



Umzimvubu Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2025

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996).

Nature of business and principal activities

Provision of services to the community as prescribed by the Local Government: Municipal Structures Act (Act No. 117 of 1998) and the Constitution of the Republic of South Africa (Act No. 108 of 1996) as amended.

Executive Mayor Speaker

Cllr Z. Ndevu
Cllr G.N Mdzinwa (21/10/2024 - current)
Cllr S. Mathebe (22/07/2024 - 21/10/2024)
Cllr N. Nomnganga (01/08/2023 - 22/07/2024)

Chief Whip MPAC Chairperson Councillors

Cllr N.F Ngonyolo
Cllr M. Mataka
W1 - Cllr M. Kiviet
W2 - Cllr N.Hlanekela
W3 - Cllr A. Mkhonto
W4 - Cllr L. Mapala-Bera
W5 - Cllr T. Ngxabi
W6 - Cllr V. P. Gogela
W7 - Cllr N. Xolo
W8 - Cllr D. Ndema
W9 - Cllr A. Jakuja
W10 - Cllr W. Z. Nqakwana
W11 - Cllr N. Gogela
W12 - Cllr P. P. Magujulwa
W13 - Cllr C. L. Noqhakala
W14 - Cllr S. Mathebe
W15 - Cllr M. G. Ngwaqa
W16 - Cllr B. R. Khehle-Salukazana
W17 - Cllr N. Jwara
W18 - Cllr T. E. Sincindi
W19 - Cllr V. B. Sobhayi
W20 - Cllr X. Lungu
W21 - Cllr N. Nomnganga
W22 - Cllr M. Kakaza
W23 - Cllr Z. G. Mampemvini
W24 - Cllr M. B. Jonase
W25 - Cllr N. V Giwu
W26 - Cllr M. Tuku
W27 Cllr S. Faye
W28 Cllr L. Mveku
Pr Cllr C.N Mnyayiza: (EXCO Member)
Pr Cllr N. Sonyabashi: (P.H: Citizen and Community Services)
Pr Cllr N. B. Mphekeqana-Mdingi
Pr Cllr N. Mantshongo
Pr Cllr F. F. Sontsi
Pr Cllr M. Hlanekela
Pr Cllr P. Thingathinga
Pr Cllr M. Sonyabashe
Pr Cllr T. Ntsalaze: (EXCO Member)

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General Information

	Pr Cllr B. T. Ngqasa Pr Cllr D. N Ntshobane Pr Cllr C. M. Madyibi Pr Cllr N. P Nogada Pr Cllr N. V. Nomnganga Pr Cllr M. Magobane: (EXCO Member) Pr Cllr L. Gwentshu Pr Cllr F. Ntwakumba Pr Cllr A.N Garane: (PH: Infrastructure and Planning) Pr Cllr N. Nkula: (PH: Budget and Treasury) Pr Cllr X. Jona: (PH: Local Economic Development) Pr Cllr T. Sokhanyile: (PH: SPU and Communication) Pr Cllr I. Nodali: (PH: Corporate Services)
Accounting Officer	Mr G.P.T Nota
Chief Finance Officer (CFO)	Mr K. Mehlomakhulu
Grading of local authority	Grade 3
Registered office	Dabula Street Sophia Kwa-Bhaca 5090
Bankers	First National Bank
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Conjwa & Associates Fikile Ntayiya & Associates Madlanga & Partners Inc. Mdledle Incorporation
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007)

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DORA	Division of Revenue Act
INEP	Integrated Electrification Programme
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
DSRAC	Department of Sport, Recreation, Arts and Culture
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
ECDC	Eastern Cape Development Corporation
DWA	Department of Water Affairs
PAYE	Pay As You Earn
GRAP	Generally Recognised Accounting Practice
ASB	Accounting Standards Board
UIF	Unemployment Insurance Fund
LGSETA	Local Government Sector Education and Training Authority
SDL	Skills Development Levy
SALGA	South African Local Government Association
SARS	South African Revenue Services
VAT	Value Added Tax
CRR	Capital Replacement Reserve
MFMA	Municipal Finance Management Act
MPRA	Municipal Property Rates Act
mSCOA	Municipal Standard Chart of Accounts
FMG	Finance Management Grant
OTP	Office of the Premier
MDRG	Municipal Disaster Response Grant
MDRF	Municipal Disaster Recovery Fund
eNaTIS	The National Traffic Information System
IDT	Independent Development Trust
ULM	Umzimvubu Local Municipality

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PH	Portfolio Head
MPAC	Municipal Public Accounts Committee
EXCO	Executive Committee
SALGBC	South African Local Government Bargaining Council
MTREF	Medium Term Revenue and Expenditure Framework

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

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

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

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

I, as the accounting officer acknowledges that i am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of councilors, as disclosed in notes 41&61 - to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the on 31 August 2025 and were signed on its behalf by:


Accounting Officer (G.P.T Nota)
KwaBhaca

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	15 629 767	3 899 018
Operating lease receivable	4	23 837 112	21 212 139
Trade and other receivables from exchange transactions	5	3 257 475	2 406 459
Receivables from non-exchange transactions	6	13 666 100	13 609 130
Prepayments	7	1 213 685	1 177 812
Other current assets	8	522 671	1 141 659
VAT input accrual	9	4 079 421	4 801 074
Cash and cash equivalents	10	91 190 448	66 304 389
		153 396 679	114 551 680
Non-Current Assets			
Investment property	11	26 825 225	26 105 040
Property, plant and equipment	12	1 052 819 523	1 028 304 792
Intangible assets	13	212 771	295 922
Heritage assets	14	17 719	17 719
		1 079 875 238	1 054 723 473
Total Assets		1 233 271 917	1 169 275 153
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	15	56 590 557	63 001 794
VAT payable	20	13 331 146	9 531 686
Consumer deposits	16	206 981	175 871
Trade and other payables from non-exchange transactions	17	3 794 798	18 096 100
Employee benefits obligations	18	14 102 663	13 156 778
VAT output accrual	19	186 056	179 190
		88 212 201	104 141 419
Non-Current Liabilities			
Employee benefits obligations	18	2 881 000	2 477 000
Provisions	21	9 549 388	9 177 152
		12 430 388	11 654 152
Total Liabilities		100 642 589	115 795 571
Net Assets		1 132 629 328	1 053 479 582
Reserves			
Capital replacement reserve	22	40 359 950	36 752 837
Accumulated surplus	23	1 092 269 397	1 016 726 738
Total Net Assets		1 132 629 347	1 053 479 575



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* See Note 71

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Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and other services	25	389 303	249 332
Service charges	26	1 360 462	1 296 952
Commission income	27	820 484	818 929
Construction contracts	28	46 280 523	38 092 776
Rental of facilities and equipment	29	5 426 054	5 139 629
Interest received - exchange transactions	30	11 047 411	10 726 289
Agency services	31	2 364 094	2 360 443
Licences and permits	32	2 163 878	1 921 051
Recoveries	33	194 238	-
Operational revenue	34	112 630	179 148
Total revenue from exchange transactions		70 159 077	60 784 549
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	35	64 664 732	46 521 963
Licences and permits		223 413	158 059
Interest received - non exchange transactions	36	4 696 289	2 114 413
Transfer revenue			
Government grants and subsidies	37	388 841 598	361 908 236
Fines, Penalties and Forfeits	38	2 358 642	3 642 390
Donations	39	150 000	12 647 449
Total revenue from non-exchange transactions		460 934 674	426 992 510
Total revenue	24	531 093 751	487 777 059
Expenditure			
Employee related costs	40	(100 284 906)	(93 007 309)
Remuneration of councillors	41	(24 538 553)	(23 558 458)
Construction contracts	28	(46 280 523)	(38 092 776)
Depreciation and amortisation	42	(82 441 563)	(77 989 258)
Finance costs	43	(2 118 853)	(2 310 151)
Lease rentals	44	(1 048 832)	(845 018)
Inventory consumed	45	(6 472 498)	(6 515 786)
Unclaimable VAT input	46	(1 849 849)	(2 347 536)
Contracted services	47	(84 337 540)	(93 093 832)
Transfers and Subsidies	48	(22 455 424)	(18 700 091)
Operating costs	49	(63 676 722)	(72 508 964)
Total expenditure		(435 505 263)	(428 969 179)
Operating surplus		95 588 488	58 807 880
Loss on disposal of assets and liabilities	50	(11 273 683)	(18 086 217)
Fair value gains	51	12 758 885	712 476
Actuarial gains	52	12 651	4 190
Impairment losses	53	(17 992 418)	(41 985 261)
		(16 494 565)	(59 354 812)
Surplus (deficit) for the year		79 093 923	(546 932)

* See Note 71

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Statement of Changes in Net Assets

Figures in Rand	Capital Replacement Reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	34 013 373	1 023 163 954	1 057 177 327
Adjustments			
Prior year adjustments 71	-	(3 150 820)	(3 150 820)
Balance at 01 July 2023 as restated*	34 013 373	1 020 013 134	1 054 026 507
Changes in net assets			
Surplus for the year	-	(546 932)	(546 932)
Transfers to/(from) reserves	2 739 464	(2 739 464)	-
Total changes	2 739 464	(3 286 396)	(546 932)
Opening balance as previously reported	36 752 837	1 035 543 414	1 072 296 251
Adjustments			
Prior year adjustments 71	-	(18 760 827)	(18 760 827)
Restated* Balance at 01 July 2024 as restated*	36 752 837	1 016 782 587	1 053 535 424
Changes in net assets			
Surplus for the year	-	79 093 923	79 093 923
Transfers to/(from) reserves	3 607 113	(3 607 113)	-
Total changes	3 607 113	75 486 810	79 093 923
Balance at 30 June 2025	40 359 950	1 092 269 397	1 132 629 347

Note(s)

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* See Note 71

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Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates and service charges		62 385 866	45 070 717
Sale of goods and services		58 199 329	27 900 464
Grants		377 998 201	369 782 311
Interest income		10 508 028	10 726 289
		509 091 424	453 479 781
Payments			
Employee costs		(123 755 923)	(117 033 787)
Suppliers		(254 094 514)	(205 334 549)
Finance costs		(1 395 792)	(2 672 269)
		(379 246 229)	(325 040 605)
Net cash flows from operating activities	55	129 845 195	128 439 176
Cash flows from investing activities			
Purchase of property, plant and equipment	12&73	(104 959 136)	(141 641 362)
Proceeds from sale of property, plant and equipment	12	-	495 784
Purchase of investment property	11	-	(94 500)
Net cash flows from investing activities		(104 959 136)	(141 240 078)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		24 886 059	(12 800 902)
Cash and cash equivalents at the beginning of the year		66 304 389	79 105 291
Cash and cash equivalents at the end of the year	10	91 190 448	66 304 389

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The accounting policies on pages 15 to 41 and the notes on pages 48 to 123 form an integral part of the annual financial statements.

* See Note 71

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods and rendering of services	23 644 000	1 050 000	24 694 000	46 669 826	21 975 826	N1
Service charges	1 482 600	400	1 483 000	1 360 462	(122 538)	
Rendering of services	2 266 250	(2 266 250)	-	820 484	820 484	
Rental of facilities and equipment	4 708 000	2 647 000	7 355 000	5 426 054	(1 928 946)	N2
Interest earned from current and non-current assets	10 580 000	-	10 580 000	11 047 411	467 411	
Interest earned from Receivables	2 200 000	(2 200 000)	-	-	-	
Agency services	2 900 000	-	2 900 000	2 364 094	(535 906)	
Licences and permits	1 765 000	-	1 765 000	2 163 878	398 878	N3
Recoveries	-	-	-	194 238	194 238	N11
Operational revenue	4 035 000	-	4 035 000	112 630	(3 922 370)	N4
Total revenue from exchange transactions	53 580 850	(768 850)	52 812 000	70 159 077	17 347 077	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	49 910 850	16 993 150	66 904 000	64 664 732	(2 239 268)	
Licences and Permits (Non-exchange)	100 000	100 000	200 000	223 413	23 413	N5
Interest	-	2 200 000	2 200 000	4 696 289	2 496 289	N6
Transfer revenue						
Government grants & subsidies	488 707 000	14 519 000	503 226 000	388 841 598	(114 384 402)	N7
Fines, Penalties and Forfeits	4 527 000	-	4 527 000	2 358 642	(2 168 358)	N8
Donations	-	-	-	150 000	150 000	
Total revenue from non-exchange transactions	543 244 850	33 812 150	577 057 000	460 934 674	(116 122 326)	
Total revenue	596 825 700	33 043 300	629 869 000	531 093 751	(98 775 249)	
Expenditure						
Employee related costs	(97 886 791)	(2 611 566)	(100 498 357)	(100 284 906)	213 451	N22
Remuneration of councillors	(24 485 405)	(53 595)	(24 539 000)	(24 538 553)	447	
Depreciation and amortisation	(113 470 000)	-	(113 470 000)	(82 441 563)	31 028 437	N10
Debt Impairment	(12 892 000)	(3 000 000)	(15 892 000)	(17 992 418)	(2 100 418)	N23
Finance costs	-	-	-	(2 118 853)	(2 118 853)	N11
Inventory consumed	(7 393 502)	(428 498)	(7 822 000)	(6 472 498)	1 349 502	N12
Unclaimable VAT input	-	-	-	(1 849 849)	(1 849 849)	N11
Contracted Services	(122 452 262)	561 262	(121 891 000)	(130 618 063)	(8 727 063)	N1
Transfers and Subsidies	(15 262 000)	(8 254 000)	(23 516 000)	(22 455 424)	1 060 576	N13
Operational costs	(82 607 000)	(385 643)	(82 992 643)	(64 725 554)	18 267 089	N12
Other losses	(20 000)	-	(20 000)	-	20 000	N14
Total expenditure	(476 468 960)	(14 172 040)	(490 641 000)	(453 497 681)	37 143 319	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating surplus	120 356 740	18 871 260	139 228 000	77 596 070	(61 631 930)	
Loss on disposal of assets and liabilities	-	-	-	(11 273 683)	(11 273 683)	N11
Fair value adjustments	-	-	-	12 758 885	12 758 885	N11
Actuarial gains/losses	-	-	-	12 651	12 651	N11
	-	-	-	1 497 853	1 497 853	
Surplus before taxation	120 356 740	18 871 260	139 228 000	79 093 923	(60 134 077)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	120 356 740	18 871 260	139 228 000	79 093 923	(60 134 077)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 949 317	949 683	3 899 000	15 629 767	11 730 767	N12
Operating lease asset	-	-	-	23 837 112	23 837 112	N18
Trade and other receivables from exchange transactions	21 560 303	(21 366 303)	194 000	3 257 475	3 063 475	N6
Receivables from non-exchange transactions	12 553 323	(2 798 323)	9 755 000	13 666 100	3 911 100	N16
VAT receivable	20 588 000	(2 151 000)	18 437 000	4 079 421	(14 357 579)	N19
Prepayments	-	-	-	1 213 685	1 213 685	N11
Other current assets	1 865 000	21 306 000	23 171 000	522 671	(22 648 329)	N18
Cash and cash equivalents	108 105 965	12 858 035	120 964 000	91 190 448	(29 773 552)	N6
	167 621 908	8 798 092	176 420 000	153 396 679	(23 023 321)	
Non-Current Assets						
Investment property	25 298 064	806 936	26 105 000	26 825 225	720 225	
Property, plant and equipment	1 125 198 110	69 106 890	1 194 305 000	1 052 819 523	(141 485 477)	N15
Intangible assets	3 445 480	(2 055 480)	1 390 000	212 771	(1 177 229)	N10
Heritage assets	17 719	281	18 000	17 719	(281)	
	1 153 959 373	67 858 627	1 221 818 000	1 079 875 238	(141 942 762)	
Total Assets	1 321 581 281	76 656 719	1 398 238 000	1 233 271 917	(164 966 083)	
Liabilities						
Current Liabilities						
Trade and other payables from exchange transactions	71 835 265	4 447 735	76 283 000	56 590 557	(19 692 443)	N20
Consumer deposits	161 703	14 297	176 000	206 981	30 981	
Trade and other payables from non-exchange transactions	6 179 911	4 441 089	10 621 000	3 794 798	(6 826 202)	N17
Employee benefits obligations	13 649 988	(9 807 988)	3 842 000	14 102 663	10 260 663	N20
VAT output accrual	222 390	10 999 610	11 222 000	13 517 202	2 295 202	N19
	92 049 257	10 094 743	102 144 000	88 212 201	(13 931 799)	
Non-Current Liabilities						
Employee benefits obligations	-	-	-	2 881 000	2 881 000	N19
Provisions	8 530 829	3 123 171	11 654 000	9 549 388	(2 104 612)	N20
	8 530 829	3 123 171	11 654 000	12 430 388	776 388	
Total Liabilities	100 580 086	13 217 914	113 798 000	100 642 589	(13 155 411)	
Net Assets	1 221 001 195	63 438 805	1 284 440 000	1 132 629 328	(151 810 672)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Capital replacement reserves	-	36 754 000	36 754 000	40 359 958	3 605 958	
Accumulated surplus	1 221 001 195	26 684 805	1 247 686 000	1 092 269 389	(155 416 611)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Total Net Assets	1 221 001 195	63 438 805	1 284 440 000	1 132 629 347	(151 810 653)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	45 918 000	15 634 000	61 552 000	61 754 043	202 043	
Service charges	1 364 000	-	1 364 000	631 823	(732 177)	N6
Other revenue	70 804 000	29 329 000	100 133 000	31 240 582	(68 892 418)	N21
Transfers and Subsidies - Operational	319 388 000	(17 936 000)	301 452 000	296 951 201	(4 500 799)	
Transfers and Subsidies - Capital	192 047 000	9 727 000	201 774 000	81 047 000	(120 727 000)	N7
Interest	10 580 000	-	10 580 000	10 508 028	(71 972)	
	640 101 000	36 754 000	676 855 000	482 132 677	(194 722 323)	
Payments						
Suppliers and employees	(334 825 000)	(6 910 000)	(341 735 000)	(328 421 490)	13 313 510	N12
Transfers and subsidies	(15 262 000)	(4 298 000)	(19 560 000)	(23 865 992)	(4 305 992)	N13
	(350 087 000)	(11 208 000)	(361 295 000)	(352 287 482)	9 007 518	
Net cash flows from operating activities	290 014 000	25 546 000	315 560 000	129 845 195	(185 714 805)	
Cash flows from investing activities						
Capital assets - purchase	(261 013 000)	(2 094 000)	(263 107 000)	(104 959 136)	158 147 864	N7
Net increase/(decrease) in cash and cash equivalents	29 001 000	23 452 000	52 453 000	24 886 059	(27 566 941)	N6
Cash and cash equivalents at the beginning of the year	79 105 000	(12 795 000)	66 310 000	66 304 389	(5 611)	
Cash and cash equivalents at the end of the year	108 106 000	10 657 000	118 763 000	91 190 448	(27 572 552)	

The accounting policies on pages 15 to 41 and the notes on pages 48 to 123 form an integral part of the annual financial statements.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

1. Significant accounting policies

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

1.1 Basis of preparation

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2025 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management, Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, and rounded off to the nearest Rand which is the functional currency of the municipality.

