



NEWCASTLE MUNICIPALITY
(Registration number KZ252)

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayor	Cllr Dr NNG Mahlaba
Executive Committee	Cllr VV Bam Cllr SB Buthelezi Cllr EJC Cronje Cllr RN Mdluli Cllr RM Molelekoa Cllr TM Nzuza Cllr SE Shabangu Cllr M Shunmugam
Councillors	Cllr LL Bosman Cllr MV Buhali Cllr TJC Danisa Cllr XNM Diadla Cllr BS Dlamini Cllr TN Dlamini Cllr DX Dube Cllr NP Dukashe Cllr FP Gama Cllr VF Hadebe Cllr SB Hlatshwayo Cllr A Khoza Cllr BV Khumalo Cllr PJ Khumalo Cllr VD Kubeka Cllr C Liu Cllr NK Majosi Cllr FA Malinga Cllr AP Meiring Cllr BPN Mhlongo Cllr SG Miya Cllr HN Mkhwanazi Cllr TP Mkhwanazi Cllr MS Mlangeni Cllr SW Mngomezulu Cllr NG Mnguni Cllr AS Mokoena Cllr MV Molefe Cllr MV Mthembu Cllr PB Mwali Cllr VP Mzima Cllr TM Ndaba Cllr RB Ndimba Cllr SS Ndlamandla Cllr MS Ndlovu Cllr PF Ndlovu Cllr ME Ngcobo Cllr BC Ngema Cllr DR Ngema Cllr D Ngwenya

Newcastle Municipality

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General Information

	Cllr SJ Nhlapho Cllr SN Nkosi Cllr JB Nkwanazi Cllr MJ Ntshangase Cllr DM Sibiliwane Cllr LT Sikhosane Cllr JS Sithole Cllr NH Sitole Cllr GMB Thwala Cllr LG Thwala Cllr JA Vorster Cllr SA Yende Cllr MF Zikhali Cllr VG Zondo Cllr NS Zulu Cllr SZ Zulu Cllr TM Zulu Cllr NA Zwane
Grading of local authority	4
Chief Finance Officer (CFO)	SM Nkosi
Accounting Officer	Mr V Govender
Registered office	37 Murchison Street Newcastle 2940
Business address	37 Murchison Street Newcastle 2940
Postal address	Private Bag X 6621 Newcastle 2940
Bankers	Nedbank
Auditors	Auditor General South Africa
Attorneys	DBM Attorneys
Audit Committee Members	Y Haffejee - Chairperson TL Radebe T Rabelani Z Nkosi NC Mchiki

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the 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.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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 4.

The annual financial statements set out from page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



Mr V Govender
Municipal Manager (Acting)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	19 242 350	13 514 303
Other financial assets		-	277
Receivables from exchange transactions	9	99 420 442	76 970 991
Receivables from non-exchange transactions	10	16 002 938	15 480 338
Consumer debtors from exchange transactions	11	509 985 558	463 923 497
Consumer debtors from none-xchange transactions	11	137 420 640	118 581 590
Cash and cash equivalents	12	9 500 299	36 268 498
		791 572 227	724 739 494
Non-Current Assets			
Investment property	3	327 734 618	342 104 618
Property , plant and equipment	4	6 440 097 019	6 687 646 500
Intangible assets	5	1 260 317	2 224 607
Heritage assets	6	11 757 932	11 670 232
Investments in associates	7	187 056 075	217 333 222
		6 967 905 961	7 260 979 179
Total Assets		7 759 478 188	7 985 718 673
Liabilities			
Current Liabilities			
Other financial liabilities	17	30 987 268	28 756 915
Finance lease obligation	15	109 927	392 517
Payables from exchange transactions	20	800 985 821	821 232 003
VAT payable	21	18 810 904	11 776 300
Consumer deposits	22	27 519 972	24 939 318
Unspent conditional grants and receipts	16	41 232 304	45 749 330
Defined benefit plan	18	11 406 000	9 752 000
		931 052 196	942 598 383
Non-Current Liabilities			
Other financial liabilities	17	362 011 519	393 156 433
Finance lease obligation	15	42 180	135 823
Defined benefit plan	18	155 397 002	150 357 002
Provision for rehabilitation of landfill site	19	59 199 647	52 106 817
		576 650 348	595 756 075
Total Liabilities		1 507 702 544	1 538 354 458
Net Assets		6 251 775 644	6 447 364 215
Reserves			
Housing Development fund	13	29 806 660	28 807 981
Self-insurance reserve	14	435 241	532 983
Accumulated surplus		6 221 533 743	6 418 023 251
Total Net Assets		6 251 775 644	6 447 364 215

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 013 748 409	951 787 140
Rental of facilities and equipment	25	7 093 441	7 794 524
Other Revenue	27	18 409 359	9 873 986
Interest received	28	6 902 710	8 517 417
Total revenue from exchange transactions		1 046 153 919	977 973 067
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	342 533 924	320 486 063
Licences and Permits		101 472	8 106
Transfer revenue			
Government grants & subsidies	30	639 932 157	560 539 037
Fines, Penalties and Forfeits	26	5 401 977	10 506 938
Total revenue from non-exchange transactions		987 969 530	891 540 144
Total revenue	23	2 034 123 449	1 869 513 211
Expenditure			
Employee costs	31	546 878 068	547 200 066
Remuneration of councillors	32	25 611 680	25 754 358
Repairs and Maintenance	33	44 151 131	55 255 973
Depreciation and amortisation	34	351 201 943	345 298 647
Finance costs	36	64 979 614	74 116 845
Debt Impairment	37	216 003 044	312 233 449
Bulk purchases	38	559 335 056	515 427 307
Contracted services	39	230 428 965	183 514 102
General Expenses	40	136 990 687	143 984 814
Total expenditure		2 175 580 188	2 202 785 561
Operating deficit		(141 456 739)	(333 272 350)
Share of deficit in investment in associates		(30 277 147)	(27 972 811)
Actuarial gains/losses		12 908 000	9 608 477
Impairment loss	35	(25 829 168)	(22 841 959)
Inventories losses/write-downs		(117 170)	-
Profit/(Loss) on Sale of Assets		(50 066 166)	5 553 870
Public contributions and donations		39 249 962	15 589 293
		(54 131 689)	(20 063 130)
Deficit for the year		(195 588 428)	(353 335 480)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Self Insurance Reserves	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2019	28 021 720	497 014	28 518 734	6 685 905 348	6 714 424 082
Changes in net assets					
Deficit for the year	-	-	-	(353 335 480)	(353 335 480)
Revenue	-	-	-	(3 842 710)	(3 842 710)
Department of Labour	-	-	-	(7 726 762)	(7 726 762)
Eskom	-	-	-	18 814 120	18 814 120
Invoices cancelled	-	-	-	2 152 975	2 152 975
Transfer of income surplus to trust capital	786 261	-	786 261	(786 261)	-
Transfer of capital surplus to trust capital	-	35 969	35 969	(35 969)	-
Prior year error loans	-	-	-	(21 264 441)	(21 264 441)
Prior year error assets	-	-	-	100 280 479	100 280 479
Prior Year Error, Leave Adjustment	-	-	-	(2 138 048)	(2 138 048)
Total changes	786 261	35 969	822 230	(267 882 097)	(267 059 867)
Restated* Balance at 01 July 2020	28 807 981	532 983	29 340 964	6 418 023 108	6 447 364 072
Deficit for the year	-	-	-	(195 588 428)	(195 588 428)
Transfer to Housing Development Fund	998 679	-	998 679	(998 679)	-
Transfer of Self Insurance Reserves Eskom	-	(97 742)	(97 742)	97 742	-
Total changes	998 679	(97 742)	900 937	(196 489 365)	(195 588 428)
Balance at 30 June 2021	29 806 660	435 241	30 241 901	6 221 533 743	6 251 775 644

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 082 330 268	992 823 652
Grants		635 415 131	572 849 094
Interest income		6 902 710	8 517 417
		<u>1 724 648 109</u>	<u>1 574 190 163</u>
Payments			
Employee costs and Councillors remuneration		(568 958 990)	(568 428 992)
Suppliers		(989 057 538)	(801 959 985)
Finance costs		(42 720 784)	(56 364 696)
		<u>(1 600 737 312)</u>	<u>(1 426 753 673)</u>
Net cash flows from operating activities	42	<u>123 910 797</u>	<u>147 436 490</u>
Cash flows from investing activities			
Purchase of property , plant and equipment	4	(124 413 698)	(101 061 332)
Proceeds from sale of property , plant and equipment	4	1 634 935	6 061 037
Proceeds from sale of Investment property	3	1 478 261	660 000
Purchase of other intangible assets	5	-	(172 929)
Purchases of Heritage Assets	6	(87 700)	(182 000)
		<u>(121 388 202)</u>	<u>(94 695 224)</u>
Net cash flows from investing activities		<u>(121 388 202)</u>	<u>(94 695 224)</u>
Cash flows from financing activities			
Net movements in long term loans		(28 914 561)	(25 754 868)
Movement on finance lease		(376 233)	(717 102)
		<u>(29 290 794)</u>	<u>(26 471 970)</u>
Net cash flows from financing activities		<u>(29 290 794)</u>	<u>(26 471 970)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(26 768 199)</u>	<u>26 269 296</u>
Cash and cash equivalents at the beginning of the year		36 268 498	9 999 201
Cash and cash equivalents at the end of the year	12	<u>9 500 299</u>	<u>36 268 497</u>

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Appendix
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 015 135 576	(4 321 823)	1 010 813 753	1 013 748 409	2 934 656	
Rental of facilities and equipment	8 495 083	(1 053 286)	7 441 797	7 093 441	(348 356)	
Other own revenue	15 741 334	3 120 592	18 861 926	18 409 359	(452 567)	
Interest Received	8 821 674	(1 342 000)	7 479 674	6 902 710	(576 964)	
Total revenue from exchange transactions	1 048 193 667	(3 596 517)	1 044 597 150	1 046 153 919	1 556 769	
Revenue from non-exchange transactions						
Property rates	396 532 173	(47 296 929)	349 235 244	342 533 924	(6 701 320)	
Licences and Permits	15 174	-	15 174	101 472	86 298	
Transfer revenue						
Government grants & subsidies	662 833 006	64 550 963	727 383 969	539 634 369	(187 749 600)	
Fines, Penalties and Forfeits	13 114 402	(4 500 506)	8 613 896	5 401 977	(3 211 919)	
Total revenue from non-exchange transactions	1 072 494 755	12 753 528	1 085 248 283	887 671 742	(197 576 541)	
Total revenue	2 120 688 422	9 157 011	2 129 845 433	1 933 825 661	(196 019 772)	
Expenditure						
Employee costs	(594 311 981)	46 090 308	(548 221 673)	(546 878 068)	1 343 605	
Remuneration of councillors	(28 455 633)	1 104 000	(27 351 633)	(25 611 680)	1 739 953	
Repairs and Maintenance	-	-	-	(44 151 131)	(44 151 131)	
Depreciation and amortisation	(420 387 391)	24 352 000	(396 035 391)	(351 201 943)	44 833 448	
Impairment loss/ Reversal of impairments	-	(20 000 000)	(20 000 000)	(25 829 168)	(5 829 168)	
Finance costs	(42 881 638)	-	(42 881 638)	(64 979 614)	(22 097 976)	
Debt Impairment	(184 699 817)	18 599 173	(166 100 644)	(216 003 044)	(49 902 400)	
Bulk purchases	(660 670 964)	71 431 493	(589 239 471)	(559 335 056)	29 904 415	
Contracted Services	(337 719 062)	(115 785 152)	(453 504 214)	(230 428 965)	223 075 249	
Other expenditures	(128 347 276)	(38 369 725)	(166 717 001)	(136 990 687)	29 726 314	
Total expenditure	(2 397 473 762)	(12 577 903)	(2 410 051 665)	(2 201 409 356)	208 642 309	
Operating deficit	(276 785 340)	(3 420 892)	(280 206 232)	(267 583 695)	12 622 537	
Transfers Recognised Capital	-	108 904 432	108 904 432	100 297 788	(8 606 644)	
Actuarial gains/losses	-	-	-	12 908 000	12 908 000	
Share of surpluses or (deficits) from Investments in associates	-	(32 000 574)	(32 000 574)	(30 277 147)	1 723 427	
Inventories losses/write-downs	-	-	-	(117 170)	(117 170)	
Profit/(Loss) on sale of assets	-	-	-	(50 066 166)	(50 066 166)	
Gains from transfer of functions between entities not under common control	-	-	-	39 249 962	39 249 962	
	-	76 903 858	76 903 858	71 995 267	(4 908 591)	
Deficit before taxation	276 785 340	73 482 966	350 268 306	(195 588 428)	(545 856 734)	

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Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Appendix
Figures in Rand						
Actual Amount on Comparable Basis	276 785 340	(177 484 114)	99 301 226	(195 588 428)	(294 889 654)	

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	13 295 587	218 716	13 514 303	19 242 350	5 728 047	
Receivables from exchange transactions	36 838 125	-	36 838 125	115 423 380	78 585 255	
Consumer debtors	377 278 135	172 376 865	549 655 000	647 406 198	97 751 198	
Cash and cash equivalents	72 553 078	19 694 369	92 247 447	9 500 299	(82 747 148)	
	499 964 925	192 289 950	692 254 875	791 572 227	99 317 352	

Non-Current Assets

Investment property	355 563 618	-	355 563 618	327 734 618	(27 829 000)	
Property, plant and equipment	6 638 511 968	-	6 638 511 968	6 440 097 019	(198 414 949)	
Intangible assets	1 823 057	(1 132 744)	690 313	1 260 317	570 004	
Heritage assets	11 488 232	182 000	11 670 232	11 757 932	87 700	
Investments in associates	204 693 191	30 234 660	234 927 851	187 056 075	(47 871 776)	
	7 212 080 066	29 283 916	7 241 363 982	6 967 905 961	(273 458 021)	
Total Assets	7 712 044 991	221 573 866	7 933 618 857	7 759 478 188	(174 140 669)	

Liabilities

Current Liabilities

Bank overdraft	-	62 801 078	62 801 078	-	(62 801 078)	
Other financial liabilities	28 756 915	-	28 756 915	30 987 268	2 230 353	
Finance lease obligation	-	-	-	109 927	109 927	
Payables from exchange transactions	367 022 000	84 940 327	451 962 327	800 985 821	349 023 494	
VAT payable	-	-	-	18 810 904	18 810 904	
Consumer deposits	24 738 459	175 552	24 914 011	27 519 972	2 605 961	
Unspent conditional grants and receipts	-	-	-	41 232 304	41 232 304	
Defined benefit plan	8 667 735	1 084 265	9 752 000	11 406 000	1 654 000	
	429 185 109	149 001 222	578 186 331	931 052 196	352 865 865	

Non-Current Liabilities

Other financial liabilities	375 896 360	208 115 921	584 012 281	362 011 519	(222 000 762)	
Finance lease obligation	-	-	-	42 180	42 180	
Defined benefit plan	177 199 141	-	177 199 141	155 397 002	(21 802 139)	
Provision for rehabilitation of landfill site	30 286 083	-	30 286 083	59 199 647	28 913 564	
	583 381 584	208 115 921	791 497 505	576 650 348	(214 847 157)	

Total Liabilities

1 012 566 693 357 117 143 1 369 683 836 1 507 702 544 138 018 708

Net Assets

6 699 478 298 (135 543 277) 6 563 935 021 6 251 775 644 (312 159 377)

