactions were entered into with Section 56 managers and the Councillors, except as per notes 28 and 30.

Key management information

	Description
Councillors	Mayor
BA Mxowweni	Speaker
NP Nkonyeni	Councillor
KC Brown	Councillor
P Sonkhwala	Councillor
JM March	Councillor
FP Brown	Chairperson: Community Services
A Hufkie	Chairperson: Infrastructure
TA Grootboom	Chairperson: Corporate Services
MS Kwatsha	Councillor
TC Xakaxa	Councillor
C Nel	Councillor
A Dyantyi	Councillor
ABC Heyrise	Councillor
ZS Baskiti	Councillor
MK Itali	Councillor
EL Miggels	Councillor
ETW Peta	Councillor
Section 56 managers	Description
T Klaas	Municipal Manager
MP Nini	Former Municipal Manager
N Dalu	Chief Financial Officer
N Kubone	Director - Corporate Services
M Pianga	Director - Community Services
YH Mhiki	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



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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	31 847 283	25 442 088
Other receivables from non-exchange transactions	8 646 668	10 662 922
Other receivables from exchange transactions	1 443 394	1 315 710
Short term deposits and cash in banks	9 985 528	21 425 790
Liabilities		
Financial instrument	2023	2022
Other financial liabilities	1 049 535	957 869
Payables from exchange transactions	55 524 875	37 724 540
Trade and other payable from non-exchange	151 818	1 028 854

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.

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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 or 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. Modelling 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 (MWRMF)

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	6 766
Add: Fruitless and wasteful expenditure identified - current	295 000	59 386
Add: Fruitless and wasteful expenditure identified - prior period	(1 500)	(14 712)
Closing balance	<u>344 909</u>	<u>51 409</u>

47. Irregular expenditure

Opening balance as previously reported	8 828 414	8 045 762
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	<u>8 828 414</u>	<u>8 828 414</u>

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.

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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 directrices 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 Municipality (EC 102)
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	2023	2022
Expenditure	38 539 364	31 157 459
Employee related costs	91 419 228	108 082 284
Bulk Purchases	-	-
Debt Impairment	4 217 403	11 057 022
Depreciation and amortisation	1 371 357	53 082 503
Interest expense	2 862 324	340 567
Total other segment expenditure	3 651 152	9 916 080
Total segment expenditure	35 924 641	222 299 438
Total segmental surplus/(deficit)	320 794 901	62 670 822
(153 424)		
2 527 994		
217 357		
(1 195 590)		
1 388 331		
1 721 999	23 730 280	36 954 895
39 748 094	731 340 485	112 199 547
41 468 083	785 070 765	149 154 442
945 693 300	945 693 300	945 693 300

	2023	2022
Liabilities		
Current liabilities	28 297 727	52 204 230
Non-current liabilities	-	73 138 783
Total segment liabilities	28 297 727	125 343 013
Assets		
Current assets	26 297 727	131 557 228
Non-current assets	20 932 653	131 697 228
Total segment assets	47 230 380	263 254 456

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48. Segment information (continued)

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

	2023	2022
Employee related costs	31 157 459	38 539 364
Bulk Purchases	-	108 082 284
Debt Impairment	4 217 403	11 057 022
Depreciation and amortisation	1 371 357	53 082 503
Interest expense	2 862 324	340 567
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39 748 094	731 340 485	112 199 547
41 468 083	785 070 765	149 154 442
945 693 300	945 693 300	945 693 300

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Contribution for the year	1 030 527	926 617
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No contributions were outstanding at year end.

PAYE, UIF and SDL

Opening balance	1 002 071	1 027 695
SARS deductions	14 385 870	12 865 350
Amount paid over	(13 867 431)	(12 860 974)
	1 521 510	1 002 071

The net 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)	(19 472 078)
	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	806 354	1 353 586
3 Quotations not obtained	3 068 576	2 832 480
Emergency	2 053	429 266
Advertising in local news paper and radio stations	181 211	195 904
Sole provider	-	9 658
Covid 19	4 168 194	4 821 104

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48. Segment information (continued)

	2023	2022
Assets		
Current assets	26 297 727	52 204 230
Non-current assets	-	73 138 783
Total segment assets	26 297 727	125 343 013
Liabilities		
Current liabilities	28 297 727	52 204 230
Non-current liabilities	-	73 138 783
Total segment liabilities	28 297 727	125 343 013

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48. Segment information (continued)

	2023	2022
Expenditure	38 539 364	31 157 459
Employee related costs	91 419 228	108 082 284
Bulk Purchases	-	-
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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	1 580 684	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	(2 959 437)	(25)%	The municipality used less contractual services during the year as some skills were transferred to the internal staff.
Other expenditure	(12 862 562)	(47)%	The Municipality tries to implement stricter cost containment measures when it comes to miscellaneous expenditure
FINANCIAL POSITION			
Total Current Liabilities	9 877 708	14 %	Grants were not fully spent at year end and lead to higher unspent conditional grants which is part of the current liabilities.