1.3 Going concern assumption

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

1.4 Materiality

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

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

The municipality does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Comparative figures

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

1.6 Inventories

Inventories comprise stationery (consumables) for distribution during the ordinary course of business and land held for sale. Stationery (consumables) are initially recognised at cost. Cost generally refers to the purchase price, plus unclaimable taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Land held for sale is initially measured at the fair value as per the valuation roll during when they were reclassified as inventories.

Where Inventory is acquired by the municipality 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.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.6 Inventories (continued)

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

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

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

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

Cost of sales

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

1.7 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Leases (continued)

Operating leases - lessee

Due to its nature, operating lease payments are recognised as an expense another systematic basis - invoice basis. The amounts recognised as an expense are recognised as operating lease expenditure.

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The municipality has the following statutory receivables:

1. Property Rates receivables
2. Traffic Fines receivables.

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Statutory receivables (continued)

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

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

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

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

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

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

Derecognition

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

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

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

1.9 Cash and cash equivalents

Cash and cash equivalents include call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Investment property

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

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

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

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

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

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

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- All unused municipal land are not classified as investment property.
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

Fair value

Subsequent to initial measurement investment property is measured at fair value and no depreciation is calculated on investment property.

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Investment property (continued)

Derecognition/Disposal

Investment properties are unrecognised (eliminated from the Statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

The transfer of Investment Property to/from the Property Plant and Equipment is done on the commencement of owner occupation or ceases to be owner occupied or commencement of development with the view of sale for inventory.

1.11 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is unrecognised.

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

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. No depreciation for assets under work in-progress.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Property, plant and equipment (continued)

Even though the municipality is aware that useful lives are estimates not policies as per GRAP 3, the municipality has decided to include in the policies for determination of best estimates. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	8 - 55
Mobile offices	Straight-line	5 - 10
Electrical infrastructure	Straight-line	3 - 80
Infrastructure assets (Roads, pavements, bridges and stormwater)	Straight-line	3 - 80
Landfill Sites	Straight-line	10 - 55
Community assets	Straight-line	5 - 80
Transport assets	Straight-line	4 - 10
Computer equipment	Straight-line	2 - 10
Furniture, Fittings & Office Equipment	Straight-line	3 - 20
Bins & Containers	Straight-line	10 - 15
Specialised Plant and Equipment	Straight-line	2 - 15

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 47).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.12 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software and municipal website.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Heritage assets are measured at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	1 - 4
Website		Infinite

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.12 Intangible assets (continued)

Intangible assets are unrecognised:

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

1.13 Heritage assets

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

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

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

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

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

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

Heritage assets are non-cash generating assets.

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

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

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

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

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

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

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

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

Recognition

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.13 Heritage assets (continued)

Subsequent measurement

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

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

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

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

Impairment

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

Derecognition

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

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

1.14 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.15 Employee benefits

Identification

Employee benefits

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

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

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

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

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

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

Short-term employee benefits include items such as:

1. wages, salaries and social security contributions;
2. short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
3. bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
4. non-monetary benefits (for example, medical

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- (b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

- (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

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1.15 Employee benefits (continued)

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

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

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Significant Accounting Policies

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 60.

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Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money.

The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.21 and 1.22.
- ;

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

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Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

1.17 Revenue from exchange transactions

Revenue is derived from a variety of sources which include revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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

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

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Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

Measurement

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

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

Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Rentals Received

Revenue from the rental of premises is recognised on a straight-line basis over the term of the lease agreement. Rental received from other assets is recognised on amounts paid by the renter.

Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Revenue from Agency Services

Revenue for agency services is recognised on a daily basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services and construction contract

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Rates and taxes are statutory revenue.

Fines

Fines constitute both spot fines and summonses.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

Umzimvubu Local Municipality

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Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Traffic fines are statutory revenue.

Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with GRAP 23.

Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are disclosed in the notes to the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the notes to the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.19 Investment income

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

1.20 Financial instruments

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

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

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

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

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

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

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

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

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Significant Accounting Policies

1.20 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

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1.20 Financial instruments (continued)

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

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

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

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

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

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

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

Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the MFMA.
- Interest is charged on all outstanding balances at a rate of 10% per annum.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

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Significant Accounting Policies

1.20 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.21 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

- An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

- An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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Significant Accounting Policies

1.21 Impairment of cash-generating assets (continued)

- The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.22 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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Significant Accounting Policies

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

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.24 Construction contracts

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

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

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

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

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

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

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. When funds are received in advance from a construction contract, accrued income is recognised.

Contract revenue is measured at the fair value of the consideration received or receivable shall comprise the initial amount of revenue agreed in the contract, variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

When a contract covers a number of assets, the construction of each asset shall be treated as a separate construction contract when:

- separate proposals have been submitted for each asset;

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.24 Construction contracts (continued)

- each asset has been subject to separate negotiation, and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

1.25 Value Added Tax

Identifying different VAT transactions.

The transaction between the municipality and customer/supplier includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer. Both elements of the transaction arose from the contractual arrangement to provide goods or services in return for consideration. Thus, the entire receivable/payable due in that transaction (consideration for goods or services together with the VAT element) is classified as a contractual receivable/payable and accounted for in accordance with GRAP104.

The transaction between the municipality and SARS is the VAT payable to / receivable from SARS on transaction date when cash is received/paid, arises from legislation (i.e., VAT Act) and is classified as statutory arrangement and will be accounted for in accordance with GRAP 19 or GRAP 108. VAT output accrual is disclosed separately as current liability and VAT input accrual is disclosed separately as a current asset.

Therefore, VAT payable to or receivable from SARS is a statutory payable or receivable. Therefore, as it is a statutory receivable/payable, it does not meet the definition of a financial instrument as should not be disclosed in the financial instrument note as per GRAP104.

The amount of VAT receivable from or payable to SARS is calculated as the net amount of output VAT collected and input VAT paid. As the amount due from or to SARS is already a net amount, there is no separate recognition of a receivable or payable.

1.26 Transfer payments

The municipality transfers goods or services to organisations from time to time, through the Local Economic Development initiative. In making these transfers, the municipality does not:

- received any goods or services directly in return as would be expected in a purchase or sale transaction.
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period during which the events giving rise to the transfer occurred.

1.27 Bad Debts written off

Consumer debtors

When the municipality identifies consumer debtors whose debts appear to be irrecoverable even after the whole credit control and debt collection process has been followed in terms of trying to obtain payment, then such accounts be regarded as irrecoverable.

Once the debt is regarded as irrecoverable during the year it must be grouped with others so that the report is presented to Council to solicit a resolution to write off irrecoverable debts.

Traffic fines

Traffic fines debtors are assessed for each reporting period to establish their collectability. Once traffic fines debtors are regarded as irrecoverable during the course of the year, a report of all traffic fines doubtful debtors is presented to Council to solicit a resolution to write off irrecoverable debts

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Significant Accounting Policies

(continued)

Traffic fines infringements that have not been served within a period of 18 months of the date of the alleged offence be withdrawn and/or warrants to the arrest that have not been executed within 2 years after the date of authorisation thereof be returned with the control documents to the relevant Magistrate for cancellation as per the National Prosecuting Authority of South Africa. (Uniform national instruction in respect of Traffic Infringements matters issued by various law enforcement agencies)

1.28 Waiver of debt

The waiver of debt is the eradication of debt to achieve specific objectives. An entity may waive its right to receive future receipts (in cash or another financial asset) in accordance with legislation or similar means, for example through a specific policy decision such as a tax amnesty programme.

When a debtor applies for the debt incentive scheme, 90/10 ratio is applied where if a payment of 10 percent is paid in lumpsum or over 6 months, the debtor qualifies for a 90 percent waiver on their debt.

1.29 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).

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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Significant Accounting Policies

1.29 Accounting by principals and agents (continued)

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

Recognition

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

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

1.30 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.31 Fruitless and wasteful expenditure

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

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

1.32 Irregular expenditure

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

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

1.33 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.

1.34 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Umzimvubu Local Municipality

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Significant Accounting Policies

1.34 Budget information (continued)

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal periods from 2024/07/01 to 2027/06/30.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.35 Significant judgements and sources of estimation uncertainty

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

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

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Significant judgements applied are as follows:

- 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).
- The assessment of whether an entity is a principal, or an agent requires the entity to evaluate the rights and obligations of all parties to each binding arrangement so as to establish whether the transactions it undertakes with third parties are for the benefit of another entity or for its own.

Additional information is disclosed in Note 57.

Impairment of statutory receivables

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

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

Umzimvubu Local Municipality

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Significant Accounting Policies

1.35 Significant judgements and sources of estimation uncertainty (continued)

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

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

Impairment of Financial Assets

Accounting Policy 1.20 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Accounting Policy 1.20 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Impairment of Trade Receivables

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 1.11, 1.10, and 1.12, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

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Significant Accounting Policies

1.35 Significant judgements and sources of estimation uncertainty (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management. Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 13 and 14 to the Annual Financial Statements, if applicable.

Defined Benefit Plan Liabilities

As described in Accounting Policy 1.15 Employee Benefits – The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality warrant the actuarial expert identified are long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

Provisions, Contingent Liabilities and Contingent Assets

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities and assets. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Budget Information

Deviations between budget and actual amounts are regarded as material difference if its above 10 percent.

Segment reporting

In applying GRAP 18 segment reporting, management makes judgement with regard to the identification of reportable segments, as well as regarding what constitutes segment results. This enables users to evaluate the nature and financial effects of the activities in which the segment engages, and the economic environments in which it operates.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. The fair value of investment property reflects market conditions at the reporting date. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments. Cash and cash equivalent is assessed to approximate their fair value due to its short - term nature.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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Significant Accounting Policies

1.35 Significant judgements and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. The Non-payment percentage is determined for each debtor.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

1.36 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.37 Events after reporting date

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

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

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

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

Umzimvubu Local Municipality

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Significant Accounting Policies

1.38 Accumulated Surplus

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

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2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unable to reliably estimate the impact

Umzimvubu Local Municipality

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3. Inventories		
Consumables	1 250 467	1 558 418
Land held for sale	14 379 300	2 340 600
	15 629 767	3 899 018

Inventories recognised as an expense during the year. 6 472 498 6 515 786

Inventory consumables are held for own use and measured at the lower of cost and current replacement cost. No write downs of inventory to net realisable value were required and no previously written down was reversed during the current year.

Land held for sale is measured at its fair value as determined on the date the decision to dispose off the land was made. This was based on the valuation roll of the municipality applicable during the 2019/20 and 2024/25 financial years.

Inventory pledged as security

No inventories have been pledged as collateral for the liabilities of the municipality.

There was no inventory retained as personal protective equipment, by the municipality.

Land held for sale

Land held for sale consist of land parcels awaiting to be disposed. Council took a resolution to dispose off Land in June 2020 and during the 2024/2025 reporting period, the municipality is in the process of disposing the land.

During the year, land pieces with a total value (cost of sales) of R797 000 (2024: R0) and total proceeds of R 1 412 343 (2024: R0) were disposed. However, there municipality has not yet transferred rights to the buyer as the transfer process is still in place.

4. Operating lease receivable

Current assets	23 837 112	21 212 139
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Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. The lease receivable recognised is in respect of Non-cancelable Operating Leases.

Leasing Arrangements

The operating lease relate to Property owned by the municipality with lease terms of 2 to 50 years (2023 - 2 to 50 years) with an option to extend. All lease agreements payments have an annual increase between 7% - 10%.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. No unguaranteed residual values accruing to the municipality.

Amounts receivable under Operating Leases

At the Reporting Date the following minimum payments were receivable under Non-cancelable Operating Leases for Property, plant and equipment, which are receivable as follows:

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4. Operating lease receivable (continued)		
Reconciliation		
Opening balances	21 212 139	18 473 694
Effects of straightlining for the year	2 624 973	2 738 445
	23 837 112	21 212 139
Operating Lease Arrangements		
Up to 1 Year	2 341 750	2 245 682
2 to 5 years	5 009 246	6 778 085
More than 5 years	136 312 025	136 726 298
	143 663 021	145 750 065
5. Trade and other receivables from exchange transactions		
Recovery of stolen deposits	102 000	-
Department of Human Settlement	315 489	949 708
Consumer debtors - Refuse	1 257 949	1 110 310
Consumer debtors - Rentals	1 582 037	346 441
	3 257 475	2 406 459
Other debtors - Department of Human Settlements		
Opening balance	949 708	-
Commission earned	943 555	941 768
Agency services expenditure recoverable	-	7 940
Current receipts	(1 577 774)	-
	315 489	949 708

Umzimvubu Local Municipality

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5. Trade and other receivables from exchange transactions (continued)

Total receivables from exchange transactions 3 257 475 2 406 459

Refuse

Current (0 - 30 Days)	218 928	462 661
31 - 60 Days	164 793	137 950
61- 90 Days	159 336	134 542
More than 90 days	10 275 745	8 815 625
Provision for Impairment	(9 560 853)	(8 440 470)
	1 257 949	1 110 308

Rentals

Current (0 - 30 Days)	207 957	212 927
31 - 60 Days	414 844	121 437
61- 90 Days	20 277	11 611
More than 90 days	1 172 527	986 183
Provision for Impairment	(233 568)	(985 717)
	1 582 037	346 441

Summary of refuse debtors by customer classification:

Business / commercial

Current (0 - 30 Days)	43 755	131 861
31 - 60 Days	32 445	26 770
61- 90 Days	31 443	26 271
More than 90 days	2 439 809	2 079 228
Provision for Impairment	(2 505 675)	(2 156 562)
	41 777	107 568

Government

Current (0 - 30 Days)	28 550	80 078
31 - 60 Days	22 027	18 387
61- 90 Days	21 918	17 987
More than 90 days	1 064 507	689 306
	1 137 002	805 758

Residential

Current (0 - 30 Days)	146 623	250 722
31 - 60 Days	110 321	92 793
61- 90 Days	105 975	90 284
More than 90 days	6 771 428	6 064 261
Provision for Impairment	(7 055 177)	(6 283 908)
	79 170	214 152

Trade and other receivables pledged as security

There are no trade and other receivables pledged as security.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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5. Trade and other receivables from exchange transactions (continued)

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 for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit ratings is performed.

Consumers receivables from refuse removal are billed monthly. Interest is charged on overdue receivables from exchange transactions at a rate of 10% per annum.

The municipality enforces its approved credit policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade and other receivables	3 257 475	2 406 459
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The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

Trade and other receivables past due but not impaired

Receivables from exchange transactions which are government debt and past due are not considered to be impaired.

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

1 month past due	22 027	18 387
2 months past due	21 918	17 987
3 months past due	1 064 507	689 306

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of 11 263 837 (2024: 10 882 936) were impaired and provided for.

The amount of the provision was R9 794 421 as of 30 June 2025 (2024: R9 426 187).

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 53). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The ageing of these receivables are as follows:

Reconciliation of provision for impairment of trade and other receivables - Refuse

Opening balance	8 440 470	12 188 665
Provision for impairment	1 120 383	-
Debts waived off	-	(1 725 816)
Provision for impairment - Reversal	-	(2 022 379)
	9 560 853	8 440 470

Reconciliation of provision for impairment of trade and other receivables - Rentals

Opening balance	985 717	941 801
Provision for impairment - Charge	-	43 916
Provision for impairment - Reversal	(752 149)	-
	233 568	985 717

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5. Trade and other receivables from exchange transactions (continued)

** During the prior year, the Council took a resolution to waive its rights to 90% of a customers debt on condition that the debtor pays off 10% of their debtor account in cash. An amount of 1 725 816 was waived, this amount was previously provided for.