Net Assets

Reserves

Housing Development Fund	27 976 000	931 982	28 907 982	29 806 660	898 678	
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Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Appendix
Figures in Rand						
Insurance reserve	534 119	(1 136)	532 983	435 241	(97 742)	
Accumulated surplus	6 355 514 317	178 980 156	6 534 494 473	6 221 533 743	(312 960 730)	
Total Net Assets	6 384 024 436	179 911 002	6 563 935 438	6 251 775 644	(312 159 794)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Appendix
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods	1 178 027 945	(44 590 996)	1 133 436 949	1 082 330 268	(51 106 681)	
Grants	753 380 999	56 907 402	810 288 401	635 415 131	(174 873 270)	
Interest received	2 496 963	(124 000)	2 372 963	6 902 710	4 529 747	
	1 933 905 907	12 192 406	1 946 098 313	1 724 648 109	(221 450 204)	
Payments						
Employee costs and payments to suppliers	(1 740 736 401)	(38 641 288)	(1 779 377 689)	(1 558 016 528)	221 361 161	
Finance costs	(42 881 638)	-	(42 881 638)	(42 720 784)	160 854	
	(1 783 618 039)	(38 641 288)	(1 822 259 327)	(1 600 737 312)	221 522 015	
Net cash flows from operating activities	150 287 868	(26 448 882)	123 838 986	123 910 797	71 811	
Cash flows from investing activities						
Purchase of property, plant and equipment	(125 547 994)	(24 842 336)	(150 390 330)	(124 413 698)	25 976 632	
Proceeds from sale of property, plant and equipment	18 000 000	-	18 000 000	1 634 935	(16 365 065)	
Proceeds from sale of investment property	-	-	-	1 478 261	1 478 261	
Purchases of heritage assets	-	-	-	(87 700)	(87 700)	
Net cash flows from investing activities	(107 547 994)	(24 842 336)	(132 390 330)	(121 388 202)	11 002 128	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	2 000 000	-	2 000 000	-	(2 000 000)	
Movement in long term loans	(28 756 915)	-	(28 756 915)	(28 914 561)	(157 646)	
Finance lease payments	-	-	-	(376 233)	(376 233)	
Net cash flows from financing activities	(26 756 915)	-	(26 756 915)	(29 290 794)	(376 233)	
Net increase/(decrease) in cash and cash equivalents	15 982 959	(51 291 218)	(35 308 259)	(26 768 199)	10 697 706	
Cash and cash equivalents at the beginning of the year	28 060 000	8 184 336	36 244 336	36 268 498	24 162	
Cash at the end of the year	44 042 959	(43 106 882)	936 077	9 500 299	10 721 868	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.i.o. s28 and budget s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.i.o. s31 of the MFMA)	Virement (i.i.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	396 532 173	(47 296 929)	349 235 244	-	-	349 235 244	342 533 924		(6 701 320)	98 %	86 %
Service charges	1 015 135 576	(4 321 823)	1 010 813 753	-	-	1 010 813 753	1 013 748 409		2 934 656	100 %	100 %
Investment revenue	8 821 674	(1 342 000)	7 479 674	-	-	7 479 674	6 902 710		(576 964)	92 %	78 %
Transfers recognised - operational	662 833 006	64 550 963	727 383 969	-	-	727 383 969	539 634 369		(187 749 600)	74 %	81 %
Other own revenue	37 365 993	(2 433 200)	34 932 793	-	-	34 932 793	31 006 249		(3 926 544)	89 %	83 %
Total revenue (excluding capital transfers and contributions)	2 120 688 422	9 157 011	2 129 845 433	-	-	2 129 845 433	1 933 825 661		(196 019 772)	91 %	91 %
Employee costs	(594 311 981)	46 090 308	(548 221 673)	-	-	(548 221 673)	(546 878 068)		1 343 605	100 %	92 %
Remuneration of councillors	(28 455 633)	1 104 000	(27 351 633)	-	-	(27 351 633)	(25 611 680)		1 739 953	94 %	90 %
Debt impairment	(184 699 817)	18 599 173	(166 100 644)	-	-	(166 100 644)	(216 003 044)		(49 902 400)	130 %	117 %
Depreciation and asset impairment	(420 387 391)	4 352 000	(416 035 391)	-	-	(416 035 391)	(377 031 111)		39 004 280	91 %	90 %
Finance charges	(42 881 638)	-	(42 881 638)	-	-	(42 881 638)	(64 979 614)		(22 097 976)	152 %	152 %
Materials and bulk purchases	(660 670 964)	194 508 677	(466 162 287)	-	-	(466 162 287)	(559 335 056)		(93 172 769)	120 %	85 %
Contracted services	(337 719 062)	(115 785 152)	(453 504 214)	-	-	(453 504 214)	(230 428 965)		223 075 249	51 %	68 %
Other expenditure	(128 347 276)	(161 446 909)	(289 794 185)	-	-	(289 794 185)	(181 141 818)		108 652 367	63 %	141 %
Total expenditure	(2 397 473 762)	(12 577 903)	(2 410 051 665)	-	-	(2 410 051 665)	(2 201 409 356)		208 642 309	91 %	92 %
Surplus/(Deficit)	(276 785 340)	(3 420 892)	(280 206 232)	-	-	(280 206 232)	(267 583 695)		12 622 537	95 %	97 %

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	108 904 432	108 904 432	-	-	108 904 432	100 297 788		(8 606 644)	92 %	DIV/0 %
Actuarial gain/losses	-	-	-	-	-	-	12 908 000		12 908 000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(276 785 340)	105 483 540	(171 301 800)			(171 301 800)	(154 377 907)		16 923 893	90 %	56 %
Share of surplus (deficit) of associate	-	32 000 574	32 000 574	-	-	32 000 574	30 277 147		(1 723 427)	95 %	DIV/0 %
Inventory losses/ profit(loss) on sale of assets	-	-	-	-	-	-	50 183 336		50 183 336	DIV/0 %	DIV/0 %
Public contributions and donations	-	-	-	-	-	-	(39 249 962)		(39 249 962)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	(276 785 340)	73 482 966	(203 302 374)			(203 302 374)	(195 588 428)		7 713 946	96 %	71 %

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	150 287 868	(26 448 882)	123 838 986	-	123 838 986	123 910 797		71 811	100 %	82 %
Net cash from (used) investing	(107 547 994)	(24 842 336)	(132 390 330)	-	(132 390 330)	(121 388 202)		11 002 128	92 %	113 %
Net cash from (used) financing	(26 756 915)	-	(26 756 915)	-	(26 756 915)	(29 290 794)		(2 533 879)	109 %	109 %
Net increase/(decrease) in cash and cash equivalents	15 982 959	(51 291 218)	(35 308 259)	-	(35 308 259)	(26 768 199)		8 540 060	76 %	(167)%
Cash and cash equivalents at the beginning of the year	28 060 000	8 184 336	36 244 336	-	36 244 336	36 268 498		24 162	100 %	129 %
Cash and cash equivalents at year end	44 042 959	(43 106 882)	936 077	-	936 077	9 500 299		(8 564 222)	1 015 %	22 %

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Interests in other entities

Investments in associates and/or joint ventures

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Interests in other entities (continued)

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

1.5 Investment property

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

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.6 Property , plant and equipment

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

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

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

Property , plant and equipment is initially measured at cost.

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Infrastructure and Other assets which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property , plant and equipment (continued)

Property , plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such 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 increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	5 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Computer software	Straight-line	5 years
Infrastructure	Straight-line	7-80 years
Community	Straight-line	5-80 years
Other property, plant and equipment	Straight-line	5-10 years
Landfill site	Straight-line	5 years
Heritage	Straight-line	Infinite

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

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

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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

Intangible assets are derecognised:

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

1.9 Heritage assets

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Heritage assets (continued)

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

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

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

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 a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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1.10 Financial instruments (continued)

- 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 unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

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1.10 Financial instruments (continued)

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

1.11 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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.

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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Accounting Policies

1.12 Inventories (continued)

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

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

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1.13 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

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

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.14 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.

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

Useful life is either:

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

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

[Specify judgements made]

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Redesignation

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

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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Accounting Policies

1.16 Employee benefits (continued)

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

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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1.16 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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.

Newcastle Municipality

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Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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, a 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.

Newcastle Municipality

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Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

Newcastle Municipality

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Accounting Policies

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

Measurement

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

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

Newcastle Municipality

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.20 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.

Newcastle Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Transfers

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

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

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

Newcastle Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

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

1.21 Grants and transfers

Grants and transfers received or receivable are recognised as assets when the resources have been transferred to the Municipality and meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require the Municipality either consumes the future economic benefit or service potential of the asset as specified, or that in the event that the conditions are bridged, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to the revenue when conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.22 Investment income

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

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.24 Accounting by principals and agents

Identification

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

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.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

Newcastle Municipality

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1.25 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.26 Comparative figures

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

1.27 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).

1.28 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).

1.29 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).

1.30 Housing development fund

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

1.31 Revaluation reserve

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

1.32 Budget information

The annual budget figures have been in accordance with the GRAP standards in an accrual basis, and are consistent with accounting policies used for the preparation of these financial statements. The approved budget is the most recent adjustment budget approved by Council. The final budget is the most recently approved budget that has been adjusted for changes made in terms of the legislation and may not have been formally approved again by Council.

The budget amounts are presented as a separate, additional financial statement, called statement of comparison of budget and actual amount. Explanatory notes on material differences are provided in the notes to the financial statements. Material variances are those variances that are 10% more or less than the approved budget. Comparative information is not required for, and has therefore not been presented in the statement of comparison of budget and actual amounts..

Newcastle Municipality

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1.33 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.

1.34 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.

1.35 Cash and cash equivalents

Cash includes cash on hand, cash held with banks and call deposits. Cash equivalents are short-term bank deposit with a maturity of 3 months or less from inception, readily convertible into cash without significance changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any overdrafts

Newcastle Municipality

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of the is not material.
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	The impact of the is not material.

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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact

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3. Investment property

	2021		2020	
	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment
Investment property	327 734 618	-	327 734 618	342 104 618
				-
				342 104 618

Reconciliation of investment property - 2021

Investment property

	Opening balance	Disposals	Re- classification	Total
	342 104 618	(775 000)	(13 595 000)	327 734 618

Reconciliation of investment property - 2020

Investment property

	Opening balance	Disposals	Total
	342 764 618	(660 000)	342 104 618

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.

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4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	171 960 447	-	171 960 447	158 055 447	-	158 055 447
Buildings	427 966 363	(72 727 866)	355 238 497	420 805 425	(58 278 549)	362 526 876
Infrastructure	9 407 784 401	(3 737 361 526)	5 670 422 875	9 521 723 725	(3 541 163 529)	5 980 560 196
Community	286 562 218	(89 347 356)	197 214 862	206 843 521	(75 747 511)	131 096 010
Leased Assets	1 965 330	(1 811 081)	154 249	3 632 660	(3 184 028)	448 632
Other Assets	214 346 897	(169 240 808)	45 106 089	231 240 000	(176 280 661)	54 959 339
Total	10 510 585 656	(4 070 488 637)	6 440 097 019	10 542 300 778	(3 854 654 278)	6 687 646 500

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP Revaluations	Write off	Disposal	Work In Progress Movement	Impairment	Depreciation	Total
Land	158 055 447	500 000	-	-	(190 000)	-	-	-	171 960 447
Buildings	362 527 331	4 193 888	4 449 025	(14 069)	(524 131)	-	(756 200)	(14 637 347)	355 238 497
Infrastructure	5 928 759 009	8 441 925	108 311 212	(51 637 754)	-	182 678	(16 086 360)	(307 547 836)	5 670 422 874
Community	182 935 593	25 340 912	4 118 090	-	-	-	(5 285 107)	(9 894 626)	197 214 862
Leased Assets	448 632	155 700	-	(7 927)	(2 494)	-	-	(439 662)	154 249
Other assets	54 958 921	7 936 340	-	(32 161)	-	-	(38 462)	(17 718 550)	45 106 088
Total	6 687 684 933	46 568 765	116 878 327	(51 691 911)	(716 625)	182 678	(22 166 129)	(350 238 021)	6 440 097 017

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions WIP	Revaluations	Disposals	Work In Progress Movement	Impairment	Depreciation	Correction of error	Total
Land	158 889 543	-	-	-	(155 000)	-	-	-	(679 096)	158 055 447
Buildings	377 198 069	-	365 385	-	(353 124)	-	(27 452)	(14 655 547)	-	362 527 331
Infrastructure	6 018 062 422	11 410 906	98 413 134	19 494 107	-	(11 850)	(6 531 638)	(303 729 122)	91 651 050	5 928 759 009
Community	199 674 755	108 004	679 171	-	-	(5 755)	(7 889 325)	(9 675 841)	44 584	182 935 593
Other assets	55 302 968	5 899 503	-	-	-	-	(80 548)	(15 426 983)	9 263 942	54 958 882
Leased Assets	1 125 788	195 489	-	-	-	-	-	(872 645)	-	448 632
	6 810 253 545	17 613 902	99 457 690	19 494 107	(508 124)	(17 605)	(14 528 963)	(344 360 138)	100 280 480	6 687 684 894

Assets subject to finance lease (Net carrying amount)

Other leased Assets	154 249	448 632
---------------------	---------	---------

Reconciliation of Work-in-Progress 2021

	Infrastructure	Community	Buildings	Total
Opening balance	82 897 369	2 758 489	365 385	86 021 243
Additions/capital expenditure	108 311 212	4 118 090	4 449 026	116 878 328
Adjustments	182 678	-	-	182 678
Transferred to completed items	(54 171 203)	-	(931 629)	(55 102 832)
	137 220 056	6 876 579	3 882 782	147 979 417

Reconciliation of Work-in-Progress 2020

	Infrastructure	Community	Buildings	Total
Opening balance	74 905 847	15 569 684	-	90 475 531
Additions/capital expenditure	98 413 134	679 171	365 385	99 457 690
Impairment of WIP	-	(1 515 788)	-	(1 515 788)
Adjustments	-	(17 606)	-	(17 606)
Transferred to completed items	(90 409 762)	(11 956 972)	-	(102 366 734)
Correction of Error	(11 850)	-	-	(11 850)

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Figures in Rand	2021	2020
4. Property , plant and equipment (continued)	82 897 369	2 758 489
	365 385	86 021 243

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.

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5. Intangible assets

	2021		2020	
	Cost / Valuation	Accumulated Carrying value amortisation and accumulated impairment	Cost / Valuation	Accumulated Carrying value amortisation and accumulated impairment
Computer software, internally generated	15 583 125	(14 322 808)	15 410 195	(13 185 588)
		1 260 317		2 224 607

Reconciliation of intangible assets - 2021

Computer software, internally generated

Opening balance	Amortisation	Total
2 224 607	(964 290)	1 260 317

Reconciliation of intangible assets - 2020

Computer software, internally generated

Opening balance	Additions	Amortisation	Total
3 001 185	172 929	(949 607)	2 224 607

Newcastle Municipality

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6. Heritage assets

	2021		2020	
	Cost / Valuation	Accumulated Carrying value Impairment losses	Cost / Valuation	Accumulated Carrying value Impairment losses
Art Collections, antiques and exhibits	11 757 932	-	11 670 232	-
			11 670 232	11 670 232

Reconciliation of heritage assets 2021

Art Collections, antiques and exhibits

Opening balance	Additions	Total
11 670 232	87 700	11 757 932

Reconciliation of heritage assets 2020

Art Collections, antiques and exhibits

Opening balance	Additions	Total
11 488 232	182 000	11 670 232

7. Investment in Associates

Name of Entity

Uthukela Water

Listed/Unlisted	% Holding 2021	% Holding 2020	Carrying amount 2021	Carrying amount 2020
-	34	34	187 056 075	217 333 222

8. Inventories

Water Stock

Consumable stores

Inventories (write-downs)

387 231	335 384
19 256 631	13 576 534
19 643 862	13 911 918
(401 512)	(397 615)
19 242 350	13 514 303

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Figures in Rand	2021	2020
9. Receivables from exchange transactions		
Deposits (Eskom and Nedbank Building)	3 430 190	3 430 190
Sundry Debtors	88 907 092	73 328 029
Input VAT on invoices raised	7 083 160	212 772
	99 420 442	76 970 991
10. Receivables from non-exchange transactions		
Fines (Gross Balance)	64 827 139	60 641 499
Less: Provision for impairment	(48 824 201)	(45 161 161)
	16 002 938	15 480 338
Reconciliation of Gross Amount		
Opening Balance	60 641 498	51 194 382
Add: Fines recognised	4 647 120	10 323 001
Less: Fines received	(461 480)	(875 885)
	64 827 138	60 641 498
Reconciliation for Provision of Impairment		
Opening Balance	45 161 162	36 858 986
Add: Contribution	3 663 039	8 302 176
	48 824 201	45 161 162
	-	-
Total receivables from non-exchange transactions	16 002 938	15 480 338
Statutory receivables general information		
..		
Traffic fines are imposed in terms of section 54, 56 and 341 of Criminal Procedure Act 51 of 1977 and Municipality bylaws 623 of 1977		
Fines are followed up by issue of summons. Traffic fines can be contested in court and this can lead to a review of the amount of the fine		
Receivables from non-exchange transactions past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
Opening Balance	45 161 162	36 858 975
Add: Contribution for Impairment	3 663 039	8 297 048
Receivables from non-exchange transactions impaired		
The ageing of these loans is as follows:		
Traffic Fines	4 647 120	10 323 001
Other fines	461 480	875 885
11. Consumer debtors		
Gross balances		
Rates	226 985 393	306 887 357
Electricity	159 080 936	166 873 529
Water	238 214 584	450 468 786
Waste water	212 164 788	329 159 732