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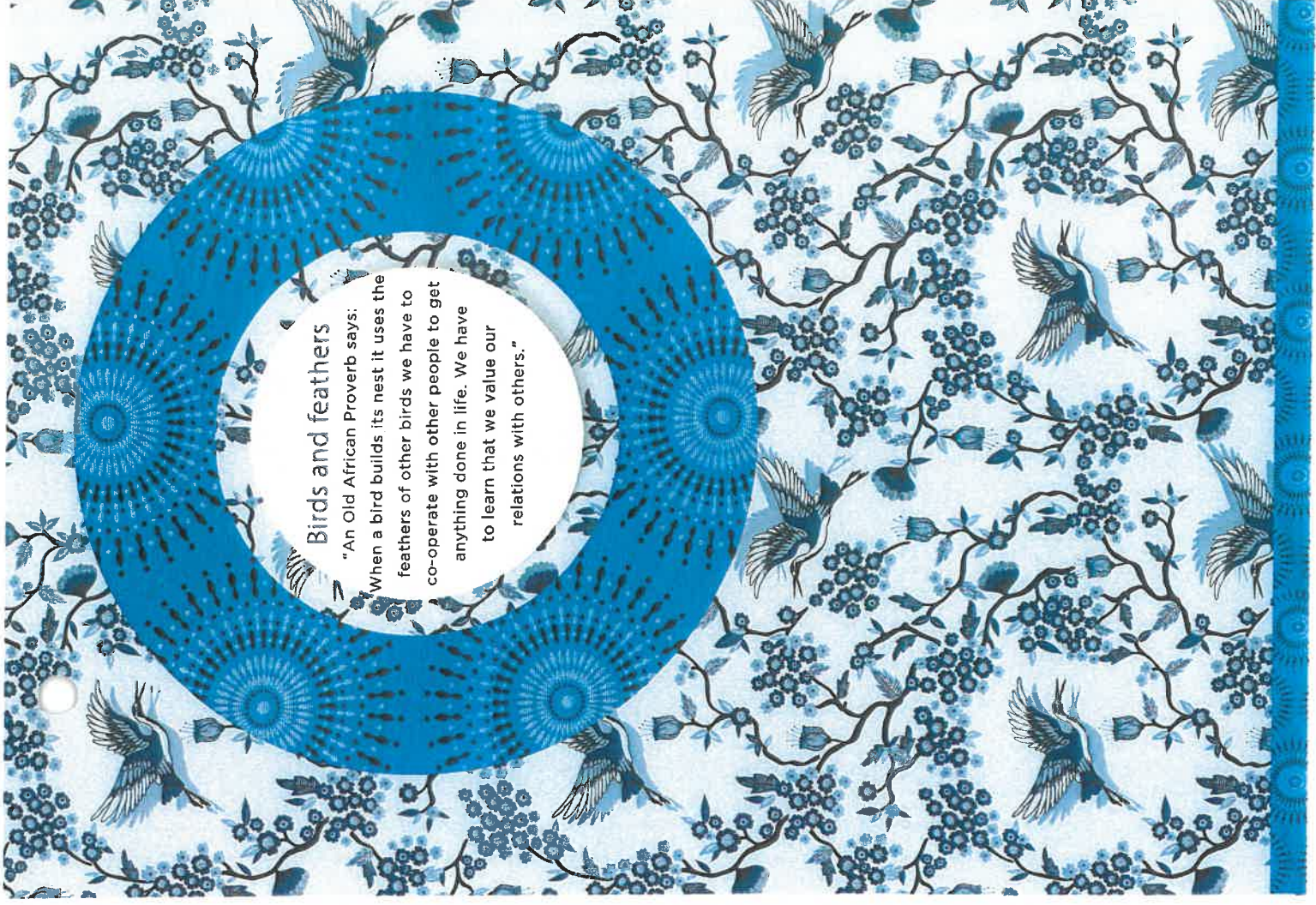
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50. Actual versus Budget: Explanation of material variances greater than 10% versus budget (continued)

CASH FLOWS

Net cash from (used) investing	25 830 693	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 R2.8m



Birds and feathers

"An Old African Proverb says:
When a bird builds its nest it uses the
feathers of other birds we have to
co-operate with other people to get
anything done in life. We have
to learn that we value our
relations with others."



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