6. Receivables from non-exchange transactions

Traffic Fines	448 316	780 084
Insurance claim receivable	499 680	-
Rates	12 718 104	12 829 046
	13 666 100	13 609 130

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Traffic fines	448 316	780 084
Rates	12 718 104	12 829 046
	13 166 420	13 609 130

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

Insurance claim receivable	499 680	-
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Annual Financial Statements for the year ended 30 June 2025

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6. Receivables from non-exchange transactions (continued)		
Total receivables from non-exchange transactions	13 666 100	13 609 130
Traffic fines		
Current (0 - 30 Days)	75 800	118 899
31 - 60 Days	123 890	38 300
61 - 90 Days	130 800	99 750
91 and more Days	10 530 356	9 470 423
Provision for Impairment	(10 412 530)	(8 965 399)
	448 316	761 973
Rates		
Current (0 - 30 Days)	1 187 520	953 752
31 - 60 Days	940 510	1 056 945
61 - 90 Days	969 108	591 917
91 - more Days	44 121 427	37 008 972
Provision for Impairment	(34 500 460)	(26 782 540)
	12 718 105	12 829 046
Ageing of rates per debtor type:		
Residential		
Current (0 - 30 Days)	388 079	362 629
31 - 60 Days	332 072	174 902
61 - 90 Days	319 097	158 987
91 - 120 Days	11 277 992	10 052 243
Provision for Impairment	(12 047 902)	(10 207 262)
	269 338	541 499
Business		
Current (0 - 30 Days)	715 956	508 522
31 - 60 Days	514 546	417 048
61 - 90 Days	490 442	372 640
91 - 120 Days	21 358 872	17 061 335
Provision for Impairment	(22 452 558)	(16 575 278)
	627 258	1 784 267
Government		
Current (0 - 30 Days)	83 485	82 601
31 - 60 Days	93 893	464 994
61 - 90 Days	159 570	60 290
91 - 120 Days	11 484 563	9 895 393
	11 821 511	10 503 278

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6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates

Property rates-related transactions arise in terms of the Municipal Property Rates act, 6 of 2004, Municipal finance Management act, 56 of 2003, as well as the property rates policy of the municipality approved by the council as part of the budget process.

Traffic Fines

Traffic fines arise from the national road traffic Act 93 of 1996, National road traffic regulations 2000 and criminal procedure Act 51 of 1977. prosecutor performs prosecutorial functions in terms of general delegation awarded by the national prosecuting Authority and is subject to the control of the control prosecutor at the Magistrate court

Determination of transaction amount

Property rates amounts are determined in line with the annual tariff list of the municipality approved by the council as part of the budget process in terms of the Municipal Finance Act 56 of 2003. Total Property Rates billed during the year and prior, refer to Note 35.

Traffic fines transaction amount are determined in line with the traffic offence code book as approved by senior magistrate. For total Traffic fines issued and recognised during the year and prior year, refer to Note 38.

Interest or other charges levied/charged

Consumers receivables from property rates billed monthly for business and residential households. Government accounts are billed annually. Interest is charged on overdue consumers receivables at a rate of 10% per annum as approved by the council. Interest charged and recognised on Property Rates outstanding, refer to Note 36.

No interest is charged on overdue traffic fines debtors.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess for property rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend. All the impairment losses and reversals on property rates debtors are disclosed in note 53.

Provision for impairment of traffic fine debtors will be calculated based on the payment history of traffic fines in aggregate as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services. All the impairment losses and reversals on traffic fines debtors are disclosed in note 53.

Statutory receivables past due but not impaired

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit ratings is performed.

Statutory receivables from non-exchange transactions which are government debt and past due are not considered to be impaired.

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

1 month past due	93 893	464 994
2 months past due	159 570	60 290
3 months past due	11 484 563	9 895 393

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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6. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions - Property Rates

Opening balance	26 782 540	29 860 555
Provision for impairment	7 717 920	4 195 945
Debts waived off **	-	(7 255 859)
Other	-	(18 101)
	34 500 460	26 782 540

Reconciliation of provision for impairment of receivables from non-exchange transactions - Traffic fines

Opening balance	9 025 642	1 582 879
Provision for impairment	1 386 887	7 442 763
	10 412 529	9 025 642

** During the prior year, the Council took a resolution to waive its rights to 90% of a customers debt on condition that the debtor pays off 10% of their debtor account in cash. An amount of 11 701 209 was waived, of this, 9 985 845 had been previously provided for and the balance of R1 715 364 was not provided for and has been recognised as an expense in the current year.

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of 46 304 922 (2024: 49 338 958) were impaired and provided for.

The amount of the provision was 44 912 989 as of 30 June 2025 (2024: 36 921 212).

Factors the entity considered in assessing statutory receivables impaired

The basis used to assess for property rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Provision for impairment of traffic fine debtors will be calculated based on the payment history of traffic fines in aggregate as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services

Reconciliation of provision for impairment for statutory receivables

Opening balance - Property Rates and Traffic Fines	36 921 212	31 425 325
Provision for impairment - Property Rates and Traffic Fines	7 991 777	11 596 574
Debt waived off - Property Rates	-	(6 082 586)
Other - Property Rates	-	(18 101)
	44 912 989	36 921 212

7. Prepayments

SALGA subscription fees	1 213 685	1 177 812
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8. Other receivables		
Receivables from Small Town Revitalisation Grant (N1)	493 571	493 571
Retentions receivable (N2)	29 100	648 088
	522 671	1 141 659

N1: During the 30 June 2023 period, the municipality has incurred and met all the conditions on this project, asset and creditor was recognised but the OTP has not paid the amount to the municipality as at 30 June 2025. The debt has been assessed for impairment and no evidence of impairment existed as the OTP has requested additional documents that will be used by them as support the payment.

N2: This relates to incorrect release of amount withheld as retention to a service provider during the prior year. The amount was recovered during the current year. During the current year, retention was under stated by R29 100 which was already paid to the contractor, this amount was raised as a debtor and will be recovered within 12 months.

9. VAT input accrual

VAT input accrual	4 079 421	4 801 074
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10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 459 275	1 670 558
Current Investments	88 731 173	64 633 831
	91 190 448	66 304 389

Excluded in the bank accounts listed below is the newly opened Standard Bank Investment Account number 420 111 972 which, as at 30 June 2025, had R0 balance.

Cash and cash equivalents pledged as collateral

Total cash and cash equivalents pledged as collateral for security deposit to ESKOM This guarantee is neither negotiable nor transferable and is to be returned to the bank upon payment or cancellation.	161 400	161 400
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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB-Primary Account - 620-2218-3727	2 260 643	1 709 942	1 765 059	2 283 243	1 670 558	1 592 180
FNB-Service Delivery Reserve - 620-3325-4723	20 951 505	53 340	31 531 147	20 951 505	53 340	31 531 147
FNB-Operational Investment - 620-2945-0715	21 822	9 308	2 878 627	21 822	9 308	2 878 627
FNB-Municipal Infrastructure Grant(MIG) - 620-8603-6714	50 881	3 057 968	6 594 484	50 881	3 057 968	6 594 484
FNB-Guarantee Investment- 620-6874-2157	175 294	162 463	334 465	175 294	162 463	334 465
FNB-Financial Management Grant (FMG) - 622-7618-7294	7 317	186 165	7 539	7 317	186 165	7 539
FNB-Electrification Programme - 622-8856-0925	4 667 611	1 136 753	351 550	4 667 611	1 136 753	351 550
FNB-Traffic Fine - 627-5889-3905	63 686	952	244 135	63 686	952	244 135
FNB-Housing Project Fund - 628-9151-9971	196	186	88 749	196	186	88 749
FNB Solidarity Fund 628-5499-2099	-	217 067	203 361	-	217 067	203 361
FNB Retention 628-6002-9000	16 773 041	4 108 217	825 571	16 773 041	3 926 615	825 571
FNB ENATIS Transactions 629-1034-4837	349 586	114 996	440 110	349 586	114 996	440 110
Nedbank - Capital Replacement 03 / 7881112786	39 675 580	36 520 208	34 013 373	39 675 580	36 752 837	34 013 373
FNB Disaster Relief 630-9365-2965	6 170 687	19 015 181	-	6 170 686	19 015 181	-
Total	91 167 849	66 292 746	79 278 170	91 190 448	66 304 389	79 105 291

Umzimvubu Local Municipality
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11. Investment property

	2025		2024	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
			Accumulated depreciation and accumulated impairment	Carrying value
Investment property	26 825 225	-	26 825 225	26 105 040
				-
				26 105 040

Reconciliation of investment property - 2025

Investment property	Opening balance	Other changes, movements	Total
	26 105 040	720 185	26 825 225

Reconciliation of investment property - 2024

Investment property	Opening balance	Additions	Fair value adjustments	Total
	25 298 064	94 500	712 476	26 105 040

Fair value of investment properties

26 825 225 26 105 040

Pledged as security

The municipality has no investment property pledged as security:

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

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Umzimvubu Local Municipality

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11. Investment property (continued)

Investment properties fair value determination was performed by a Independent Registered Property Valuer. Afroteam Consultants instructed by Nyalambisa Financial Services. The last valuation was performed on 30th of June 2025. The valuation methodologies used to determine the fair value was the income based approach as well as the comparable market values approach.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	5 082 618	4 955 552
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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) 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, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Impairment of Investment property

No impairment losses have been recognised on Investment property of the municipality at the reporting date.

Work-in-progress

The municipality had no capital projects for Investment property which were not completed at year-end.

Delayed projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

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12. Property, plant and equipment

	2025		2024			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	34 005 270	-	34 005 270	34 005 270	-	34 005 270
Buildings and community assets	556 451 915	(178 930 822)	377 521 093	533 144 435	(162 686 473)	370 457 962
Infrastructure	1 851 297 075	1 244 785 789	606 511 286	1 861 048 632	1 279 046 566	582 002 066
Computer equipment	17 719 666	(9 879 686)	7 839 980	16 888 501	(8 107 450)	8 781 051
Machinery and equipment	13 812 255	(9 534 318)	4 277 937	14 688 408	(9 359 924)	5 328 484
Furniture and office equipment	13 733 437	(9 247 033)	4 486 404	13 656 137	(8 151 248)	5 504 889
Transport Assets	32 822 681	(14 645 128)	18 177 553	33 557 541	(11 332 471)	22 225 070
Total	2 519 842 299	(1 467 022 776)	1 052 819 523	2 506 988 924	(1 478 684 132)	1 028 304 792

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	34 005 270	-	-	-	-	-	34 005 270
Buildings and community assets	370 457 962	26 252 710	(2 198 040)	-	(15 851 412)	(1 140 127)	377 521 093
Infrastructure	582 002 066	97 607 736	(8 039 342)	(178 393)	(58 053 492)	(6 827 289)	606 511 286
Computer equipment	8 781 051	1 272 895	(51 565)	-	(2 162 401)	-	7 839 980
Machinery and equipment	5 328 484	880 048	(577 527)	-	(1 353 068)	-	4 277 937
Furniture and office equipment	5 504 889	77 300	-	-	(1 095 785)	-	4 486 404
Transport Assets	22 225 070	701 627	(893 506)	-	(3 855 638)	-	18 177 553
	1 028 304 792	126 792 316	(11 759 980)	(178 393)	(82 371 796)	(7 967 416)	1 052 819 523

Umzimvubu Local Municipality

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers in/(out)	Other changes, movements	Depreciation	Impairment loss	Total
Land	34 005 270	-	-	-	-	-	-	-	34 005 270
Buildings and community assets	327 941 496	48 842 140	-	12 560 492	-	-	(14 487 733)	(4 398 433)	370 457 962
Infrastructure	579 948 186	101 188 287	(102 894 492)	-	84 611 430	2 459 053	(55 383 815)	(27 926 583)	582 002 066
Computer equipment	9 415 992	1 490 454	(111 002)	-	-	-	(2 014 393)	-	8 781 051
Machinery and equipment	5 989 609	995 693	(117 038)	-	-	-	(1 539 780)	-	5 328 484
Furniture and office equipment	6 571 557	211 769	(28 528)	-	-	-	(1 249 909)	-	5 504 889
Transport Assets	18 039 205	7 278 532	-	-	-	-	(3 092 667)	-	22 225 070
	981 911 315	160 006 875	(103 151 060)	12 560 492	84 611 430	2 459 053	(77 768 297)	(32 325 016)	1 028 304 792

Pledged as security

The municipality did not pledge any of its assets as security.

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	8-55
Mobile offices	Straight-line	5-10
Electrical infrastructure	Straight-line	3-80
Infrastructure assets (Roads, pavements, bridges and stormwater)	Straight-line	3-80
Landfill Sites	Straight-line	10-55
Community assets	Straight-line	5-80
Transport assets	Straight-line	4-10
Computer equipment	Straight-line	2-10
Machinery, Furniture, Equipment & Office Equipment	Straight-line	3-20
Bind and containers	Straight-line	10-15
Specialised Plant and Equipment	Straight-line	2-15

Umzimvubu Local Municipality

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12. Property, plant and equipment (continued)

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

Transport assets	499 680	-
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Change in estimate

A change in the estimated remaining useful lives of various assets of the Municipality based on their assessment of remaining useful lives conducted as at 30 June 2025 will result in the following decreases in depreciation for property plant and equipment in the 2025 financial year and future periods

	Computer equipment	Furniture and office equipment	Machinery and equipment	Transport assets
The impact on the statement of financial performance (Depreciation) in the 2025 financial year:	50 665	36 168	33 459	13 627
The impact on the statement of financial performance (Depreciation) in the future periods	115 030	116 589	121 501	109 014
	165 695	152 757	154 960	122 641

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings and community assets	43 063 663	46 737 316
Infrastructure	50 785 446	53 357 851
	93 849 109	100 095 167

Other Information:

Refer to Note 59 for the amount of contractual commitment for the acquisition of PPE. These amounts for contracted commitments are approved and contracted.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Fencing of EmaXesibeni Botanic Garden Phase 2	-	920 740
The project had been affected by unresolved Dutyini Land Claim and the municipality which have since been resolved during the 2024 financial year. The project was completed during the current financial year.		
	-	920 740

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within buildings and community assets	Total
Opening balance	53 357 851	46 737 316	100 095 167
Additions/capital expenditure	97 607 919	26 252 709	123 860 628
Transferred to completed items	(100 180 324)	(29 926 362)	(130 106 686)
	50 785 446	43 063 663	93 849 109

Umzimvubu Local Municipality

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12. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Buildings and community assets	Total
Opening balance	35 257 950	32 826 473	68 084 423
Additions/capital expenditure	101 188 322	48 842 140	150 030 462
Transferred to completed items	(83 088 421)	(34 931 297)	(118 019 718)
	53 357 851	46 737 316	100 095 167

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred included in Statement of Financial Performance:

Contracted services	16 841 411	17 878 083
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Reconciliation of Buildings and Community Assets:

Buildings	107 002 641	106 210 011
Community assets	270 518 452	264 247 951
	377 521 093	370 457 962

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

Umzimvubu Local Municipality
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13. Intangible assets

	2025		2024			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Municipal Website	150 000	-	150 000	150 000	-	150 000
Computer software	835 563	(772 792)	62 771	1 372 963	(1 227 031)	145 922
Total	985 563	(772 792)	212 771	1 522 963	(1 227 031)	295 922

Reconciliation of intangible assets - 2025

	Opening balance	Disposals	Amortisation	Total
Municipal Website	150 000	-	-	150 000
Computer software	145 922	(13 384)	(69 767)	62 771
	295 922	(13 384)	(69 767)	212 771

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Municipal Website	150 000	-	-	150 000
Computer software	445 476	(78 593)	(220 961)	145 922
	595 476	(78 593)	(220 961)	295 922

Umzimvubu Local Municipality

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13. Intangible assets (continued)

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance see Note 42.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets, but not the Website as it is considered to be constantly maintained and therefore have an indefinite economic useful life and such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

Work-in-Progress

The municipality had no capital projects for Intangible Assets during the year.

Delayed Projects

The municipality had no capital projects for Intangible Assets during the year.

Change in Estimate

A change in the estimated remaining useful lives of intangible assets of the Municipality based on their assessment of remaining useful lives conducted as at 30 June 2025 will result in the following decreases in depreciation for property plant and equipment in the 2025 financial year and future periods:

The impact on the statement of financial performance (Amortisation) in the 2025 financial year and future periods: R12 518.

The impact on the statement of financial performance (Depreciation) in the future periods: R50 071.

Umzimvubu Local Municipality
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14. Heritage assets

	2025		2024	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Mayoral chain	17 719	-	17 719	17 719
				Accumulated impairment losses
				Carrying value
				Total

Reconciliation of heritage assets 2025

Mayoral chain	Opening balance	17 719
	Total	17 719

Reconciliation of heritage assets 2024

Mayoral chain	Opening balance	17 719
	Total	17 719

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Depreciation and Impairment

In accordance with GRAP 103, a Heritage Asset have an indefinite life and their value appreciates over time due to their cultural, environmental, educational, natural scientific, technological, artistic or historical significance; and shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

Heritage Assets measured after recognition using the Cost Model

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14. Heritage assets (continued)

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

Work-in-Progress

The municipality had no capital projects for Heritage Assets during the year.

Delayed Projects

The municipality had no capital projects for Heritage Assets during the year.

Umzimvubu Local Municipality

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Figures in Rand	2025	2024
15. Trade and other payables from exchange transactions		
Trade payables	32 924 263	35 542 891
Accruals	5 996 856	14 866 049
Retention	13 756 139	12 099 984
Department of Transport	754 906	492 870
Income received in advance - construction contract	1 746 050	-
Income received in advance - land sales	1 412 343	-
	56 590 557	63 001 794
16. Consumer deposits		
Rental Deposits	206 981	175 871
17. Trade and other payables from non-exchange transactions		
Trade and other Payables from Non-Exchange Transactions comprises of:		
Trade and other payables from non-exchange transactions		
Unspent conditional grants and receipts	491 420	11 484 817
Debtors with credit balances	3 303 378	6 611 283
	3 794 798	18 096 100
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
EPWP-Incentive Grant Fund	169 902	-
Department of Sports and Recreation - Library Grant	321 518	1 757 472
Municipal Disaster Recovery Grant	-	9 727 345
	491 420	11 484 817
Movement during the year		
Balance at the beginning of the year	11 484 817	3 610 742
Additions during the year	87 695 000	94 298 000
Income recognition during the year	(98 688 397)	(86 423 925)
	491 420	11 484 817

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

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

See note 37 for reconciliation of grants from National and Provincial Government.