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Figures in Rand	2021	2020
11. Consumer debtors disclosure (continued)		
Refuse	216 445 253	181 954 170
Other	57 519 659	58 773 914
VAT and sundry services	185 385 209	196 403 152
	1 295 795 822	1 690 520 640
Less: Allowance for impairment		
Rates	(89 564 753)	(188 305 767)
Electricity	(8 880 566)	(52 515 635)
Water	(223 772 828)	(330 143 872)
Waste water	(141 696 264)	(256 261 294)
Refuse	(98 989 819)	(129 878 181)
Other	(17 211 615)	(52 458 544)
VAT and sundry services	(68 273 779)	(98 452 254)
	(648 389 624)	(1 108 015 547)
Net balance		
Rates	137 420 640	118 581 590
Electricity	150 200 370	114 357 894
Water	14 441 756	120 324 915
Waste water	70 468 524	72 898 438
Refuse	117 455 434	52 075 989
Other	40 308 043	6 315 370
VAT and sundry services	117 111 431	97 950 898
	647 406 198	582 505 094
Included in above is receivables from exchange transactions		
Electricity	159 080 936	166 873 529
Water	238 214 584	450 468 786
Waste water	212 164 788	329 159 732
Refuse	216 445 253	181 954 170
Other	57 519 659	58 773 914
VAT and sundry services	185 385 209	196 403 152
	1 068 810 429	1 383 633 283
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	226 985 393	306 887 357
Net balance	1 295 795 822	1 690 520 640
Rates		
Current (0 -30 days)	24 214 146	24 786 284
31 - 60 days	16 493 113	12 041 333
61 - 90 days	9 471 070	10 759 545
91 - 120 days	8 818 561	9 903 773
121 - 365 days	8 688 945	8 558 758
> 365 days	159 299 558	240 837 665
	226 985 393	306 887 358
Electricity		
Current (0 -30 days)	96 587 343	89 819 700
31 - 60 days	5 584 848	11 409 296
61 - 90 days	1 364 670	3 714 218
91 - 120 days	1 145 878	2 436 554
121 - 365 days	922 528	1 245 098
> 365 days	53 475 669	58 248 663
	159 080 936	166 873 529

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Figures in Rand	2021	2020
11. Consumer debtors disclosure (continued)		
Water		
Current (0 -30 days)	32 211 505	29 828 077
31 - 60 days	15 412 329	11 687 792
61 - 90 days	9 396 467	8 815 735
91 - 120 days	9 279 245	8 637 723
121 - 365 days	10 464 470	8 880 252
> 365 days	161 450 568	382 619 208
	238 214 584	450 468 787
Waste water		
Current (0 -30 days)	8 169 533	8 153 870
31 - 60 days	11 402 153	6 993 749
61 - 90 days	6 387 376	6 026 606
91 - 120 days	6 251 916	5 867 407
121 - 365 days	6 086 907	5 580 418
> 365 days	173 866 903	296 537 682
	212 164 788	329 159 732
Refuse		
Current (0 -30 days)	6 130 468	6 777 848
31 - 60 days	7 720 660	5 296 867
61 - 90 days	4 609 359	4 604 663
91 - 120 days	4 552 623	4 423 189
121 - 365 days	4 344 674	4 241 198
> 365 days	189 087 468	156 610 405
	216 445 252	181 954 170
Other		
Current (0 -30 days)	237 783	1 542 195
31 - 60 days	3 748 741	730 584
61 - 90 days	2 765 794	630 259
91 - 120 days	2 080 525	704 311
121 - 365 days	2 713 641	809 904
> 365 days	45 973 175	54 356 661
	57 519 659	58 773 914
VAT and sundry services		
Current (0 -30 days)	(3 020 589)	(54 813 945)
31 - 60 days	6 136 387	6 046 360
61 - 90 days	3 417 893	3 470 525
91 - 120 days	3 288 006	9 467 688
121 - 365 days	3 372 283	3 110 164
> 365 days	172 191 229	229 122 360
	185 385 209	196 403 152
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	146 974 443	63 660 398
31 - 60 days	52 580 705	36 706 212
61 - 90 days	32 116 596	29 471 713
91 - 120 days	30 838 213	28 826 514
121 - 365 days	32 608 078	28 054 478
> 365 days	817 786 112	1 264 914 617
	1 112 904 147	1 451 633 932
Less: Allowance for impairment	(634 084 963)	(1 005 516 877)
	478 819 184	446 117 055
Industrial/ commercial		

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Figures in Rand	2021	2020
11. Consumer debtors disclosure (continued)		
Current (0 -30 days)	97 873 878	44 745 497
31 - 60 days	12 415 606	15 728 045
61 - 90 days	4 163 975	7 248 493
91 - 120 days	3 543 960	5 812 122
121 - 365 days	3 384 778	3 854 934
> 365 days	46 185 479	130 808 808
	<u>167 567 676</u>	<u>208 197 899</u>
Less: Allowance for impairment	(14 304 660)	(102 498 669)
	153 263 016	105 699 230
National and provincial government		
Current (0 -30 days)	1 434 621	(2 145 473)
31 - 60 days	1 445 314	1 771 724
61 - 90 days	1 122 318	1 301 346
91 - 120 days	1 026 317	6 802 010
121 - 365 days	594 104	516 378
> 365 days	9 701 324	22 442 826
	<u>15 323 998</u>	<u>30 688 811</u>
Total		
Current (0 -30 days)	246 282 942	106 260 422
31 - 60 days	66 441 625	54 205 981
61 - 90 days	37 402 889	38 021 552
91 - 120 days	35 408 490	41 440 646
121 - 365 days	36 586 959	32 425 790
> 365 days	873 672 916	1 418 166 251
	<u>1 295 795 821</u>	<u>1 690 520 642</u>
Less: Allowance for impairment	(648 389 623)	(1 108 015 546)
	647 406 198	582 505 096
Less: Allowance for impairment		
31 - 60 days	-	(3 347 812)
61 - 90 days	-	(4 739 279)
91 - 120 days	-	(5 801 183)
121 - 365 days	-	(7 085 914)
> 365 days	(648 389 623)	(1 087 041 358)
	<u>(648 389 623)</u>	<u>(1 108 015 546)</u>
Total debtor past due but not impaired		
Current (0 -30 days)	246 282 942	106 260 422
31 - 60 days	66 441 625	54 205 981
61 - 90 days	37 402 889	38 021 552
91 - 120 days	35 408 490	41 440 646
121 - 365 days	36 586 959	32 425 790
> 365 days	873 672 916	1 418 166 249
	<u>1 295 795 821</u>	<u>1 690 520 640</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 110 803 619)	(933 901 804)
Contributions to allowance	462 413 996	(174 113 743)
	<u>(648 389 623)</u>	<u>(1 108 015 547)</u>
Statutory receivables general information		
..		

Property Rates are imposed in terms of Municipali Property Rates Act 6 of 2004, the tariffs are imposed in terms of tariff of charges approved by Council.

Newcastle Municipality

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11. Consumer debtors disclosure (continued)

Receivables from consumer debtors

Receivables are amounts owing by consumers, and are presented in net impairment losses. The municipality has the credit control policy in place, and the exposure to credit risk is monitored on a ongoing basis. The municipalities compelled in terms of the constitutional mandate to provide all its residence with basic minimum services, without recourse to an assessment of credit worthiness. The municipality strategy for managing its risk includes encouraging residence to pay for services, through an outreach programme, incentives schemes and to intall water demand management devices that control water flow to households, as well as prepaid electricity meters for those consumers who struggle to pay for services. A deposit is also required for new service connections, serves as guarantee.

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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	283 946	14 785
Bank balances	7 550 154	691 584
Short-term Investments	1 666 199	35 562 129
	<u>9 500 299</u>	<u>36 268 498</u>

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and with specific guidelines set in accordance with council's approved investment policy. Consequently, the municipality does not consider that there will be any significant exposure to credit risk.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020		
Nedbank - 1162667338	7 550 153	(2 892 139)	-	7 819 315	37 405 819	-

Call Investments

Standard Bank - 68450354/015	126 586	1 089 090
Standard Bank - 68450354/016	76 817	28 701 727
Standard Bank - 68450354/035	43 497	43 254
Standard Bank - 68450354/036	18 529	598 081
Standard Bank - 68450354/037	36 659	422 224
Standard Bank - 68450354/038	60 906	60 264
Standard Bank - 68450354/039	79 269	78 434
Standard Bank - 68450354/040	95 976	5 553 011
ABSA - 9288456248	64 584	64 952
ABSA - 9300506428	545 946	529 582
Nedbank - 037648555441 46	117	113
Nedbank - 037648555441 47	117	113
Nedbank - 037648555441 48	117	113
Nedbank - 037648555441 49	117	113
Nedbank - 037648555441 52	132 168	965 440
Nedbank - 037648555441 53	47	47
Nedbank - 037648555441 54	384 747	366 309
	<u>1 666 199</u>	<u>38 472 867</u>

Interest Income

Interest on primary account	494 239	763 086
Interest on investment accounts	2 328 036	1 999 623
	<u>2 822 275</u>	<u>2 762 709</u>

13. Housing development fund

Opening balance	28 807 982	28 021 720
Transfers in	998 678	786 261
	<u>29 806 660</u>	<u>28 807 981</u>

14. Self-insurance reserve

Opening balance	532 983	497 014
Transfers in/(out)	(97 742)	35 969
	<u>435 241</u>	<u>532 983</u>

15. Finance lease obligation

Minimum lease payments due		
- within one year	109 927	392 517

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
15. Finance lease obligation (continued)		
- in second to fifth year inclusive	42 180	135 823
Present value of minimum lease payments	152 107	528 340
Non-current liabilities	42 180	135 823
Current liabilities	109 927	392 517
	152 107	528 340
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Sports and Recreation	5 647 084	1 980 418
Ingogo Fresh Produce	11 353	11 353
Municipal Water Infrastructure Grant	8 516 370	17 196 148
Title Deed Restoration Grant	5 196 326	7 233 371
Osizweni Art Centre	36 920	36 920
Skills Development Grant	1 546 185	905 456
Cleanest Town	823 975	823 975
Environmental Management Framework	502 871	502 871
Neighbourhood Partnership Development	5 939 933	-
Electrification Grant	-	6 267 094
Expanded Public Works Programme	-	6 738
Title Deeds Restorations	2 717 163	-
Sports Maintenance Facilities Grant	10 220	10 220
All Housing Grant	4 266 813	4 266 813
Newcastle Airport	1 815 281	1 815 281
Capacity Building Housing Accreditation	2 102 589	-
Fort Amiel Museum	201 733	381 454
Community Library Service Grant	412 549	1 343 706
Corridor Development	131 075	131 075
Carnegie Art Gallery	350 488	378 121
Provincialisation - Libraries	1 003 376	2 458 316
	41 232 304	45 749 330
17. Other financial liabilities		
At amortised cost		
DBSA loans	146 211 853	182 463 659
Terms and conditions		
ABSA Bank loans	246 786 934	239 449 689
Terms and conditions		
	392 998 787	421 913 348
Total other financial liabilities	392 998 787	421 913 348
Non-current liabilities		
At amortised cost	362 011 519	393 156 433
Current liabilities		
At amortised cost	30 987 268	28 756 915

18. Defined benefit plan

Reconciliation of defined benefit plan - 2021

	Opening Balance	Current service costs	Benefits paid	Actuarial (Gain)/Loss	Interest cost	Change in policy	Total
Employee benefits	160 109 002	7 060 000	(9 752 000)	(12 908 000)	15 166 000	7 128 000	166 803 002

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020				
18. Defined benefit plan (continued)						
Reconciliation of defined benefit plan - 2020						
	Opening Balance	Current service costs	Benefits paid	Actuarial (Gain)/Loss	Interest costs	Total
Employee benefits	157 022 987	7 378 697	(8 667 535)	(9 608 477)	13 983 330	160 109 002
Non-current liabilities					155 397 002	150 357 002
Current liabilities					11 406 000	9 752 000
					166 803 002	160 109 002
Health Care Benefits						
Balance at the beginning of the year					127 521 000	126 567 756
Current Service Cost					4 024 000	4 467 891
Benefits Paid					(5 897 000)	(5 137 186)
Actuarial Loss/(Gain)					(7 310 000)	(10 013 982)
Interest					12 888 000	11 636 521
					131 226 000	127 521 000
Net Expenses Recognised in Statement of Financial Performance PEMA						
Current Service Cost					4 024 000	4 467 891
Benefits Paid					(5 897 000)	(5 137 186)
Actuarial Loss/(Gain)					(7 310 000)	(10 013 982)
Interest					12 888 000	11 636 521
					3 705 000	953 244
Long Service Bonus Awards						
Balance at the beginning of the year					32 588 000	30 455 229
Current Service Cost					3 036 000	2 910 806
Benefits Paid					(3 855 000)	(3 530 349)
Actuarial Loss/(Gain)					(5 598 000)	405 505
Interest					2 278 000	2 346 809
Change in policy					7 128 000	-
					35 577 000	32 588 000
Net Expenses recognised in Statement of Financial Performance LSA						
Current Service Cost					3 036 000	2 910 806
Benefits Paid					(3 855 000)	(3 530 349)
Actuarial Loss/(Gain)					(5 598 000)	405 505
Interest					2 278 000	2 346 809
Change in Policy					7 128 000	-
					2 989 000	2 132 771

Employee benefit cost provision: Assumptions

The Municipality offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a members' death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme. The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2021 by Arch Actuarial Consulting, a member of Actuarial Society of South Africa (ASSA). The present value of the defined obligation and all related current service costs and past service costs were measured using the projected units credit method. No other post retirement medical benefits are provided by the municipality.

It was assumed that the municipality's health care arrangements and subsidy policy will remain as outlined in section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that the current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Key financial assumptions used

Newcastle Municipality

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18. Defined benefit plan (continued)

Discount rate	9.95%
Health care cost inflation rate	6.70%
Net-of-health-care-cost-inflation discount rate	3.05%
Maximum subsidy inflation rate	4.65%
Net-of-maximum-subsidy-inflation discount rate	5.06%
Unfunded accrued liability	R131 226 000

Current-service and interest cost

Year ended 30 June 2021	R4 024 000
Interest cost	R12 888 000
Actuarial (Gain)/Loss recognised in surplus /deficit	(R7 310 000)

Long Service Bonus Awards

The long service bonus award is a function of accumulated leave days that is converted into cash in the year an employee attains the service eligible for an award at a rate of 1/249th of annual salary per day.

Key financial assumptions used

Discount rate	9.27%
General earnings inflation rate (long term)	5.79%
Net effective discount rate	3.29%

The earning used in valuation include an increase on the 01s of July 2021 of 4% as per SALGBC circular 23 of 2021. The next general earnings increase was assumed to take place on 1 July 2022.

Key Demographic Assumption used (PEMA)

Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependent at retirement	60%
Mortality during employment	SA 85-90
Mortality post employment	PA (90)-1 with a 1% mortality improvement per annum from 2010

Withdrawal from services (Sample annual rate)

Age	Rate-Female	Rate-Male
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	0%	0%

Key Demographic Assumption used (LSA)

Average retirement age	62
Mortality during employment	SA 85-90
Withdrawal from services (Sample annual rate)	

Age	Rate-Female	Rate-Male
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55+	0%	0%

Unfunded Accrued Liability

Total value of liabilities	R35 577 000
Value of assets	R0
Unfunded accrued liabilities	R35 577 000

Current service and interest cost

Current-service cost	R3 036 000
Interest cost	R2 278 000

Comparative of Vital Statistics

Number of eligible employees	1098
Average annual salary	R291 562
Salary-weighted average age	44.6
Salary-weighted average past service	12.2

Newcastle Municipality

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Figures in Rand	2021	2020
19. Provision for rehabilitation of landfill site		
The movement in the rehabilitation of landfill site		
Balance at the beginning of the year	52 106 817	28 843 889
(Decrease)/Increase in provision	-	19 494 107
Finance Charges recognised	7 092 830	3 768 821
	59 199 647	52 106 817
20. Payables from exchange transactions		
Trade payables	360 160 933	532 187 054
Retentions	38 193 905	44 315 257
Output VAT on Levies	176 625 905	127 166 521
Stale Cheques Written Back	-	(60 707)
Leave Pay Provision	32 410 854	27 789 083
Bonus Provision	11 015 049	11 920 291
Other Payables	182 579 175	77 914 504
	800 985 821	821 232 003
21. VAT payable		
Tax refunds payables	18 810 904	11 776 300
The VAT is imposed in terms of Value Added Tax Act 89 of 1991 and levied at 15%		
22. Consumer deposits		
Electricity & Water Deposits	27 052 861	24 523 887
Housing Deposits	467 111	415 431
	27 519 972	24 939 318
23. Revenue		
Service charges	1 013 748 409	951 787 140
Rental of facilities and equipment	7 093 441	7 794 524
Licences and permits	101 472	8 106
Sundry revenue	8 049 666	2 106 036
Other income	564 474	548 480
Fee income	9 795 219	7 219 470
Interest received - investment	6 902 710	8 517 417
Property rates	342 533 924	320 486 063
Government grants & subsidies	639 932 157	560 539 037
Fines, Penalties and Forfeits	5 401 977	10 506 938
	2 034 123 449	1 869 513 211
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 013 748 409	951 787 140
Rental of facilities and equipment	7 093 441	7 794 524
Sundry revenue	8 049 666	2 106 036
Other income	564 474	548 480
Fee income	9 795 219	7 219 470
Interest received - investment	6 902 710	8 517 417
	1 046 153 919	977 973 067
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	342 533 924	320 486 063
Licences or permits	101 472	8 106