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

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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18. Employee benefits obligations

Reconciliation of employee benefits obligations - 2025

	Opening Balance	Additions	Utilised during the period	Interest costs	Actuarial gain	Total
Annual bonus accrual	2 590 529	2 891 890	(2 590 529)	-	-	2 891 890
Provision for leave pay	9 348 863	2 201 663	(1 730 719)	-	-	9 819 807
Provision for performance bonus	771 386	920 966	(771 386)	-	-	920 966
Provision for long Service Awards	2 923 000	435 000	(289 349)	295 000	(12 651)	3 351 000
	15 633 778	6 449 519	(5 381 983)	295 000	(12 651)	16 983 663

Reconciliation of employee benefits obligations - 2024

	Opening Balance	Additions	Utilised during the period	Interest costs	Actuarial gain	Total
Bonus accrual	2 618 973	2 590 529	(2 618 973)	-	-	2 590 529
Provision for leave pay	9 543 488	1 884 120	(2 078 745)	-	-	9 348 863
Provision for performance bonus	754 527	771 386	(754 527)	-	-	771 386
Provision for long Service Awards	2 906 000	414 000	(675 810)	283 000	(4 190)	2 923 000
	15 822 988	5 660 035	(6 128 055)	283 000	(4 190)	15 633 778

Non-current liabilities
Current liabilities

2 881 000
14 102 663
16 983 663

2 477 000
13 156 778
15 633 778

Provision for leave pay

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The liability is an estimate of the amount due at the reporting date.

Provision for performance bonus

Umzimvubu Local Municipality

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Figures in Rand 2025 2024

18. Employee benefits obligations (continued)

A performance bonus, is for senior managers and managers. It is not guaranteed and as it is based on the achievements of the individual against the targets set out in his/her performance agreement. The payment of bonuses is purely based on performance then there is no legal obligation on a municipality to make such payments.

However a constructive obligation is created through the assessment of employees' performance throughout the year and the fact that the municipality has a practice of paying performance bonuses.

Long service awards liability

Long Service Awards are provided to employees who achieve certain predetermined milestones of service within the municipality.

The following members are eligible for long service bonuses:

In-service members			160	160
Eligible Employees		Female	Male	Total
Number of eligible employees		93	67	160
Average annual earnings	R	268 319	R 265 519	R 267 146
Average age		43,2	44,4	43,7
Average past service		10,8	10,5	10,7

The earnings disclosed above and used in the valuation include an increase of 5.01% as at 1 July 2025, as per the SALGBC Circular No.: 01/2025.

Unfunded Accrued Liability

Total value of liabilities	3 351 000	2 923 000
Value of assets	-	-
	3 351 000	2 923 000
Expected current portion of liability (due within 12 months)	470 000	446 000
Expected non-current portion of liability (due thereafter)	2 881 000	2 477 000
	3 351 000	2 923 000

Key Actuarial Assumptions used are as follows:

Discount rate	9,60 %	10,89 %
General Salary Inflation (long-term)	4,60 %	6,00 %
CPI inflation rate	3,60 %	5,00 %
Net Effective Discount Rate applied to salary-related Long Service	4,80 %	4,62 %
Average retirement age	62	62

The next general earnings increase was assumed to take place on 1 July 2026.

Last Valuation

The last valuation was performed in July 2025.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities. The valuation meets the requirements of GRAP 25 as well as those of Advisory Practice Note 301 issued by the Actuarial Society of South Africa. The valuation was prepared by ARCH Actuarial Consulting.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	2025	2024
18. Employee benefits obligations (continued)		
The amounts recognised in the Statement of Financial Performance are:		
Employee related costs - Current Service Cost	435 000	414 000
Finance Charges - Interest Cost	295 000	283 000
Actuarial Losses / (Gain)	(12 651)	(4 190)
Expected benefits vesting / paid during the year (N1)	(289 349)	(675 810)
	428 000	17 000

N1 - This is the total value of the long-service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave. Therefore, this figure should not be confused as being only the amount of cash paid out in respect of the award. It represents the amount actually paid out in cash and the portion that was either taken or "stored" as leave.

If the actual amount of benefits vested is to be included instead in the above table, then the Actuarial Loss / (Gain) must change to exactly offset the impact, such that the Closing Accrued Liability remains unchanged. For example, if the actual amount of benefits vested was R100,000 lower than the estimate (based on last year's data), then the Actuarial Loss / (Gain) would have to reduce by R100,000 to leave the Closing Accrued Liability as is.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	% Change	Liability	% Change
Central assumptions		3 351 000	
General earnings inflation rate	+1%	3 513 000	+5%
	-1%	3 201 000	-4%
Discount rate	+1%	3 195 000	-5%
	-1%	3 522 000	+5%
Average retirement age	+2 years	3 410 000	+2%
	-2 years	3 161 000	-6%
Rates of termination of service	x2	2 743 000	-18%
	x0.5	3 741 000	+12%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30 June 2025 and 30 June 2026.

Assumptions: 30 June 2025	% Change	Current Service Cost	Interest Cost	Total costs	Change
Central assumptions	-	435 000	295 000	730 000	-
General earnings inflation rate	+1%	461 000	310 000	771 000	+6%
	-1%	410 000	280 000	690 000	-5%
Discount rate	+1%	413 000	305 000	718 000	-2%
	-1%	458 000	283 000	741 000	+2%
Average retirement age	+2%	445 000	302 000	747 000	+2%
	-2 years	415 000	278 000	693 000	-5%
Rates of termination of service	x2	331 000	236 000	567 000	-22%
	0.5x	506 000	333 000	839 000	+15%

Assumption: 30 June 2026	% Change	Current Service Cost	Interest Cost	Total cost	% Change
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Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand		2025	2024
18. Employee benefits obligations (continued)			
Central assumptions		425 000	298 000
		723 000	
General earnings inflation rate	+1%	451 000	313 000
	-1%	401 000	283 000
		764 000	648 000
			+6%
			-5%
Discount rate	+1%	404 000	312 000
	-1%	448 000	281 000
		716 000	729 000
			-1%
			+1%
Average retirement age	+2 yrs	432 000	303 000
	-2 yrs	404 000	280 000
		735 000	684 000
			+2%
			-5%
Rates of termination of service	x2	323 000	240 000
	x0.5	493 000	335 000
		563 000	828 000
			-22%
			+15
19. VAT output accrual			
VAT output accrual		1 271 283	1 115 003
VAT output accrual - provision for debt impairment		(1 085 227)	(935 814)
		186 056	179 189

VAT output accrual relates to VAT on Service charges receivable that have not yet been received at year end and the vat on provision for impairment on those receivables.

20. VAT payable

VAT Control	13 331 146	9 531 686
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VAT Payable is a statutory arrangement.

21. Provisions

Current liabilities	-	-
Non-current liabilities	9 549 388	9 177 152
	9 549 388	9 177 152

Reconciliation of provision for environmental rehabilitation

Opening balance	9 177 152	6 337 829
Change in discount factor	(178 393)	2 459 053
Interest cost	550 629	380 270
	9 549 388	9 177 152

The municipality operates two landfill sites situated at emaXesibeni (Mount Ayliff) and kwaBhaca (Mount Frere). In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEAT) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the sites are situated.

Due to uncertainties about the amount or timing of these costs, the provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30th of June 2025 at a DMR rate of 6% (2024: 11.5%) taking into account price escalation of 6.0% (2024: 4.9%) relating to average DMR average rate for 2024. The DMR Rates for 2025 has not been published yet, but the Master Rates for 2025 has been adjusted for CPI – 6% (Max Cap of Reserve Bank) and applied. The estimated years for the rehabilitating these sites are 8 years for at emaXesibeni (Mount Ayliff) and 35 years for kwaBhaca (Mount Frere).

A valuation of the rehabilitation was conducted by an independent valuer Ekolaw Consulting and a liability has been raised. Movements in the provision are recognised in the Statement of Financial Performance. The Provision has been determined on the basis of a recent independent financial requirement and viability.

Umzimvubu Local Municipality

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Figures in Rand	2025	2024
21. Provisions (continued)		
Key Actuarial Assumptions used are as follows:	2025	2024
Discount rate (DMR)	6%	11.5%
Consumer price inflation	6%	4.9%
Net Discount rate	6%	4.87%
Remaining life of site in years: Mt Frere	35	36
Remaining life of site in years : Mt Ayliff	8	9
	2023	2022
	16.62%	11.05%
	7.39%	7.23%
	4.87%	3.56%
	37	35
	10	11
		2021
		10.81%
		7.07%
		3.5%
		36
		12
22. Capital replacement reserve		
Capital replacement reserve opening balance	36 752 837	34 013 373
Transfer into capital replacement reserve (interest earned)	3 607 113	2 739 464
	40 359 950	36 752 837
23. Accumulated surplus		
Accumulated Surplus/(Deficit) due to the results of operations		
Accumulated Surplus	1 092 269 397	1 034 183 909
24. Revenue		
Sale of goods	389 303	249 332
Rendering of services	820 484	818 929
Service charges	1 360 462	1 296 952
Construction contracts	46 280 523	38 092 776
Rental of facilities and equipment	5 426 054	5 139 629
Interest received	11 047 411	10 726 289
Agency services	2 364 094	2 360 443
Licences and permits	2 163 878	1 921 051
Actuarial gains	-	4 190
Fair value adjustments	-	712 476
Licences and Permits - non-exchange transactions	150 835	158 059
Operational revenue	112 630	179 148
Property rates	64 664 732	46 521 963
Interest received - Non-exchange	4 696 289	2 114 413
Government grants and subsidies	388 841 598	361 908 236
Fines, Penalties and Forfeits	2 358 642	3 642 390
Donations	150 000	12 647 449
	530 826 935	488 493 725
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	389 303	249 332
Service charges	1 360 462	1 296 952
Rendering of services	820 484	818 929
Construction contracts	46 280 523	38 092 776
Rental of facilities and equipment	5 426 054	5 139 629
Interest received	11 047 411	10 726 289
Agency services	2 364 094	2 360 443
Licences and permits	2 163 878	1 921 051
Actuarial gains	-	4 190
Recoveries	194 238	-
Fair value adjustments	-	712 476
Operational Revenue	112 630	179 148
	70 159 077	61 501 215

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Figures in Rand	2025	2024
24. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	64 664 732	46 521 963
Licences or permits	223 413	158 059
Interest, Dividends and Rent on Land	4 696 289	2 114 413
Transfer revenue		
Government grants & subsidies	388 841 598	361 908 236
Fines, Penalties and Forfeits	2 358 642	3 642 390
Donations	150 000	12 647 449
	460 934 674	426 992 510

25. Sale of goods and other services

Advertisement	167 048	47 152
Building plans and land use fees	181 422	164 507
Cemetery and burials	17 499	14 950
Clearance certificate	5 202	6 474
Sale of goods and services	18 132	16 249
	389 303	249 332

26. Service charges

Refuse removal	1 360 462	1 296 952
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The amounts disclosed above for revenue from Service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27. Commission income

Commision earned	820 484	818 929
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The Municipality has an agreement with the Eastern Cape Department of Human Settlement to implementing housing projects on behalf of it. In this agreement between Eastern Cape Department of Human Settlements and the municipality, transactions are done with a third party in building the houses on behalf of the Department. The municipality is responsible for the procurement and the management of the contract.

The amount received from the Department that remained unspent at the end of the reporting period was R0 (2024: R0) vat inclusive, and the municipality has paid an amount of R0 (2024: R7 839) on behalf of the Department. The department did not transfer any risks to the municipality in this arrangement. A total of R26 949 428 (2024: R2 482 200) was spent on behalf of the principal during the current reporting period.

The municipality has returned an amount of R0 (2024: R88 260) to the principal.
The municipality has recognised a revenue of R820 484 (2024: R818 929) exclusive of VAT.

28. Construction contracts

Contracts between ULM and various Departments

Department of Energy:

ULM is a party to a construction contract with Department of Energy. ULM performs construction of Electricity infrastructure on behalf of the Department of Energy as per the existing construction contract.

Department of Human Settlement:

Umzimvubu Local Municipality

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28. Construction contracts (continued)

ULM is a party to a construction contract with Department of Human Settlement. ULM performs construction of housing for the selected households on behalf of the Department of Human Settlement as per the existing construction contract.

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

The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP 9 (Revenue from Exchange Transactions), continuously as construction progresses.

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

No retention held on Human settlement projects.

The amount of revenue arising from such agreements in the period 46 280 523 38 092 776

The methods used to determine the stage of completion of agreements in progress is as follows:

- by the accumulative actual work performed i.e contract cost divide by contract price during the reporting period.

The aggregate amount of costs incurred for agreements in progress 46 280 523 38 092 776
Amount of retentions withheld: Department of Energy 2 153 087 -
Amount of advances received for agreements in progress: Department of Energy 1 746 050 -

29. Rental of facilities and equipment

Premises

Premises 5 082 618 4 955 552

Facilities and equipment

Adhoc rental income from other assets 343 436 184 077
5 426 054 5 139 629

Included in the above rentals are operating lease rentals at straight-lined amounts of 2 624 973 (2024: 2 738 445), and no contingent rentals are recognised.

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

30. Interest received - Exchange Transactions

Interest received - debtors 539 383 600 377
Interest received - current account 472 991 643 263
Interest received - investments 10 035 037 9 482 649
11 047 411 10 726 289

31. Agency services

Vehicle Registration 2 364 094 2 360 443

The municipality is an agent for the Provincial Department of Transport. Refer to Note 57 for further details.

32. Licences and permits

Vehicle testing station 135 728 134 903
Drivers and learners licence 2 028 150 1 786 148
2 163 878 1 921 051

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Figures in Rand	2025	2024
33. Recoveries		
Recovery of stolen deposits	102 000	-
Bursary refund	92 238	-
	194 238	-
34. Other operational income		
Sundry income	112 630	179 148

Umzimvubu Local Municipality

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Figures in Rand	2025	2024
35. Property rates		
Rates received		
Property rates	64 664 732	46 521 963
Property rates billing per customer classification		
Residential	2 431 312	1 383 434
Business and Commercial	7 306 821	4 395 515
Vacant land	857 883	440 610
Public Service Purpose	54 068 716	40 296 523
Public Service Infrastructure	-	5 881
Places of Worship	-	-
Municipal Properties	-	-
	64 664 732	46 521 963

Annual valuation are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates tariffs applicable are as shown in the table below.

Rates are levied monthly on property owners. Property owners can request that the full amount for the year be raised in July. Interest is levied at a rate of 10% per annum as determined by council on outstanding rates amounts.

Places of Worship are exempted from the payment of rates, while the first R15 000 of the valuation on improved residential and vacant properties exempted from payment of rates.

An additional rebate of 25% of the current year rates are allowed for senior citizens, disabled persons and medically boarded property owners.

Tariff structure

Agricultural	0,0024	0,0015
Residential	0,0096	0,0058
Business and Commercial	0,0192	0,0140
Vacant land	0,0287	0,0140
Public Service Purpose	0,0239	0,0186
Public service Infrastructure	0,0024	0,0015
	-	-

Valuations

Residential	337 893 000	314 909 200
Business and Commercial	380 544 000	349 193 000
Vacant land	70 891 700	36 387 100
Public Service Purpose	2 190 072 773	2 163 018 973
Public Service Infrastructure	1 860 000	4 192 100
Places of Worship	45 014 000	42 267 800
Municipal Properties	129 333 600	87 460 500
RDP	127 055 000	10 588 300
Agricultural	37 463 000	-
	3 320 127 073	3 008 016 973

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last interim valuation was compiled and implemented. The new general valuation will be implemented on 01 July 2024. The valuation information include rateable and non-rateable properties.

36. Interest received - Non-Exchange Transactions

Interest received - debtors	4 696 289	2 114 413
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Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
37. Government grants & subsidies		
Operating grants		
Equitable share	289 930 000	275 356 743
Departmental agencies and accounts (SETA)	223 201	238 310
Expanded Public Works Programme (EPWP)	2 656 000	2 917 000
Provincial Arts and Culture grants - Library	2 869 954	742 528
Finance Management Grant (FMG)	1 700 000	1 720 000
Disaster Relief Management Grant	-	3 500 000
EPWP - Incentive Grant Fund	688 098	-
	298 067 253	284 474 581
Capital grants		
Municipal Infrastructure Grant	54 199 000	51 384 000
Municipal Disaster Recovery Grant	36 575 345	26 049 655
	90 774 345	77 433 655
	388 841 598	361 908 236
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	87 695 000	94 298 000
Unconditional grants received	290 153 201	275 484 310
	377 848 201	369 782 310
National Governments		
Balance unspent at beginning of year	9 727 345	3 610 743
Current-year receipts	375 556 201	367 282 310
Conditions met - transferred to revenue	(385 283 546)	(361 165 708)
	-	9 727 345
Provincial governments		
Balance unspent at beginning of year	1 757 472	-
Current-year receipts	2 292 000	2 500 000
Conditions met - transferred to revenue	(3 558 052)	(742 528)
	491 420	1 757 472
Conditions still to be met - remain liabilities (see note 17).		
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and funding of municipal operations. This is a National Grant.		
Current-year receipts	289 930 000	275 246 000
Transferred from unspent Municipal Infrastructure Grant	-	110 743
Recognised as revenue	(289 930 000)	(275 356 743)
	-	-
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	110 743
Current-year receipts	54 199 000	51 384 000
Conditions met - transferred to revenue	(54 199 000)	(51 384 000)
Other	-	(110 743)

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand 2025 2024

37. Government grants & subsidies (continued)

- -

Conditions still to be met - remain liabilities (see note 17).

These grants are allocated for the construction of roads. Provide for new, rehabilitation and upgrading of municipal infrastructure as part of upgrading of poor households, micro enterprises and social institutions. This is a National Grant.

Financial Management Grant

Current-year receipts	1 700 000	1 720 000
Conditions met - transferred to revenue	(1 700 000)	(1 720 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant is allocated for the implementation of financial management reforms required by the MFMA. All conditions are met. This is a National Grant.

Expanded Public Works Programme Grant

Current-year receipts	2 656 000	2 917 000
Conditions met - transferred to revenue	(2 656 000)	(2 917 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grants is implementation of labour intensive programmes and help in creating employment in the community. All conditions met. This is a National Grant.

EPWP-Incentive Grant Fund

Current-year receipts	858 000	-
Other	(688 098)	-
	169 902	-

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information. This is a Provincial Grant.

Department of Sports and Recreation - Library Grant

Balance unspent at beginning of year	1 757 472	-
Current-year receipts	1 434 000	2 500 000
Conditions met - transferred to revenue	(2 869 954)	(742 528)
	321 518	1 757 472

Conditions still to be met - remain liabilities (see note 17).

This grants is used for to pay for Kwa-Bhaca and EmaXesibeni Library expenses. This is a Provincial Grant.

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	9 727 345	-
Current-year receipts	26 848 000	35 777 000
Conditions met - transferred to revenue	(36 575 345)	(26 049 655)
	-	9 727 345

Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
37. Government grants & subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
This grant is used to rehabilitate and reconstruct disaster damaged municipal infrastructure. This is a National Grant.		
SETA Grant		
Current-year receipts	223 201	238 310
Conditions met - transferred to revenue	(223 201)	(238 310)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Grant received from SETA and used for employee trainings and development. All conditions met. This is a National Grant.		
38. Fines, Penalties and Forfeits		
Law Enforcement Fines	1 495 150	2 109 150
Pound Fees Fines	863 492	1 533 240
	2 358 642	3 642 390
39. Donations		
Donated assets - ECDC	-	12 560 492
Cash donations - Alfred Nzo DM	150 000	86 957
	150 000	12 647 449

Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
40. Employee related costs		
Basic salary	64 256 664	59 890 401
Bonus	5 999 376	5 491 126
Medical aid - municipality contributions	5 718 947	4 954 550
Unemployment Insurance Fund	435 175	424 512
Workers Compensation Fund	606 134	139 221
Skills Development Levy	1 012 221	958 767
Leave pay provision charge	2 447 303	2 097 527
Defined contribution plans	10 793 484	10 132 657
Travel, motor car, accommodation, subsistence and other allowances	3 753 107	4 160 348
Overtime payments	757 944	707 614
Long-service awards	435 000	28 903
Housing benefits and allowances	2 547 309	2 591 269
Bargaining Council Levy	28 764	27 096
Standby Allowance	1 493 478	1 403 318
	100 284 906	93 007 309

Remuneration of Municipal Manager

Refer to Related Parties Note 61.

Remuneration of Chief Finance Officer

Refer to Related Parties Note 61.

Remuneration of other Heads of Departments.

Refer to Related Parties Note 61 for remunerations of:

- Senior Manager Local Economic Development
- Senior Manager Infrastructure and Planning
- Senior Manager Chief Operations Officer
- Senior Manager Corporate Services
- Senior Manager Community Services

41. Remuneration of councillors

Mayor	1 046 324	1 003 179
Speaker	821 954	792 620
Chief Whip	796 479	762 569
Executive Committee	5 801 320	5 586 723
Councillors	16 072 476	15 413 367
	24 538 553	23 558 458

In-kind benefits

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

The Executive Mayor and Speaker have use of a Council owned vehicle for official duties.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa and within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
42. Depreciation and amortisation		
Property, plant and equipment	82 371 796	77 768 297
Intangible assets	69 767	220 961
	82 441 563	77 989 258
43. Finance costs		
Interest on provision for landfill sites	550 629	380 270
Interest on overdue account	-	450 665
Late payment of tax	1 273 224	1 196 216
Interest on employee benefits	295 000	283 000
	2 118 853	2 310 151
44. Lease rentals on operating lease		
Printing Equipment		
Contractual amounts	483 603	265 189
Landlines		
Contractual amounts	565 229	579 829
	1 048 832	845 018
45. Inventory consumed		
Consumables	6 472 498	6 515 786
No write downs or reversals of inventory previously written down.		
46. Unclaimable VAT input		
Unclaimable VAT input	1 849 849	2 347 536
47. Contracted services		
Outsourced Services		
Burial Services	18 000	-
Business and Advisory	852 853	1 877 937
Catering Services	677 845	676 382
Cleaning Services	266 300	286 180
Internal Auditors	978 917	1 150 196
Personnel and Labour	12 988 807	12 237 535
Professional Staff	-	120 000
Security Services	22 605 831	23 018 528
Consultants and Professional Services		
Business and Advisory	18 785 955	18 594 006
Infrastructure and Planning	479 976	568 082
Legal Cost	5 388 590	4 908 149
Contractors		
Building	935 111	720 000
Catering Services	2 180 324	2 559 742
Employee Wellness	570 480	910 750
Event Promoters	767 140	705 375
Maintenance of Buildings and Facilities	4 436 780	1 701 570
Maintenance of Equipment	3 559 985	3 388 945
Maintenance of Unspecified Assets	8 844 646	12 787 568
Tracing Agents and Debt Collectors	-	6 882 887

Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
47. Contracted services (continued)	84 337 540	93 093 832
48. Transfer and subsidies		
Bursaries for scarce skills	460 000	820 386
Non-profit organisations and community support	3 239 184	3 033 263
Expenditure incurred to electrify houses and handed over to eskom	5 831 961	849 180
SMME Development	11 361 435	13 352 570
Section 21 Schools support	1 562 844	644 692
	22 455 424	18 700 091
49. Operating costs		
Achievements and awards	1 178 800	1 721 090
Advertising	1 988 450	2 682 982
Auditors remuneration	4 926 276	4 482 103
Bank charges	482 451	446 227
Bursaries (Employees)	426 149	706 999
Cleaning	61 508	-
Communication	2 411 285	4 691 927
External computer services	2 003 998	1 268 233
Financial loss	-	703 521
Wet fuel	4 434 537	5 415 252
Hire charges	4 698 056	10 360 308
Indigent relief	6 790 905	4 036 613
Insurance	4 617 187	4 304 827
Learnerships and internships	337 500	374 154
Drivers licences and permits	206 052	206 773
Municipal services	5 257 294	6 472 851
Printing publications and books	748 559	555 015
Professional bodies membership and subscriptions	1 215 557	1 209 897
Registration fees	3 142 836	4 111 290
Remuneration to ward committees	4 614 076	4 658 160
Resettlement cost	11 961	3 916
Seating allowance for traditional leaders	46 695	76 218
Signage	-	207 600
Transport provided as part of departmental activities	1 821 800	1 914 220
Travel agency and visa's	770 001	785 411
Travel and subsistence	8 952 269	8 071 753
Uniform and protective clothing	1 847 947	1 837 073
Vehicle Tracking	534 775	1 075 013
Vehicle licensing	149 798	129 538
	63 676 722	72 508 964
50. Gain / (Loss) on disposal of assets		
The council has taken a decision to dispose of some assets that are deemed excess of requirements or assets broken and no longer useful in provision of services to the community.		
Cash receipts/receivable (D1)	499 680	495 784
Replacement asset value (D2)	-	48 801
Carrying value of assets disposed off - Property, plant and equipment (D3)	(11 759 980)	(18 630 803)
Carrying value of assets disposed off - Intangible assets	(13 384)	-
	(11 273 684)	(18 086 218)

Umzimvubu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
50. Gain / (Loss) on disposal of assets (continued)		
Facts and circumstances of the disposal		
D1: A motor vehicles was stolen during the year and the insurance committed to pay the municipality for this vehicles an amount of R499 680. An auction of municipal assets took place on the 13th of July 2023 and a total of R495 784 was realised.		
D2: A computer laptop lost from a former employee and was replaced by a new laptop purchased by that employee.		
D3: Municipal assets were either derecognised as new infrastructure assets were being constructed, damaged, lost or they were found to offer limited service potential and were thus disposed.		
51. Fair value gains		
Investment property (Fair value model)	720 185	712 476
Gain on land held for sale fair value adjustment	12 038 700	-
	12 758 885	712 476
52. Actuarial gains		
Actuarial gains	12 651	4 190

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
53. Impairment losses		
Impairments		
Property, plant and equipment During the year, the municipality assessed property, plant and equipment for impairment and an adjustment to impairment was made due to decrease in the estimated future benefits.	7 967 417	32 325 016
Receivables from Exchange Transactions - Refuse During the year, the municipality assessed refuse receivable for impairment and an adjustment to impairment was made due to poor payments.	996 083	-
Receivables from Exchange Transactions - Rentals During the year, the municipality assessed rentals receivable for impairment and an adjustment to impairment was made due to poor payments.	-	43 916
Statutory Receivables - Rates During the year, the municipality assessed property rates receivable for impairment and an adjustment to impairment was made due to poor payment by rate payers.	8 419 293	3 496 272
Statutory Receivables - Traffic fines During the year, the municipality assessed traffic fines receivable for impairment and an adjustment to impairment was made due to poor payment by traffic offenders.	1 386 887	7 442 763
	18 769 680	43 307 967
Reversal of impairments		
Receivables from Exchange Transactions - Rentals In the current year, a reversal was recognised due to improved payment pattern.	(777 262)	-
Receivables from Exchange Transactions - Refuse In the prior year, a reversal was recognised due to improved payment pattern.	-	(1 322 706)
	(777 262)	(1 322 706)
Total impairment losses (recognised) reversed	17 992 418	41 985 261
Material impairment losses recognised		
Property, plant and equipment		
Impairment loss recognised: Buildings and community assets	1 140 127	4 398 433
Infrastructure	6 827 289	27 926 583
54. Auditors' remuneration		
AGSA fees	4 926 276	4 482 103

Umzimvubu Local Municipality

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Figures in Rand	2025	2024
55. Cash generated from operations		
Surplus (deficit)	79 093 923	(546 932)
Adjustments for:		
Depreciation and amortisation	82 441 563	77 989 258
(Gains) / Losses on Disposal of Property, Plant and Equipment	11 273 683	18 086 217
Fair value adjustments	(664 444)	(712 476)
Impairment loss	17 500 702	41 985 261
Movements in operating lease assets and accruals	(2 624 973)	(2 738 445)
Contribution to Provisions - Current	178 393	37 549
Finance costs - Landfill site provision	372 236	2 839 323
Non-cash donations and other in-kind benefits	-	(12 560 492)
Contributions to employee benefit for the year	891 592	9 605
Actuarial gain - Employee benefit	(12 651)	(4 190)
Provision for leave	470 944	(194 625)
Changes in working capital:		
Inventories	(11 730 749)	(1 029 801)
Trade and other receivables from exchange transactions	48 772	(1 287 713)
Consumer debtors	(1 268 022)	(6 575 048)
Statutory receivables	(8 722 341)	(6 120 056)
Prepayments	583 197	1 387 924
Trade and other payables from exchange transactions	(6 411 237)	17 664 194
VAT	4 527 979	9 922 728
Trade and other payables from non-exchange transactions	(14 301 302)	11 097 292
Consumer deposits	31 110	14 169
Non cash movement in assets (retention and trade payables)	(21 833 180)	(20 824 566)
	129 845 195	128 439 176

56. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or functional areas). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

The municipality is organised and reports to council on the basis of four functional areas:

- Economic and Environmental Services
- Public Safety
- Roads & Infrastructure
- Community services

The segments were organised around the type of service delivered. Council uses these same segments for determining strategic objectives. All administrative services have been aggregated as non-reportable segments.

Management does monitor performance geographically and presently, have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost-effective manner.

Umzimvubu Local Municipality

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2025

2024

56. Segment information (continued)

Aggregated segments

The municipality operates throughout Umzimvubu area in both kwaBhaca and emaXesibeni towns with certain functions providing an administrative and support role. Segments were aggregated on the basis of the services delivered as management considered that the characteristics of the segments were sufficiently similar to warrant aggregation. These have been aggregated to form the unallocated services.

Types of goods and/or services by segment

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

Reportable segment

Economic and Environmental Services
Public Safety

Roads & Infrastructure

Community Services

Goods and/or services

Hawker permits, trading licences and SMMEs support
Vehicle licensing, driver learners licensing, traffic fines,
animal pounding and Department of transport agency
services

Building plan approvals, construction of houses on behalf of
Department of Human Settlement, construction and
maintenance of municipal infrastructure for service delivery,
municipal plant hire and construction of electric
infrastructure on behalf of Department of Energy and
Mineral Resources.

Rental of halls and facilities, selling of burial plots, cleaning
of municipal facilities, solid waste removal and library
services.

Umzimvubu Local Municipality
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Figures in Rand

56. Segment information (continued)

Segment surplus, assets and liabilities

2025

	Economic & Environmental Services	Roads & Infrastructure	Community Services	Public Safety	Non-reportable segments	Total
Revenue						
Sale of goods and other services	-	315 271	17 499	10 200	46 334	389 304
Service charges	-	-	1 360 462	-	-	1 360 462
Construction contracts	-	46 280 522	-	-	-	46 280 522
Rental of facilities and equipment	-	45 522	297 914	-	5 082 618	5 426 054
Interest received - Exchange Transactions	-	-	-	-	11 047 410	11 047 410
Agency services	-	-	-	2 364 094	-	2 364 094
Licences and permits	-	-	-	2 163 878	-	2 163 878
Recoveries	-	-	-	-	194 238	194 238
Operational Revenue	-	-	-	-	112 630	112 630
Commission income	-	820 483	-	-	-	820 483
Property rates	-	-	-	-	64 664 734	64 664 734
Licences and Permits	223 413	-	-	-	-	223 413
Interest received - Non-Exchange Transactions	-	-	-	-	4 696 288	4 696 288
Government grants and subsidies	-	90 774 344	6 214 052	-	291 853 203	388 841 599
Fines, Penalties and Forfeits	-	-	-	2 358 642	-	2 358 642
Donations	-	-	-	-	150 000	150 000
Actuarial gain	-	-	-	-	12 651	12 651
Fair value adjustment	-	12 038 700	-	-	720 185	12 758 885
Total segment revenue	223 413	150 274 842	7 889 927	6 896 814	378 580 291	543 865 287
Entity's revenue						543 865 287

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Figures in Rand

	Economic & Environmental Services	Roads & Infrastructure	Community Services	Public Safety	Non-reportable segments	Total
56. Segment information (continued)						
Expenditure						
Employee related costs	4 340 685	12 946 483	16 472 387	22 388 141	44 137 216	100 284 912
Remuneration of councillors	-	-	-	-	24 538 552	24 538 552
Construction contracts	-	46 280 523	-	-	-	46 280 523
Depreciation and amortisation	-	-	70 108 419	-	12 333 144	82 441 563
Impairment losses	-	-	996 083	-	16 996 335	17 992 418
Inventory consumed	-	-	2 121 805	1 049 166	3 301 527	6 472 498
Contracted services	608 609	10 451 605	13 987 206	23 003 938	36 286 178	84 337 536
Transfers and Subsidies	11 646 434	5 831 961	1 217 632	583 288	3 176 108	22 455 423
Loss on disposal of assets	-	-	-	-	11 273 682	11 273 682
Unclaimable VAT input	-	-	-	-	1 849 844	1 849 844
Operating costs	2 050 348	7 099 243	3 600 876	2 184 246	48 742 015	63 676 728
Finance costs	-	-	550 629	-	1 568 223	2 118 852
Lease rentals on operating lease	-	-	-	-	1 048 833	1 048 833
Total segment and entity expenditure	18 646 076	82 609 815	109 055 037	49 208 779	205 251 657	464 771 364
Total segmental and entity operating surplus/(deficit)	(18 422 663)	67 665 027	(101 165 110)	(42 311 965)	173 328 634	79 093 923
Assets						
Segment assets	(93 069 683)	94 615 244	(455 221 281)	(77 103 297)	1 764 050 934	1 233 271 917
Total assets as per Statement of financial Position						1 233 271 917
Liabilities						
Segment liabilities	(8 096 277)	136 499 602	(35 066 467)	(3 645 899)	(190 333 549)	(100 642 590)
Total liabilities as per Statement of financial Position						(100 642 590)
2024						

Umzimvubu Local Municipality
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Figures in Rand

56. Segment information (continued)

	Economic & Environmental Services	Roads & Infrastructure	Community Services	Public Safety	Non-reportable segments	Total
Revenue						
Service charges	-	-	1 296 952	-	-	1 296 952
Rental of facilities and equipment	-	8 821	182 503	-	4 948 305	5 139 629
Construction contract revenue	-	38 092 776	-	-	-	38 092 776
Sale of goods	7 651	221 939	14 950	-	4 792	249 332
Income from agency services	-	818 929	-	2 360 443	-	3 179 372
Licences and permits	-	-	-	1 921 051	-	1 921 051
Interest earned- Exchange	-	-	-	-	10 726 289	10 726 289
Operational Revenue	-	-	-	-	179 148	179 148
Actuarial gains	-	-	-	-	4 190	4 190
Fair value adjustments	-	-	-	-	712 476	712 476
Government grants and subsidies	-	80 933 655	3 659 528	-	277 315 053	361 908 236
Property Rates	-	-	-	-	46 521 963	46 521 963
Donations	12 560 492	-	-	-	86 957	12 647 449
Fines	-	-	-	3 642 390	-	3 642 390
Licences and permits	158 059	-	-	-	-	158 059
Interest earned on outstanding debtors - non-Exchange	-	-	-	-	2 114 413	2 114 413
Total segment revenue	12 726 202	120 076 120	5 153 933	7 923 884	342 613 586	488 493 725
Entity's revenue						488 493 725

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Figures in Rand

	Economic & Environmental Services	Roads & Infrastructure	Community Services	Public Safety	Non-reportable segments	Total
56. Segment information (continued)						
Expenditure						
Employee costs	3 647 668	11 352 772	15 671 421	20 678 075	41 657 373	93 007 309
Remuneration of councillors	-	-	-	-	23 558 458	23 558 458
Depreciation and amortisation	-	-	27 711 591	-	50 277 667	77 989 258
Impairment losses	-	-	(1 322 706)	-	43 307 966	41 985 260
Finance costs	-	-	380 270	-	1 929 881	2 310 151
VAT Provision write off	-	-	-	-	2 347 536	2 347 536
Operating lease rentals	-	-	-	24 108	820 910	845 018
Inventory consumed	62 866	-	2 857 901	359 706	3 235 313	6 515 786
Contracted services	491 758	12 195 248	13 249 841	23 642 651	43 514 335	93 093 833
Transfers and subsidies	14 442 270	849 180	645 055	509 174	2 254 412	18 700 091
Operational costs	3 162 465	12 452 105	4 019 582	1 231 874	51 642 938	72 508 964
Construction contract expenditure	-	38 092 776	-	-	-	38 092 776
Loss on disposal of assets	-	-	-	-	18 086 217	18 086 217
Total segment and entity expenditure	21 807 027	74 942 081	63 212 955	46 445 588	282 633 006	489 040 657
Total segmental and entity surplus/(deficit)	(9 080 825)	45 134 039	(58 059 022)	(38 521 704)	59 980 580	(546 932)
Assets						
Segment assets**	(77 272 634)	83 008 002	(373 677 058)	(48 692 317)	1 585 909 160	1 169 275 153
Total assets as per Statement of financial Position						1 169 275 153
Liabilities						
Segment liabilities**	(9 326 464)	209 908 364	(35 486 734)	(7 211 030)	(273 679 707)	(115 795 571)
Total liabilities as per Statement of financial Position						(115 795 571)

**Segment reporting explanatory note:

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56. Segment information (continued)

The municipality has only reported the detailed financial performance of the identified segments and only the summary on the financial position. Upon aggregating the assets and liabilities for the identified segments, the municipality has identified that there are segments liabilities that are reported as positive and assets reported as negative.