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Service concession arrangements (continued)		
Transfer revenue		
Government grants & subsidies	639 932 157	560 539 037
Fines, Penalties and Forfeits	5 401 977	10 506 938
	987 969 530	891 540 144
24. Service charges		
Sale of electricity	621 124 280	578 985 816
Sale of water	188 454 396	180 514 399
Sewerage and sanitation charges	112 145 578	109 101 099
Refuse removal	92 024 155	83 185 826
	1 013 748 409	951 787 140
25. Rental of facilities and equipment		
Premises		
Municipal Housing	3 063 812	6 838 049
Venue hire	3 976 575	821 815
Rental - HDF	53 054	134 660
	7 093 441	7 794 524
26. Fines, Penalties and Forfeits		
Building Fines	555 739	34 000
Illegal Connections Fines	177 811	119 119
Overdue Books Fines	3 137	17 468
Pound Fees Fines	18 170	13 350
Municipal Traffic Fines	4 647 120	10 323 001
	5 401 977	10 506 938
27. Other revenue		
Sundry revenue	8 049 666	2 106 036
Other income	564 474	548 480
Fee income	9 795 219	7 219 470
	18 409 359	9 873 986
Sundry Revenue		
Sundry Revenue		
Insurance Income	1 416 466	40 858
Legal Fees Recoverable	-	1 273
R/D Admin Fee	169 107	227 960
Other Revenue	6 464 093	1 835 945
	8 049 666	2 106 036
Other Income		
Sales		
Burial Plots	551 212	354 010
Copies	6 816	56 821
Printing	4 800	23 319
Swimming Tickets	1 646	114 330
	564 474	548 480
Fee Income		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
27. Other income (continued)		
Fees		
Advertising Signs	393 373	793 908
Building Plans	675 720	529 536
Business Letters	1 141 362	930 191
Cemetery	2 575 543	1 204 202
Meter Reading	250 624	236 367
Rates Clearance Certificate	978 132	576 323
Reconnection	3 098 316	2 284 336
Town Planning	297 587	235 167
Other	192 087	329 857
Tender	192 475	99 583
	9 795 219	7 219 470
28. Interest Received		
Bank	2 822 275	2 762 709
Interest on arrea account	3 834 531	5 753 980
Other interest	245 904	728
	6 902 710	8 517 417
29. Property rates		
Rates received		
Residential	209 139 767	198 771 448
Commercial	176 489 664	167 075 735
State	9 683 158	10 485 637
Public Benefit Organisation	(41 672)	708 872
PSI	2 760 605	-
Vacant Land	16 462 857	15 829 820
Agricultural	3 732 413	3 550 224
Specialises Non-Marketed	96 866	147 372
Less: Income forgone	(75 789 734)	(76 083 044)
	342 533 924	320 486 064
Valuations		
Residential	17 014 015 787	16 937 554 787
Commercial	6 072 559 000	6 065 323 000
State	2 444 933 000	2 444 813 000
Vacant	704 957 500	711 031 500
PSP	1 687 629 000	1 687 629 000
Agriculture	1 474 800 000	1 461 559 000
Unratable properties	379 824 000	379 161 000
	29 778 718 287	29 687 071 287
<p>Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p>		
30. Government grants and subsidies		
Operating grants		
Equitable share	471 963 000	368 648 000
Museum Services	52 077	195 750
Finance Management Grant	1 700 000	1 700 000
Skills Development Grant	639 088	4 085
Municipal Infrastructure Grant	38 962 037	-
Disaster Relief Grant	-	757 000
Community Library Service Grant	3 267 381	2 536 895
Municipal Water Infrastructure Grant	8 206 259	-
EPWP Grant	2 901 738	3 091 262
Provincialisation and Library Grant	7 224 755	5 891 541

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
Electrification Grant	94	-
Capacity Building	4 198 058	4 706 013
Sports maintenance facilities Grant	-	30 600
Energy Efficiency and Demand Side Management Grant	-	6 000 000
Title Deeds Restoration Grant	519 882	838 700
	539 634 369	394 399 846
Capital grants		
Community Library	934 961	-
Neighbourhood Development Partnership	9 060 067	8 000 000
Water Services Infrastructure Grant	18 270 519	22 787 153
Museum Services	562 278	-
Municipal Infrastructure Grant	71 469 963	112 580 000
Massification Grant	-	22 772 038
	100 297 788	166 139 191
	639 932 157	560 539 037
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	167 969 157	191 891 037
Unconditional grants received	471 963 000	368 648 000
	639 932 157	560 539 037
Financial Management Grant		
Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Sport and Recreation		
Balance unspent at beginning of year	1 980 418	1 980 418
Current-year receipts	3 666 666	-
	5 647 084	1 980 418
Ingogo Fresh Produce		
Balance unspent at beginning of year	11 353	11 353
Municipal Infrastructure Grant		
Current-year receipts	110 432 000	112 580 000
Conditions met - transferred to revenue	(110 432 000)	(112 580 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Disaster Relief Grant		
Current-year receipts	-	757 000

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(757 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Water Infrastructure Grant		
Balance unspent at beginning of year	17 196 148	3 276 300
Current-year receipts	35 000 000	40 000 000
Conditions met - transferred to revenue	(26 476 778)	(22 787 152)
Adjustment	(17 203 000)	(3 293 000)
	8 516 370	17 196 148
Title Deeds Restoration		
Balance unspent at beginning of year	7 233 371	8 072 071
Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(519 882)	-
Adjustment	(5 196 326)	(838 700)
	2 717 163	7 233 371
Osizweni Art Centre		
Balance unspent at beginning of year	36 920	36 920
Skills Development Grant		
Balance unspent at beginning of year	905 456	909 545
Current-year receipts	1 279 817	-
Conditions met - transferred to revenue	(639 088)	(4 089)
	1 546 185	905 456
Cleanest Town		
Balance unspent at beginning of year	823 975	823 975
Environmental Management Framework		
Balance unspent at beginning of year	502 871	502 871
Neighbouring Development Partnership Grant		
Current-year receipts	15 000 000	-
Conditions met - transferred to revenue	(9 060 067)	-
	5 939 933	-
Electrification Grant		
Balance unspent at beginning of year	6 267 094	14 000 000
Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(7 000 094)	(7 732 906)
Other	(6 267 000)	-
	-	6 267 094
Expanded Works Programme Incentive		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
Balance unspent at beginning of year	6 738	3 098 000
Current-year receipts	2 895 000	-
Conditions met - transferred to revenue	(2 901 738)	(3 091 262)
	6 738	6 738
Sports Maintenance Facilities Grant		
Balance unspent at beginning of year	10 220	40 820
Conditions met - transferred to revenue	-	(30 600)
	10 220	10 220
All Housing Grants		
Balance unspent at beginning of year	4 266 813	4 266 813
Current-year receipts	120 903 440	76 966 343
Conditions met - transferred to revenue	(120 903 440)	(76 966 343)
	4 266 813	4 266 813
Newcastle Airport		
Balance unspent at beginning of year	1 815 281	1 815 281
Capacity Building Housing		
Current-year receipts	6 300 647	-
Conditions met - transferred to revenue	(4 198 058)	-
	2 102 589	-
Fort Amiel Museum		
Balance unspent at beginning of year	381 454	370 454
Current-year receipts	300 000	193 000
Conditions met - transferred to revenue	(479 721)	(182 000)
	201 733	381 454
Community Library Service Grant		
Balance unspent at beginning of year	1 343 706	1 343 796
Current-year receipts	2 312 000	2 160 000
Conditions met - transferred to revenue	(4 202 341)	(2 536 985)
Other	959 184	376 895
	412 549	1 343 706
Corridor Development		
Balance unspent at beginning of year	131 075	131 075
Carnegie Art Gallery		
Balance unspent at beginning of year	378 121	198 871
Current-year receipts	107 000	193 000
Conditions met - transferred to revenue	(134 633)	(13 750)
	350 488	378 121
Provincialisation- All Libraries		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
Balance unspent at beginning of year	2 458 316	2 180 751
Current-year receipts	6 729 000	6 546 000
Conditions met - transferred to revenue	(7 224 745)	(5 891 541)
Other	(959 184)	(376 894)
	1 003 387	2 458 316
31. Employee related costs		
Basic	339 920 278	333 368 379
Medical aid - company contributions	17 470 630	18 633 485
UIF	2 135 239	2 291 262
SDL	-	379
Leave pay provision charge	25 689 885	26 249 802
Defined contribution plans	59 383 546	60 209 111
Travel, motor car, accommodation, subsistence and other allowances	14 236 079	13 665 507
Overtime payments	38 332 041	38 823 943
Long-service awards	3 882 846	4 509 331
Car allowance	22 242 760	23 237 063
Housing benefits and allowances	6 857 860	7 595 214
Group insurance	7 792 980	7 033 518
Bargaining council	140 481	144 618
Night work allowance	1 864 456	1 685 146
Termination benefits	6 928 987	9 753 308
	546 878 068	547 200 066
Remuneration of municipal manager		
Acting Allowance	176 576	167 215
Remuneration of chief finance officer		
Annual Remuneration	951 070	605 440
Car Allowance	240 199	151 360
Annual Bonuses	77 799	54 181
Contributions to UIF, Medical and Pension Funds	171 400	110 343
Leave paid/sold	-	36 612
Other	119	18 771
	1 440 587	976 707
Remuneration of Executive Directors & Municipal Manager		
Annual Remuneration	5 406 562	5 079 599
Car Allowance	813 938	801 350
Annual Bonuses	386 309	488 115
Contributions to UIF, Medical and Pension Funds	734 401	707 371
Acting Allowances	254 882	167 215
Leave Paid/en-cashed	-	36 612
Other	614	71 570
	7 596 706	7 351 832
Community Services		
Annual Remuneration	171 804	798 637
Car Allowance	44 238	199 660
Annual Bonuses	74 637	145 207
Contributions to UIF, Medical and Pension Funds	27 667	132 199
Other	20	10 795
Acting Allowances	62 841	-
	381 207	1 286 498

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
31. Employee related costs (continued)		
Development and Planning Services		
Annual Remuneration	895 477	778 901
Car Allowance	193 014	165 000
Annual Bonuses	81 850	141 618
Contributions to UIF, Medical and Pension Funds	213 588	188 238
Other	119	10 371
Acting Allowances	33 402	-
	1 417 450	1 284 128
Internal Audit		
Annual Remuneration	1 047 078	907 312
Car Allowance	126 171	86 856
Annual Bonuses	85 075	74 937
Contributions to UIF, Medical and Pension Funds	190 259	164 952
Other	119	9 781
	1 448 702	1 243 838
Corporate Services		
Annual Remuneration	936 924	793 897
Car Allowance	210 316	198 474
Annual Bonuses	76 007	72 172
Contributions to UIF, Medical and Pension Funds	129 703	110 003
Other	119	9 795
	1 353 069	1 184 341
Technical		
Annual Remuneration	1 377 214	1 195 412
Contributions to UIF, Medical and Pension Funds	1 785	1 636
Other	119	12 057
	1 379 118	1 209 105
32. Remuneration of councillors		
Executive Mayor	900 271	831 630
Deputy Executive Mayor	728 375	585 581
Executive Committee Members	4 674 326	4 439 662
Speaker	728 375	563 230
Councillors	17 177 437	18 321 500
Chief Whip	685 403	639 280
MPAC Chairperson	666 493	333 883
Traditional Leaders	51 000	39 592
	25 611 680	25 754 358

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

32. Employee related costs (continued)

In-kind benefits

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

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Mayor has two full-time bodyguards.

Mayor

Annual Remuneration	560 000	513 333
Car Allowances	215 471	197 515
Cellphone allowances	40 800	37 400
Contributions to UIF, Medical Aid and Pension	84 000	83 382
	<u>900 271</u>	<u>831 630</u>

Deputy Mayor

Annual Remuneration	448 419	336 314
Car Allowances	171 891	129 067
Cellphone allowances	40 800	30 600
Contributions to UIF, Medical Aid and Pension	67 263	50 505
Other	-	39 096
	<u>728 373</u>	<u>585 582</u>

Speaker

Annual Remuneration	448 419	336 314
Car Allowances	171 891	130 344
Cellphone allowances	40 800	30 600
Contributions to UIF, Medical Aid and Pension	67 623	51 004
Other	-	14 968
	<u>728 733</u>	<u>563 230</u>

Chief Whip

Annual Remuneration	420 393	385 360
Car Allowances	161 151	147 722
Cellphone allowances	40 800	37 400
Contributions to UIF, Medical Aid and Pension	63 059	57 804
Other	-	10 994
	<u>685 403</u>	<u>639 280</u>

33. Repairs and Maintenance

Repairs and Maintenance Buildings	3 391 764	2 534 204
Repairs and Maintenance Infrastructure	31 363 960	42 629 073
Repairs and Maintenance Land	286 503	164 449
Repairs and Maintenance Movables	9 108 904	9 928 247

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Repairs and Maintenance (continued)	44 151 131	55 255 973
34. Depreciation and amortisation		
Property , plant and equipment	350 237 653	344 312 090
Intangible assets	964 290	986 557
	351 201 943	345 298 647
35. Impairment of assets		
Impairments		
Property , plant and equipment	22 048 959	14 528 962
Inventories	117 170	10 821
Fines	3 663 039	8 302 176
	25 829 168	22 841 959
36. Finance costs		
Non-current borrowings	41 797 407	44 886 092
Provisions and Current borrowings	22 323 678	18 210 969
Interest Expense	858 529	11 019 784
	64 979 614	74 116 845
37. Debt impairment		
Debt impairment	182 972 643	174 113 742
Indigents written off	14 597 835	33 566 637
Bad debts written - Council resolution	18 432 565	104 553 070
	216 003 043	312 233 449
38. Bulk purchases		
Electricity - Eskom	436 880 517	404 371 472
Water	122 454 539	111 055 835
	559 335 056	515 427 307
Electricity losses		
Units purchased	428 083 451	414 578 816
Units sold	(395 378 086)	(388 090 062)
Total loss	32 705 365	26 488 754
Percentage Loss:		
Technical losses	8 %	6 %
Water losses		
Units purchased	32 136 904	31 938 151
Units sold	(21 218 848)	(19 386 512)
Total	10 918 056	12 551 639

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
38. Bulk purchases (continued)		
Percentage Loss:		
Technical losses	34 %	39 %
39. Contracted services		
Outsourced Services		
Security Services	39 295 453	31 203 572
VIP Toilets	41 679 950	3 101 245
Plant Hire	27 640 718	21 349 439
Consultants and Professional Services		
Professional Services	57 136 784	57 405 490
Legal Cost	23 037 529	15 252 294
Contractors		
Other	41 638 531	55 202 062
	230 428 965	183 514 102
40. General expenses		
Auditors remuneration	5 336 982	4 421 922
Bank charges	4 384 789	3 806 819
Entertainment	3 916	33 957
Insurance	7 218 762	6 796 863
Community development and training	6 211 668	5 566 432
IT expenses	13 482 683	10 567 185
Magazines, books and periodicals	18 497	21 672
Motor vehicle expenses	8 199 880	5 918 175
Subsistence and Travelling	516 051	1 252 356
Fuel and oil	463 492	410 141
Postage and courier	3 233 584	3 244 375
Printing and stationery	1 705 062	1 428 009
Promotions	1 576	32 055
Protective clothing	4 067 834	2 943 872
Repairs and maintenance	11 726	22 617 826
Royalties and license fees	28 867	160 738
Staff welfare	16 680	-
Subscriptions and membership fees	6 682 712	1 238 735
Telephone and fax	4 155 826	10 561 262
Training	3 821 845	3 475 876
Assets expensed	409 463	20 850
Advertising	313 162	4 769 193
Other expenses	41 921 218	38 428 928
Contribution to post retirement	14 188 000	7 378 697
Material	4 766 120	2 618 425
Skills Development Levy	3 255 574	3 935 907
Rental Office machines	2 574 718	2 334 544
	136 990 687	143 984 814
41. Auditors' remuneration		
Audit Fees	4 959 711	4 105 349
Audit Committee	377 271	316 573
	5 336 982	4 421 922
42. Cash generated from operations		
Deficit	(195 588 428)	(353 335 480)
Adjustments for:		
Depreciation and amortisation	351 201 943	345 298 647
Share of deficit in associate	30 277 147	27 972 811
Gain on Actuarial Valuation	(12 908 000)	(9 608 477)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
42. Cash generated from operations (continued)		
Accumulated surplus	-	(1 263 951)
Public contribution and donations	(39 249 962)	(15 589 293)
Impairment of assets	22 166 129	14 528 963
Debtors Impairment - other receivables from non-exchange	3 663 039	8 302 176
Debtors Impairment - receivables from exchange	-	142 090 706
Debtors Impairment - receivables from non-exchange	-	32 023 037
Bad debts written off - receivables from exchange	216 003 044	138 119 706
Profit on sale of assets	50 066 166	(5 552 913)
WIP Movement	-	(364 929)
Impairment of Inventory	117 170	10 821
Current service cost- Employee benefit liability	7 060 000	7 378 697
Finance costs- Employee benefit liability	15 166 000	13 983 330
Finance costs- Rehabilitation provision	7 092 830	3 768 821
Movement in leave on bonus provisions	(905 242)	4 037 340
Movement in employee benefit liability	(2 624 000)	(8 667 535)
Changes in working capital:		
Inventories	(5 845 217)	515 033
Receivables from exchange transactions	(22 449 451)	4 475 078
Consumer debtors	(280 904 155)	(304 105 438)
Other receivables from non-exchange transactions	(4 185 639)	(9 447 116)
Other financial assets	277	1 369
Payables from exchange transactions	(19 341 086)	97 119 688
VAT	7 034 604	1 993 299
Unspent conditional grants and receipts	(4 517 026)	12 310 057
Other financial liabilities	2 580 654	1 442 043
	123 910 797	147 436 490
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure Assets	153 217 520	58 978 157
• Community Assets	542 781	193 284
• Other	17 891 016	6 504 076
	171 651 317	65 675 517
Not yet contracted for and authorised by accounting officer		
• Infrastructure Assets	58 664 461	143 367 436
• Community Asset	2 826 000	-
• Other	6 964 997	-
	68 455 458	143 367 436
Total capital commitments		
Already contracted for but not provided for	171 651 317	65 675 517
Not yet contracted for and authorised by accounting officer	68 455 458	143 367 436
	240 106 775	209 042 953

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

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 110 932	1 666 398
- in second to fifth year inclusive	-	1 110 932
	1 110 932	2 777 330

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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44. Contingencies

Plaintiff: SJ Zulu

There is litigation process against the municipality relating to the dispute SJ Zulu has lodge an application to cease excavation and construction of sewerage pumpstation project initiated by the municipality. The case is in High Court and the estimated costs is R20 million and R350 000 of legal costs.