- Amongst others, these are some of the reasons why the municipality has these unusual item balances:
- The municipality is only budgeting for its financial performances per segments and not the financial position per segment.
- Revenue sources like equitable share and property rates, which contribute majority of operational expenditure and internally funded capital projects are only budgeted for and received by finance department, which is not a reportable segment.
- Reportable Segments fund their operations through funding from non-reportable segment, making it not possible to report on the financial position rather the performance.
- The performance of each reportable segment is measured mainly on its operational budget implementation, rather than capital.

Despite the unusual account balances on reportable segments' total assets and total liabilities, the overall municipal financial position in the segment reporting is the true reflection of the whole entity as reported in its statement of financial

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

The municipality does not have economic activities anywhere else other than the Umzimvubu area and there has not been any changes on the geographic area and economic activities during any of the reporting periods. As the municipality is divided into wards and whole municipality, geographic areas are grouped based on wards and whole municipality as below:

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56. Segment information (continued)

2025

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Ward 1 to 10	-	-	10 727 077	224 794 981
Ward 11 to 20	-	-	11 060 895	256 059 214
Ward 21 to 28	-	-	564 224	186 429 672
Whole of municipality	388 841 598	46 280 523	442 419 168	412 591 371
Total	388 841 598	46 280 523	464 771 364	1 079 875 238

*Excludes additions to financial instruments and post-employment benefit assets

2024

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Ward 1 to 10	12 560 492	-	3 266 615	187 520 004
Ward 11 to 20	-	-	5 240 876	191 726 745
Ward 21 to 28	-	-	6 250 106	168 806 046
Whole of municipality	361 908 236	38 092 776	474 283 060	506 670 678
Total	374 468 728	38 092 776	489 040 657	1 054 723 473

*Excludes additions to financial instruments and post-employment benefit assets

Umzimvubu Local Municipality

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57. Accounting by principals and agents

The entity is a party to a principal-agent arrangements.

Details of the arrangements are as follows:

Municipality as an Agent:

Department of Transport:

The Municipality is an agent for the Department of Transport wherein it is delegated to register and licence motor vehicles on its behalf. There are no assets or liabilities that are held or incurred on behalf of the principal and recognised in our financial statements. The risks associated with the principal-agent relationship that exist on any monies collected by the municipality on behalf of the principal lies solely with the municipality.

During the year, all collections made are banked and paid over to the Department of Transport two times a month. The income due to the municipality according to the agreement is 19% of the amount collected subject to certain conditions as per the Service Level Agreement and National Road Traffic Act, Act 93 of 1996. During the year, a total of R14 750 873 (2024: R14 600 427) was collected gross of commission, and the municipality has recognised a revenue of R2 364 094 (2024: R2 360 443) exclusive of VAT.

Monies due to the principal at year end was R754 906 (2024: R492 870).

Minimal risk was transferred from the Department of Transport, as the principal, to Umzimvubu Municipality, as the agent, beyond the cash collected on behalf of the principal.

Municipality as a Principal:

Independent Development Trust:

The Umzimvubu Local Municipality (ULM) has entered into a Memorandum of Agreement (MoA) with the Independent Development Trust (IDT). In this agreement, the IDT will manage the implementation of the development / construction of new ULM offices to an extent of 4ha in Sophia Town Kwa Bhaca and a the alterations to existing offices in Kwa Bhaca. ULM is a principal to this arrangement.

The purpose of this relationship is to change the face of the Municipality towards service delivery, value additions and to build offices that are accessible to the community of Umzimvubu Local Municipality.

IDT will be responsible for providing and managing all necessary facilities, equipment, internal finances and personnel for the performance of its functions. During the year there has been no changes in the terms and conditions of this agreement. Amongst others, this arrangement is exposed to the poor delivery by suppliers resulting to slow turnaround time, abandoned variation orders and non compliance with laws and regulations resulting to litigations. The arrangement has a risk management plan in place to address and minimise all the risk identified.

During the current period, the municipality has paid a gross amount of R0 (2024: R0) which is capitalised as part of the project cost. The total gross amount paid include a 5.5% commission paid to the agent for the current period of R0 (2024: R0), which is included in the amount paid to the project.

Eskom Holding:

FREE BASIC ELECTRICITY

Eskom, on behalf of Umzimvubu Local Municipality (ULM), provides free basic electricity through its prepaid and conventional meters to eligible customers falling within the municipal boundaries of the ULM. The municipality provides Eskom with an indigent list and shall review and resubmit the list but limited to four times a year.

Eskom supplies tokens or allocations to eligible customers on targeted basis as provided in the FBE Policy or as agreed between the municipality and Eskom.

Eskom provides this service (50kWh) in advance, submit tax invoice and reimbursed by the municipality on the basis of the recommended National Tariff for the provision of FBE as amended by the National Energy Regulator of South Africa (NERSA). Eskom receives no further compensation in terms of the agreement. ULM is a principal to this arrangement.

Umzimvubu Local Municipality

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57. Accounting by principals and agents (continued)

ULM has paid an amount of R1 639 459 (2024: R972 771) to Eskom as a reimbursement for the free services provided by Eskom to indigent beneficiaries and no compensation has been paid to Eskom during the current and prior years.

Umzimvubu Local Municipality

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58. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions - Refuse	-	1 257 949	1 257 949
Trade and other receivables from exchange transactions - Rentals	-	1 582 037	1 582 037
Cash and cash equivalents - Bank balances	2 459 275	-	2 459 275
Cash and cash equivalents - Investments	88 731 173	-	88 731 173
Human Settlement Receivables	-	315 489	315 489
Insurance claim	-	499 680	499 680
	91 190 448	3 655 155	94 845 603

Financial liabilities

	At amortised cost	Total
Trade payables	32 924 263	32 924 263
Retentions	13 756 139	13 756 139
Accruals	5 996 856	5 996 856
Debtors with credit balances	3 303 378	3 303 378
Department of transport	754 906	754 906
Income received in advance - construction contract	1 746 050	1 746 050
Income received in advance - Land sales	1 412 343	1 412 343
	59 893 935	59 893 935

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions - Refuse	-	1 110 310	1 110 310
Trade and other receivables from exchange transactions - Rentals	-	346 441	346 441
Cash and cash equivalents - Bank balances	1 670 558	-	1 670 558
Cash and cash equivalents - Investments	64 633 831	-	64 633 831
Human Settlement Receivables	-	949 708	949 708
	66 304 389	2 406 459	68 710 848

Financial liabilities

	At amortised cost	Total
Trade payables	35 542 891	35 542 891
Retentions	12 099 984	12 099 984
Accruals	14 866 049	14 866 049
Debtors with credit balances	6 611 283	6 611 283
Department of transport	492 870	492 870
	69 613 077	69 613 077

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59. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Buildings and community assets	11 382 595	4 017 383
• Infrastructure	34 791 230	50 260 736
	46 173 825	54 278 119
Total capital commitments		
Already contracted for but not provided for	46 173 825	54 278 119
Total commitments		
This expenditure will be financed as follows:		
Grant funding	30 684 630	49 843 117
Internal funding	15 489 195	4 435 002
	46 173 825	54 278 119

This committed expenditure relates to property and will be financed through government grants and internally generated funds.

Umzimvubu Local Municipality

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60. Contingencies		
Contingent Assets		
Umzimvubu Local Municipality vs Vuyo Chitha An Application to release Mr Vuyo Chitha's pension fund to ULM where Mr Chitha is liable to pay the Municipality an amount of R 102 000 to ULM. Court order has been issued in favour of the municipality and funds will be recovered from Mr Chitha's pension fund benefit.	-	102 000
Contingent Liabilities		
Fikile Bhekizulu vs Umzimvubu Local Municipality and others case no : 168/2024: Plaintiff is suing the municipality for a cost order awarded in 2020 against it in a litigation matter that did not involve the municipality at that time. The municipality is opposing the matter and has filed its defendants plea. STATUS – ONGOING.	250 000	-
Lindelwa Nyokana vs Umzimvubu Local Municipality: High Court - Case No: 40/2018 The plaintiff is claiming a sum of R37 484,55 resulting from the damage to her motor vehicle as a result of a pothole in one of municipal roads. The matter was before court on 07 June 2024. There was no appearance for the plaintiff and consequently the matter was removed from the roll. The plaintiff to pay wasted costs for that seating. STATUS – ONGOING.	200 000	200 000
Umzimvubu Local Municipality vs Thandeka Mgeyi and 4 others: High Court - Case No. 2914/2019 The municipality seeks eviction order from the court. The respondents invaded RDP houses at Chithwa Village, EXT5, EmaXesibeni. The matter was referred for oral evidence and it is trial ready. The matter was before court on 7 March 2022 and was removed from the roll to allow the Municipality to bring its witness to court. The matter is still pending before court.	400 000	400 000
Umzimvubu Local Municipality vs Rawutini Yicokise Gawulana & Others Land Invasion on ERF 188 in EmaXesibeni. The matter appeared in court on the 9th of February 2021. Application dismissed with costs. ULM shall file documents to appeal. Application for leave to appeal has since been filed and the municipality received a legal opinion from the external legal practitioners that there would be no prospects of in filing an application for leave to appeal before the SCA. The implications therefore are that the matter has been finalised.	-	150 000
Andiswa Gxobole -Nomthwa's Projects v Umzimvubu Local Municipality: High Court - Case No. 957/2020 Demand for full payment of monies paid by the Director of Nomthwa Projects to effect repairs and installation of electricity at the Fresh Produce Market building belonging to ULM. The matter is still pending before the High Court. Status: Ongoing	200 000	200 000
Umzimvubu Local Municipality vs M Zibuke Clothing & Multipurpose & Another: High Court - Case No. 2570/2018 The municipality seek an eviction order against the respondents at TRANSIDO KwaBhaca. The matter is in the process of re-enrolment. We have drafted explanatory affidavit to open temporal file, waiting for a date from the Registrar. Counsel has been briefed in order to expedite the matter.	400 000	400 000

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60. Contingencies (continued)		
Jane Ntombesithathu Nkondlwana vs Umzimvubu Local Municipality: High Court - Case No. 2841/2019 ULM is 3rd respondent to the matter and the court has instructed as follows: "that the third respondent if need be, be and is hereby ordered to conduct an investigation into the welfare of respondent no 1 and 2 and provide them with accommodation where necessary as being part of its Constitutional mandate. The matter was finalised on 20 January 2022 and judgement in favour of the applicant. The matter has been appealed and is awaiting SCA.	200 000	200 000
Prince Mbusi Mdlalose vs Umzimvubu Local Municipality: High Court - Case No. 3359/2019 The plaintiff alleges that he was unlawfully arrested by the Municipal Traffic Officer on 10 September 2017, then handed him over to Mt Frere Police Station allegedly for exceeding the speed limit, detained for 7 hours and released on bail of R500.00. The matter was postponed after it was discovered that the arresting officer was not an employee of ULM to allow the municipality to amend its plea. A notice to amend the plea was sent to the plaintiff's attorneys. STATUS: ONGOING3.	500 000	1 500 000
Nozuko Mosley Zitumane and another's//Umzimvubu Local Municipality High Court case no: 2942/2024 The municipality is the defendant in this matter. The plaintiff claims unlawfull demolition of structures in their property. The matter has since been consolidated into one action under case number 2942/2024. The matter is still pending before the High Court. STATUS: ONGOING.	200 000	-
Concerned Group of Sigidini Administrative Area - Mt Ayliff vs Umzimvubu Local Municipality: High Court - Case No. 1986/2021 The applicant is concerned group of Sigidini administrative area a group whose house were demolished by the municipality. the matter was before Court and was postponed to 06 July 2021 and the Court directed that the Municipality file its replying affidavit. Matter back in Court on 07 July 2021 wherein application was granted in favour of the Municipality. Matter is on appeal and pending. Municipality has since filed its heads of arguments. Still ongoing.	200 000	200 000
PriceWaterHouseCoopers vs Umzimvubu Local Municipality Case No. 1351/2020 Claim in respect of services allegedly rendered in 2015, 2016 and 2019. The Majority of the claims prescribed in terms of the Prescription Act. The only claim outstanding was the 2019 claim and parties resolved to settle the claim out of court which effectively reduced the claim. After lengthy negotiations with the Plaintiff's, they proposed a settlement of R 107 967.66. Both parties agreed on the settlement proposed and the municipality paid. The matter was therefore finalised.	-	910 209
Economic Freedom Fighters vs Umzimvubu Local Municipality: High Court - Case No. 983/2021 High Court Application wherein the EFF seeks to declare ULM's dress code policies unlawful and unconstitutional and in the alternative to review and set aside ULM's dress code policies. A notice of intention to oppose was served and filed. Also, Answering Affidavit has also been prepared, served and filed. Awaiting Applicant's reply, if any. Applicants have since filed a supplementary founding affidavit. Filing of the supplementary answering affidavit was dismissed with costs. Matter ongoing	1 500 000	1 500 000
Simphiwe Mhlongo vs Umzimvubu Local Municipality Case No. 91/2014 This matter dates back to 2014 where the Municipality was sued by the Plaintiff for his unlawful arrest by the second defendant who at the time was employed by the Municipality. The arrest was declared unlawful, and the municipality was directed to pay damages to the plaintiff to the value of R100 000. The matter was therefore finalised.	-	400 000

Umzimvubu Local Municipality

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60. Contingencies (continued)		
Dumisile Yozi vs Umzimvubu Local Municipality The plaintiff intends to sue the Municipality for damages amounting to R300 000 as a result of unlawful conduct he was subjected to by the Municipality's law enforcement officers. Notice of intention to institute legal proceedings received. The matter has prescribed in terms of the prescription act given that no summons were issued three years after a letter of demand was sent to the municipality. The matter is therefore finalised.	-	300 000
Fikile Bhekizulu vs Umzimvubu Local Municipality and others Application to declare immovable property belonging to the respondent that of the applicant as well as compelling the deed register to effect a rectification transfer. Matter has been finalised.	-	500 000
Lindani Mzondo and Minister of Police // Umzimvubu Local Municipality: Magistrate case no: 159/2024 The municipality is the defendant in this matter. The plaintiff claims unlawful arrest and unlawful detention by the members of the Traffic Department and Police. The matter is still pending before the mount frere regional court.	150 000	-
Ayalneh Mandefra Fantaye vs Umzimvubu Local Municipality Notice of intention to institute legal proceedings received pertaining allegations of motor collision by Municipal vehicle. Letter by the municipal legal representatives denying liability on the part of the municipality and further requesting proof that the persons mentioned in the Letter of Demand are indeed the employees of the Municipality was dispatched to the Plaintiff. The matter has prescribed in terms of the prescription act given that no summons were issued three years after a letter of demand was sent to the municipality. The matter is therefore finalised.	-	-
Siti Cargo vs Umzimvubu Local Municipality Damages of R5 861 678 allegedly suffered by the plaintiff in respect of the termination of contract, contract number: UMZ/2018/19/INFRA/MIG/005 for construction of Silindini bridge. The municipality is defending the matter ,has drafted its plea and the matter is ongoing.	2 500 000	2 500 000
Geolocate vs Umzimvubu Local Municipality The plaintiff is claiming an amount of R476 468.00 allegedly due by ULM in respect of services rendered. As at 25 March 2022 the Plaintiff has since served and filed it's Summons and the Municipal Legal Practitioners have since been instructed to defend the matter. The municipality has since filed its amended plea and has also filed its discovery affidavit. A Pre-trial conference will be convened shortly. Matter ongoing.	500 000	500 000
Norman Ndongeni vs ULM : Case no. 4779/2021 This matter is primarily between the applicant and the first respondent Miss Thembisa Ndongeni. The applicant seeks to evict the first respondent together with various other persons allegedly in unlawful occupation of the property in question. The ULM is cited in the application as the 4th respondent for compliance purposes only and no order is sought against it. However, legal representation is necessary as the Court may mero motu require the Municipality to intervene. The application was dismissed with costs. An application for leave to appeal and application for condonation from the applicants attorneys was filed. Matter is ongoing.	200 000	200 000
AM Engineering (Pty) Ltd v ULM : Case no. 6030/2022 The matter relates to a contractual dispute between the Plaintiff and the Municipality. The Plaintiff alleges that the Municipality unlawfully repudiated the contract between the parties without any just cause. The plaintiff now sues the Municipality for outstanding invoices and loss of profits. An notice of intention to defend the matter and defends plea was filed. A pre trial conference was also convened in in terms of rule 37 and the matter is now ripe for trial. Matter ongoing.	1 800 000	1 800 000

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60. Contingencies (continued)		
Nokuzola Christella Canca v ULM: High Court - Case no. 5981/2022 The Applicant Mrs. NC Canca seeks an order declaring the decision of the Municipality to approve the building plans of ERF 242 (KwaBhaca Mall) as unlawful, illegal and irregular and stands to be reviewed and set aside as such decision is in contravention of the Municipality's SPLUMA By-laws. The Municipality has filed its intention to oppose and is in the process of finalising its answering affidavit. STATUS: Ongoing	500 000	500 000
Umzimvubu Local Municipality// Unknown occupiers: High Court case no 562/2025 Application brought in court by the municipality for eviction orders against unknown unlawful occupiers in Mount Ayliff. Notices have been issued by the court and served by the sheriff. Matter has become opposed. Status ongoing.	500 000	-
Makalala Mbulawa vs Umzimvubu Local Municipality High Court - Case no. 1420/2023 The applicant claims damages which amount to R900 000 as a result of alleged unlawful conduct which include assault and arrest by the employees of the defendant (ULM) while conducting evictions on ERF 188 EmaXesibeni. Matter has been consolidated to Sibusisi Bonakele & others vs Umzimvubu Local Municipality - High Court - Case no: 1443/2023.	-	200 000
Bhekinkosi Makhasana vs Umzimvubu Local Municipality - High Court - Case no: 1441/2023 The applicant claims damages which amount to R 1000 000 as a result of alleged unlawful conduct which include assault and arrest by the employees of the defendant (ULM) while conducting evictions on ERF 188 EmaXesibeni. Matter has been consolidated to Sibusisi Bonakele & others vs Umzimvubu Local Municipality - High Court - Case no: 1443/2023.	-	200 000
Ngubela Malibaba vs Umzimvubu Local Municipality - High Court - Case no: 1419/2023 The applicant claims damages which amount to R1 200 000 as a result of alleged unlawful conduct which include assault and arrest by the employees of the defendant (ULM) while conducting evictions on ERF 188 EmaXesibeni. Matter has been consolidated to Sibusisi Bonakele & others vs Umzimvubu Local Municipality - High Court - Case no: 1443/2023.	-	200 000
Nelisiwe Nkalitshana vs Umzimvubu Local Municipality - High Court - Case no: 1442/2023 The applicant claims damages which amount to R1 100 000 as a result of alleged unlawful conduct which include assault and arrest by the employees of the defendant (ULM) while conducting evictions on ERF 188 EmaXesibeni. Matter has been consolidated to Sibusisi Bonakele & others vs Umzimvubu Local Municipality - High Court - Case no: 1443/2023.	-	200 000
Sibusiso Bonakele & Others vs Umzimvubu Local Municipality - High Court - Case no: 1443/2023 The applicant claims damages which amount to R450 000 per individual and a total of R22 950 000 as a result of alleged unlawful conduct which include assault and arrest by the employees of the defendant (ULM) while conducting evictions on ERF 188 emaXesibeni. The matter has since been consolidated under case no: 1443/2023. The matter is still pending before the High Court..	200 000	200 000
Silindile Mhlwana and others vs Umzimvubu Local Municipality: High Court Case no : 5213/2021 The plaintiffs launched a claim for damages to the amount of R350 000 resulting from the Municipality having allegedly demolished their homes which were unlawfully built on a portion of land belonging to the Municipality. The municipality is defending the matter. A pretrial conference was convened and the matter is now ready for trial.	600 000	600 000

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60. Contingencies (continued)		
Nomagalati Dyantyi vs Umzimvubu Local Municipality: High Court Case no : 163/2022 The Applicant is seeking an order for the eviction of the second respondent from the residential homestead no 41 at Badibanise administrative area Mount Frere. The municipality is cited herein only for comply purposes in terms of the PIE Act. The matter was before court on 29 July 2022, it was removed from the roll. There is no progress from the applicants attorney since then.	200 000	200 000
Siphokazi Ndevu//ULM in RE: ULM//Siphokazi Ndevu;Uknown Illegal invaders and Station commisioner of mount frere police station: High Court case no 1786/2025 This a recession application where the municipality is a respondent. Matter stems froman urgent application made by the municipality for an interdict against unlawful occupiers of ERF 351, Papanana location, Mount Frere. STATUS: ONGOING.	200 000	-
Umzimvubu Local Municipality// Unknown occupiers: High Court case no 563/2025 Application brought in court by the municipality for eviction orders against unknown unlawful occupiers in Mount Ayliff. Notices have been issued by the court and served by the sheriff. Matter has become opposed. Status ongoing.	500 000	-
Nduku Mbonisi vs Umzimvubu Local Municipality: Magistrate Court- Case no;106/2023 Yandu Consulting Engineers are claiming fees owed by the municipality under contract number: UMZ/2014/-15/INFRA/MIG/035, designing of Mandileni Cluster Sports Facility. Amount claimed is R266 868.09. The Plaintiff has issued summons and the matter is being defendant. The Municipality has filed a special plea in respect to this matter. STATUS: ONGOING.	500 000	500 000
Umzimvubu Local Municipality vs Andiswa Ketwa and Others - Case no : 3525/2024 The municipality is an applicant in this matter seeking a demolition order over the unlawful invasion and building of structures on ERF 351, KwaBhaca. Judgment was granted in favour of the municipality and the order has since been executed. Matter is thus now finalised.	-	200 000
SGM Tyres and Car wash vs Umzimvubu Local Municipality: High Court Case no:4244/2023 The applicant SGM TYRES and car wash cooperative have approached the high court in effort to interdict and set aside the awarding of the tender of supplying uniforms by FG Uniforms CC to ULM. The Municipalities external attorneys have opposed the matter. Part A of the application has been granted in favour of the applicant which was to interdict the process of supplying the Uniform by FG Uniforms. Part B of the application in which the applicant sought to set aside the awarding of the tender in its entirety and was argued on the 12th of June 2025. The matter was however postponed due to the record of the decisions missing and costs were reserved. STATUS: ONGOING.	250 000	250 000
Cecil Nomvume Makaula and others vs Umzimvubu Local Municipality - High Court case no : 5028/2023 The applicants in this matter seek an interdict against the municipality for the demolition of their structures at Papapani by the ULM municipality. The matter was set down for hearing on the 16th of January 2024 and the court directed the parties to embark on a process of mediating the matter. STATUS: ONGOING	500 000	500 000
Bulelani Mvundlela and Ndlovukazi Mdlalo vs Umzimvubu Local Municipality The applicant in this matter Bulelani Mvundlela has instituted contempt proceedings against the municipality on allegations that the municipality has not complied with a court order which directs it to build a drainage system in a stadium at Badibanise Location. The plaintiff in this matter is deceased and therefore the action matter cannot proceed. The matter is therefore finalised.	-	500 000

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60. Contingencies (continued)		
Nikitha Matiba Ntanja vs Umzimvubu Local Municipality: High Court case no :3630/2023 This is an eviction matter where ULM is an interested party. The matter is still pending before the High Court, the applicant is to set down the matter.	200 000	200 000
Umzimvubu Local Municipality// Unknown occupiers: High Court case no 564/2025 Application brought in court by the municipality for eviction orders against unknown unlawful occupiers in Mount Ayliff. Notices have been issued by the court and served by the sheriff. Matter has become opposed. Status ongoing.	500 000	-
Napoleon Gxumisa vs Umzimvubu Local Municipality: High Court case no :4026/2023 The is an eviction matter between two parties and. the Municipality is being cited for compliance purposes. The matter last appeared on the 28th of November 2023 and subsequently removed from the roll. Matter still pending before the High Court.	200 000	200 000
Bulelani Mvundlela vs Umzimvubu Local Municipality The plaintiff Bulelani Mvundlela has instituted damages claim against the municipality resulting from storm water damage to plaintiffs property due to defective drainage systems in the area. The plaintiff in this matter is deceased and therefore the action matter cannot proceed in terms of rule 52 of the Magistrate court rules. The matter is therefore finalised	-	500 000
Victoria Vuyokazi Ndobeni and others case: High Court case no 4978/2024 This is a rescission application brought against a court order which was granted in favour of the municipality to demolish unlawful structures in the remainder of erf 351. The municipality has filed its answering affidavit and is awaiting a replying affidavit from the applicants.	200 000	-
Umzimvubu Local Municipality vs Lwazi Masiko and others - High Court Case no: 3301/2023 The Municipality as applicants in this matter sought an order declaring that the buildings, structure and rudimentary structures upon the remainder of ERF 188 Mount Ayliff are illegal. An intervention application was brought by Mr, Makala and others which varied the final that was initially obtained into a Rule Nisi. The intervening parties failed to file any further papers. The matter is to be set down for finalization. STATUS: ONGOING.	150 000	150 000
Nothemba Manxusa vs Umzimvubu Local Municipality - Case no : 3209/2023 The applicant Nothemba Manxusa sought a recession application against the initial order which was granted against the respondent in the main application bearing the case number 3209/2019 on grounds that it was fraudulently granted to the applicant. The applicant was granted leave to withdraw the matter and directed to pay the wasted costs of all parties. Matter is finalised	-	200 000
Nomxolisi Makaula and another vs Umzimvubu Local Municipality: High Court Case no: 4759/2023 The municipality is the applicant in this matter herein and sought an urgent order prohibiting the First to the Fifth respondent(hereinafter referred to as the respondents) from persisting the unlawful conduct they are perpetrating on the property of the applicant which is the municipality's land. The matter was set down for hearing in Mthatha High Court and the interim order granted in favour of the municipality. The matter was postponed pending the mediation process. STATUS ONGOING..	400 000	400 000
	14 800 000	18 410 209

For all the legal matters above, there are uncertainties regarding the timing and the estimated future monetary outflows and whether, or not, the municipality will be liable to pay for the legal fees and the timing of such. These matters are still ongoing.

Umzimvubu Local Municipality

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61. Related parties

Relationships
Accounting Officer Refer to accounting officers' report note

Related party transactions and balances

Staff and councilors debts and billings

Cllr N Mdzinwa	1 289	332
Cllr N Garane	611	1 736
GPT Nota (Municipal Manager)	(400)	5 850
AR Makanda (Senior Manager Local Economic Development)	(191)	434
Billing: Cllr N Mdzinwa	7 704	5 221
Billing: Cllr N Garane	6 888	4 757
Billing: GPT Nota (Municipal Manager)	5 868	4 035
Billing: AR Makanda (Senior Manager Local Economic Development)	538	415

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Purchases from Related Parties - GRAP 20 disclosure

The municipality bought goods from the following companies, which are considered to be Related Parties:

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The related parties to the below companies were not involved in procurement processes undertaken in appointing them.

Glenhope Trading Related person: Qaba Zembe Company Capacity: Owner (wife) Municipal Capacity: Snr Manager	1 806 994	3 436 710
Moepangauta T/A Madlanga Partner Related person: L. Madlanga Company Capacity: Owner (Brother) Municipal Capacity: Official	1 787 929	1 104 840
Brothery Love Trading and Projects Related person: Qaba Zembe Company Capacity: Owner (wife) Municipal Capacity: Snr Manager	-	169 986
Myoza-Myoza Trading Related person: B. Jokazi Company Capacity: Owner (wife) Municipal Capacity: Official	4 474 344	4 935 785
Nkwali AM Trading Enterprise Related person: F Nyembezi Company Capacity: Brother Municipal Capacity: Bid Evaluation Committee member.	1 796 892	3 372 898

9 866 159 13 020 219

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61. Related parties (continued)		
Leave accrual owed to Executive Management		
Manager - GPT Nota	91 079	130 925
Senior Manager Infrastructure and Planning - LJ Moleko	98 149	46 992
Senior Manager Chief Operations Officer - N Zembe	112 170	88 802
Senior Manager Corporate Services - N Kubone	27 715	-
Senior Manager Local Economic Development - AR Makanda	112 170	50 965
Chief Financial Officer- K Mehlomakhulu	112 170	50 965
Senior Manager Community Services - KP Dlamini-Tshazi	-	112 217

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The liability is an estimate of the amount due at the reporting date.

The cost of leave accrual is recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The entity measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The leave accrual is expected to be paid out through the compensated absence of employees in the next 12 months or upon termination of the contract, whichever comes first.

No leave encashment is made unless an employee has left the municipality.

There are no assets that have been set aside for the leave accrual, these are provided for through the three year MTREF budgeting of employee costs.

Provision for bonus

Manager - GPT Nota	41 507	41 507
Chief Financial Officer - K Mehlomakhulu	31 150	26 700
Senior Manager Infrastructure and Planning - LJ Moleko	31 150	31 150
Senior Manager Chief Operations Officer - N Zembe	34 080	34 080
Senior Manager Corporate Services - N Kobone	26 700	-
Senior Manager Community Services - KP Dlamini-Tshazi	-	34 080
Senior Manager Local Economic Development - A Makanda	31 150	26 700

The above amounts have not yet been paid to the managers.

Key management information

Class	Description	Number
Mayor	Mayor	1
Municipal Manager	Municipal Manager	1
Senior management	Senior management	5
Councillors	Councillors	55

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61. Related parties (continued)

Remuneration of management

Management class: Municipal Manager and Heads of Departments

2025

Name	Basic salary	Termination benefits	Car and other allowances	Bonuses	Acting allowances	Contribution to funds	Total
Remuneration of Municipal Manager - GPT Nota	919 664	-	498 086	71 155	-	2 269	1 491 174
Remuneration of the Chief Financial Officer - K Mehlomakhulu	667 182	-	373 803	48 950	-	2 269	1 092 204
Remuneration of the former Chief Financial Officer - T Fundira (N2)	4 650	-	-	95 014	-	-	99 664
Remuneration of the Senior Manager Local Economic Development - A. Makanda	667 182	-	373 803	48 950	-	2 269	1 092 204
Remuneration of the former Senior Manager Local Economic Development - SC Ntinzi (N5)	13 950	-	-	-	-	-	13 950
Remuneration of the Senior Manager Infrastructure and Planning - LJ Moleko	680 878	-	373 804	53 400	-	2 269	1 110 351
Remuneration of the Senior Manager Chief Operations Officer - N Zembe	758 731	-	408 954	135 338	-	2 269	1 305 292
Remuneration of the Senior Manager Corporate Services - N. Kubone (N8)	320 403	-	186 903	-	-	1 134	508 440
Remuneration of the Senior Manager Corporate Services - TT Madotyeni-Ngongca (N7)	48 367	-	-	58 818	-	354	107 539
Remuneration of the Senior Manager Community Services - KP Dlamini-Tshazi (N9)	583 465	84 174	306 716	77 896	-	1 879	1 054 130
Remuneration of the Acting Senior Manager Corporate Services - T Funani (N8)	-	-	-	-	38 401	-	38 401
Remuneration of the Acting Senior Manager Community Services - BJ. Ntlamba (N9)	-	-	-	-	31 352	-	31 352
	4 664 472	84 174	2 522 069	589 521	69 753	14 712	7 944 701

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61. Related parties (continued)

2024

Name	Basic salary	Termination benefits	Car and other allowances	Annual bonuses	Acting allowances	Contribution to funds	Total
Remuneration of Municipal Manager - GPT Nota	887 050	-	482 174	145 731	-	2 262	1 517 217
Remuneration of the Chief Financial Officer - K Mehlomakhulu (N1)	310 167	-	180 931	-	-	1 131	492 229
Remuneration of the Chief Financial Officer - FT Fundira (N2)	109 841	117 636	32 991	118 968	-	189	379 625
Remuneration of the Acting Chief Financial Officer - S Mbusi (N3)	-	-	-	-	43 808	-	43 808
Remuneration of the Senior Manager Local Economic Development - A Makanda (N4)	293 692	-	180 931	-	16 475	1 131	492 229
Remuneration of the Senior Manager Local Economic Development - SC Ntinzzi (N5)	222 952	135 779	98 972	47 130	-	566	505 399
Remuneration of the Senior Manager Infrastructure and Planning - LJ Moleko (N6)	528 258	90 534	277 068	42 417	-	1 697	939 974
Remuneration of the Senior Manager Chief Operations Officer - N Zembe	731 954	-	395 889	189 455	-	2 262	1 319 560
Remuneration of the Senior Manager Corporate Services - TT Madotyeni-Ngongca (N7)	640 563	88 801	342 579	137 225	4 242	2 239	1 215 649
Remuneration of the Acting Senior Manager Corporate Services - T Funani (N8)	-	-	-	-	21 563	-	21 563
Remuneration of the Senior Manager Community Services - KP Dlamini-Tshazi	731 954	-	395 889	133 428	-	2 262	1 263 533
	4 456 431	432 750	2 387 424	814 354	86 088	13 739	8 190 786

*Refer to note "Employee related costs"

N1: K Mehlomakhulu was appointed as the Chief Financial Officer from 1 January 2024.

N2: T Fundira's term as the Chief Financial Officer ended on 31 of July 2023.

N3: S Mbusi acted as Chief Finance Officer from 1 August 2023 to 31 December 2023.

N4: A Makanda was appointed as Senior Manager for Local Economic Development from 1 January 2024. He also acted in the position in December 2023 before his appointment.

N5: SC Ntinzzi's term as the Senior Manager Local Economic Development ended on 30 September 2023.

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61. Related parties (continued)

N6: LJ Moleko's term as the Senior Manager Infrastructure and Planning ended on 31 August 2023 and was reappointed in December 2023.