Plaintiff: Rusha/Dylan Peterson

There is litigation process against the municipality relating to the dispute with Rush Peterson where he has allegations that the municipality was negligent, leaving the drainage water pipes open in public space that was accessible to children. Her child was injured. The case now is in her son's name Dylan and he is now over 18 years. The claim for damages now is R2 800 000. Estimated legal costs is R5 000.

Plaintiff: Sibiyi (Ingogo Fresh Produce)

There is litigation process against the municipality relating to the dispute with Mr Sibiyi whereas there was an agreement between the municipality and Mr Sibiyi to pay the rental of R1500 per month on the portion of land belonging to Mr Sibiyi now demands R30 000 instead of R1500. EXCO authorised that the matter be handled by COGTA.

Plaintiff: Minister of Water Affairs

The Minister of Water Affairs is suing the municipality for services of water rendered for the period April 2002 to 31 August 2016. An arrangement has been made to pay this in instalments of 3 years. An amount sued for is R35 906 412.22 and estimated legal costs are R380 000.

Plaintiff: Small Enterprise Finance Agency SOC Ltd

Summons were issued against the municipality for R1 100 000 and estimated legal costs of R350 000.

Plaintiff: Bigen Services Africa PTY (LTD)

The former service provider objected to the municipality's appointment of another service provider to take over the debt management services. Legal costs of R250 000.

Plaintiff: Miracle Mile Investments

This is a collection matter for outstanding money wherein fraud was perpetrated. The monies outstanding with interest will be in the region of R 1 100 000. Legal costs of R90 000

Plaintiff: New Integrated Credit Solution (NICS)

Dispute regarding the non payment of services for invoices amounting to R36 000 000. Legal costs of R3 000 000.

Plaintiff: Scarlet Hibiscus Investments 220 (PTY) LTD

The municipality has been sued an estimated amount of R42 000 000. Legal costs of R1 500 000

Plaintiff: Nomsa Communal Property Association and 2 Others

The municipality has been sued an estimated amount of R1 100 000. Legal costs of R420 000

Plaintiff: HG Khumalo

The municipality is being sued an amount of R250 000 for failure to ensure proper storm water reticulation, estimated legal costs of R50 000

Plaintiff: Chapps Construction CC

The municipality is being sued an amount of R2 700 000, estimated legal costs of R500 000

Plaintiff: Zanele Khumalo

The municipality is being sued an amount of R400 000, estimated legal costs of R120 000

Plaintiff: ZEST Family Trust

An illegal structure was erected on portion 1 of ERF 10805 encroaching on ERF 10807 situated at Huttenheights, estimated legal costs of R250 000

INSURANCE CLAIMS FROM THIRD PARTIES PUBLIC LIABILITY

Alistair Kevin van Wyk for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000.

Diaan and AJ Von Broembsen for property damage due to rain storm. Sued amount is R220 580 and estimated legal fees is R5 000.

Olivia Sizani Nzimande for motor vehicle claim. Sued amount R109 550 and estimated legal costs of R5 000.

Vusi Mahlangu for vehicle damage claim. Sued amount R140 835 and estimated legal costs of R50 000

Vishal Heerelal for personal injuries. Sued amount is R1 050 000 and estimated legal fees is R5 000

Nicole Adale Pillay for vehicle damage claim. Sued amount R101 327 and estimated legal costs of R5 000

Chemile Dlabhelezi Dladla for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000.

SK Made/Shories for personal injuries while attending Youth celebration, Sued an amount of R10 000 000 and estimated legal costs of R5 000.

LABOUR REVIEWS AND BARGAINING COUNCIL

Ravesh Sing & 3 others, they have launched a grievance on non appointments on some posts. The estimated legal costs are R20 000 LP
Flkile Ntshingila (Traffic Wardens). unfair labour practice. The municipality is being sued for R2 890 000.

ZB Maduna, unfair labour practice

N Nkutha, unfair labour practice

SAMWU obo Mpanza unfair labour practice. The municipality is being sued for R20 000, estimated legal costs R20 000

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44. Contingencies (continued)

SAMWU obo LP Zulu & others unfair labour practice. The municipality is being sued for R3 400 000, estimated legal costs R400 000
SAMWU & IMATU obo members, unfair labour practice. The municipality is being sued for R180 000 000, estimated legal costs R1350 000
CZ Malembe, the municipality is being sued R400 000 to R600 000, estimated legal costs R200 000
Bongani P Ngubane unfair labour practice
Mhlaliseni James Masondo, unfair labour practice, estimated legal costs R250 000
Douglas B Nkosi, unfair labour practice, claim amount R1 500 000 to R2500 000.
Neetha Ticka Ragunanan, former employee suing municipality over unpaid monies for leave pay, long services and other ancillary monies amounting to R173 000.
P Mbanjwa, unfair labour practice.
B Govender, unfair labour practice.
IO Radebe, unfair labour practice.

45. Related parties

The Municipality is in a relationship with Uthukela Water (Pty) Ltd as the water service provider for the provision of bulk water. The Municipality does not s its interest.

Municipality also has councillors and senior managers, who are responsible for leadership, governance and management of the municipality. These are a standards.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

UThukela Water	116 667 909	85 470 035
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45. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

Name	Basic salary	Pension Contribution	Medical Aid Contribution	Motor Vehicle Allowance	Cellphone other Allowances	Housing Allowance	Total
Executive Committee Members	4 643 187	665 068	78 160	1 977 028	482 800	588 000	8 434 243
Other Councillors	9 427 027	1 081 742	2 504	3 916 234	2 270 612	507 000	17 205 119
	14 070 214	1 746 810	80 664	5 893 262	2 753 412	1 095 000	25 639 362

2020

Name	Basic salary	Pension Contribution	Medical Aid Contribution	Motor Vehicle Allowance	Cellphone other Allowances	Housing Allowance	Total
Executive Committee Members	3 074 778	443 644	73 942	1 351 310	457 555	455 644	5 856 873
Other Councillors	11 394 164	1 448 985	33 101	4 237 436	2 250 330	715 000	20 079 016
	14 468 942	1 892 629	107 043	5 588 746	2 707 885	1 170 644	25 935 889

46. Change in estimate

Property, plant and equipment

The useful life of certain assets of property, plant and equipment have been reviewed and re-assessed by management during the reporting period to reflect a more accurate pattern of the consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation is accounted for over the reassessed remaining useful lives of the assets. The impact of the change in accounting estimate is as follows:

Property, plant and equipment

48 009

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47. Prior-year adjustments

The following prior period errors adjustments occurred:

Error 1

Property, Plant and Equipment

1.1 Correction of Opening Balance of Land (PPE)

Properties on Land are removed from the register as are registered as private owner on Deeds

The effect of the transaction is as follows:

Increase/(Decrease)	Land	(679 096.00)
Increase/(Decrease)	Loss on disposal of assets	679 096.00

1.2 Correction of Opening Balance of Infrastructure (PPE)

Writing off of Infrastructure (PPE) with duplication of components in the Infrastructure Register and where the Municipality is not the owner of the Infrastructure.

The effect of the transaction is as follows:

Increase/(Decrease)	Infrastructure-Cost	(52 963 376)
Increase/(Decrease)	Accumulated Depreciation Infra	20 004 698
Increase/(Decrease)	Loss on disposal of assets	32 958 678

1.3 Correction of Opening Balance of Infrastructure (PPE)

Infrastructure (PPE) Gains identified upon verification

The effect of the transaction is as follows:

Increase/(Decrease)	Infrastructure-Cost	195 262 773
Increase/(Decrease)	Accumulated Depreciation Infra	(65 432 984)
Increase/(Decrease)	Accumulated Surplus (Gains)	(129 829 789)

1.4 Correction of Depreciation Infrastructure (PPE) in 2020

Correction of Depreciation of Gains of Infrastructure (PPE) in the year

The effect of the transaction is as follows:

Increase/(Decrease)	Depreciation	5 220 061
Increase/(Decrease)	Accumulated Depreciation Infra	(5 220 061)

1.5 Correction of Depreciation Infrastructure (PPE) in 2020

During the preparations of Financial Statements, assets were re-classified as Community, Infrastructure in the financial system as a results of the mapping.

The effect of the transaction is as follows:

Increase/(Decrease)	Other Assets- Cost	417
Increase/(Decrease)	Accumulated Depreciation Com	44 585
Increase/(Decrease)	Depreciation	(45 001)

1.6 Change in Estimate on Other Assets

Change in Estimate on Other Assets with zero balances

The effect of the transaction is as follows:

Increase/(Decrease)	Accumulated Depreciation Other	2 228 971.63
Increase/(Decrease)	Depreciation	(2 228 971.63)

1.7 Correction of Depreciation Other Assets in 2020

Correction of Depreciation Other Assets Change in Estimate

The effect of the transaction is as follows:

Increase/(Decrease)	Depreciation	352 779.90
Increase/(Decrease)	Accumulated Depreciation Other	(352 779.90)

1.8 Correction of Impairment Other Assets in 2020

Correction of Impairment Other Assets Change in Estimate

The effect of the transaction is as follows:

Increase/(Decrease)	Impairment Other Assets	(1 208.25)
Increase/(Decrease)	Accumulated Impairment Other	1 208.25

1.9 Correction of Opening Balance 2020 Other Assets

Gains of Other Assets identified upon verification

The effect of the transaction is as follows:

Increase/(Decrease)	Cost Other Assets	30 523 596.16
Increase/(Decrease)	Accumulated Depreciation Other	(21 206 877.23)
Increase/(Decrease)	Accumulated Surplus	(9 316 719)

1.10 Correction of Depreciation Other Assets in 2020

Correction of Depreciation Other Assets Gains

The effect of the transaction is as follows:

Increase/(Decrease)	Depreciation	1 930 593.75
Increase/(Decrease)	Accumulated Depreciation Other	(1 930 593.75)

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47. Prior-year adjustments (continued)

100 280 480 .25

Error 2

Other Financial Liabilities

During the financial year, it was discovered that there was an error in the opening balance as per loan register and statements (Late payment).

The effect of the transaction is as follows:

(Increase)/Decrease	Annuity Loans	(21 264 441)
Increase/(Decrease)	Finance Cost	21 264 441

Creditors Payments

During the financial year, it was discovered that Department of Labour was not paid in the correct financial year

The effect of the transaction is as follows:

Increase/(Decrease)	Creditor Payments	(7 726 763)
Increase/(Decrease)	Workmens Compensation	6 949 977
Increase/(Decrease)	Interest Expense	779 786

During the financial year, it was discovered that credit note from Eskom (interest) was recorded in the incorrect financial year

The effect of the transaction is as follows:

Increase/(Decrease)	Interest Expense	(18 814 120)
(Increase)/Decrease	Creditor Payments	18 814 120

Reversal of Interest

During the financial year, it was discovered that interest was incorrectly charged of consumer accounts in the previous years;

The effect of the transaction is as follows:

(Increase)/Decrease	Interest on arrear account	3 842 709
Increase/(Decrease)	Consumer Debtors	(3 842 709)

Invoices Reversed

During the financial year, invoices previously charged for litigation was revised

The effect of the transaction is as follows:

Increase/(Decrease)	Creditor Payments	(2 152 975)
Increase/(Decrease)	Accumulated Surplus	2 152 975

Leave Adjustmet

During the financial year, there was a leave adjustment on dismissed employees who have not been paid out.

The effect of the transaction is as follows:

Increase/(Decrease)	Salaries Accrued	(2 138 048)
Increase/(Decrease)	Employee Costs	2 138 048

48. Comparative figures

The following reclassifications adjustment occurred:

Comparative Figures	2020/21	2019/20	Differnces	Comments
Revenue				
Service Charges	951 787 140	951 556 727	230 413	Reclassified from Other Revenue to Service Charges (Meter Reading Fees, Service Connection Fees)
Other Revenue	9 873 986	10 113 462	(239 476)	Reclassified from Other Revenue to Licence & Permits, Service Charges (Meter Reading Fees, Service Connection Fees)

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48. Comparative figures (continued)

Profit /Loss on sale of assets	5 553 870	5 552 913	957	Reclassified from Other Revenue to Profit/ Loss on sale of assets
Licences and Permits	8 106		8 106	Reclassified from Other Revenue to Licence & Permits
Expenditure				
Employee Costs	547 200 066	553 909 140	(6 709 074)	Reclassified from Employee Costs to General Expenses (Workmens Compensation & SDL)
Remuneration of Councillors	25 754 358	25 935 889	(181 531)	Reclassified from Remuneration of Councilors to General Expenses (SDL)
Collection Costs		1 285 179	(1 285 179)	Reclassified from Collection Costs to Contracted Services
Contracted Services	183 514 101	148 377 188	35 136 913	Reclassified from General Expenses to Contracted Services
General Expenses	143 984 814	170945 944	(26 961 130)	Reclassified from Contracted Services to General Expenses

49. Risk management

Financial risk management

Market risk

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market is the risk that changes in the market prices, such as interest rate and foreign-exchange rate that may affect the Municipality's income or value of financial instrument. The Municipality manages the market risk on investment by engaging on short-term call accounts, which are withdrawn without any material changes in the interest rate. The risk on loans is managed by ensuring that all interest rates of loans are fixed for the duration of the loan term.

Operational risk

The Municipality is exposed to the operational risk in the normal operation of its business. This risk managed the development and monitoring of risk registers and through the deligation and segregation of duties. Operational risk is also managed through the development and implementation of various policies and standard operating procedures.

Liquidity risk

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

Credit risk

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

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

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49. Risk management (continued)		
Financial assets exposed to credit risk at year end were as follows:		
Cash and cash equivalents	9 500 599	36 268 498
Other receivables	115 423 380	92 408 642
Receivables from consumer debtors	647 406 198	582 505 087
	772 330 177	711 182 227

50. Going concern

As at 30 June 2021, the municipality had an accumulated surplus (deficit) of 6 221 533 743 and that the municipality's current liabilities exceed its current assets by 139 479 969.

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.

We draw attention to the fact that at 30 June 2021, the municipality had a net deficit of R195 588 428 and the municipality's Cash and Cash equivalents is R9500 299 which is not sufficient to cover the current liabilities of the municipality. The current assets are less than the current liabilities, the collection rate has improved a little bit but there is still a risk that all the outstanding debtors might not be collected. Over the next 12 months, the municipality is still committed to ensure the expenditure is kept within the funded and approved budget.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality and that the Provincial and National government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

51. Events after the reporting date

Civil unrest

The Municipality experienced the impact of the civil unrest during the month July 2021, where a number of businesses were looted and vandalised in townships and other surrounding areas. This resulted in a number of businesses and people who are rates and service consumers of the municipality being closed and a number of people laid-off respectively. The financial impact of the civil unrest is not considered to have any adjusting effect in the financial statements of the reporting period.

Grants roll-over applications

In August 2021 the Municipality submitted applications to the National and Provincial Treasuries of the roll-over of the unspent conditional grants in respect of the Water Service Infrastructure grants, National Development Partnership grant and the provincial grants with the department of Arts and Culture. The outcome of these applications is expected to be communicated to the Municipality not later than 30 November 2021. The outcome of the application is not expected to have any adjusting effects on the financial statements.