N7: Madotyeni-Ngongca acted as Senior Manager Infrastructure and Planning from September 2023 to November 2023. Furthermore, Madotyeni-Ngongca's contract as Senior Manager Corporate Services ended in April 2024.

N8: T Funani acted as Senior Manager Corporate Services from May 2024 to 31 December 2024 and Mrs N. Kubone was appointed as Senior Manager Corporate Services from 01 January 2025.

N9: KP Dlamini-Tshazi's term ended on 31 March 2025 and Mr BJ Ntlamba acted as Senior Manager Community Services from 01 April 2025

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2025

2024

61. Related parties (continued)

Management class: Councillors

2025

Name	Basic salary	Other allowances	Allowances	Contributions to funds	Total
Executive Mayor - Cllr Z Ndevu	526 121	47 022	324 279	148 901	1 046 323
Speaker - Cllr N Nomnganga (N1)	45 394	-	23 786	3 535	72 715
Speaker - Cllr S Mathebe (N1)	104 023	-	75 941	13 664	193 628
Speaker - Cllr N Mdzinwa (N1)	261 186	47 000	167 610	79 814	555 610
Chief whip -Cllr FN Ngonyolo	394 592	47 000	249 731	105 155	796 478
Executive committee	2 831 779	423 170	1 973 779	572 592	5 801 320
Councillors	7 412 269	1 993 735	5 446 197	1 220 278	16 072 479
	11 575 364	2 557 927	8 261 323	2 143 939	24 538 553

2024

Name	Basic salary	Allowances	Contributions to funds	Total
Executive Mayor - Cllr Z Ndevu	498 095	365 503	139 581	1 003 179
Speaker - Cllr N Nomnganga (N1)	351 270	331 654	50 284	733 208
Speaker - Cllr HM Ngqasa (N1)	29 556	21 983	7 873	59 412
Chief whip -Cllr FN Ngonyolo	373 572	293 962	95 034	762 568
Executive committee	2 699 493	2 325 102	562 128	5 586 723
Councillors	7 006 127	7 224 969	1 182 272	15 413 368
	10 958 113	10 563 173	2 037 172	23 558 458

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

In-kind Benefits

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor and Speaker have use of Council owned vehicles for official duties.

Notes

N1 - Cllr N Nomnganga was appointed from the 1st of August 2023 and resigned on the 08th of July 2024. Cllr S Mathebe was appointed from the 22nd of July 2024 and has resigned on the 20th October 2024. Cllr N Mdzinwa was appointed on the 21st of October 2024 and is still the speaker of the council.

2025

2024

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62. SCM regulation 45 disclosures

The detail listed below is disclosed in terms of Supply Chain Management Policy that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

The municipality bought goods from the following companies, where the directors are (related to) government officials.

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length:

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

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

Mfalo Farming and Projects	-	237 188
Related person: S. Tshekela		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		

Nomako Trading and Construction	-	50 995
Related person: P. Conjwa		
Company Capacity: Owner (Daughter)		
Municipal Capacity: Official		

Lihlume Ilizwe Trading	29 500	298 590
Related person: Ntlamba		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		

Brothery Love Trading and Projects	-	169 986
Related person: Mrs. N. Zembe		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		

SMS Mobile PTY Ltd	-	1
Related person: N. J. Maqulai		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		

*This is rates based contract, the R1 is for reporting purposes as R0 is not reportable in this note.

M G Mpeto Bus Services	1 054 550	-
Related person: Mrs Mpeto		
Company Capacity: Owner (Spouse)		
Government official: EC Department of Education		

Litto Trading	2 060 376	-
Related person: Mrs. N. Canca		
Company Capacity: Owner (Spouse)		
Department Capacity: Official		

The Drops RENO Trading	28 780	-
Related person: Mr. S. Mathonsi		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official (Intern)		

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62. SCM regulation 45 disclosures (continued)		
Nande 23 Projects	5 000	-
Related person: Mr. L. Bingwa		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		
Myoza Myoza	6 338 698	3 527 180
Related person: Mrs. B. Jokazi		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		
Glen Hope Trading Enterprise	-	6 216 710
Related person: Mrs. N. Zembe		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		
Phakamihle Trading JV Nande 23 Projects	950 000	-
Related person: Mr. L. Bingwa		
Company Capacity: Owner (Spouse)		
Municipal Capacity: Official		
Aphola Trading	305 900	-
Related person: T Mpurwana		
Company Capacity: Owner (Spouse)		
Department of Sport: Official		
	10 772 804	10 500 650
63. Unauthorised expenditure		
Opening balance as previously reported	-	11 030 132
Add: Unauthorised expenditure - prior period	-	623 511
Less: Amount written off	-	(11 653 643)
Closing balance	-	-
2024 financial year:		
An investigation was performed by the MPAC during the 2024 financial on an unauthorised expenditure incurred during the 2023 financial year. On the 26th June 2024 as per Council Resolution CR 060/2023/2024 it was resolved that an amount of R11 653 643 be written off by Council.		
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	-	11 653 643
Analysed as follows: non-cash		
Provision of impairment	-	11 653 643
64. Irregular expenditure		
Opening balance as previously reported	5 530 575	26 840 657
Add: Irregular expenditure - current	7 216 919	24 323 341
Less: Amount written off - current	(12 747 494)	(45 633 423)
Closing balance	-	5 530 575

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64. Irregular expenditure (continued)

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

	7 216 919	5 530 575
Non-compliance with SCM regulations period of N1 advertising R7 216 919 (2024: R5 530 575)		

Disciplinary steps taken/criminal proceedings

Amount written-off

During the statutory audit on ULM 2023/24 annual financial statements by AGSA, it was discovered that the municipality has been incurring irregular expenditure on the contract on the appointment of the panel of attorneys for a period of 3 years that was deemed urgent by the municipality and the municipality was trying to avert being open to no representation in court by advertising for a period of 14 days instead of 30 days. Upon inspection of all supporting documents by AGSA, AGSA concluded that the contract is irregular on the basis that the contract is a long term contract, more than 12 months, and management did not provide sufficient reasons for advertising for less than 30 days. All expenditures incurred in this contract is irregular until the contract expires.

The report of Irregular expenditure was then tabled to Council on the 31st of March 2025 with recommendations in terms of section 32 of the MFMA. The Council then referred the matter to MPAC for further investigation. Special MPAC sessions were convened on the 07th of April 2025 and 12 May 2025 for the committee to go through the report, determine facts and conclude on the information presented and gathered.

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R12 747 494 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Disciplinary steps taken/criminal proceedings

N1: The council resolved that no disciplinary steps / criminal proceedings would be taken against any municipal official as services were rendered and value for money received. The contract was declared irregular during the 2024 audit. There are no disciplinary steps that have been taken as yet.

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65. Fruitless and wasteful expenditure		
Opening balance as previously reported	839 721	839 721
Add: Fruitless and wasteful expenditure identified - current (N2)	1 273 223	450 665
Add: Fruitless and wasteful expenditure identified - prior period (N2)	4 590 841	-
Less: Amount written off - current (N1)	-	(450 665)
Closing balance	6 703 785	839 721

Fruitless and wasteful expenditure is presented inclusive of VAT.

N1: During 2024 financial year, the case relates to 3 officials that were formally placed at the eNaTis officials and the result of Disciplinary proceedings led to the recovery that is in progress at reporting date. In addition, there is an amount paid to an incorrect service provider and was not recovered. After investigation by the MPAC, on the 26th June 2024 as per Council Resolution CR 060/2023/2024, it was resolved that an amount of R450, 665 be written off by Council.

N2: During the current year, upon declaring out VAT on previous years INEP receipts, the municipality has incurred interests and penalties from SARS. This matter is still being discussed with SARS and steps to request from relief are being taken by the municipality as this was not a known error/omission by the municipality but as a result of a new Accounting Treatment issued in 2024 of INEP grants by municipality without electricity distribution licences.

Details of fruitless and wasteful expenditure:

Loss due to financial misconduct is R0 (2024: R839 741).

66. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Current year subscription / fee	1 213 685	1 186 062
Amount paid - current year	(1 213 685)	(1 186 062)
	-	-

Other material losses

Add: Losses identified - current period	-	703 521
Less: paid - current year	-	(703 521)
	-	-

Audit fees

Current year fee	5 665 217	5 164 451
Amount paid - current year	(5 665 217)	(5 164 451)
	-	-

PAYE and UIF

Current year expense	22 544 504	20 984 023
Amount paid - current year	(22 544 504)	(20 984 023)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	24 094 741	21 944 058
Amount paid - current year	(24 094 741)	(21 944 058)
	-	-

Umzimvubu Local Municipality

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

VAT

VAT payable	13 331 146	9 531 686
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VAT output payables is shown in note 20.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor N Mdzinwa	1 289	-	1 289
Councilor AN Garane	611	-	611
	1 900	-	1 900

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor N Mdzinwa	332	-	332
Councilor AN Garane	1 736	-	1 736
	2 068	-	2 068

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.

There were no transactions incurred through deviations during the year.

67. 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.

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.

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2024

67. Risk management (continued)

Credit risk

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

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

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.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

68. Comparative figures

Comparative amounts are comparable to the current balances. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

69. 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are listed below:

- The Council adopted the 2025 to 2028 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to supported the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

Umzimvubu Local Municipality

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69. Going concern (continued)

- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual financial statements 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.

70. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

71. Prior-year adjustments

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
VAT output accrual (N2)		(10 507 769)	10 497 674	(10 095)
VAT receivable (N2)		6 842 160	(6 842 160)	-
Accumulated surplus (N2)		1 023 162 633	3 150 821	1 020 011 812
VAT payable (N2)		-	(6 806 335)	(6 806 335)
		1 026 828 242	-	1 026 828 242

2024

	Note	As previously reported	Correction of error	Restated
Trade and other receivables from exchange transactions (N3)		2 406 457	-	2 406 457
Receivables from Non-exchange transactions (N3)		13 609 130	-	13 609 130
VAT receivable (N1) / (N2)		3 070 593	(3 070 593)	-
Vat input accrual (N1)		7 043 506	(2 242 432)	4 801 074
Property, plant and equipment (N4)		1 045 761 957	(17 457 165)	1 028 304 792
VAT payable (N2)		-	(9 531 686)	(9 531 686)
VAT output accrual (N2)		(10 676 863)	10 497 673	(179 190)
Accumulated surplus		1 038 530 940	21 804 203	1 016 726 737
		22 683 840	-	22 683 840

Statement of financial performance

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71. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Construction contracts revenue (N5)		13 782 609	24 310 167	38 092 776
Finance costs (N2)	43	(1 113 935)	(1 196 216)	(2 310 151)
Construction contracts expenditure (N5)		(13 782 609)	(24 310 167)	(38 092 776)
Loss on disposal of assets (N4)		(629 052)	(17 457 165)	(18 086 217)
(Surplus) / Loss for the year		(18 106 450)	18 653 381	546 931
		(19 849 437)	-	(19 849 437)

Cash flow statement

Errors

The following prior period errors adjustments occurred:

N1: VAT misclassification

During the prior year audit, an amount of R2 225 262 was identified as being misclassified and included in unders and overs schedule. However, the municipality did not correct this misclassification from vat input accrual to vat receivables in the prior due to disagreements with the auditor. After further assessment by management, this misclassification was only confirmed and corrected during the current financial year.

N2: Output VAT declaration on INEP prior year receipts.

During the prior year, the municipality disclosed in the annual financial statements, VAT output accrual as a result of INEP receipts that were received in the prior years, however, not declared to SARS as output VAT. Subsequently, during the current year, the municipality re-opened all the VAT periods, dating back as far as 2019, and resubmitted revised output VAT. This has resulted into the adjustment to the prior year VAT output accrual, VAT receivables, finance costs and accumulated surplus.

N3: Receivables from exchange transactions, receivables from non-exchange and Provision for impairment on debtors.

During the current year, the municipality received a complaint from one of the customers regarding the implementation of debt payment scheme ended 30 June 2024. Upon investigation, it was discovered that the customer had paid and met all the conditions for her account to be written off, however the account was not written off. The municipality recalculated and wrote off the customer account. This prior year adjustment will not have an impact in the face of the annual financial statements as the debts were already fully impaired, and therefore, gross debt is the same as accumulated impairment.

It was also noted there are account that were not supposed to be billed, however, in the prior years these accounts were billed and were having either an amount outstanding or over payment. This was corrected as a prior year adjustment.

Related Parties

The municipality has adjusted the prior period disclosure in the related party disclosure note as follows:

During the prior year, the municipality did not disclose billing on refuse and property rates to related parties. An adjustment in the prior year was made.

Refer to note 61 for the adjustments made.

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71. Prior-year adjustments (continued)

Segment Information

During the year, the municipality has corrected segment reporting note to include Geographic information as required by GRAP 18. This disclosure was not included in the prior year audited financial statements .

Refer to note :56 for the adjustment.

N4 Property, plant and equipment

Certain infrastructure assets where new work had been done were not derecognised at the time of reconstruction. This led to a duplication of assets. We have derecognised these assets and reversed depreciation charge for the same assets recognised in 2024.

N5 Construction revenue and expenditure

The municipality has an agreement with the Eastern Cape Department of Human Settlement for the construction of houses in the municipal area for the benefit of the community. This agreement was previously recognised as a principal-agent relationship and only commission fees was recognised in the financial statements. The restatements have been informed by the application of GRAP 11 - Construction Contract standard, where in revenue is recognised to the extent of the expenditure incurred on the contract.

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71. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1: Financial Instruments

During the previous periods, the municipality classified Cash and Cash Equivalents financial instruments as financial instruments at amortised cost. Due to the nature of this item, management has applied principles of GRAP 104.13 which states that "*The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility*".

The management has therefore reclassified cash and cash equivalents to financial instruments at fair value which states that "*Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction*" as both the municipality and the financial institution know exactly the amount of money is held on behalf of the municipality.

Contingencies:

Umzimvubu Local Municipality vs Jabulani Hardware:

During the year, the municipality re assessed this case and concluded that the nature of this case does not meet the requirements of GRAP 19 for contingent liability. There municipality never opened a case against Jabulani and virsa versa, therefore there is no outcome that will confirmed by occurrence or non occurrence of a future event. This was then removed as a contingent liability of the municipality.

Umzimvubu Local Municipality vs Nolubabalo Khuzani & 62 Others:

The municipality discovered that this case was closed on 01 December 2020 through the court order dated 24 November 2020 and signed on 01 December 2020. This case was then removed from the register.

Umzimvubu Local Municipality vs Phumeza Mbasane Nompumza:

The municipality discovered that the court granted judgement in favor of the municipality in 2023. This case was also incorrectly disclosed as a contingent liability instead of asset.

Reclassification: Property, Plant and Equipment

In prior years, community assets disclosed under buildings were not indicated in the note for property, plant and equipment. This was corrected renaming the class from buildings to buildings and community assets. No adjustments were made on the balances for these accounts.

Furthermore, an amount of R648 088 was incorrectly included under WIP additions. This amount was as a result of an audit finding where Retention for Buildings was understated by the same amount. However, this adjustment does not affect the closing balances of assets as WIP is only a disclosure note.

An amount of R2 459 053 was incorrectly included as WIP instead of other changes which is as a result of Landfill site restoration cost adjustment. The balance for PPE does not change, only the disclosure note changes.

An amount of R110 973 for Ntenetyana Dam fees and R4 558 969 for Chitwa Recreational site construction were reclassified from WIP infrastructure assets to WIP buildings and community assets.

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72. Budget differences

Material differences between budget and actual amounts

- N1 The construction contract budget was excluding department of human settlement allocations which, during the AFS preparation was reclassified as construction contract revenue and expenditure respectively.
- N2 The variance is as a result of vacant municipal properties
- N3 The opening an RA in emaXesibeni attracted motorists who were registered outside the province
- N4 The anticipated management fee from human settlement could not be achieved
- N5 The identified variance is caused by enforcement made on businesses that failed to pay their licences
- N6 The cause of the variance is under collection from debtors
- N7 The human settlement grant was incorrectly budgeted for as transfers and subsidies. This budget was also overstated as the municipality anticipated to complete all Human Settlement projects during the year. However, only few projects were completed and lesser amount was received from Human Settlement
- N8 The prior year performance was used as the baseline when budgeting hence the variance.
- N9 All write offs are within the impairment provision
- N10 The variance is as a result of the anticipated acquiring of assets which did not materialize and over budgeting of Human Settlement projects which were budgeted for as capital acquisitions but reported as construction contract.
- N11 The variance is as a result of the budget not being allocated to the line item
- N12 The variance is caused by the implementation of cost containment measures
- N13 Internally funded electrification projects were classified as contracted services
- N14 The municipality anticipated to incur losses hence the variance
- N15 The municipality did not acquire the anticipated assets
- N16 The variance is as a result of the prior year debt that has not been collected
- N17 The projected amount was based on the prior year projections
- N18 The budgeted amount is included in the other current assets
- N19 The reason of the variance is the VAT treatment on INEP grant
- N20 There are line items that are grouped as one line item on the budget hence the variance
- N21 The reason for variance is the VAT being budgeted for as receipts
- N22 Included in the employee related cost amount is the skills development levy and workman's compensation amounts which are budgeted for under operational expenditure but reported for under employee costs.
- N23 The impairment of debtors is budgeted for separately however the reported figure includes both assets and debtors.

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73. Cash generated from investing activities

Purchase of assets as per PPE note	126 306 288	162 465 928
Retention	(6 866 698)	(1 678 709)
Accruals	(3 058 299)	(1 678 709)
Trade payables	(11 422 155)	(17 467 148)
	104 959 136	141 641 362

Purchase of assets as disclosed in note 12 includes purchases that have not yet been paid for, with corresponding entry being payables. These have been adjusted for from the total of cash paid for purchases of assets.