Council resolution to write-off assets

In August 2021 Council approved the write-off of the assets that either could not be identified or with zero carrying values as at 30 June 2021. The resolution was subsequent to the physical asset verification process which was conducted and concluded during the reporting period. As such, the asset register and the annual financial statements were adjusted to reflect the impact of this resolution.

52. Unauthorised expenditure

Opening balance as previously reported	967 778 930	918 057 612
Opening balance as restated	967 778 930	918 057 612
Add: Expenditure identified - current	-	49 721 318
Closing balance	967 778 930	967 778 930

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53. Fruitless and wasteful expenditure		
Opening balance as previously reported	55 822 311	42 446 743
Correction of prior period error (Department of Labour)	-	779 786
Opening balance as restated	55 822 311	43 226 529
Eskom	4 125	2 382 029
SARS	835 421	7 684 239
DBSA	-	115 761
Ithala	2 872	3 874
Retentions Overpayment	-	763 709
Arena Holdings	-	88 579
Telkom	3 579	23 136
Bytapex	-	19 325
ABSA	-	60 747
Auditor General	-	5 412
Itec Finance	1 145	947
Dr PRIXLEY ka ISAKA Seme Local Municipality	2 388	724 315
Employee: Mr TP Mlangeni (Deceased)	-	20 119
Salary Overpayment	55 267	14 517
Salary Overpayment	43 068	369 036
Zanele Plumbers	-	320 037
Closing balance	56 770 176	55 822 311
54. Irregular expenditure		
Opening balance as previously reported	466 707 308	370 225 064
Opening balance as restated	466 707 308	370 225 064
Add: Irregular Expenditure - current	31 430 189	96 482 244
Closing balance	498 137 497	466 707 308

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54. Irregular expenditure (continued)

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

Payments made to contracts where SCM procedures were not followed

Adapt It	-	125 728
Amadlalandawonye Trading	-	19 850
Amajuba Cateres	-	64 500
Bhekisiwe Electrical Investments	888 447	-
Biyela MM Geomatics	68 085	-
Bravofox	872 699	479 359
Brett Andrew Purdon Attorneys	-	8 922 025
DBM Attorneys	224 322	23 754
Egxenl Engineering	5 669 683	12 532 650
FBL Trading Enterprise	-	472 665
Fidelity Security Services	55 601	268 502
First Technology	-	77 924
Hamisa Constructions	-	500 000
Heavenly Breeze Air Conditioning	-	31 108
Hlela Attorneys	-	111 399
Ibini (PTY) Ltd	-	488 750
Ileembe Trading	-	500 000
Impumelelo Consulting Engineering	3 992 017	7 200 048
Itec Tiyende (PTY) Ltd	-	400 878
Ithala Properties	-	70 009
Jayshree Moodley & Associates	-	81 729
Jenny Internet	32 199	131 484
Klus Civils	-	2 495 374
Kusile Engineering CC	-	226 234
Lekotlopo Associates	-	70 000
Lematwa Trading	-	15 255
M-Charlie Trading	1 042 170	11 902 397
MI & Security Intelligence	-	1 063 258
Madiula Contractors	-	3 146 923
Magubane Plant and Contractors	288 219	1 246 451
Mbodvula Trading/NBN Civils	-	1 879 018
Metgovis	-	78 218
Moralla Shopping Complex	-	80 960
Msaleta Transport	-	1 562 496
Ngidi and Company Inc	-	64 800
Njengamanje Trading cc	5 724 320	4 227 724
Northern Cleaning Services	-	871

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54. Irregular expenditure (continued)

Ongoti Risk Management	-	207 966
Ontec Systems	-	155 355
Otis (PTY) Ltd	-	17 334
Phaks Mankhiane	-	120 000
Ravindra Maniklal and Company Inc	-	227 368
Rocla	-	15 853
Royal Haskoning DHV	-	3 090 981
Roypan Enterprise	-	211 634
S & M 2 way radio	-	34 911
SS Masondo Attorneys	2 604 756	200 000
Shalom-Yeshurum Elkriese Kontrakteurs	-	10 000
Siboniswe Primary Cooperative Limited	-	93 104
Sizeza Transport	-	11 811 732
Somkhanda Plant Hire	853 908	3 567 333
Supreme Range General Supplier	-	77 269
TJ Mphela Demolition Masimula	-	103 940
Tactical Security Services	5 478 419	10 917 211
The Image House	-	48 300
Uhniya t/a Fast Moving Trading	-	63 250
Umpisi Construction and Plant Hire	-	3 127 477
Uphokophela Trading	-	500 000
Uvika Trading	-	11 000
Veros Trueth Verification Centre	-	8 540
Vodacom	-	457 800
Water Skills	-	166 221
Werntommyama Trading cc	-	139 095
Zanele Plumbers	-	36 130
Zenawe	131 383	500 099
Hloniphane Trading Ent. cc	996 659	-
Insidedata South (PTY) Ltd	2 041 294	-
Ithala Properties	282 676	-
NN Land Survey Office	137 451	-
	35 880	-
	31 430 188	96 482 244

As at the end of the reporting period, the Municipality had not concluded investigations into the unauthorised, irregular, fruitless and wasteful expenditures. Strides by the MPAC are however at an advance state to finalise the investigations and to submit it's recommendations to Council for approval.

Awards to close family members in the service of state

The Municipality did not identify any awards made to close family members of the employees in service of the state in terms of section 45 of the Municipal Supply Chain Management Regulations.

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55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	8 796 076	2 535 421
Current year subscription / fee	6 572 200	6 260 655
Amount paid - current year	(7 219 715)	-
	8 148 561	8 796 076
Audit fees		
Opening balance	163 044	479 847
Current year subscription / fee	5 648 490	4 105 339
Amount paid - current year	(5 636 731)	(3 942 295)
Amount paid - previous years	(163 044)	(479 847)
	11 759	163 044
PAYE and UIF		
Opening balance	6 942 137	18 303 623
Current year subscription / fee	91 872 671	91 259 200
Amount paid - current year	(84 487 655)	(84 317 063)
Amount paid - previous years	(6 942 137)	(18 303 623)
	7 385 016	6 942 137
Pension and Medical Aid Deductions		
Opening balance	9 757 007	10 552 223
Current year subscription / fee	121 410 819	124 847 609
Amount paid - current year	(118 060 415)	(115 090 602)
Amount paid - previous years	(9 757 007)	(10 552 223)
	3 350 404	9 757 007
VAT		
VAT receivable	(2 178 876)	(3 074 315)
VAT payable	20 272 389	14 850 615
	18 093 513	11 776 300
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:		
30 June 2021	Outstanding more than 90 days plus	Total
Councillor MP Sibilwane	- 4 249	4 249
30 June 2020	Outstanding more than 90 days plus	Total
Councillor VP Mzima	- 436	436
56. Utilisation of Long-term liabilities reconciliation		

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56. Utilisation of Long-term liabilities reconciliation (continued)		
Long-term liabilities raised	392 998 787	421 913 348
<p>Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.</p>		
57. Deviation from supply chain management regulations		
<p>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.</p> <p>Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.</p> <p>VIP Toilets, repairs and maintenance services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.</p>		
Deviations		
Section 36	15 745 009	319 171
58. Accounting by principals and agents		
<p>Details of the arrangement(s) is are as follows:</p> <p>The Municipality has entered in to principal-agent with the Department of Human Settlement and Department of Energy Settlements and provision of housing and electricity infrastructure connections respectively. The mandate to provide these services lies with the two departments, however the municipality is acting as an agent on behalf of the two departments to provide such services. The assets constructed are not capitalised in the books of the Municipality. The revenue and expenditure in relation to such agreement is also not accounted for in the financial statements, except those that relate to the municipality as an agent.</p> <p>The following principal-agent transactions were accounted for;</p>		
Grants transfers		
Housing grant	120 903 440	76 966 343
Electrification grant	7 000 000	7 732 906
	127 903 440	84 699 249
Expenditure		
Housing projects	120 903 440	76 966 343
Electrification	7 000 000	7 732 906
	127 903 440	84 699 249
Agent fees		
Housing Accreditation fees	6 300 647	4 706 013

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Newcastle Municipality

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58. Accounting by principals and agents (continued)

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

59. Covid-19 Pandemic

The Municipality continued to experience the devastating impact of the Covid-19 pandemic during the year, which has created significant challenges to the Municipality, business sector and the community of Newcastle at large. The impact required the Municipality to act swiftly to reprioritise its expenditure and to respond to the under-collection of revenue due to the business and individuals' economic impact. The Municipality was also required to implement measures to ensure the safety of its employees, councillors and community. During the year, the Municipality was required to adopt a Special Adjustment Budget in September 2020 in order to appropriate grant transfers to respond to the impact of Covid-19.

The following transactions relates to the revenue and expenditure in respect of the Covid-19

Grant transfers

Disaster relief grant	-	757 000
Equitable share	68 899 000	-
	<u>68 899 000</u>	<u>757 000</u>

Covid-19 expenditure

Protective equipment	341 352	1 675 880
Thermometer	101 714	49 552
Other	93 680	33 780
	<u>536 746</u>	<u>1 759 212</u>

**APPENDIX A - UNAUDITED
NEWCASTLE MUNICIPALITY
SHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2021**

External Loans	Loan number	Interest Rate	Redemption Date	Loan Amount	Balance at July 2020	Received During the year	Redeemed during the year	Balance at June 2021
Annuity Loans								
Development Bank	61000536	9,37%	30-Jun-22	24 285 550	4 536 755	-	32 466	4 569 221
Development Bank	61000654	9,10%	29-Sep-23	25 993 166	7 414 362	-	48 562	7 462 924
Development Bank	61000826	11,29%	30-Sep-24	12 750 000	4 095 575	-	33 745	4 129 320
Development Bank	61000827	11,25%	28-Sep-29	1 975 000	1 385 746	-	11 625	1 397 371
Development Bank	61000919	10,09%	30-Jun-19	800 000	65 169	-	(65 169)	-
Development Bank	61000920	10,69%	30-Jun-28	7 000 000	4 941 047	-	38 445	4 979 491
Development Bank	61000921	10,83%	30-Jun-33	1 850 000	1 251 765	-	9 911	1 261 676
Development Bank	61007325	5,00%	31-Dec-26	11 980 175	6 435 956	-	(11 031)	6 424 925
Development Bank	61007195	10,40%	31-Dec-29	122 185 000	98 721 352	-	758 704	99 480 056
ABSA	3042598105	11,44%	30-Jun-30	284 839 959	239 097 942	-	24 195 861	263 293 803
Total Annuity Loans					367 945 668,76	-	25 053 118,34	392 998 787,10
Finance leases					528 340,00	-	(376 233)	152 107,00
Total Finance Liabilities					528 340,00	-	(376 233,00)	152 107,00
TOTAL EXTERNAL LOANS					368 474 008,76	-	24 676 885,34	393 150 894,10

**APPENDIX B
NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021**

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value				
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
Land, buildings and community assets													
Land	158 055 447	500 000	-	-	13 595 000	-	171 960 447	-	-	-	-	-	171 960 447
General plant	158 055 447	500 000	-	-	13 595 000	-	171 960 447	-	-	-	-	-	171 960 447
Operational buildings	451 079 827	5 125 517	-	-	-	1 482 431	455 605 694	58 917 881	15 355 648	-	944 230	1 63 367 109	355 238 487
Municipal Offices	427 877 576	4 837 628	-	-	-	1 26 431	432 714 204	80 124 487	14 554 454	-	115 351	14 554 454	341 330 635
Housing	22 202 251	-	-	-	-	1 353 000	22 548 680	8 793 023	801 655	-	828 889	7 136	13 762 271
Stores	132 000	-	-	-	-	-	132 000	9 471	-	-	-	-	115 391
Community Centres	255 924 614	25 340 912	-	-	-	-	288 142 105	75 747 511	15 179 733	-	-	90 827 243	187 214 882
Cemeteries	21 303 033	-	-	-	-	-	21 303 033	9 010 887	3 552 463	-	-	12 863 351	8 739 592
Halls	37 009 486	-	-	-	-	-	37 009 486	5 227 043	1 106 453	-	-	4 120 590	2 130 827
Fire/Ambulance Stations	11 323 613	-	-	-	-	-	11 323 613	4 149 753	1 004 454	-	-	7 273 860	5 050 753
Libraries	24 639 498	-	-	-	-	-	24 639 498	6 189 381	1 004 454	-	-	18 450 117	40 036 351
Public Abolition Facilities	1 476 307	-	-	-	-	-	1 476 307	147 084	69 980	-	-	208 044	1 268 263
Stalls	11 322 856	-	-	-	-	-	11 322 856	1 098 444	1 874 291	-	-	3 000 755	8 263 221
Airports	59 745 554	-	-	-	-	-	59 745 554	18 201 775	2 574 545	-	-	20 778 316	38 403 037
Bus Terminals	21 500	-	-	-	-	-	21 500	10 889	823	-	-	11 712	9 788
Sport and Recreation Facilities - Outdoor Facilities	83 488 827	-	-	-	-	-	83 488 827	27 387 780	4 052 181	-	-	31 439 961	52 029 885
Infrastructure assets													
HV Substations	9 412 308 539	62 613 128	-	-	-	84 404 666	9 524 722 533	3 666 446 898	312 390 977	-	32 786 912	3 840 070 693	5 679 694 870
LV Networks	158 490 459	-	-	-	-	-	158 490 459	55 838 480	4 114 131	-	-	59 750 619	89 739 839
MV Networks	659 748 624	-	-	-	-	9 047 350	784 917 108	320 442 864	14 057 140	-	3 786 066	359 713 736	454 203 370
MV Substations	6 104 927	-	-	-	-	6 104 927	6 104 927	2 383 376	171 784	-	-	3 475 151	5 677 727
MV Switching Station	16 789 298	-	-	-	-	945 082 316	17 734 386	532 978 103	29 171 784	-	24 988 828	387 429 845	507 652 471
Road Structures	175 172 794	-	-	-	-	15 759 236	190 932 030	1 864 632 071	139 261 148	-	-	7 666 270	8 422 066
Road Structures	4 003 773 466	-	-	-	-	-	4 003 773 466	94 095 569	8 008 433	-	-	1 803 869 218	1 827 773 374
Outfall Sewers	27 629 516	-	-	-	-	-	27 629 516	43 478 079	4 423 555	-	-	102 054 022	4 533 300 665
Pumps	7 450 811	-	-	-	-	-	7 450 811	1 403 400	1 403 400	-	-	4 423 555	80 144 174
Landfill Site	42 448 808	-	-	-	-	-	42 448 808	3 718 111	286 253	-	-	10 637 511	3 466 447
Waste Transfer Stations	421 276 529	-	-	-	-	-	421 276 529	29 557 925	3 958 701	-	-	30 518 327	11 830 482
Drainage Collection	611 845 709	-	-	-	-	424 882 359	1 036 731 068	208 814 145	22 586 139	-	-	1 059 317 207	183 482 076
Sloam Works Conveyance	3 710 165	-	-	-	-	622 501 428	4 332 666 593	151 226 728	18 218 559	-	-	169 445 692	455 055 846
Boreholes	6 254 657	-	-	-	-	-	6 254 657	74 155	73 051	-	-	148 108	3 592 059
Bulk Mains	484 532 604	-	-	-	-	16 133 794	500 666 398	688 439	19 153 715	-	-	520 820 153	15 261 461
Capital Spares	589 000 018	-	-	-	-	484 532 604	1 073 532 622	116 555 642	116 555 642	-	-	1 190 088 264	1 171 879 083
Distributors	194 128 323	-	-	-	-	364 866 041	559 000 018	18 038 297	18 038 297	-	-	1 452 255 543	421 745 787
Reservoirs	3 632 680	-	-	-	-	169 798	3 802 478	60 585 929	12 661 862	-	80 447	73 327 372	120 845 155
Leased Assets	3 632 680	155 700	-	-	-	-	3 788 380	3 184 029	446 931	-	17 613	3 613 448	154 907
Computer Equipment	231 371 025	7 835 440	-	-	-	15 235 330	254 441 805	176 412 103	17 760 216	-	15 208 207	1 76 065 111	46 105 024
Other assets	21 151 991	2 257 388	-	-	-	784 584	24 193 963	19 877 129	2 369 596	-	1 859 235	15 374 603	5 311 275
Computer Equipment	28 738 091	1 799 392	-	-	-	9 887 759	39 325 232	56 074 240	4 802 140	-	9 887 200	51 289 188	8 718 432
Furniture and Office Equipment	65 701 702	2 480 009	-	-	-	2 876 511	71 958 211	57 763 338	8 310 284	-	2 876 485	80 507 572	6 484 149
Machinery and Equipment	115 779 241	-	-	-	-	-	115 779 241	115 390 739	-	-	-	115 390 739	24 593 167
Transport Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	10 481 846 616	161 566 598	-	-	13 595 000	194 403 923	10 637 854 013	3 889 448 351	356 868 703	-	52 015 423	4 106 331 721	6 441 552 382

**NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2021**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment					Carrying Value				
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance		Additions	Transfers	Disposals	Closing Balance
Monumentally Significant Building	7 676 319	-	-	-	-	-	7 676 319	-	-	-	-	-	7 676 319
Historic buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Areas of Land of Historic Specific Significance	-	-	-	-	-	-	-	-	-	-	-	-	-
Works of Art	3 093 704	87 700	-	-	-	-	4 081 404	-	-	-	-	-	4 081 404
Antiques and Collections	-	-	-	-	-	-	-	-	-	-	-	-	-
Other heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Archives	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11 670 112	87 700	-	-	-	-	11 757 812	-	-	-	-	-	11 757 812

**NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2021**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment					Carrying Value				
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance		Additions	Transfers	Disposals	Closing Balance
Land and Buildings	-	-	-	-	-	-	327 734 619	-	-	-	-	-	327 734 619
Total	-	-	-	-	-	-	327 734 619	-	-	-	-	-	327 734 619

**NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2021**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment					Carrying Value				
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance		Additions	Transfers	Disposals	Closing Balance
Intangible Assets	15 364 268	-	-	-	-	-	15 364 268	13 139 661	984 200	-	-	14 103 651	1 260 317
Computer Software	15 364 268	-	-	-	-	-	15 364 268	13 139 661	984 200	-	-	14 103 651	1 260 317
Total	10 712 371 961	83 676 927	-	100 278 905	-	-	2 422 000 520	1 145 348 701	63 726 746	-	-	1 209 072 447	1 262 927 062

**APPENDIX B - UNAUDITED
NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment						Carrying Value			
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions		Transfers	Disposals	Closing Balance
Land, buildings and community assets													
Land	156 055 447	-	-	-	-	-	156 055 447	-	-	-	-	-	156 055 447
General plant	156 055 447	-	-	-	-	-	156 055 447	-	-	-	-	-	156 055 447
Operational buildings	452 293 827	-	-	1 214 000	-	1 214 000	453 507 827	75 095 759	14 682 988	-	-	89 778 747	542 729 584
Municipal Offices	427 977 576	-	-	-	-	-	427 977 576	66 180 042	13 994 445	-	-	80 174 621	438 152 195
Housing	24 184 252	-	-	-	-	-	23 935 698	8 935 403	711 365	-	-	9 646 763	23 935 698
Stores	132 000	-	-	-	-	-	132 000	2 314	7 157	-	-	9 471	122 529
Community	243 659 637	12 064 876	-	-	-	-	243 113 419	59 692 579	16 654 931	-	-	76 347 511	167 385 099
Cemeteries/Crematoria	21 970 030	-	-	-	-	-	21 909 033	6 192 926	2 518 051	-	-	9 010 987	12 202 046
Centres	370 030	-	-	-	-	-	370 030	4 312 748	3 472 738	-	-	7 785 487	2 998 543
Fire/Amulance Stations	37 009 495	-	-	-	-	-	37 009 495	4 191 238	1 038 405	-	-	5 229 643	31 781 852
Libraries	11 323 613	-	-	-	-	-	11 323 613	3 642 532	507 212	-	-	4 149 743	7 173 870
Public Abolition Facilities	12 692 520	11 656 972	-	-	-	-	11 828 303	5 691 045	638 632	-	-	6 729 877	5 098 626
Stalls	1 478 307	-	-	-	-	-	1 478 307	65 780	61 295	-	-	147 084	5 098 626
Airports	11 214 962	108 004	-	-	-	-	11 322 959	694 487	401 947	-	-	1 096 434	10 226 512
Text Ranks/Bus Terminals	59 179 358	-	-	-	-	-	59 179 358	15 687 072	2 534 703	-	-	10 201 775	40 977 591
Sport and Recreation Facilities - Outdoor Facilities	21 500	-	-	-	-	-	21 500	10 108	783	-	-	10 889	10 811
Infrastructure assets	83 489 827	-	-	-	-	-	83 489 827	2 004 625	4 383 155	-	-	27 387 760	66 082 046
Waste Transfer Stations	9 299 853 764	121 314 775	-	-	-	-	9 420 300 041	3 252 703 658	313 743 041	-	-	3 566 446 699	5 853 853 182
Waste Transfer Stations	859 499 459	4 049 528	-	-	-	-	863 548 987	51 511 097	14 129 291	-	-	102 640 388	961 199 376
Waste Transfer Stations	659 748 924	-	-	-	-	-	659 748 924	300 513 393	14 129 291	-	-	820 391 684	351 347 910
Waste Transfer Stations	6 104 927	-	-	-	-	-	6 104 927	2 181 111	172 265	-	-	2 353 376	3 771 551
Waste Transfer Stations	915 209 153	-	-	-	-	-	915 209 153	303 428 827	29 549 270	-	-	332 978 103	582 231 050
Waste Transfer Stations	15 789 238	-	-	-	-	-	15 789 238	6 630 261	5 18 713	-	-	7 148 974	8 640 262
Waste Transfer Stations	175 172 734	-	-	-	-	-	175 172 734	89 163 828	7 821 761	-	-	94 085 599	86 852 760
Waste Transfer Stations	4 603 773 408	61 990 802	-	-	-	-	4 665 764 210	1 520 284 484	138 347 577	-	-	1 664 632 071	3 001 132 137
Waste Transfer Stations	108 373 535	-	-	-	-	-	108 373 535	39 077 591	4 400 518	-	-	45 478 070	64 896 466
Waste Transfer Stations	27 825 518	-	-	-	-	-	27 825 518	17 337 471	1 881 402	-	-	19 198 872	8 426 644
Waste Transfer Stations	7 450 811	-	-	-	-	-	7 450 811	3 451 128	288 983	-	-	7 738 922	3 732 700
Waste Transfer Stations	42 448 909	19 464 107	-	-	-	-	42 448 909	2 888 983	18 937 435	-	-	61 386 347	104 835 256
Waste Transfer Stations	45 164 953	-	-	-	-	-	45 164 953	135 189 302	22 637 025	-	-	157 226 275	270 069 802
Waste Transfer Stations	81 164 799	-	-	-	-	-	81 164 799	248 127 130	22 637 025	-	-	266 814 145	345 161 752
Waste Transfer Stations	3 710 195	-	-	-	-	-	3 710 195	74 155	183 717	-	-	74 155	3 710 195
Waste Transfer Stations	6 254 857	3 102 643	-	-	-	-	9 357 500	177	163 717	-	-	163 884	9 163 006
Waste Transfer Stations	484 532 804	-	-	-	-	-	484 532 804	254 181 807	19 222 832	-	-	273 384 440	211 148 385
Waste Transfer Stations	411 273 626	-	-	-	-	-	411 273 626	99 615 451	17 240 191	-	-	116 755 642	294 517 984
Waste Transfer Stations	559 000 018	-	-	-	-	-	559 000 018	106 685 728	18 233 289	-	-	125 222 016	433 778 004
Waste Transfer Stations	184 129 323	21 171 898	-	-	-	-	205 301 221	45 784 939	14 730 889	-	-	60 585 828	164 735 094
Leased assets	3 437 171	195 489	-	-	-	-	3 632 660	2 311 383	872 646	-	-	3 184 029	448 631
Computer Equipment	3 437 171	-	-	-	-	-	3 437 171	-	-	-	-	-	3 437 171
Other assets	235 671 522	5 909 659	-	-	-	-	241 581 181	158 823 446	17 789 457	-	-	176 412 403	64 038 022
Computer Equipment	801 362	-	-	-	-	-	801 362	12 942 049	2 148 894	-	-	15 090 942	6 090 045
Computer Equipment	28 498 947	243 724	-	-	-	-	28 742 671	17 505 609	2 387 320	-	-	19 877 429	6 980 983
Machinery/And Equipment	65 015 089	688 813	-	-	-	-	65 703 902	50 807 344	5 868 902	-	-	56 674 246	9 827 458
Transport Assets	111 159 224	4 821 017	-	-	-	-	116 080 241	77 083 245	7 708 640	-	-	85 369 785	30 409 455
Total	10 343 557 772	139 474 743	-	1 214 000	-	-	10 477 386 227	3 529 448 120	360 881 197	-	-	3 889 448 351	6 587 845 876

**NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2020**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment						Carrying Value		
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions		Transfers	Disposals
Monuments	R 7 484 319	R 182 000	-	-	R -	R -	R 7 676 319	R -	R -	R -	R -	R -
Works of art	R 3 993 914	-	-	-	-	-	R 3 993 914	-	-	-	-	-
Total	R 11 488 232	R 182 000	-	-	-	-	R 11 670 232	-	-	-	-	-
												R 7 676 319
												R 3 993 914
												R 11 670 232

**NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2020**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment						Carrying Value		
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions		Transfers	Disposals
Land and Buildings	R 342 104 619	-	-	-	R -	R -	R 342 104 619	R -	R -	R -	R -	R -
Total	R 342 104 619	-	-	-	-	-	R 342 104 619	-	-	-	-	-
												R 342 104 619

**NEWCASTLE LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2020**

Description	Cost / Revaluation			Accumulated Depreciation / Impairment						Carrying Value		
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions		Transfers	Disposals
Intangible assets	R 15 191 339	R 172 920	-	-	R -	R -	R 15 364 259	R 12 180 158	R 949 508	R -	R -	R 13 139 661
Computer Software	R 15 191 339	R 172 920	-	-	-	-	R 15 364 259	R 12 180 153	R 949 508	-	-	R 13 139 661
Total	R 15 191 339	R 172 920	-	-	-	-	R 15 364 259	R 12 180 153	R 949 508	-	-	R 13 139 661
Total Asset Register	R 10 712 371 861	R 83 675 627	-	R 100 278 905	-	-	R 2 492 000 320	R 1 145 348 701	R 63 725 748	-	-	R 1 209 072 447
												R 2 224 807
												R 2 224 807
												R 1 209 072 882

**APPENDIX C - UNAUDITED
NEWCASTLE MUNICIPALITY
DISCLOSURE OF BANK ACCOUNTS AND INVESTMENTS IN TERMS OF SECTIONS 125(a)&(b) OF MFMA, 56 OF 2003**

Banking Institution	Account Purpose	Account Type	Account Number	Balance at 01 July 2020	Movement during the year	Balance at 30 June 2021
Nedbank	Primary banking	Cheque account	112667338	2,892,139	4,658,015	7,550,154
Nedbank	Collection for services	Cheque account		-	-	-
Nedbank	Council Funds	Investment account	037648555441 46	113	4	117
Nedbank	Council Funds	Investment account	037648555441 47	113	4	117
Nedbank	Council Funds	Investment account	037648555441 48	113	4	117
Nedbank	Council Funds	Investment account	037648555441 49	113	4	117
Nedbank	Council Funds	Investment account	037648555441 52	965,440	(833,272)	132,168
Nedbank	Council Funds	Investment account	037648555441 53	47	-	47
Nedbank	Post Office Guarantee	Investment account	037648555441 54	366,309	18,438	384,747
Total Nedbank Accounts				4,224,389	3,843,195	8,067,584
Standard Bank	Self Insurance Reserve Fund	Investment account	068450354/015	1,089,090	(962,504)	126,586
Standard Bank	Housing Development Fund	Investment account	068450354/016	28,701,727	(28,624,910)	76,817
Standard Bank	Provincialisation grant	Investment account	068450354/035	43,254	243	43,497
Standard Bank	Municipal Infrastructure Grant	Investment account	068450354/036	598,081	(579,552)	18,529
Standard Bank	Neighbourhood Development Partnership grant	Investment account	068450354/037	422,224	(385,565)	36,659
Standard Bank	Electrification Grant	Investment account	068450354/038	60,264	642	60,906
Standard Bank	Finance Management Grant	Investment account	068450354/039	78,434	835	79,269
Standard Bank	Titel deed low cost housing grant	Investment account	068450354/040	5,553,011	(5,457,035)	95,976
Total Standard Bank Accounts				36,546,086	(36,007,847)	538,239
ABSA Bank	Capacity Building	Investment account	9288456248	64,920	(336)	64,584
ABSA Bank	VAT Refund	Investment account	9300506428	529,582	16,364	545,946
Total ABSA Bank Accounts				594,502	16,028	610,529
TOTAL BANK ACCOUNTS				41,364,976	(32,148,624)	9,216,353

**APPENDIX D - UNAUDITED
NEWCASTLE MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003**

Grant Description	Transferring Department	Capital / Operational	Balance 01 July 2020	Grants Receive	Grant Adjustments	Total Expenditure during the year transferred to revenue	Balance 30 June 2021
National government grants							
Electrification Grant	Department of Energy	Operational	(6,267,094)	(7,000,000)	6,267,000	7,000,094	-
Financial Management Grant (FMG)	National Treasury	Operational	-	(1,700,000)	-	1,700,000	-
Municipal Infrastructure Grant (MIG)	Cooperative Governance and Traditional Affairs	Capital	-	(110,432,000)	-	110,432,000	(0)
Neighbouring Development Partnership Grant (NDPG)	National Treasury	Capital	-	(15,000,000)	-	9,060,067	(5,939,933)
Water Services Infrastructure Grant (WSIG)	Water and Forestry	Capital	(17,196,148)	(35,000,000)	17,203,000	26,476,778	(8,516,370)
Expanded PWWorks Incentive		Operational	(6,738)	(2,895,000)	-	2,901,738	0
Total National government grants			(23,469,980)	(172,027,000)	23,470,000	157,570,677	(14,456,303)
Provincial government grants							
Environmental Management Framework	Water and Environmental Affairs	Operational	(502,871)	-	-	-	(502,871)
Cleanest Town	Water and Environmental Affairs	Operational	(823,975)	-	-	-	(823,975)
Title Deeds Restoration Grant	Human Settlements	Operational	(7,233,371)	(1,200,000)	5,196,326	519,882	(2,717,163)
Grant Skill Development	Local Government SETA	Operational	(905,456)	(1,279,817)	-	639,088	(1,546,185)
Community Library Services Grant	Arts and Culture	Operational	(1,343,706)	(2,312,000)	(959,184)	4,202,341	(412,549)
Ingogo Fresh Produce	Cooperative Governance and Traditional Affairs	Operational	(11,353)	-	-	-	(11,353)
Sports Maintenance Facilities Grant	Sports and recreation	Operational	(10,220)	-	-	-	(10,220)
Osizweni Arts Centre	Arts and Culture	Operational	(36,920)	-	-	-	(36,920)
Corridor Development	Cooperative Governance and Traditional Affairs	Operational	(131,075)	-	-	-	(131,075)
Provincialisation	Arts and Culture	Operational	(2,458,316)	(6,729,000)	959,184	7,224,745	(1,003,386)
Carnegie Art Gallery	Arts and Culture	Operational	(378,121)	(107,000)	9,800	134,634	(350,488)
Fort Amiel Museum	Arts and Culture	Operational	(381,454)	(300,000)	(9,800)	479,721	(201,733)
Capacity Building Housing	Human Settlements	Operational	0	(6,300,647)	-	4,198,058	(2,102,589)
Newcastle Airport	Cooperative Governance and Traditional Affairs	Operational	(1,815,281)	-	-	-	(1,815,281)
All Housing Grants	Human Settlements	Operational	(4,266,813)	(120,903,440)	-	120,903,440	(4,266,813)
Sport and Recreation	Sports and recreation	Operational	(1,980,418)	(3,666,667)	-	-	(5,647,084)
Title Deeds Restoration Grant - Post		Operational	-	-	(5,196,326)	-	(5,196,326)
Total provincial government grants			(22,279,350)	(142,798,570)	-	138,301,909	(26,776,011)
GRAND TOTAL			(45,749,330)	(314,825,570)	23,470,000	295,872,586	(41,232,314)

Newcastle Municipality
APPENDIX E
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR-ENDED 30 JUNE 2021

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 of The MFMA)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actuals As % Of Final Budget	Reasons for Variance
	R	R	R	R	R	R	R	
FINANCIAL PERFORMANCE								
REVENUE								
Property Rates	396 532 173	(47 296 929)	349 235 244	342 533 924	-	(6 701 320)	-2%	Some of the property values were reduced after the objections of property owners were approved.
Service Charges	1 015 135 576	(4 321 823)	1 010 813 753	1 013 748 409	-	2 934 656	0%	Due to the seasonal consumption of electricity and other services. The variance is however considered immaterial
Rental of facilities and equipment	8 495 083	(1 053 286)	7 441 797	7 093 441	-	(348 356)	-5%	Due to the time rental properties was vacant during the year, due to properties being vacated.
Interest received	8 821 674	(1 342 000)	7 479 674	6 902 710	-	(576 964)	-8%	Due to some of the old accounts being written-off by Council, on which the municipality was charges interest for accounts being overdue.
Licences and permits	15 174	-	15 174	101 472	-	86 298	569%	Due to additional licences imposed due to Covid-19 regulations been routed
Transfers Recognised - Operational	662 833 006	64 550 963	727 383 969	546 634 369	-	(180 749 600)	-25%	Low transfers recognised due to unspent conditional grant relating to Covid-19 impact on the economy and on project implementation.
Fines, penalties and forfeits	13 114 402	(4 500 506)	8 613 896	5 401 977	-	(3 211 919)	-37%	Due to lockdown restrictions, which discouraged free movement of people and due to the implementation of the ceftu hours.
Other Own Revenue	15 741 334	3 120 592	18 861 926	18 409 359	-	(452 567)	-2%	Due to Covid-19 restrictions where some of the municipal functions were not available to communities for use.
Total Revenue (Excluding Capital Transfers & Contributions)	2 120 688 422	9 157 011	2 129 845 433	1 940 825 661	-	(189 019 772)	-9%	

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EXPENDITURE	594 311 981	(46 080 308)	548 221 673	546 878 068	-	(1 343 605)	0%	Due to employee exiting the municipality during the year.
Employee Costs								
Remuneration of Councillors	28 455 633	(1 104 000)	27 351 633	25 611 680	-	(1 739 953)	-6%	Due to some of expenditure reclassified to contracted services as per MSCOA regulations.
Debt impairment	184 689 817	(18 589 173)	166 100 644	216 003 044		49 902 400	30%	Due to the writing-off of debt considered irrecoverable by Council. The risk profiling of all debtors was also undertaken, which resulted in more debt being impaired due to very low probability of collection
Depreciation & Amortisation	420 387 391	(24 352 000)	396 035 391	351 201 943		(44 833 448)	-11%	Change in accounting estimates and gains for assets identified during the physical verification process.
Finance Charges	42 881 638	-	42 881 638	64 979 614	-	22 097 976	52%	Due to the impact of the actuarial and the rehabilitation of landfill site, which could not be estimated reliably during the budget process due to technical nature thereof.
Bulk Purchases - Electricity	534 445 230	(68 282 943)	466 162 287	436 880 517	-	(29 281 770)	-6%	Due to the changes in the seasonal consumption
Bulk Purchases - Water	126 225 734	(3 148 550)	123 077 184	122 454 539	-	(622 645)	-1%	Due to shutdown of water services emanation from breakdowns, especially in the Eastern Region of Newcastle
Contracted services	337 719 062	115 785 152	453 504 214	230 428 965	-	(223 075 249)	-49%	Due to slow performance in key projects and the alignment of votes in terms of the MSCOA regulations
Other Expenditures	128 347 276	70 370 289	198 717 575	136 990 687	-	(61 726 888)	-31%	Due to slow performance in key projects and the alignment of votes in terms of the MSCOA regulations
Total Expenditure	2 387 473 762	24 578 477	2 422 052 239	2 131 429 057	-	(290 623 182)	-12%	
Surplus/(Deficit)	(276 785 340)	(15 421 466)	(292 206 806)	(190 603 396)	-	101 603 410	-35%	
Transfers Recognised - Capital	-	108 904 432	108 904 432	100 297 788	-	(8 606 644)	-8%	Due to delays on the implementation of key projects and Covid-19 regulations
Actuarial gains/losses	-	-	-	12 908 000	-	12 908 000	#DIV/0!	The provision was not included in the budget due to the accurate data during the budget process
Inventories losses/write-down	-	-	-	-	-	-	#DIV/0!	The provision was not included in the budget due to the accurate data during the budget process
Impairment loss/ Reversal of Impairments	-	20 000 000	20 000 000	(25 829 168)	-	(45 829 168)	-229%	Due to the condition assessment performed by the Engineers on property plant and equipment, which indicated that the value of assets is low the current carrying value of such assets.
Share Of Surplus/(Deficit) Of Associate	-	(32 000 574)	(32 000 574)	(30 277 147)	-	1 723 427	-5%	Variance considered immaterial
Profit/(Loss) on sale of assets	-	-	-	(50 066 166)	-	(50 066 166)	#DIV/0!	The provision was not included in the budget due to the accurate data during the budget process not available
Gains from transfer of functions between entities not under common control	-	-	-	39 249 962	-	39 249 962	#DIV/0!	The provision was not included in the budget due to the accurate data during the budget process not available
Surplus/(Deficit For The Year	-	96 903 858	96 903 858	46 283 269	-	(50 620 589)	-52%	

**APPENDIX E
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CAPITAL EXPENDITURE, FUNDS AND SOURCES									
Capital Expenditure									
Transfers Recognised - Capital	92 047 995	16 856 437	108 904 432	100 297 788	-	(8 606 644)	-8%		Due to delays in grant funded projects as a result of the impact of Covid-19 as well as the impact of VAT input not accounted for as expenditure as per the VAT legislation.
Public contributions & donations	-	-	-	-	-	-	0%		
Borrowings	-	-	-	-	-	-	0%		
Internally Generated Funds	33 500 000	7 016 822	41 485 898	21 051 981	-	(20 433 917)	-49%		Due to delays in grant funded projects as a result of the impact of Covid-19 as well as the impact of VAT input not accounted for as expenditure as per the VAT legislation.
Total Sources Of Capital Funds	125 547 995	23 873 259	150 390 330	121 349 769	-	(29 040 561)	-19%		

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CASH FLOWS									
	150 287 868	(26 448 862)	123 838 986	123 872 364	-	33 378	0%	Low collection from rates and services due to the impact of Covid-19 pandemic.	
Net Cash From (Used) Operating									
	(107 547 994)	(24 842 336)	(132 390 330)	(121 349 769)	-	11 040 561	-8%	Due to delays in capital projects as a result of the impact of Covid-19 as well as the impact of VAT input not accounted for as expenditure as per the VAT legislation.	
Net Cash From (Used) Investing									
	(28 756 915)	-	(28 756 915)	(29 290 794)	-	(2 533 879)	9%	Variance considered immaterial	
Net Cash From (Used) Financing									
Cash/Cash Equivalents At The Beginning of the Year	15 982 959	(51 291 218)	(35 308 259)	(26 768 199)	-	8 540 060	-24%		
Cash and cash equivalents at the beginning of the year	28 060 000	8 184 336	36 244 336	36 268 498	-	(24 162)	0%	The budget was based on the estimated cash at the end of the year, based on the financial challenges that the municipality was facing during the year.	
Cash/Cash Equivalents At The Year End	44 042 959	(43 106 882)	936 077	9 500 299	-	8 515 898	910%		

STATEMENT OF FINANCIAL POSITION															
Description	Original Budget		Budget Adjustments (i.e. s28 & s31 of The MFMA)		Final Budget		Actual		Unauthorised Expenditure		Variance		Actuals As % Of Final Budget		Reasons for Variance
	R		R		R		R		R		R		R		
Assets															
Current assets															
Inventories	13 295 587		218 716		13 514 303		19 359 520		-		5 845 217		43%	Low stores used by departments in the production of goods and services due to the impact of Covid-19 restrictions.	
Other financial assets									-		-				
Receivables from exchange transactions	36 838 125		-		36 838 125		115 423 380		-		78 585 255		213%	VAT accrued for accruals, which was not estimated accurately during the year. More VAT accruals were raised due to the municipality unable to pay all its creditors at year-end	
Receivables from non-exchange transactions									-		-				
Consumer debtors from exchange transactions	377 278 135		172 376 865		549 655 000		647 406 198		-		97 751 198		18%	Due to annual increase in tariffs and low collection rate due to Covid-19 impact.	
Consumer debtors from non-exchange transactions									-		-				
Cash and cash equivalent	72 553 078		19 694 369		92 247 447		9 500 299		-		(82 747 148)		-90%	Limited cash resources due to the low collection rate and year-end creditor commitments.	
Total current assets	499 964 925		192 289 950		692 254 875		791 689 397		-		99 434 522		14%		

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Non-Current Assets									
Investment property	355 563 618		355 563 618	327 734 618	-	(27 829 000)	-8%	Due to assets removed from the asset register as a result of the disposal and Deeds confirmations.	
Property, plant and equipment	6 638 511 968		6 638 511 968	6 440 087 019	-	(198 414 949)	-3%	New assets purchased during the year, as well as assets identified on the floor during the physical verification, which was not recognised in the asset register.	
Intangible assets	1 823 057	(1 132 744)	690 313	1 260 317	-	570 004	83%	Due to the amortisation of existing assets as required by the Standard of GRAP.	
Other non-current assets/ Heritage assets	11 488 232	182 000	11 670 232	11 757 932	-	87 700	1%	Due to the depreciation of existing assets as required by the Standard of GRAP.	
Investment in associates	204 693 191	30 234 660	234 927 851	187 056 075	-	(47 871 776)	-20%	Based on the updated net asset value of Uthukela Water. The net asset value of the entity decreased more than anticipated.	
Total non current assets	7 212 080 067	29 283 916	7 241 363 983	6 967 905 961	-	(273 458 022)	-4%		
Total Assets	7 712 044 992	221 573 866	7 933 618 858	7 759 595 358	-	(174 023 500)	-2%		
Liabilities									
Current liabilities									
Borrowings/Other Financial Obligation	28 756 915	-	28 756 915	30 987 268	-	2 230 353	8%	Due to adjustments in the amounts of some loan amounts	
Finance lease obligation		-	-	109 927	-	109 927	#DIV/0!		
Consumer Deposits	24 738 459	175 552	24 914 011	27 519 972		2 605 961	10%	Deposits increased due to more consumers failing to pay their monthly accounts due to the economic impact of Covid-19	
Trade and other payables/Payables from exchange transactions	333 583 000	100 065 324	433 648 324	800 985 821		367 337 497	85%	The Eskom debt was excluded from the budget amount on the advice of Provincial Treasury in order to assess the funding status of the budget	
Provisions	8 667 735	1 084 265	9 752 000	-	-	(9 752 000)	-100%	Based on the actuarial evaluation expert report, more employees were appointed during the year, which necessitate additional provision	
VAT Payables	-	-	-	18 093 962		18 093 962	#DIV/0!	Due to input VAT accruals raised at year-end as a result of invoices not paid. This was not anticipated during the budget process.	
Unspent conditional grants And receipts	33 439 000	8 577 308	42 016 308	41 232 304	-	(784 004)	-2%	Variance considered immaterial	
Defined benefit plan	8 667 735	1 084 265	9 752 000	11 406 000		1 654 000	17%	Based on the actuarial evaluation expert report, more employees were appointed during the year, which necessitate additional provision	

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Total current liabilities	437 852 844	110 986 714	548 839 558	930 335 254	-	381 495 696	70%	
Non current liabilities								
Borrowings/Other financial liabilities	375 896 360	208 115 921	584 012 281	362 011 519	-	(222 000 762)	-38%	The budget for the Eskom debt was included under this item on the advice of Provincial Treasury in order to assess the funding status of the budget. However, a portion of lower actual is related to the payment borrowings during the year.
Finance lease obligation	-	-	-	42 180		42 180	#DIV/0!	
Provision for rehabilitation of landfill site	30 286 083	-	30 286 083	59 199 847		28 913 564	95%	Based on the evaluation expert report, the increase in values for assets to be provided for resulted in the increase in the provision, which was not identified during the budget process.
Retirement benefits/ Defined benefit plan	177 199 141	-	177 199 141	155 397 002	-	(21 802 139)	-12%	Based on the actuarial evaluation expert report, more employees were appointed during the year, which necessitate additional provision
Total current liabilities	583 381 584	208 115 921	791 497 505	576 650 348	-	(214 847 157)	-27%	
Total liabilities	1 021 234 428	319 102 635	1 340 337 063	1 506 985 602	-	166 648 539	12%	
Net Assets								
Reserves								
Housing Development Fund	27 976 000	931 982	28 907 982	29 806 660	-	(898 678)	-3%	Due to the interest that was invested to the investment fund during the year
Self-insurance	534 119	(1 136)	532 983	435 241	-	97 742	18%	Withdrawal from the fund due to more claims and excess amounts paid, which were not covered by the insurance in terms of the insurance rules.
Accumulated Surplus/(Deficit)	6 355 514 317	178 980 156	6 534 494 473	6 222 367 855	-	312 126 618	5%	Due to the overall movements between actual income and revenue which could be estimated reliably.
Total Net Asset	6 384 024 436	179 911 002	6 563 935 438	6 252 609 756	-	311 325 682	5%	

**APPENDIX F
NEWCASTLE MUNICIPALITY
SEGEMENTAL REPORTING OF FINANCIAL PERFORMANCE FOR THE YEAR-ENDED 30 JUNE 2021
MUNICIPAL VOTE CLASSIFICATION**

2020 Actual Income	2020 Actual Expenditure	2020 (Surplus) Deficit	DEPARTMENT	2021 Budget Income	2021 Actual Income	2021 Budget Expenditure	2021 Actual Expenditure	2021 (Surplus) Deficit	Budget under / (overspent)
81,960,067	272,568,593	- 190,608,526	Corporate Services	145,939,532	94,290,127	188,150,873	175,074,847	- 80,784,719	13,076,026
145,314,219	301,372,258	- 156,058,039	Community Services	155,038,757	185,559,040	289,493,883	270,855,541	- 85,296,501	18,638,342
-	80,993,749	- 80,993,749	Office of the Municipal Manager Development Planning and Human Settlements	1,500,000	-	91,428,834	83,702,363	- 83,702,363	7,726,471
18,982,558	51,914,180	- 32,931,622		205,899,789	19,359,605	228,589,191	131,750,626	- 112,391,021	96,838,565
365,210,781	186,099,368	179,111,413	Budget and Treasury Office	388,678,849	402,527,505	234,323,661	218,298,719	184,228,786	16,024,942
1,292,217,250	1,364,071,452	- 71,854,202	Technical Services	1,341,692,938	1,386,123,763	1,410,065,797	1,403,766,374	- 17,642,611	6,299,423
1,903,684,875	2,257,019,600	- 353,334,725		2,238,749,865	2,087,860,041	2,442,052,239	2,283,448,470	- 195,588,429	158,603,769

**APPENDIX F
NEWCASTLE MUNICIPALITY
SEGEMENTAL REPORTING OF FINANCIAL PERFORMANCE FOR THE YEAR-ENDED 30 JUNE 2021
MUNICIPAL VOTE CLASSIFICATION**

2020 Actual Income	2020 Actual Expenditure	2020 Surplus (Deficit)	CLASSIFICATION	2021 Budget Income	2021 Actual Income	2021 Budget Expenditure	2021 Actual Expenditure	2021 Surplus (Deficit)	Budget under / (overspent)
17,929,208	276,500,567	- 258,571,358	Executive and Council	7,149,120	11,773,558	77,988,628	77,031,308	- 65,257,750	957,320
429,241,640	335,652,742	93,588,898	Financial and Administration	528,969,261	484,944,633	470,292,980	422,810,240	62,134,393	47,482,740
	331,847	- 331,847	Internal Audit	-	-	6,670,202	5,176,360	- 5,176,360	1,493,842
10,719,678	26,807,393	- 16,087,715	Community and Social Services	12,902,872	42,075,963	34,318,020	32,561,102	9,514,861	1,756,918
413,066	70,447,637	- 70,034,571	Sports and Recreation	696,605	110,367	76,116,975	74,808,340	- 74,697,974	1,308,635
11,119,757	77,226,919	- 66,107,162	Public Safety	9,676,443	5,060,843	63,796,654	59,508,236	- 54,447,393	4,288,418
9,209,621	20,563,848	- 11,354,227	Housing	184,305,992	8,079,004	362,873,621	359,853,772	- 351,774,768	3,019,849
38,855	7,384,298	- 7,345,443	Health	60,640	18,698	8,720,774	8,675,009	- 8,656,311	45,765
126,046,932	92,593,825	33,453,107	Planning and Development	100,859,882	85,557,181	83,293,503	81,394,052	4,163,129	1,899,451
-	421,660,983	- 421,660,983	Road Transport	35,266,268	38,962,037	213,424,025	207,656,470	- 168,694,433	5,767,555
-	8,151	- 8,151	Environmental Protection	-	-	10,000	9,332	- 9,332	668
654,701,319	358,658,933	296,042,386	Energy Sources	702,108,441	710,518,814	609,785,396	567,650,328	142,868,486	42,135,088
315,239,350	435,847,891	- 120,608,541	Water Management	303,897,618	323,035,800	301,663,424	277,647,681	45,388,119	24,015,743
209,696,582	67,283,923	142,412,659	Waste Water Management	220,987,879	239,452,022	86,497,959	73,246,443	166,205,579	13,251,516
119,174,602	64,356,925	54,817,677	Waste Management	131,702,197	138,083,936	45,717,268	34,619,264	103,464,672	11,098,004
154,267	1,693,720	- 1,539,453	Air Transport	166,647	187,185	882,810	800,533	- 613,348	82,277
1,903,684,875	2,257,019,600	- 353,334,725		2,238,749,865	2,087,860,041	2,442,052,239	2,283,448,470	- 195,588,429	158,603,769

